Dallas

Police and Fire Pension System

2013

Comprehensive Annual Report

for the

fiscal year ended

December 31, 2013

DALLAS POLICE & FIRE PENSION SYSTEM

2013 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.

DPFP has had a steady growth in both its membership and its assets since it was founded in 1916.

Participants

Active Members= 5,397

Benefit Recipients = 3,890

Terminated Vested = 122

Total Participants = 9,409

Service Retirements Added

Police = 112

Fire = 60

Total = 172

Disability Retirements Added

Police = 1

Fire = 0

Total = 1

Financial Information

System Net Assets at Market Value = $3,335,259,433

Benefits Paid = $217,981,645

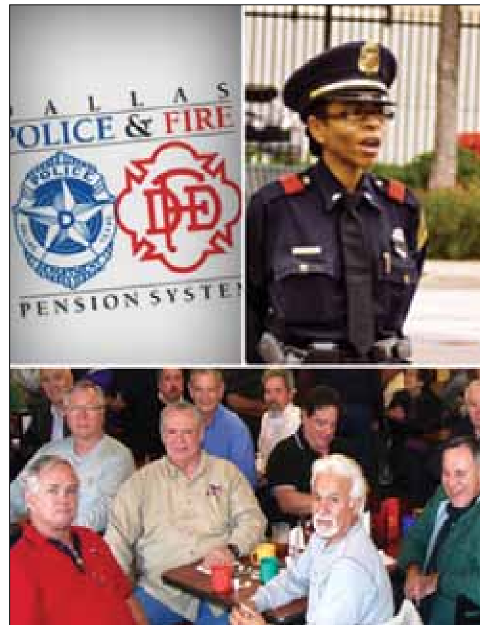
Member Contributions = $26,238,269

City Contributions = $106,074,335

Our Mission is:

To protect the financial future of those who protect us, our police officers and firefighters.

That mission is firmly rooted in every decision we make.



Our job is to:

- Pay benefits through the collection of contributions
- Invest to achieve stability and growth of DPFP's assets
- Maintain member records
- Counsel members on their benefits

DALLAS POLICE & FIRE PENSION SYSTEM

Serving Those Who Protect the Dallas Community

Comprehensive Annual Financial Report

For the Year Ending December 31, 2013

Dallas Police & Fire Pension System
4100 Harry Hines Blvd., Suite 100
Dallas, Texas 75219
214.638.3863 or 1.800.638.3861

website:www.dpfp.org
e-mail: info@dpfp.org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POLICE
DALLAS FIRE-RESCUE

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Bus

INTRODUCTION

Sept. 11, 2014

Members of the Dallas Police and Fire Pension System:

The Board of Trustees and staff of the Dallas Police and Fire Pension System (DPFP) are pleased to present the Comprehensive Annual Financial Report, including the Actuarial Valuation and the Financial Statements for the Pension Plan and the Supplemental Police and Fire Pension Plan of the City of Dallas (the Supplemental Plan), for the fiscal year ended December 31, 2013. The assets of the Pension Plan and the Supplemental Plan are co-invested through a Group Trust.

This Comprehensive Annual Financial Report (Annual Report) for the fiscal year ended December 31, 2013, is intended to provide complete and reliable information regarding the financial performance of DPFP and a means to measure the responsible stewardship of DPFP'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 DPFP.

This annual report is divided into six sections:

1. **Introduction:** includes this transmittal letter and an overview of DPFP, highlighting the history, administrative structure, operations and programs, and provides a list of professional service providers.

2. **Financials:** presents the independent auditor's report on DPFP's financial statements. The audit report includes the Management's Discussion and Analysis (MD&A) and the DPFP's financial statements and notes to the financial statements, with required supplemental information.

3. **Investments:** includes a report on investment activity and performance, a summary of investment policies, and other investment related schedules covering the combined assets of DPFP and the Supplemental Plan.

4. **Actuarial Report:** contains the consulting actuary's Certification Letter and the full actuarial valuation report.

5. **Statistics:** presents membership, benefit payment, and additional financial information in graphic form. Both current and historical data are presented.

6. **Supplemental Plan:** includes the independent auditor's report and the actuarial valuation for the Supplemental Plan.

Doeren Mayhew, CPAs and Advisors, DPFP's independent auditor, issued an unqualified opinion on DPFP's financial statements. This report indicates that the financial statements are presented in accordance with accounting principals generally accepted in the U.S.

The actuarial valuation was performed by Buck Consultants. The Actuarial Valuation Report states that the overall funding of DPFP remains sound. The report reflects that DPFP has achieved a funding ratio of 75.6% with a funding period of 26 years to fully fund DPFP.

NEPC and The Townsend Group provided the investment performance data included in this report.

DPFP experienced a positive, but disappointing total rate of return during 2013, earning 4.4% net of fees. In large part, our modest return is primarily due to declines in real estate value and private equity losses, as well as an under-weight to public equities in our asset allocation. The actuarial assumed rate of return is 8.5%. DPFP recognized and began studying in earnest a shortfall in the funding of the DROP program. Analysis continues in 2014 with a planned Plan amendment election to make necessary changes to DROP.

The Board of Trustees and DPFP's management staff are responsible for maintaining internal controls over DPFP operations. 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 DPFP and facilitate the timely preparation of financial statements in accordance with generally accepted accounting principles.

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 stability of the fund through diversification and sound management of DPFP's investment portfolio. We believe that a strong pension system benefits the City and its taxpayers, as well as the Members of DPFP. We will continue to do our best:

"Serving Those Who Protect the Dallas Community."

Respectfully submitted,

George Tomasovic	***Donald C. Rohan***
Chairman of the Board of Trustees	Interim Administrator


DALLAS
FIRE-RESCUE

DPFP OVERVIEW

In 2013, DPFP celebrated its 97th anniversary of ensuring the financial future of City of Dallas Police Officers and Firefighters and their families. A pension plan was first established for Dallas Police Officers and Firefighters under City Ordinance in 1916 , with the employees and the City each contributing 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 DPFP.

The Texas Legislature approved Plan B, created by a vote of the membership, effective March 1, 1973. Together, the three plans (Old Plan, Plan A, and Plan B) are referred to as the Combined Pension Plan. DPFP is a defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and serves almost 9,300 families of Police Officers and Firefighters.

SYSTEM ADMINISTRATION

DPFP 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 its membership.

The Board has a fiduciary responsibility to DPFP and its Members to exercise prudent oversight and administration of DPFP assets. To meet their responsibility and stay current with technical concepts and approaches to asset management and plan administration, the Board and DPFP staff participate in educational conferences and perform due diligence concerning DPFP 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 DPFP. These professionals assist the Board in making the decisions that affect DPFP's investment performance as well as the administration and maintenance of benefit programs *(see page 15 for a list of these professional service providers)*.

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 DPFP assets.

The administrative staff performs the day-to-day operations of DPFP. At year end, the staff consisted of 33 positions assigned among five teams: Administrative, Benefits, Accounting, Investment, and Information Technology. 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) providing staff support to the Board.

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

INVESTMENT HIGHLIGHTS

Overview

Over the course of 2013, the global economy grew at the fastest pace experienced in recent years. The 2013 fiscal year started off strong, primarily due to monetary support of global central banks and quantitative easing launched by the Federal Reserve generating positive economic news. The global macroeconomic recovery continued at a moderate pace in the fourth quarter, prompting the Federal Reserve to begin a slight tapering of its quantitative easing bond-buying program. Europe continued to emerge from its recent recession, while Japan's economy recorded four consecutive quarters of positive growth and signs of inflation. By the end of December, data showed that U.S. housing prices had experienced the highest increases in the last seven years. Global markets, as measured by the MSCI ACWI, kept pace with U.S. markets, returning 22.8% in 2013. Additionally, U.S. unemployment fell to a five-year low of 7%. Throughout 2013, U.S. equity indexes achieved and surpassed their all-time highs many times, with relatively low volatility. The broad U.S. stock market, as measured by the S&P 500 Index, returned 29.6% in 2013.

Over the past 30 years, DPFP has grown from $196.9 million at the end of 1983 to approximately $3.34 billion in managed assets as of December 31, 2013. For 2013, plan net assets reflected an increase of $70 million from 2012, net of all expenses and benefit payments.

PROFESSIONAL SERVICE PROVIDERS

AQR Capital Management
Allianz Global Investors U.S.
Ashmore Investment Management
BankCap Partners
Bentall Kennedy
Brandywine Global Investment Management
Bridgewater Associates
BTG Pactual Asset Management
CDK Realty Advisors
Cintra US
Criswell Radovan LLC
Eagle Asset Management
Energy Opportunities Capital Management
Forest Investment Associates
Grantham, Mayo, Van Otterloo & Co. (GMO)
HM Capital Partners
Hancock Agricultural Investment Group
Hearthstone Inc.
Highland Capital Management
Hudson Clean Energy Partners
Hunt Investment Management
Invesco Real Estate
JPMorgan Asset Management
Kainos Capital, LLC
L&B Realty Advisors
Levine Leichtman Capital Partners
Lone Star Funds
Lone Star Investment Advisors
Loomis, Sayles & Company
M & G Real Estate
Merit Energy Partners
The Mitchell Group
Mondrian Investment Partners
OFI Institutional Asset Management
Oaktree Capital Management
Olympus Real Estate Partners
PanAgora Asset Management
Pharos Capital Group
Putnam Fiduciary Trust Company
Pyramis Global Advisors
Robeco Transtrend Diversified Fund, LLC
RREEF America
RobecoSAM USA
Walter Scott & Partners Limited
W.R. Huff Asset Management
Yellowstone Capital Partners

Accounting Services
Financial Control Systems Inc.

Actuary
Buck Consultants

Auditor
Doeren Mayhew

Custodian Bank
JPMorgan Chase Bank, N.A.

Other Banking Relationships
Bank of America, N.A.
BBVA Compass Bancshares, Inc.
Texas Capital Bank, N.A.

Investment Consultants
NEPC
The Townsend Group

Legal Advisors
Strasburger & Price, LLP
Travis & Calhoun

Legislative Consultants
Hillco Partners
Locke Lord LLP

A Diversified Long-Term Strategy

DPFP produced a disappointing 4.4% return for 2013. DPFP did not perform as well as expected compared to peer public pension plans that performed rather well during a year that equity markets rallied.

DPFP reduced its allocation to public equities as part of its asset allocation strategy in 2008. This underweight to public equities contributed to the underperformance for 2013; however it has benefited DPFP in down years such as 2008. DPFP's performance was significantly impacted by declines in value in the Global Private Equity and Global Real Estate portfolios. Other contributing factors for the modest return are assets held in the developmental stage, depressed land values, and certain large holdings experiencing flat returns.

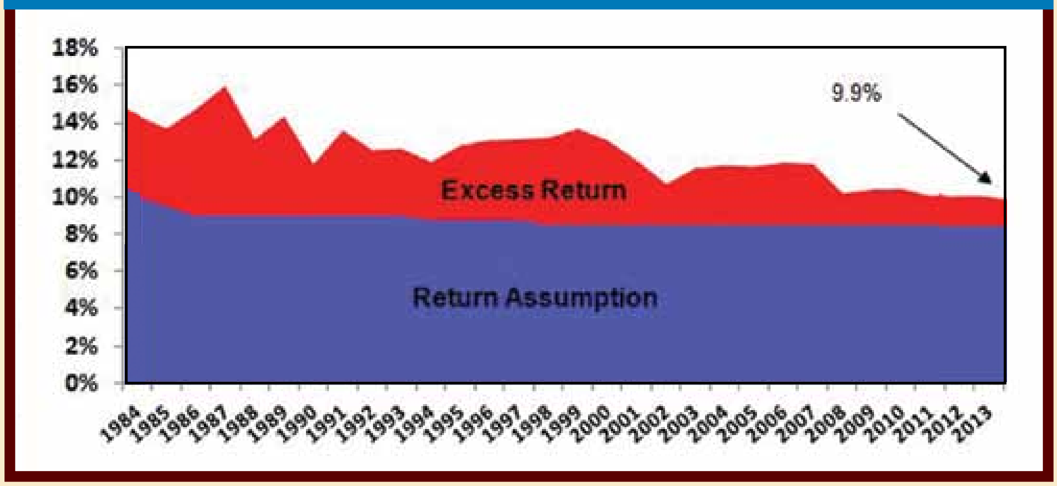
DPFP's asset allocation is designed to balance out in the long term and it has, generating a 9.04% return over the last 20 years as of September 30, 2013 (provided by a study performed by TexPERS, the Texas Public Employees Retirement System).

DPFP's primary objective is to pay benefit payments for the long-term. In order to accomplish this, the Board and staff have developed a strategic investment strategy designed to provide a diversified investment portfolio with a long-term outlook. By investing in various asset classes, the risk of a downturn in one asset class is expected to be offset by gains in another asset class, increasing the probability of an adequate return. DPFP's asset allocation is comprised of Global Public Equity, Global Natural Resources, Global Fixed Income, Global Asset Allocation, Global Private Equity, Global Infrastructure, and Global Real Estate.

During 2013, the Board approved several new investments amounting to over $400 million in commitments. DPFP's Board and staff continuously work with our professional service providers reviewing the investment allocation, monitoring current and potential investments and managers in order to maintain DPFP's diversified long-term strategy.

See Section 3, Investments, for a detailed review of DPFP's asset allocation and performance by asset class.

Annualized Cumulative Investment Returns
1984-2013



The above chart demonstrates that the System's long-term investment performance of 9.9% since 1983 has exceeded the expected rate of return.

PLAN MEMBERSHIP

The System serves almost 9,300 families!

DPFP provides comprehensive retirement, disability and survivor benefits for the City's 9,287 Police Officers, Firefighters, Pensioners and their beneficiaries. As of December 31, 2013, the active membership of DPFP included 3,506 Police Officers and 1,891 Firefighters. The total of 5,397 Active Members reflects a decrease of 3 Members from last year's total of 5,400 (3,482 Police Officers and 1,918 Firefighters).

The average Police Officer is 40.90 years of age with 14.03 years of pension service and the average Firefighter is one year older at 41.90 years of age with 15.07 years of pension service.

DPFP paid pension benefits to 3,890 recipients in 2013. At the end of the year, benefit payments were being made to 2,794 Service Pensioners, 162 Disability Pensioners, and 934 Beneficiaries. The total number of benefit recipients increased by 107 over the prior year.

Change in Active Membership from 2012 to 2013

Active Members	2012	2013	Change
Police	3,482	3,506	+24
Fire	1,918	1,891	-27
Total	5,400	5,397	-3

The number of Active Members in the plan decreased by 3 in 2013. In 2012, there were 5,400 Active Members, but in 2013, there were 5,397.

*(For more information, see additional Membership charts on page 157 in the **Statistics** section)*

FINANCIAL HIGHLIGHTS

Contributions and Benefits

DPFP relies on contributions from the City of Dallas 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 state statute. Active Members are required to contribute to the Plan at a rate of 8.5% of computation pay (base pay plus education pay and state longevity pay). Active Members in Active DROP also are required to pay 8.5% of computation pay. The City is required to pay contributions of 27.5% on total gross payroll for Members. DPFP pays benefits calculated on the basis of a Member's age, average computation pay, eligible service credit and a service multiplier percentage.

In 2013, benefit payments exceeded contributions received by approximately $86 million. This is a normal situation for a mature pension plan like DPFP. Benefit payments and other expenses not met by contributions received are paid from investment income.

For a review of DPFP benefit provisions, see the **Actuarial Report** (page 89) and the **Notes to Basic Financial Statements** (Financial Section page 39). You may obtain more information in the **Statistics** section of this report (page 153) and on DPFP's website at ***www.dpfp.org*** under the "Publications" tab.

Additions to Plan Net Assets

During 2013, DPFP received $132.3 million in Member and City contributions. DPFP also earned investment income, net of fees, of $165.4 million.

Net additions to Plan Net Assets totaled $297.7 million.

Additions to Plan Net Assets

Additions	2013	2012	Increase (Decrease)	Increase (Decrease) %
Member Contributions	$26,238,269	$22,745,338	$3,492.931	15.4 %
Employer Contributions	$106,074,335	$103,933,961	$2,140,374	2.1 %
Net Investment Gain	$165,408,946	$332,415,437	($167,006,491)	(50.2 %)
TOTAL	$297,721,550	$459,094,736	($161,373,186)	(35.2 %)

Net additions to Plan Net Assets totaled $297.7 million.

Deductions from Plan Net Assets

DPFP paid out approximately $218 million in 2013 in service and disability retirement benefits and survivor benefits. DPFP also refunded Member contributions of about $.9 million to terminated Members. DPFP administrative expenses totaled $8.5 million. Total deductions from Plan Net Assets were $227 million.

Plan Net Assets increased by $70 million over the year.

PLAN AMENDMENTS

There were no changes to the Plan during 2013.

LEGISLATION

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

DPFP also continued to oppose federal legislation that would require mandatory or universal Social Security cov-

Deductions from Plan Net Assets

Deductions	2013	2012	Increase (Decrease)	Increase (Decrease) %
Service Retirement Benefits	$146,845,414	$136,677,219	$10,168,195	7.4 %
Survivor Benefits	$23,849,268	$22,338,263	$1,511.005	6.8 %
Disability Benefits	$6,543,450	$6,723,632	($180,182)	(2.7%)
DROP Distributions	$40,743,512	$35,825,837	$4,917,675	13.8 %
Refunds paid to Members	$900,244	$1,535,560	($635,316)	(41.4 %)
Administrative Expenses	$8,511,312	$6,314,669	$2,196,643	34.8 %
TOTAL	$227,393,201	$209,415,180	$17,978,021	8.6 %

Total deductions from Plan Net Assets were $227.4 million.

erage and state and federal legislation that we feel would be harmful to the public defined benefit form of retirement plan such as DPFP.

SUMMARY

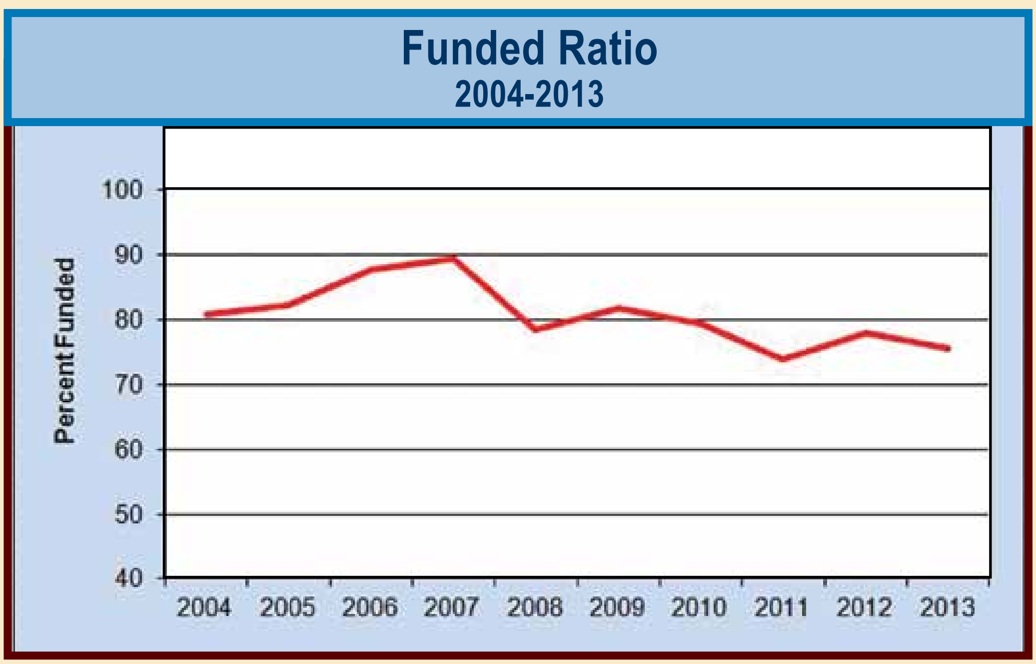
At a time when the defined benefit form of public pension plan remains under attack around the country, DPFP's philosophy and strategy remain focused on long-term results. DPFP believes our diversified long-term investment strategy will continue to provide members and beneficiaries with sustainable pension benefits.

The use of multiple managers employing different investment styles has kept DPFP's long-term performance on track. DPFP Board and staff will review the asset allocation, portfolio risk, and other policies going forward and make necessary changes to ensure the financial health of DPFP.

By the end of 2013, interest credited to DROP accounts had resulted in a cumulative loss to the Plan of more than $300 million. This loss has made it apparent that DROP cannot be sustained in its present form. DPFP has begun the process to make the necessary changes to the Plan in order to make DROP sustainable into the future and to assure the stability of the Pension Plan.

ACKNOWLEDGEMENTS

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



DPFP's Funded Ratio has fluctuated between approximately 73 % and 90 % over the last ten years.

BOARD OF TRUSTEES

Administrative Staff

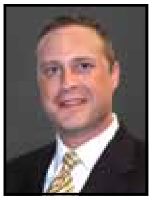
Donald C. Rohan
Interim Administrator

Brian Blake
Assistant Administrator, Investments

Josh Mond
General Counsel

Summer L. Loveland
Chief Financial Officer

John Holt
Information Technology Manager



Greg Irlbeck
Investment Manager, Infrastructure and Public Securities

Patricia McGennis
Benefits Manager

Linda Rickley
Board Coordination and Human Resources Manager

Bill Scoggins
Accounting Manager

Christina Wu
Investment Manager, Real Assets

Laura Banda
Admin. Clerk

Larissa Branford
Accountant

Jerry Chandler
Systems Analyst

Aimee Crews
Benefits Counselor

Sondra K. Hailey
Admin. Clerk

Linh Ho
Investment Analyst

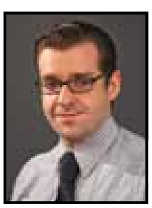
Carol Huffman
Executive Secretary

Chang Huynh
Admin. Clerk

Vickie Johnson
Accounting Specialist

Kevin Killingsworth
Communications Specialist

Ann Matthews
Benefits Counselor

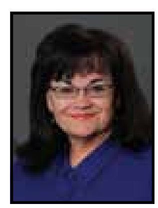


Jon McBrine
Admin. Clerk

Carlos Ortiz
I.T. Project Manager

Alberta Patterson
Admin. Clerk

Rosa Perez
Admin. Clerk



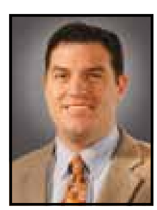
Cynthia Reyes
Admin. Clerk/Receptionist

Milissa Schmidt
Investment Analyst

Corina Terrazas
Business Analyst

Cynthia Thomas
Lead Benefits Counselor

Zahidé Torresday
Benefits Quality Control Auditor



Ryan Wagner
Investment Analyst

Trish Wiley
Benefits Counselor

STATE PENSION REVIEW BOARD OF TEXAS

9/15/2014

Dallas Police & Fire Pension System-Combined Plan
4100 Harry Hines Blvd Ste 100
Dallas, TX 75219

The State Pension Review Board (PRB) has received and reviewed the documentation you recently submitted. At this time, your plan is currently in compliance with annual reporting requirements contained in Chapter 802 of the Texas Government Code and we have updated our records based on this information.

The membership and assets information is displayed on two tables on the following page; please review the information in order to verify that it is correct. The third table shows the dates of the most recent actuarial valuation, benefits summary, investment policy and investment returns and assumptions report that have been received by our office for your plan. If any of these documents have been updated, please submit the most recent copy to our office.

Please feel free to contact our office at one of the numbers shown below if you have any questions regarding the information shown.

Sincerely,

State Pension Review Board
(800) 213-9425
(512) 463-1736

Dallas Police & Fire Pension System-Combined Plan
9/15/2014
Page 2

Membership Information

Total Members	9,409
Total Annuitants	3,890

Asset Breakdown

Other	$3,331,255,932.00
Receivables	$5,173,457.00

Liabilities	$1,169,956.00
Total Net Assets	$3,335,259,433.00

Document	**Most recent date on file with the PRB**
Actuarial Valuation	1/1/2013
Benefit Summary	3/1/2011
Investment Policy	7/12/2012
Investment Returns and Assumptions Report	12/31/2013

If any of these documents have been updated, please submit the most recent copy to our office


POLICE SQUAD

SIGNIFICANT EVENTS IN DPFP'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 DPFP actuary

1978

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

1979

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

1980

- Retention of Eppler, Guerin & Turner Inc. as DPFP's first investment consultant
- Retention of Peat, Marwick, Mitchell & Co. as actuary
- Retention of First City Bank as custodian
- DPFP 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
- DPFP 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
- DPFP assets topped $136.7 million (9-30-82)

1983

- Largest growth in the history of DPFP (to date)
- Benefit improvements to Plan B and Plan A, increasing cost of living to 4%
- DPFP 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
- DPFP 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
- DPFP assets topped $262.1 million (9-30-85)

1986

- Creation of DPFP benefit counseling program
- Members vote to begin paying administrative fees from DPFP's assets
- DPFP 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
- DPFP assets topped $425 million (9-30-87)

1988

- Approval of Plan amendments increased pension service credits from 2.5% to 2.75% per year
- DPFP 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 retained as DPFP's actuary
- Creation of the Finance and Administrative Board Committees
- Participation in securities lending and commission recapture programs
- DPFP assets topped $547 million (9-30-89)

1990

- Benefit changes made during the year included:
  - The benefit supplement increased
  - 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%)
- DPFP assets decreased to $529.7 million (9-30-90)

1991

- Plan amendment election held July 1991
- Change of DPFP year-end to December 31
- DPFP 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)
  - Integrated Plan B of DPFP into the Combined Pension Plan
- Appointment of new administrator, Richard Tettamant
- DPFP 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
- DPFP assets topped $825.8 million (12-31-93)

1994

- Relocation of DPFP 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 DPFP's actuarial soundness
- Initiation of Pre-Retirement Education Program (PREP) for active employees
- DPFP 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
- DPFP assets topped $1 billion in July
- DPFP assets totaled $1.1 billion (12-31-95)

1996

- Amendment of Plan to correct, clarify, and delete inoperative provisions, initiate excess benefit plan, and authorize pretax contributions
- DPFP assets totaled $1.3 billion (12-31-96)

1997

- Initiation of Member contributions being paid on pre-tax basis
- Completion of DROP five-year actuarial review
- DPFP assets totaled $1.5 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 DPFP's Internet Website
- DPFP assets totaled $1.7 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
- DPFP assets totaled $2.1 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 Firefighter pensioner positions on the Board of Trustees
- DPFP assets totaled $2.0 billion (12-31-00)

2001

- Relocation of DPFP 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 pre-tax 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 to $2,200 per month
  - Changed calculation of DROP interest rate to average of DPFP's 10-year investment return as calculated by DPFP's actuary
  - Provided for special election to fill vacant Trustee positions
- DPFP assets totaled $1.9 billion (12-31-01)

2002

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

2003

- Re-election of four Trustees
- Initiation of Pensioner Advocate Program
- Initiation of Financial Planning and Pensioner Financial Planning Programs
- DPFP 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
- DPFP assets totaled $2.5 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
- DPFP assets totaled $2.7 billion (12-31-05)

2006

- Initiated unitization of investment of DPFP assets, co-investing the assets of the Combined Pension Plan and the Supplemental Plan
- DPFP assets totaled $3.1 billion (12-31-06)

2007

- Re-election of four Trustees
- Implemented provisions of the federal Pension Protection Act of 2006
- DPFP Assets totaled $3.4 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.
- DPFP Assets totaled $2.5 billion (12-31-08)

2009

- Re-election of four Trustees and election of Active Firefighter Trustee to fill vacant position
- Restructured real estate portfolio
- Implemented eCorrespondence – an electronic communications system with Members through the DPFP Website and e-mail
- Completed set-up of DPFP "hotsite" remote location for business continuity
- DPFP net assets totaled $2.9 billion (12-31-09)

2010

- Received the following awards in 2010:
    - Money Management Letter – 2009 Mid-Sized Public Pension Plan of the Year
    - US Green Building Council – LEED Silver Certification for 4100 Harry Hines
    - Infrastructure Journal – 2009 Transport Deal of the Year (NTE)
    - American Road and Transportation Builders Association – 2010 Projects of the Year (NTE and LBJ)
- Renewed loan program to enhance real estate investment return
- Implemented Web Member Services upgrades to improve Member access to information
- Established two new investments:
    - LBJ Infrastructure Group
    - JPMorgan Global Maritime Investment Fund
- DPFP net assets totaled $3.1 billion (12-31-10)

2011

- Election of Active Firefighter Trustee to replace vacant position and two new Active Police Trustees, and re-election of two Active Firefighter Trustees
- Plan amendment election held February 2011
    - Removed the 0.25% restriction on DROP interest rate changes
    - Required Member to pay pension contributions while in active DROP, phased in over three years
    - Allowed a one-time opportunity for Active DROP members to rescind their DROP election
    - For Members hired after February 28, 2011, provided:

        1. Retirement benefits with the following provisions:
            - ◊ 2% accrual rate for the first 20 years of service, 2.5% accrual rate for the next 5 years of service and 3% accrual rate for service after 25 years
            - ◊ Average computation pay based on 60 months of pay
            - ◊ Retirement eligibility at age 55 with 20 years of service
        2. Disability with the following provisions:
            - ◊ Own occupation definition for first two years of disability
            - ◊ Any occupation definition after two years of disability
            - ◊ On-duty disability retirement benefit will be based on a minimum of 50% of average computation pay
        3. Survivor benefits for members who die while on active service will be based on a minimum of 25% of average computation pay.

- DPFP net assets totaled $3.0 billion (12-31-11)

2012

- New asset allocation policy
- Established "Prepare for Tomorrow Today" seminar, a financial planning class geared toward Members in the earlier stages of their career (5 to 10 years)
- DPFP net assets totaled $3.3 billion (12-31-12)

2013

- In the regular Trustee Election: Re-election of 1 Active Fire Trustee and 1 Police Pensioner Trustee; election of 1 new Active Police Trustee to fill a position of a Trustee that did not run again, and of 1 Fire Pensioner Trustee to fill a position of a Trustee that did not run again.
- In a special Trustee Election: election of Active Police Trustee to fill vacant position of a Trustee who resigned.
- Received the following awards in 2013:

  —American Road & Transportation Builders Association Transportation Development Foundation's (ARTBA-TDF) - Globe Award in the category of "Major Highway Projects valued at over $100 Million." (LBJ)

  —Regional Hispanic Contractors Association's Pillar Award - 2013 General Contractor of the Year (LBJ)

- Negotiated lower management fees on several new commitments and received discounts or rebates from several existing managers which resulted in an estimated annual savings of $930,000
- Obtained Board approval for approximately $400 million in commitments to 12 new investments
- DPFP's net assets totaled $3.4 billion (12-31-13)


DALLAS
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DALLAS

FINANCIALS


POLICE

DALLAS POLICE AND FIRE PENSION SYSTEM

Financial Statements and
Required Supplemental Information

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

Insight. Oversight. Foresight.℠

DoerenMayhew
CPAs AND ADVISORS

DALLAS POLICE AND FIRE PENSION SYSTEM

Table of Contents

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CPAs AND ADVISORS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of Dallas Police and Fire Pension System (DPFP), which comprise the statements of plan net position as of December 31, 2013 and 2012, and the related statements of changes in plan net position for the years then ended, and the related notes to the basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial status of DPFP as of December 31, 2013 and 2012, and the changes in its financial status for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and the schedules of funding progress and employer contributions be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A and schedules of funding progress and employer contributions in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Weaver Mayhew

Houston, Texas
August 20, 2014

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DALLAS POLICE AND FIRE PENSION SYSTEM

Management's Discussion and Analysis (Unaudited)
December 31, 2013 and 2012

OVERVIEW

Management's Discussion and Analysis (MD&A) provides an overview of the Dallas Police and Fire Pension System's financial activities for the fiscal years ended December 31, 2013 and 2012.

The Dallas Police and Fire Pension System (DPFP) 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 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

The Statement of Plan Net Position presents DPFP's assets and liabilities and reflects the plan net position as of the end of the year for the payment of pension benefits and other expenses. The Statement of Changes in Plan Net Position summarizes additions to and deductions from DPFP net assets during the year. The net position of the plan represents net assets available to pay pension benefits and other expenses. The difference between assets and liabilities is one measure of DPFP's financial position and the change in this measure over time is an indication of whether DPFP's financial health is improving or deteriorating.

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

CONDENSED FINANCIAL INFORMATION

(in thousands)

	2013	2012	2011
Assets	$ 3,336,429	$ 3,265,922	$ 3,017,290
Liabilities	1,170	991	2,039
Net position - restricted for pension benefits	3,335,259	3,264,931	3,015,252
Contributions	132,313	126,679	121,931
Investment and other income (loss)	165,409	332,415	(23,587)
Benefit payments	217,982	201,565	188,093
Withdrawals and refunds of contributions	900	1,536	736
Administrative expenses and professional fees	8,511	6,315	6,949

FINANCIAL HIGHLIGHTS

DPFP's plan net position increased $70.3 million in 2013 and increased $249.7 million in 2012. The plan net position totaled $3.34 billion at the end of 2013 and $3.26 billion at the end of 2012. The increase in plan net position reflects continued recovery in the financial markets in 2013.

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Management's Discussion and Analysis (Unaudited)
December 31, 2013 and 2012

The assets of DPFP and the Supplemental Police and Fire Pension Plan of the City of Dallas (Supplemental Plan) are co-invested through a Group Trust. The rate of return on Group Trust investments during 2013 was 4.4% net of fees, compared to a rate of return of 11.4% for 2012. The rate of return is provided by NEPC, LLC, DPFP's general investment consultant. The actuarial expected rate of return for both years was 8.5%.

DPFP maintains a highly diversified investment portfolio that is comprised of Global Public Equity, Global Private Equity, Global Fixed Income, Global Natural Resources, Global Asset Allocation, Global Infrastructure and Global Real Estate.

The Global Public Equity and Global Fixed Income asset classes provided the greatest value added as both outperformed their benchmarks. DPFP's Global Public Equity portfolio returned 23.3% in 2013 beating the respective benchmark, MSCI ACWI, which returned 22.8%. Domestic markets were aided by the Federal Reserve's stimulus program and correspondingly low interest rates. Central banks in Japan and Europe also pumped money into their economies, held interest rates low and promised to continue to do so, following the same path as the U.S. Federal Reserve.

Global fixed income markets, as benchmarked against the Barclays Global Aggregate Index, returned negative 2.6% in 2013, while DPFP's Global Fixed Income portfolio surpassed the benchmark and achieved a positive return of 5.1%. The U.S. fixed income market received its fair share of headlines for poor performance in 2013 led by concerns regarding the Federal Reserve's tapering of its quantitative easing program. However, there were plenty of opportunities for investment in the global fixed income markets that did produce positive returns, such as high yield bonds, senior loans, and short-term bonds, along with appropriate diversification as exercised by DPFP.

At year end, DPFP's Global Private Equity portfolio performance was negative 7.3%, compared to the benchmark's return of 35% using the S&P 500 + 2% as the benchmark. As private equity is expected to earn a premium to public markets over the long term, discretion should be exercised in making relative performance comparisons over shorter time periods, especially when public markets experienced such a significant rally as they did in 2013. A prominent driver of the underperformance was the impact of lower oil prices at year end which affected energy investments.

DPFP's allocation to the Global Natural Resources asset class underperformed compared to the "custom" benchmark calculated by NEPC, primarily due to the performance of the timber and clean energy technology sectors. The "custom" benchmark was developed to provide a benchmark that is similarly weighted to the market capitalization weighting of each investment within the Global Natural Resources portfolio. The benchmark returned 23.8% while DPFP's allocation returned 14.6%.

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Management's Discussion and Analysis (Unaudited)
December 31, 2013 and 2012

By design, the Global Asset Allocation (GAA) portfolio is intended to increase the diversification of the overall portfolio due to the uncorrelated nature of the investments. GAA underperformed when matched against the 6.1% benchmark, but still returned a positive 3.2%.

Fully developed infrastructure investments are expected to earn a return premium over inflation in the long term. The performance of the Global Infrastructure portfolio, with a return of 6.0% against the benchmark of 6.6%, is due to the relatively young nature of the assets in the portfolio, including several that were in development and under construction at year end. The infrastructure portfolio is generally performing as expected.

The Global Real Estate portfolio has experienced a decline in performance returning negative 4.2%, predominately as the result of the depressed value of land holdings. In comparison to most real estate indices, DPFP's real estate portfolio is weighted more heavily toward assets in the developmental stage.

DPFP has always maintained a long-term strategic investment policy and will remain focused on the long-term, disciplined strategy of a well diversified portfolio.

The below chart summarizes DPFP's performance by asset class.

Rates of Return by Asset Class*

Asset Class	2013 Return	Benchmark Return	Benchmark
Global Public Equity	23.3%	22.8%	MSCI ACWI
Global Private Equity	-7.3%	35.0%	S&P 500 + 2%
Global Fixed Income	5.1%	-2.6%	BC Global Aggregate
Global Natural Resources	14.6%	23.8%	Custom**
Global Asset Allocation	3.2%	6.1%	T-Bill + 6%
Global Infrastructure	6.0%	6.6%	CPI + 5%
Global Real Estate	-4.2%	8.5%	Actuarial Assumption

** - All return information is presented net of management fees, unless stated otherwise.*
***- A weighted average benchmark is used to measure the performance of the Global Natural Resources asset class. The custom benchmark is weighted by the market capitalization of each investment within the portfolio.*

Liabilities totaled $1.2 million as of December 31, 2013. Liabilities at December 31, 2012 totaled $991 thousand. Investment liabilities are incorporated into the Group Master Trust and reflected within total investments.

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DALLAS POLICE AND FIRE PENSION SYSTEM

Management's Discussion and Analysis (Unaudited)
December 31, 2013 and 2012

DPFP received member contributions of $26.2 million in 2013 and $22.7 million in 2012 and received employer contributions from the City of Dallas in the amounts of $106.1 million and $103.9 million in 2013 and 2012, respectively. Member contributions are 8.5% of active members' base pay rate plus education and longevity pay (Computation Pay). Total member contributions increased by $3.5 million, or approximately 15.4%, in 2013 compared to 2012 and increased by $3.3 million, or approximately 16.7%, in 2012 compared to 2011. The increase in member contributions received in 2013 is due primarily to a change to the plan in 2011 that required members in active service who participate in DPFP's Deferred Retirement Option Plan (DROP) to pay pension contributions while in DROP. The rate increased from 3% of Computation Pay, beginning with the first pay period ended after October 1, 2011, to 6% of Computation Pay, beginning with the first pay period ended after October 1, 2012, and increased from 6% to 8.5% of Computation Pay with the first pay period ended after October 1, 2013. The employer contributions represent 27.5% of total salary and wages of covered members. Total employer contributions increased by $2.2 million or 2.1%, in 2013 compared to 2012 and increased by $1.5 million, or 1.5%, in 2012 compared to 2011.

DPFP paid $218.0 million in service retirement, disability retirement, survivor benefits and DROP disbursements during 2013, compared to payments of $201.6 million in 2012. DPFP refunded approximately $.9 million and $1.5 million in contributions to former members in 2013 and 2012, respectively. No changes to benefit provisions of current pensioners were implemented in 2013 or 2012. The increase of $16.4 million, or 8.1%, in benefit payments in 2013 compared to 2012 resulted from an increase in the number of benefit recipients, post retirement increases to base benefits and an increase in distributions from DROP. The increase of $13.5 million, or 7.2%, in benefit payments in 2012 compared to 2011 resulted from a similar increase in the number of benefit recipients, annual adjustment increases to base benefits and increases in DROP distributions.

The cost of administering the benefit programs of DPFP, including administrative costs and professional fees, was $8.5 million in 2013 compared to $6.3 million in 2012. The primary driver for the $2.1 million increase in 2013 was an increase in professional service fees over the prior year. A pro rata share of the total expenses of the Group Master Trust is allocated to DPFP according to the ratio of DPFP assets to the total assets of the Group Master Trust. Any expenses specific to DPFP are charged directly as a reduction of DPFP's net plan position.

FUNDING PROGRESS

DPFP contracted with Buck Consultants to conduct an actuarial valuation to determine the funding position of DPFP as of January 1, 2014. The actuarial valuation report indicated that the overall funding of DPFP remains sound and the current contribution rates are sufficient to keep DPFP actuarially sound. In preparing the valuation, the actuary uses a smoothing process over a rolling ten-year period of investment data to remove year-to-year volatility in asset returns.

 Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Management's Discussion and Analysis (Unaudited)
December 31, 2013 and 2012

The actuarial value of the assets (AVA) increased $82.3 million during the year ended December 31, 2013 to a total of $3.9 billion. The AVA increased $420 million during the year ended December 31, 2012 to a total of $3.8 billion. The method for determining the AVA was changed as of the January 1, 2013 valuation from one that smoothes in gains and losses over five years, to one that smoothes in gains and losses over ten years.

The actuarial accrued liability (AAL), or actuarial value of liabilities, increased during the year ended December 31, 2013 by $271.0 million to $5.1 billion. The AAL increased during the year ended December 31, 2012 by $289.3 million to $4.9 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 higher the percentage, the stronger the financial health of the plan. DPFP's AAL ratio decreased to 75.6% during 2013 compared to 78.1% in 2012

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, 2014, DPFP's UAAL was $1.3 billion, an increase of $188.7 million from a UAAL of $1.1 billion as of January 1, 2013.

Another measure of funding status is funding period. This is the length of time in years needed to amortize the current UAAL based on the current contribution rate. As of January 1, 2014, the employer contribution rate of 27.5% covers the normal cost and the amortization of the UAAL over 26 years, compared to 23 years to fund as of the January 1, 2013 valuation. The three year increase resulted primarily from investment experience for the year ended December 31, 2013.

CONTACTING DPFP'S FINANCIAL MANAGEMENT

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

DALLAS POLICE AND FIRE PENSION SYSTEM

Statements of Plan Net Position
December 31, 2013 and 2012

Assets	2013	2012
Plan interest in Group Master Trust, at fair value	$ 3,331,255,932	$ 3,261,305,016
Receivables:		
Employer	4,076,582	3,713,682
Member	1,096,875	903,185
Total receivables	5,173,457	4,616,867
Total assets	3,336,429,389	3,265,921,883
Liabilities and Plan Net Position		
Liabilities - administrative expenses payable	1,169,956	990,799
Net position - restricted for pension benefits	$ 3,335,259,433	$ 3,264,931,084

See accompanying notes to basic financial statements.

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DALLAS POLICE AND FIRE PENSION SYSTEM

Statements of Changes in Plan Net Position
Years Ended December 31, 2013 and 2012

	2013	2012
Additions to net position:		
Investment income -		
net investment gain from Group Master Trust	$ 165,408,946	$ 332,415,437
Contributions:		
Employer	106,074,335	103,933,961
Member	26,238,269	22,745,338
Total contributions	132,312,604	126,679,299
Total additions to net position	297,721,550	459,094,736
Deductions from net position:		
Benefit payments	217,981,645	201,564,951
Refunds of contributions	900,244	1,535,560
Administrative expenses and professional fees	8,511,312	6,314,669
Total deductions from net position	227,393,201	209,415,180
Net increase in net position	70,328,349	249,679,556
Net position - restricted for pension benefits:		
Beginning of year	3,264,931,084	3,015,251,528
End of year	$ 3,335,259,433	$ 3,264,931,084

See accompanying notes to basic financial statements.

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DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 1 - Organization

General

The Dallas Police and Fire Pension System (DPFP) 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. DPFP is comprised of a single defined benefit pension plan (the Combined Pension Plan) designed to provide retirement, death, and disability benefits for firefighters and police officers (members). DPFP 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 employed by the City are required to participate. As of December 31, 2013 and 2012, DPFP's membership consisted of:

	2013	2012
Non-active members:		
Pensioners and qualified survivors currently receiving benefits and terminated vested members entitled to, but not yet receiving, benefits:		
Firefighters	1,627	1,599
Police officers	2,263	2,184
Terminated vested members not yet receiving benefits	122	96
Total non-active members	4,012	3,879
Active members:		
Vested:		
Firefighters	1,445	1,390
Police officers	2,738	2,627
Total vested active members	4,183	4,017
Non-vested:		
Firefighters	446	528
Police officers	768	855
Total non-vested active members	1,214	1,383
Total active members	5,397	5,400

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 1 - Organization (Continued)

Pension Benefits

Members hired by the City before March 1, 1973 are Group A members. All members hired on or after March 1, 1973 are 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 their base pay 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 either 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 annually according to changes in active service 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 their 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 1/24th of any City service incentive pay the member was receiving either 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 annually on October 1 by 4% of the initial benefit amount. Members who meet the service prerequisite may elect to take early retirement at age 50 with reduced pension benefits.

Group B members of the Combined Pension Plan receive one of two benefit structures:

- Members who began membership before March 1, 2012 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. Certain members who meet the service prerequisite may elect to take early retirement with reduced benefits starting at age 45.

- Members who began membership after February 28, 2012 are entitled to monthly pension benefits after accruing 20 years of service and the attainment of age 55. Pension benefits are equal to the member's average Computation Pay determined over the highest 60 consecutive months of Computation Pay, multiplied by 2% for the first 20 years of service, 2.5% for the next five years of service and 3% for years of service in excess of 25 years and multiplied by the numbers of years of pension service. The member shall not accrue a monthly pension that exceeds 90% of the member's average Computation Pay.

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 1 - Organization (Continued)

The Computation Pay includes civil service pay for the highest rank attained by competitive exam and any educational incentive, longevity or City service incentive pay. 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 except that the percent multiplier would be based on the member's age at the time of applying for the pension. Group B benefits are increased each October 1 by 4% of the initial benefit amount.

Additional benefits available under DPFP are as follows:

- 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.

- Members who are eligible to retire are allowed to enter the DROP program. Active members in DROP pay contributions at the rate of 3% of Computation Pay beginning with the first pay period ending after October 1, 2011; at the rate of 6% of Computation Pay beginning with the first pay period ending after October 1, 2012; and the rate of 8.5% of Computation Pay for all pay periods ending after October 1, 2013. The City pays contributions for active members in DROP at the rate of 27.5% of total wages and salaries of those members. The member's monthly benefit remains in a DROP account and accumulates interest. Upon retirement from the City, the member is able to withdraw benefits from their DROP account along with the normal benefits. The total DROP account balance was $1,289,303,310 and 1,164,176,599 at December 31, 2013 and 2012, 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 DPFP'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 a qualified surviving spouse if there are no qualified surviving children receiving benefits. The minimum benefit is $1,100 monthly for qualified surviving children and a qualified surviving spouse if qualified surviving children are receiving benefits.

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 1 - Organization (Continued)

Contributions

As a condition of participation, Group A members contribute to DPFP 6.5% of their base pay, as defined in DPFP's plan document. However, during 2013 and 2012, no member elected contribution under Group A. Group B members are required to contribute to DPFP 8.5% of their Computation Pay, as defined in DPFP'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 DPFP's plan document, in accordance with schedules contained in the plan document.

The contribution schedules contained in DPFP's plan document can be changed only by the Texas State Legislature. The level of contributions made by the City and by members may only be changed by a vote of the citizens of the City or the active members.

Members of Group B are immediately vested in their member contributions. 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 DPFP are returned, without interest, upon written application. If application for a refund is not made within three years of termination, the member 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 DPFP has not expressed any intent to do so, in the event DPFP 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.

DPFP Administration

DPFP 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 who are members of DPFP and are elected by employees of their respective departments, one pensioner who has retired from the Police Department and one pensioner who has retired from the Fire Department who are members of DPFP and are elected by pensioners from their respective departments.

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

 Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying basic financial statements are presented in accordance with accounting principles generally accepted in the United States (GAAP). In doing so, DPFP adheres to guidelines established by the Governmental Accounting Standards Board (GASB). The accompanying basic financial statements include solely the accounts of DPFP, 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.

Member and employer contributions are recognized as income in the period in which the related compensation is earned. Benefits paid to members and contribution refunds are recognized when due and payable. Accrued income, when deemed uncollectible, is charged to operations. The final biweekly payroll contributions of members for the years ended December 31, 2013 and 2012 and the City's related contributions were not deposited into DPFP's account by year-end and accordingly, are recorded as receivables in the accompanying Statements of Plan Net Position.

Reporting Entity

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

Use of Estimates

The preparation of financial statements in accordance with GAAP 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 income and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

DPFP 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. Highly liquid investments invested as part of a short-term investment fund are not considered cash equivalents.

 Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

Plan Interest in the Group Trust

Beginning January 1, 2006, DPFP's investments are held in the Group Trust. JPMorgan Chase Bank, N.A. (JPMorgan) served as custodian for the years ended December 31, 2013 and 2012. The fair value of DPFP's interest in the Group Trust is based on the unitized interest that it has in the Group Trust. DPFP's interest in the Group Trust's investments was approximately 99.29% and 99.33% at December 31, 2013 and 2012, respectively, while the remaining interest belongs to the Supplemental Plan. The allocation of investment income and expenses between DPFP and the Supplemental Plan is based on the number of units owned of the Group Trust. Benefits, contributions and shared administrative expenses are allocated to each plan directly in proportion to each plan's ownership interest.

Investments

Statutes of the State of Texas authorize DPFP to invest surplus funds in the manner provided by Government Code, Title 8, Subtitle A, Subchapter C which provides for the investment of surplus assets in any investment that is 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 DPFP. The investment policy is based upon an asset allocation study that considers the current and expected financial condition of DPFP, the expected long-term capital market outlook and DPFP's risk tolerance.

The accompanying Statements of Changes in Plan Net Position present the net appreciation (depreciation) in the fair value of investments which consists of the realized gains and losses on securities sold and the unrealized gains and losses on those investments still held in the portfolio.

The value and performance of DPFP's investments are subject to various risks, including, but not limited to, credit risk, interest rate risk, concentration of credit risk, custodial credit risk and foreign currency risk, which are in turn affected by economic and market factors impacting certain industries, sectors or geographies. See Note 3 for disclosures related to these risks.

Purchases and sales of investments and forward foreign exchange contracts are recorded on the trade date. Unsettled investment trades as of fiscal year-end are reported in the financial statements on the accrual basis of accounting. Gains or losses on forward foreign exchange contracts are recognized when the contract is settled.

Interest earned but not yet received and dividends declared but not yet received are recorded as accrued interest and dividends receivable, respectively. In addition, unsettled investment purchases and sales are accrued.

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments are reported at fair value. DPFP's interest in the Group Trust is based on the fair value of the unitized interest held by DPFP. The diversity of the investment types in which the Group Trust invests requires a wide range of techniques to determine fair value. Short-term investments made up of money market funds and government bonds with a maturity of less than one year are valued based on year-end current market rates. The stated market value of investments in public securities is based on published market prices or quotations from major investment dealers. Securities traded on an international exchange are valued at the last reported sales price as of year-end at current exchange rates. Private equity investments are valued using their respective net asset value (NAV). The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are valued by the general partners on a quarterly basis, in accordance with financial reporting standards: GAAP or International Financial Reporting Standards, as applicable. Real estate investments consist of private real estate equity in separate accounts and commingled funds. Real estate is held either directly, in separate accounts, as a limited partner or in a joint venture or commingled fund. Properties owned directly, held in a separate account or in a joint venture structure, are subject to independent third-party appraisals performed in accordance with the Uniform Standards of Professional Appraisal Practice on a periodic basis. Limited partner interests in joint venture and commingled funds are valued by DPFP using the NAV of the partnership. The underlying investment holdings are valued by the general partners on a continuous basis, and are generally periodically appraised by an independent third-party, as directed by the general partners. As of December 31, 2012, the carrying values of certain real estate investments were based on historical cost. During 2013, management revised the methodology used to estimate the fair value of these certain real estate investments to include the use of independent third-party appraisals as discussed above. The resulting changes in estimates recorded in 2013 did not have a material impact on the accompanying basic financial statements.

Benefits

Benefits and refunds of contributions are recorded when they are paid to members.

Foreign Currency Transactions

The Group Trust and DPFP are party to certain financial arrangements, utilizing forward contracts, options and futures 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.

 Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

Gains and losses resulting from foreign exchange contracts (transactions denominated in a currency other than the Group Trust's and DPFP's functional currency - U. S. dollar) are recorded by the Group Trust and DPFP based on changes in market values and are combined with similar transactions in the accompanying Statements of Changes in Plan Net Position and are included in investment income. Investment managers, on behalf of the Group Trust, structure foreign exchange contracts and enter into certain transactions to substantially mitigate the Group Trust's and DPFP's exposure to fluctuations in foreign exchange rates.

Investments and broker accounts denominated in foreign currencies outstanding at December 31, 2013 and 2012 were converted to the U. S. dollar at the applicable foreign exchange rates quoted as of December 31, 2013 and 2012, respectively. The resulting foreign exchange gains and losses are included in the Group Trust net appreciation in fair value of investments as disclosed in Note 3.

Administrative Expenses

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

Reclassifications

Certain reclassifications have been made to the December 31, 2012 Notes to Basic Financial Statements to conform to the presentation as of December 31, 2013.

Recent Accounting Pronouncements

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013 which is the fiscal year ending December 31, 2014 for DPFP. Management is currently assessing the impact that this statement will have on DPFP's financial statements when adopted.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* (Statement No. 68). This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for periods beginning after June15, 2014 which is the fiscal year ending September 30, 2015 for the City.

 Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The requirements of this Statement should be applied simultaneously with the provisions of Statement No. 68.

Note 3 - Investments and Plan Interest in the Group Trust

The following disclosures on investments and DPFP's interest in the Group Trust are made for the Group Trust as of and for the years ended December 31, 2013 and 2012.

The following summarizes the net position of the Group Trust as of December 31:

Assets	2013	2012
Investments, at fair value:		
Cash and cash equivalents	$ 53,613,033	$ 51,340,723
Short-term investments	2,332,057	3,815,973
Securities lending collateral	174,236,846	196,323,550
U.S. government securities	12,831,433	6,447,279
U.S. government agency securities	6,392,475	825,180
Foreign government bonds	74,385,274	114,555,742
Commingled equity funds	1,267,284,291	1,258,820,113
Commingled debt funds	104,919,238	61,461,156
Domestic equity securities	498,950,736	454,741,136
Foreign equity securities	296,780,688	275,833,357
Corporate bonds	210,009,325	207,909,286
Real assets	1,230,121,289	1,288,179,047
Total investments	3,931,856,685	3,920,252,542
Receivables:		
Accrued interest and dividends	6,814,411	6,800,636
Forward currency contracts	47,997,315	36,811,902
Receivable for securities sold	13,504,150	1,764,907
Total receivables	68,315,876	45,377,445
Total assets	4,000,172,561	3,965,629,987
Liabilities and Net Position		
Payable for securities purchased	663,130	2,468,417
Professional fees payable	2,336,595	3,425,584
Forward currency contracts	47,752,748	36,975,573
Securities lending obligations	174,236,846	196,323,550
Lines of credit and other bank loans	420,343,013	442,430,730
Total liabilities	645,332,332	681,623,854
Net position of the Group Trust	$ 3,354,840,229	$ 3,284,006,133

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 3 - Investments and Plan Interest in the Group Trust (Continued)

The following summarizes total investment income of the Group Trust for the years ended December 31:

	2013	2012
Investment income:		
Interest	$ 20,631,350	$ 18,671,028
Dividends	31,799,126	28,016,763
Real estate income	28,196,374	14,209,687
Net appreciation in fair value of investments	118,163,274	299,651,675
Securities lending income	781,146	718,498
Less investment expenses:		
Custody fees	(409,353)	(225,173)
Investment services	(32,572,941)	(28,549,282)
Net investment income of the Group Trust	$ 166,588,976	$ 332,493,196

The following summarizes interest held in the Group Trust as of December 31:

	2013	2012
Interest held by DPFP (99.3%)	$ 3,331,255,932	$ 3,261,305,016
Interest held by the Supplemental Plan (.7%)	23,584,297	22,701,117
Total net position of the Group Trust	$ 3,354,840,229	$ 3,284,006,133

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, limited liability companies, private real estate trusts, and loans and mortgages are investments that are evidenced by contracts rather than securities.

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 a custody agreement with JPMorgan under which JPMorgan assumes responsibility for the safekeeping of certain investments, handling of transactions based on the instructions of investment managers, and reporting investment transactions.

As of December 31, 2013 and 2012, there was one limited liability company investment which individually represented more than five percent of the Group Trust's total investments. The carrying value of this investment was approximately $169.9 million and $179.9 million as of December 31, 2013 and 2012, respectively.

 Continued

Note 3 - Investments and Plan Interest in the Group Trust (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of an investment counterparty, the Group Trust and DPFP 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 DPFP, and are held by either the counterparty or the counterparty's trust department or agent, but not in the Group Trust's or DPFP's name. DPFP mitigates this risk by having investments held at a custodian bank on DPFP's behalf according to DPFP's investment policy.

As of December 31, 2013 and 2012, cash balances of $6,411,275 and $3,106,460, respectively, included in cash and cash equivalents in the net position of the Group Trust, were in excess of FDIC coverage limits. DPFP does not have a deposit policy for custodial credit risk; however, management believes that credit risk exposure is mitigated by the financial strength of the banking institutions in which the deposits are held.

Concentration of Credit Risk

The target allocations of assets among various asset classes are determined 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, the Group Trust will further diversify the portfolio by employing multiple investment managers who provide guidance for implementing the strategies selected by the Board.

Significant guidelines are as follows:

Public market investments

1. Specific manager guidelines are developed collectively by DPFP investment staff, legal counsel, and the investment manager and are incorporated into the investment management services contract.

2. In the case of conflict between the specific manager guidelines and the general guidelines, the specific manager guidelines 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.

 Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 3 - Investments and Plan Interest in the Group Trust (Continued)

b. 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.

c. Transactions shall be executed at competitive costs.

3. The Board, with assistance from DPFP staff, shall monitor each investment manager's performance and adherence to style, strategy, and specific manager 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 specific manager 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.

2. In case of conflict between the specific manager guidelines and the general guidelines, the specific guidelines 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..

   b. The Administrator 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 DPFP 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 DPFP staff, shall identify available options as allowed by the governing documents and determine the impact and consequences of these options.

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 3 - Investments and Plan Interest in the Group Trust (Continued)

Interest Rate Risk and Foreign Currency Risk

The Group Trust and DPFP invest in fixed income securities including, but not limited to, investments representing instruments with an obligated fixed rate of interest including public and private debentures, mortgage backed securities, investments in life insurance general accounts and guaranteed investment contracts with maturities greater than one year, and options/futures. 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 DPFP's investment policy.

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 of a fixed income security 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. DPFP 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 investment management services contracts.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. To mitigate foreign currency risk, international investment managers are expected to maintain diversified portfolios by sector and by issuer using DPFP's investment policy.

 Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 3 - Investments and Plan Interest in the Group Trust (Continued)

The Group Trust's exposure to interest rate risk and foreign currency risk at December 31, 2013 is presented below, at fair value:

Investment Type / Currency	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years	Total
Domestic fixed maturities:					
U.S. Treasury securities	$ 320,262	4,491,538	2,008,865	6,010,768	12,831,433
U.S. Government agency securities	-	-	-	6,392,475	6,392,475
Corporate bonds	9,187,634	70,837,163	77,176,974	52,807,554	210,009,325
Total domestic fixed maturities	9,507,896	75,328,701	79,185,839	65,210,797	229,233,233
Foreign government bonds:					
Australian Dollar	190,963	6,966,915	5,211,598	-	12,369,476
Brazilian Real	-	235,244	528,505	-	763,749
British Pound Sterling	3,880,490	-	-	-	3,880,490
Canadian Dollar	-	2,389,718	-	-	2,389,718
Euro	414,790	3,949,724	2,361,569	5,554,615	12,280,698
Hungarian Forint	-	1,575,510	-	-	1,575,510
Indonesian Rupiah	2,106,828	-	-	-	2,106,828
Japanese Yen	670,735	2,312,441	579,837	686,101	4,249,114
Malaysian Ringgit	-	-	608,589	-	608,589
Mexican Peso	-	1,619,337	3,446,496	8,317,527	13,383,360
New Zealand Dollar	-	1,022,791	1,448,047	-	2,470,838
Polish Zloty	-	3,324,496	4,193,535	-	7,518,031
South Korean Won	-	2,233,095	641,814	-	2,874,909
South African Rand	-	-	841,745	1,517,949	2,359,694
Swedish Krona	1,353,916	-	4,200,354	-	5,554,270
Total foreign government bonds	8,617,722	25,629,271	24,062,089	16,076,192	74,385,274
Total fixed maturities	$ 18,125,618	100,957,972	103,247,928	81,286,989	303,618,507

 Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 3 - Investments and Plan Interest in the Group Trust (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 was not party to any negotiated derivative contracts as of December 31, 2013, therefore credit risk exposure to such counterparties does not exist. The Group Trust's exposure to credit risk in fixed income securities as of December 31, 2013 using the Standard & Poor's rating scale, at fair value, is as follows:

Quality Rating	Corporate Bonds	Foreign Government Bonds	Total
AAA	$ 10,073,390	$ 9,598,377	$ 19,671,767
AA+	1,002,830	5,996,798	6,999,628
AA	2,148,105	-	2,148,105
AA-	1,780,281	5,304,567	7,084,848
A+	1,592,450	5,338,621	6,931,071
A	2,987,452	8,730,194	11,717,646
A-	3,052,367	14,353,523	17,405,890
BBB+	435,931	2,070,104	2,506,035
BBB	4,370,372	235,244	4,605,616
BBB-	4,951,824	-	4,951,824
BB+	12,324,090	-	12,324,090
BB	20,955,555	1,575,510	22,531,065
BB-	26,136,668	1,196,800	27,333,468
B+	4,507,019	71,309	4,578,328
B	10,764,146	-	10,764,146
B-	4,771,525	-	4,771,525
CCC+	4,224,312	-	4,224,312
CCC	21,853,004	-	21,853,004
CC	21,567,860	-	21,567,860
C	17,905,499	-	17,905,499
DDD	8,336,301	-	8,336,301
DD	1,628,600	-	1,628,600
D	1,624	-	1,624
NR	22,638,120	19,914,227	42,552,347
Total credit risk of debt securities (excluding Short-term)	$210,009,325	$ 74,385,274	$ 284,394,599
U.S. Treasury securities and U.S. Government agency securities			19,223,908
Total fixed maturities			$ 303,618,507

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DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 4 - Securities Lending

The Board has authorized the Group Trust to enter into an agreement with JPMorgan for the lending of certain of the Group Trust's securities 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.

JPMorgan lends, on behalf of the Group Trust, securities held by JPMorgan as the Group Trust's custodian, and receives U.S. dollar cash and U.S. Government securities as collateral. JPMorgan does not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers are required to put up collateral for each loan equal to: (i) in the case of loaned securities denominated in U.S. dollars or whose primary trading market was in the U.S. 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 U.S. dollars or whose primary trading market was not in the U.S., 105% of the fair market value of the loaned securities.

The Board did not impose any restrictions during 2013 and 2012 on the amount of the loans that JPMorgan made on its behalf. There were no failures by any borrowers to return the loaned securities or pay distributions thereon during the fiscal years 2013 and 2012. Moreover, there were no losses during the 2013 and 2012 fiscal years resulting from a default of the borrower. JPMorgan indemnifies the Group Trust in respect of any loan related to any non-cash distribution and return of securities.

During 2013 and 2012, 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 JPMorgan. 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. The market value for securities on loan for the Group Trust was $170,618,214 and $191,501,517 at December 31, 2013 and 2012, respectively. The collateral held for the Group Trust was $174,236,846 and $196,323,550 at December 31, 2013 and 2012, respectively.

Note 5 - Contributions

Funding Policy

Contribution rates are established to remain level over time as a percentage of members' salaries. The contribution rate necessary for DPFP to be fully funded in 30 years, pursuant to an actuarial study as of January 1, 2014, is 11.49% of covered members' salaries to pay normal costs and 17.54% of covered members' salaries to amortize its funding deficit. This is 1.53% higher than what DPFP is expected to receive from the City.

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DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 5 - Contributions (Continued)

The City is required to contribute at a rate that is set by state statute and adopted by the Board. In 2013 and 2012, combined member and City contributions represent approximately 27.5% and 8.5% (including overtime pay), respectively, of each year's covered payroll. These contribution rates have been determined to be sufficient to provide for the normal cost plus an amount that will amortize the unfunded actuarial accrued liability over 26 years as of January 1, 2014, compared to 23 years as of January 1, 2013.

State law requires that DPFP fund the plan benefits based on an approved actuarial study. The actuary must certify that the contribution commitment by members and the City provides an adequate financing arrangement. During 2013 and 2012, contributions were made in accordance with the adopted plans of benefits approved by DPFP's actuary.

Funded Status

Information regarding the actuarial funding status of DPFP as of January 1, 2014, the most recent actuarial valuation date, is as follows (dollar amounts in millions):

Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	AVA as a Percentage of AAL	Covered Payroll	UAAL as a Percentage of Covered Payroll
$ 3,877	$ 5,129	$ 1,252	75.6%	$ 378	331.2%

The January 1, 2014 actuarial valuation used the following significant assumptions:

Investment rate of return	8.5%, compounded annually, net of expenses
Projected salary increases	Range of 4% to 9.64% per year
General inflation rate	4% per year
Mortality, retirement, disability and separation rates	Graduated rates detailed in actuary's report
Actuarial cost method	Entry age normal cost method
Post retirement benefit increases - Group A and Group B	4% of original pension, annually
Asset valuation	10-year smoothing
Amortization method for UAAL	Open level fixed percent of payroll
Amortization period	30 years
DROP account returns	8.5%, compounded annually, net of expenses
Post retirement mortality	RP-2000 Combined Healthy Mortality Table projected to 10 years beyond the valuation date using Scale AA for healthy retirees and active members. RP-2000 Combined Healthy Mortality Table with a one-year set forward for disabled members.

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DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 5 - Contributions (Continued)

Historical Trend Information

Historical trend information is provided in the accompanying Required Supplemental Information schedules. This information is intended to demonstrate the progression of accumulation of sufficient assets to pay benefits when due and the related actuarial assumptions used in determining the actuarially determined amounts.

DPFP's contribution rates and the actuarial information included in the accompanying supplemental 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 reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

Note 6 - Forward Contracts

During fiscal years 2013 and 2012, certain investment managers, on behalf of 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. Forwards are usually traded over-the-counter. These transactions are initiated 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 favorably or unfavorably 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.

At December 31, 2013 and 2012, the Group Trust had net unrealized gains and losses on forward currency contracts of $244,566 and $(163,671), respectively, included in net appreciation in fair value of investments in the Group Trust investment income as presented in Note 3.

Note 7 - Lines of Credit and Other Bank Loans

The Group Trust has a credit agreement with Bank of America, N.A. which provides for a revolving line of credit bearing interest per annum at the 30 day floating LIBOR plus 95 basis points at December 31, 2013 and 30 day floating LIBOR plus 75 basis points at December 31, 2012, payable quarterly. The Group Trust also pays a quarterly fee on the unused portion of the line of credit equaling 35 basis points. The revolving credit line was opened on November 1, 2006, and expired on March 31, 2014. Subsequent to December 31, 2013 and prior to expiration, the revolving credit line was extended to April 15, 2014. See Note 13 for discussion of terms of the extension.

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 7 - Lines of Credit and Other Bank Loans (Continued)

At December 31, 2013 and 2012, the Group Trust had borrowed $349,576,013 and $338,211,730, respectively, related to the revolving credit line, which provides for a maximum borrowing of $400,000,000. The line of credit agreement contains various covenants under which the bank may call the line of credit if the Group Trust is in violation of any restrictive covenants.

In addition to the line of credit, the Group Trust has a loan agreement with Bank of America, N.A. bearing interest per annum at the 30 day floating LIBOR rate plus 95 basis points at December 31, 2013 and the 30 day floating LIBOR rate plus 75 basis points at December 31, 2012, payable quarterly. The loan is secured by real property and matured on March 31, 2014. Subsequent to December 31, 2013 and prior to maturity, the loan agreement was extended to April 15, 2014. See Note 13 for discussion of terms of the extension. At December 31, 2013 and 2012, the loan balance outstanding was $16,767,000 and $24,219,000, respectively. The loan agreement contains various covenants under which the bank may call the loan if the Group Trust is in violation of any restrictive covenants.

The Group Trust has a credit agreement with Texas Capital Bank, N.A. which provides for a revolving line of credit bearing interest at the Prime Rate minus 26 basis points with a floor rate of 2.5%, a maximum rate of 5.0%, and a fee of 50 basis points on the unused portion of the line of credit, payable monthly. The credit agreement expires on April 1, 2017. At December 31, 2013 and 2012, the Group Trust had borrowed $27,000,000 and $40,000,000, respectively, related to the revolving line of credit which provides for a maximum borrowing of $40,000,000. On February 6, 2014, the credit agreement was amended to provide for a revolving line of credit bearing interest at the Prime Rate minus 130 basis points, with an expiration date of February 6, 2015 and maximum borrowing of $30,000,000.

The Group Trust has a credit agreement with BBVA Compass which provides for a revolving line of credit bearing interest at the 30 day floating LIBOR plus 225 basis points, payable quarterly. The credit agreement has no fee on the unused portion. The credit agreement expires on September 15, 2014. At December 31, 2013 and 2012, the Group Trust had borrowed $27,000,000 and $40,000,000, respectively, related to the revolving credit line, which provides for a maximum borrowing of $40,000,000.

On September 17, 2013, the Group Trust entered into an irrevocable standby letter of credit with Bank of America, N.A. for $28,000,000 at a rate of 25 basis points which expires September 30, 2014. No amount had been drawn on this line of credit as of December 31, 2013.

Maturities of debt at December 31, 2013 are as follows:

Year Ending December 31,	Amount
2014	$ 393,343,013
2017	27,000,000
Total	$ 420,343,013

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 8 - Federal Income Tax Status

A favorable determination that DPFP is qualified and exempt from Federal income taxes was received on May 25, 2012 from the Internal Revenue Service (IRS). The Board believes that DPFP is designed and continues to operate in compliance with the applicable requirements of the Internal Revenue Code.

Note 9 - Administrative Expenses

Group Trust investment related expenses for the years ended December 31, 2013 and 2012 include $32,572,941 and $28,549,282, respectively, in asset management fees for the Group Trust.

Note 10 - Commitments and Contingencies

As described in Note 1, certain members of DPFP are entitled to refunds of their accumulated contributions upon termination of employment with the City, prior to being eligible for pension benefits. Members who terminate employment with the City with less than five years of pension service must receive a refund of their contributions. As of December 31, 2013 and 2012, aggregate contributions from active members with less than five years of service were $4,319,047 and $5,808,964, respectively.

The Group Trust had outstanding investment commitments to various limited partnerships and investment advisors of approximately $858 million and $721 million at December 31, 2013 and 2012, respectively.

Note 11 - Deferred Compensation Plan

DPFP offers its employees a money purchase pension plan (MPP) created in accordance with Internal Revenue Code Section 401. An employee of DPFP becomes a participant in the MPP on the first day of service. Participation ceases, except for purposes of receiving distributions in accordance with the terms of the MPP, on the day employment with DPFP is terminated. Employees are allowed to make after tax contributions, not to exceed IRS Code limitations. In accordance with the MPP, DPFP is obligated to contribute 12% of permanent employees' regular rate of pay and 8% of part-time and temporary employees' regular rate of pay each year. During 2013 and 2012, DPFP contributed $374,271 and $333,690, respectively, and participants contributed $202,730 and $177,177, respectively. The MPP has a third party administrator, ING, Inc., and the cost of administration is borne by the MPP participants. The MPP is held in trust by ING, Inc. and is properly not reflected in the accompanying basic financial statements.

Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 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 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 Position.

DPFP contribution rates and the actuarial estimates disclosed in Note 5 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 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 some current and many former City of Dallas police officers and firefighters. If these lawsuits are successful, they will likely result in large overdue pension claims on behalf of many retired pensioners and large increases in the actuarial accrued liabilities of current members of DPFP as pension liabilities are generally a percentage of the pay of the police officers and firefighters.

DPFP has intervened in such lawsuits to protect DPFP's right to members and City contributions which DPFP management believes will be due if the third party 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 accompanying basic financial statements as of December 31, 2013 and 2012.

 Continued

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 13 - Subsequent Events

On April 11, 2014, the Bank of America, N.A. revolving line of credit was restructured to provide for: 1) a revolving line of credit with maximum borrowing of $200,000,000 bearing interest at the 30 day floating LIBOR rate plus 65 basis points maturing March 31, 2015; and 2) a term loan of $200,000,000 bearing interest at a fixed rate of 2.58% maturing March 31, 2019. In conjunction with the restructured line of credit, the Group Trust pays a quarterly fee of 45 basis points, annualized, on the unused portion of the line of credit.

On April 11, 2014, the Bank of America, N.A. loan agreement secured by real property was renewed. The new terms provide for a loan amount of $14,904,000 bearing interest at a fixed rate of 1.46% maturing March 31, 2016.

On July 31, 2014, the remaining balance on the revolving line of credit with Texas Capital Bank, N.A. was paid in full.

On July 31, 2014, the remaining balance on the revolving line of credit with BBVA Compass was paid in full.

Management has evaluated subsequent events through August 20, 2014, which is the date that the basic financial statements were available for issuance, and noted no other subsequent events to be disclosed.

REQUIRED SUPPLEMENTAL INFORMATION

Schedule 1

DALLAS POLICE AND FIRE PENSION SYSTEM

Schedule of Funding Progress (Unaudited)

The following table presents required supplementary information (unaudited) related to DPFP's funding progress (dollars in millions):

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (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)
1/1/2009	$ 3,040	$ 3,878	$ 838	78.4%	$ 348	240.8%
1/1/2010	3,383	4,133	750	81.8%	367	204.4%
1/1/2011	3,431	4,316	885	79.5%	365	242.5%
1/1/2012	3,379	4,569	1,190	73.9%	349	341.0%
1/1/2013	3,795	4,858	1,063	78.1%	361	294.5%
1/1/2014	3,877	5,129	1,252	75.6%	378	331.2%

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

Analysis of the dollar amounts of the 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 independent auditors' report and note to required supplemental schedules.

Schedule 2

DALLAS POLICE AND FIRE PENSION SYSTEM

Schedule of Employer Contributions (Unaudited)

The following table presents required supplementary information (unaudited) related to employer contributions (dollars in thousands):

Schedule of Employer Contributions

Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2008	$ 104,373	100.0%
2009	112,339	89.8%
2010	103,040	97.4%
2011	103,095	93.1%
2012	119,347	83.2%
2013	107,163	97.0%

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 DPFP, or the actuarial assumptions used, may significantly affect the identification of trends in the amounts reported in the above table.

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

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

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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, 2014 and 2013 are as follows:

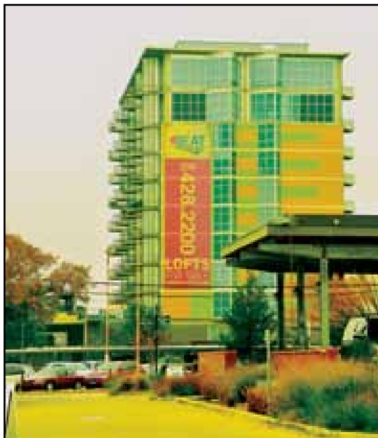
Actuarially assumed investment rate of return *	8.5%, compounded annually, net of expenses
Mortality, retirement, disability and separation rates	Graduated rates detailed in actuary's report
Projected salary increases **	Range of 4% to 9.64% per year
Actuarial cost method	Entry age normal cost method
Post retirement benefit increases - Group A and Group B members	4% of original pension, annually
Asset valuation	10-year smoothing for January 1, 2013 and subsequent years valuation and 5-year smoothing for January 1, 2012 and prior years valuation
Amortization method	Open level fixed percent of payroll
Amortization period for UAAL	30 years
DROP account returns	8.5%, compounded annually, net of expenses
Post retirement mortality	RP-2000 Combined Healthy Mortality Table projected to 10 years beyond the valuation date using Scale AA for healthy retirees and active members. RP-2000 Combined Healthy Mortality Table with a one-year set forward for disabled members.

* Includes inflation rate of 4% and a real rate of return of 4.5%.
** Includes inflation rate of 4%.

The actuarial information presented above was determined by the actuarial firm, Buck Consultants, 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 DPFP will continue as a going concern. Were DPFP 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, as of January 1, 2014 and 2013 and are not materially different from what they would have been had they been calculated on December 31, 2013 and 2012, respectively. The above assumptions are used by DPFP's actuarial consultants to determine DPFP's obligations only and are not used to calculate the actual plan benefits. Plan benefits are fully described in DPFP's plan document.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Investments


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STRATEGIC INVESTMENT POLICY

The Strategic Investment Policy of DPFP provides the framework for management of DPFP'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 DPFP'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 DPFP. Meeting DPFP'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. DPFP's Strategic Investment Policy is published on DPFP's website at www.dpfp.org. (See "Policies" under the "About Us" tab.)

STATEMENT OF INVESTMENT GOALS

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

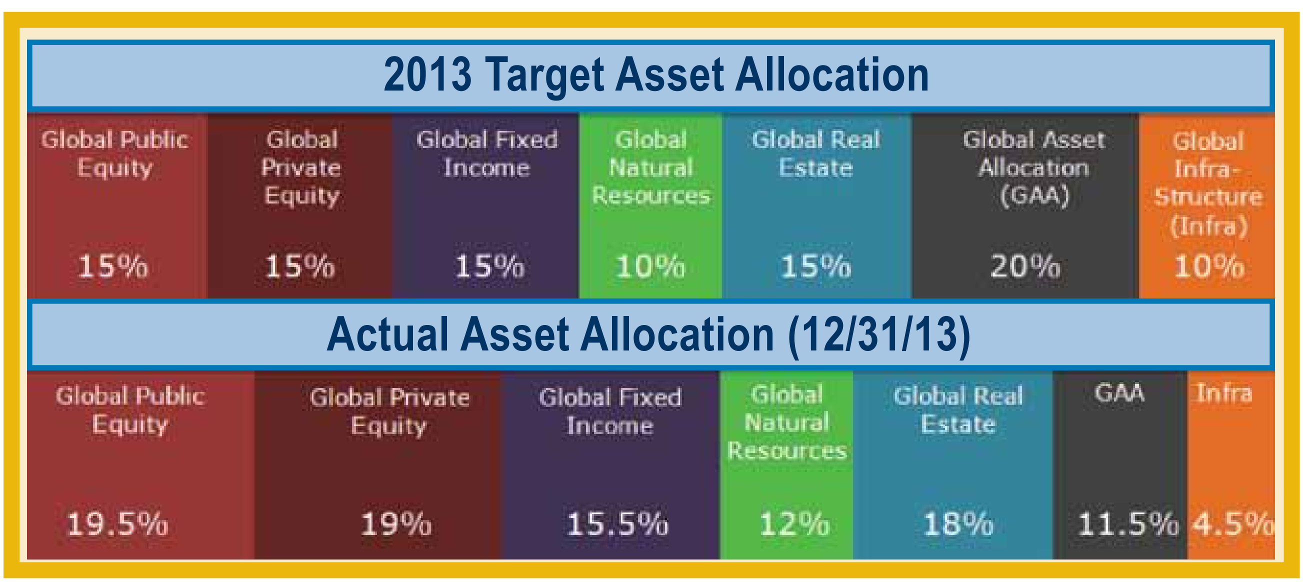
1. The overall goal of DPFP is to provide benefits, as anticipated under the pension plan, to its participants and their beneficiaries through a carefully planned and executed investment program.

2. DPFP 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 economic 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 with prudent levels of risk, the policy of 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 Public Equity, Global Private Equity, Global Natural Resources, Global Fixed Income, Global Asset Allocation, Global Infrastructure and Global 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 DPFP's custodian. If the comparison reveals that an account is outside the designated range, as specified in the Strategic Investment Policy, the Board may direct the Administrator to effect a reallocation of assets as soon as administratively feasible.

GENERAL INVESTMENT MANAGER GUIDELINES

Investment management for DPFP is provided primarily by external investment managers.

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 OVERVIEW

During 2013, DPFP's diversified portfolio generated a net-of-fee return of 4.4%. The rate of return was provided by DPFP's general investment consultant, NEPC. The actuarial expected rate of return was 8.5%.

As of December 31, 2013, DPFP's net assets were valued at $3.35 billion. Overall, DPFP's investment performance lagged behind the overall market and its peers in 2013. The explanation is complex because there are many components that contribute to DPFP's underperformance. The modest return is primarily due to asset write downs and an under-weight to public equities, while another contributing factor is that our infrastructure investments and a significant portion of the real estate portfolio are in the early stages of the investment lifecycle.

DPFP's utilization of multiple investment strategies, asset diversification, and asset rebalancing has accommodated us well over many market cycles and will continue to help DPFP to continue to achieve its financial goals in the future.

For a more detailed breakdown of returns, see "Rates of Return by Asset Class" below and continue reading regarding each asset class's performance.

Rates of Return By Asset Class *

Asset Class	2013 Return	Benchmark Return	Benchmark
Global Public Equity	23.3%	22.8%	MSCI ACWI
Global Private Equity	-7.3%	35.0%	S&P 500 + 2%
Global Fixed Income	5.1%	-2.6%	BC Global Aggregate
Global Natural Resources	14.6%	23.8%	Custom**
Global Asset Allocation	3.2%	6.1%	T-Bill + 6%
Global Infrastructure	6.0%	6.6%	CPI + 5%
Global Real Estate	-4.2%	12.9%	NFI-ODCE
Total Portfolio	**4.4%**	8.5%	Actuarial Assumption

** - All return information is presented net of management fees.*

** * - A weighted average benchmark is used to measure the performance of the Global Natural Resources asset class. The custom benchmark is weighted by the market capitalization of each investment within the portfolio.*

Global Public Equity

DPFP's Global Public Equity portfolio consists of investments in equities traded on domestic and international public exchanges. At year end, the public equity portfolio was valued at $653 million, representing 19.5% of DPFP's net assets. DPFP's Global Public Equity portfolio rallied materially with equities returning 23.3% in 2013 beating their respective benchmark, MSCI ACWI which returned 22.8%. Domestic markets were aided by the Federal Reserve's stimulus program and its correspondingly low interest rates. Central banks in Japan and Europe also pumped money into their economies, held interest rates low and promised to continue to do so following the same path as the U.S. Federal Reserve.

The below chart shows DPFP's top ten public equity holdings as of December 31, 2013.

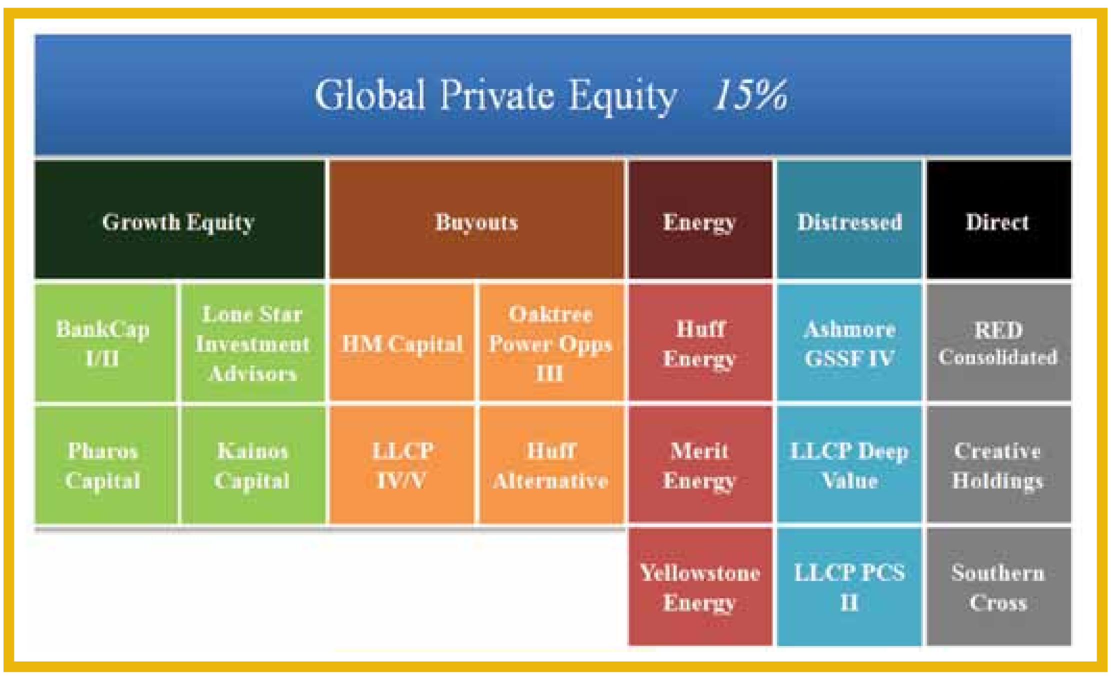
TOP 10 GLOBAL PUBLIC EQUITY HOLDINGS

	Public Equity Holdings	Market Value($)
1)	Google	$9,261,547.44
2)	Schlumberger	$8,548,645.59
3)	Microsoft Corp	$6,672,720.96
4)	Adobe Systems	$6,261,771.36
5)	Industria De Diseno Textil	$5,759,585.70
6)	Colgate-Palmolive	$5,663,358.08
7)	Nestle	$5,454,993.20
8)	EOG Resources Inc.	$5,454,800.00
9)	Roche Holdings	$5,230,580.09
10)	Keyence Corporation	$5,180,533.75

Global Private Equity

DPFP's Global Private Equity actual asset allocation is 19.3%, with a portfolio composition of debt and equity investments in privately held companies. At year end, DPFP's Global Private Equity portfolio was valued at approximately $648 million and suffered a steep decline in performance. Global Private Equity was down negative 7.3% for the year compared to the benchmark's return of 35% using the S&P 500 + 2% as the benchmark. Since private equity is expected to earn a premium to public markets over the long term, discretion should be exercised in making relative performance comparisons over shorter time periods, especially when public markets experienced such a significant rally as they did in 2013. The most prominent driver of the underperformance was that several of our large private equity assets were written down in 2013 or their performance remained flat. Several investments within the Global Private Equity allocation were funded before the great financial crisis and have not recovered as quickly as other asset classes such as public securities. We closely monitor and evaluate each of our private equity managers on a routine basis. DPFP funded three new private equity investments; Levine Leichtman Capital Partners Fund V, Kainos Capital Partners and BankCap Partners Opportunity Fund throughout 2013, increasing vintage year diversification in the private equity portfolio.

Global Fixed



Income

DPFP's Global Fixed Income portfolio represents approximately 15% of the total portfolio and was valued at approximately $514 million at year end. Global fixed income markets, as benchmarked against the Barclays Global Aggregate Index, returned negative 2.6% in 2013 while DPFP's Global Fixed Income portfolio surpassed the benchmark and achieved a return of 5.1%.

The U.S. fixed income market received its fair share of headlines for poor performance in 2013 led by concerns regarding the Federal Reserve's tapering of its quantitative easing program. However, there were plenty of opportunities for investment in the global fixed income markets that did produce positive returns, including some high yield bonds, senior loans, and short-term bonds.

The Board approved new investments in Lone Star Fund VIII and Loomis Sayles Senior Floating Rate and Fixed Income Trust in 2013.

The chart below reflects DPFP's top ten public fixed income holdings as of 12/31/2013.

Global Natural

TOP 10 GLOBAL PUBLIC FIXED INCOME HOLDINGS

	Fixed Income Holdings	Market Value($)
1)	HJ Heinz Co. 0% 06/05/2020	4,014,825.00
2)	Plains Exploration & Production Co. 6.75% 02/01/2022	4,004,025.20
3)	NRG Energy Inc. 7.625% 05/15/2019	3,981,487.50
4)	UK Treasury 2.25% GILT 07/MAR/2014	3,880,879.42
5)	Poland (Republic of) 5.25% BDS 25/OCT/2020	3,458,255.69
6)	Mexico 8.5% Bonds Floating 05/31/2029	3,404,813.51
7)	Italy (Republic of) 5% Bonds 08/01/2039	3,231,800.57
8)	United States of America Bill Zero Coupon 0% 03/06/2014	3,079,716.64
9)	United States Treasury Bonds 2.875% 05/15/2043	3,035,210.15
10)	Commonwealth of Australia Bond Fixed 5.75% 05/15/2021	2,972,854.88

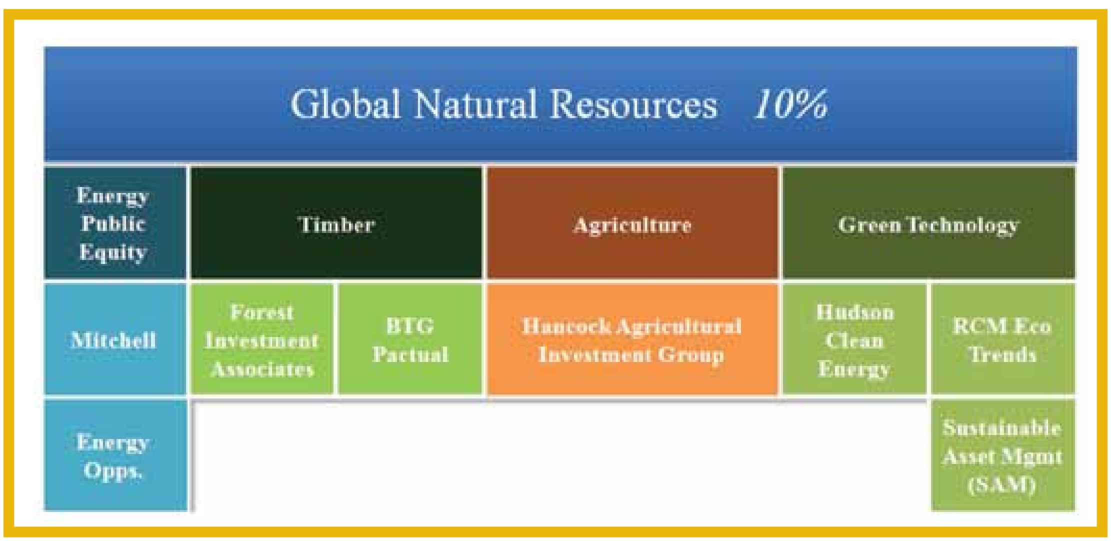
Resources

The Global Natural Resources portfolio accounts for 12% of total assets. At year end, natural resource investments were valued at approximately $398 million.

Within the natural resources portfolio, the investments consist of public energy equities, clean energy, water resources, renewable energy, timberland and agricultural holdings.

Crops in the agriculture portfolio are diversified between permanent and row crops producing, but not limited to, apples, cranberries, almonds, wine grapes, cotton, corn and soybeans.

DPFP's allocation to the Global Natural Resources asset class under-performed compared to the custom benchmark calculated by our consultant, NEPC, primarily due to the performance of the timber and clean energy technology sectors against their respective benchmarks. The custom benchmark was developed to provide a benchmark that is similarly weighted to the market capitalization weighting of each investment within the Global Natural Resources portfolio. The benchmark returned 23.8% while our allocation returned 14.6%.

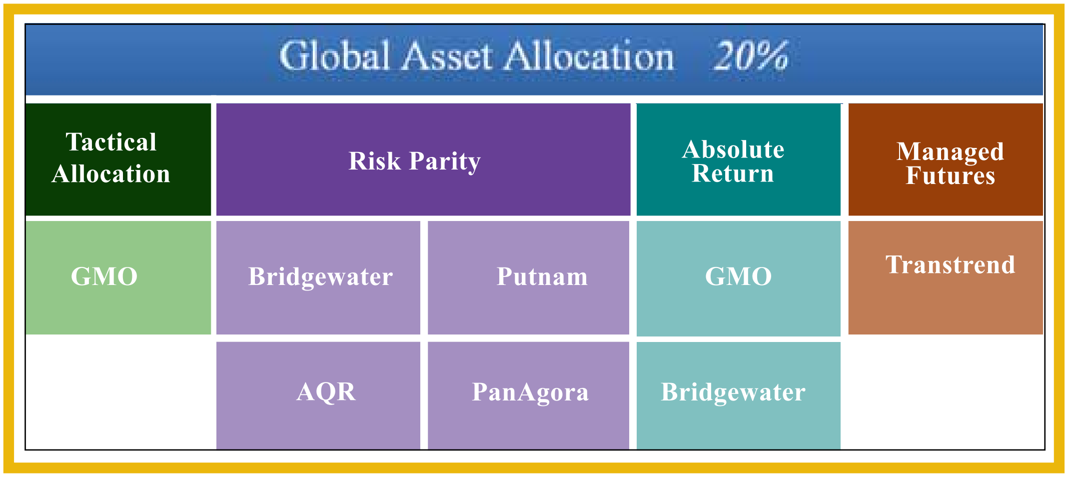


Global Asset Allocation

The Global Asset Allocation (GAA) portfolio includes strategic (long-term) and tactical (short term) investments across a wide variety of assets and strategies. By design, the GAA portfolio is intended to increase the diversification of the overall portfolio due to the uncorrelated nature of the investments.

At year end, the GAA portfolio was valued at $380 million, representing 11.3% of DPFP's net asset value. GAA underperformed when matched against the T-Bill + 6% benchmark; however GAA returned a positive 3.2% for 2013.

DPFP added two GAA managers in 2013, AQR and PanAgora, fulfilling the goal to build out our risk parity portfolio.

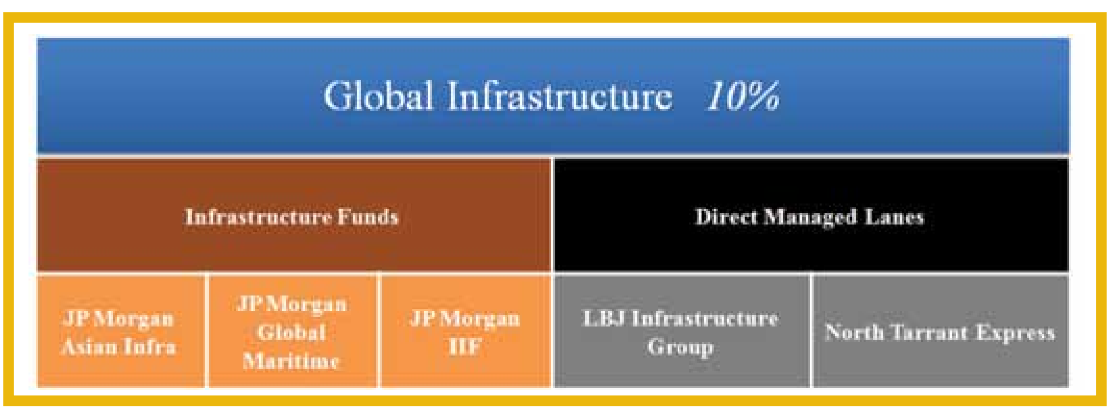


Global Infrastructure

At year end, infrastructure investments were valued at approximately $156 million, accounting for 4.7% of DPFP's assets. Within the infrastructure portfolio, DPFP seeks to make opportunistic investments that are primarily in long-term assets characterized by stable real cash flows.

The Global Infrastructure portfolio was formally introduced to DPFP's asset allocation in 2012 with a target allocation of 10%. The Infrastructure portfolio returned 6% in 2013, slightly under-performing when measured against a benchmark of CPI + 5%, which returned 6.6%. The underperformance is primarily due to the fact that many of the investments are still in the developmental phase.

The Board approved a commitment to the Asian Infrastructure Related Resources Opportunities II and made an additional investment in a managed lanes project in Dallas-Fort Worth in 2013, in addition to the two managed lanes projects currently held by DPFP.



Global Real Estate

With a year-end market value of approximately $588 million, investments in the Global Real Estate portfolio are diversified by property type and location, with over 40 properties globally.

DPFP's real estate portfolio experienced a decrease in performance, returning negative 4.2% in 2013. The under-performance was primarily due to devalued land holdings and an overweighting to development properties.

Inflation

Inflation as measured by the Consumer Price Index for all Urban Consumers (CPI-U) increased 1.5% from December 2012 through December 2013 according to the U.S. Department of Labor.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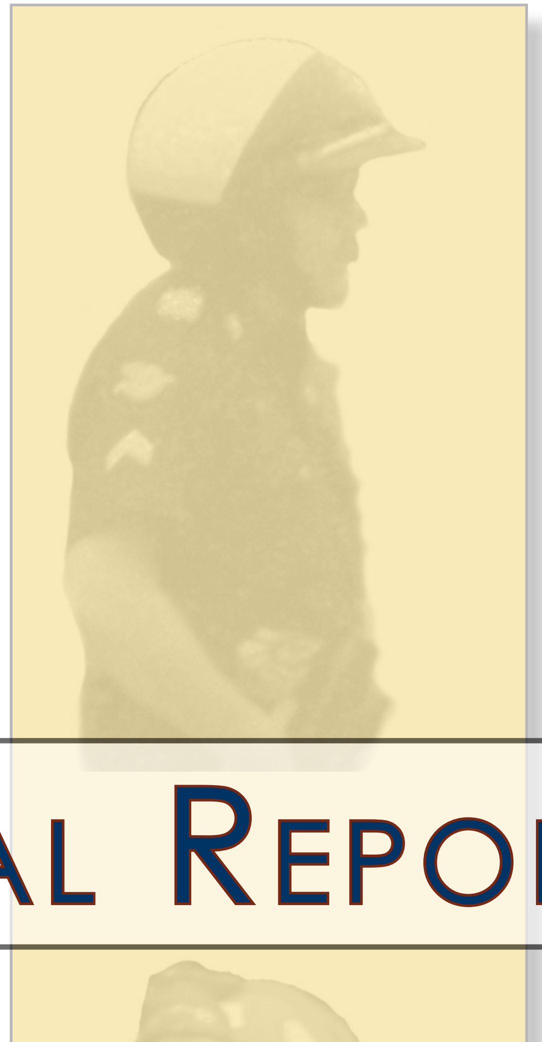

ACTUARIAL REPORT


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DALLAS POLICE AND FIRE PENSION SYSTEM

ACTUARIAL VALUATION

AS OF JANUARY 1, 2014

buckconsultants

buckconsultants A Xerox Company

May 15, 2014

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, 2014

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, 2014.

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, 2014, the employer contribution rate for GASB 27 purposes to pay the normal cost and fund the Unfunded Actuarial Accrued Liability over 30 years is 29.03%. This amount is more than the 28.35% employer contribution rate calculated as of January 1, 2013.

The funding period has been calculated in accordance with the Texas Pension Review Board (Texas PRB) Guidelines for Actuarial Soundness, which allow funding the Unfunded Actuarial Accrued Liability (UAAL) as a level percentage of payroll. In calculating the funding period, we have determined the level percentage of pay available to fund the UAAL as the excess of the fixed contribution rates over the normal cost rate. In order for this excess to be level, the normal

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cost rate must be level and, as such, has been determined using the entry age normal cost rate for the benefits available to members hired after February 28, 2011. Based on this method, the current contribution rate covers the normal cost and the amortization of the UAAL over 26 years.

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 adopted by the Board of Trustees as the previous valuation. The assumptions used are individually reasonable and reasonable in the aggregate.

Please note future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. An analysis of the potential range of such future differences is beyond the scope of this valuation.

Data

Asset information and member data for retired, active, and inactive members was supplied as of January 1, 2014 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. The accuracy of the results of this valuation are dependent on the accuracy of the data.

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We are Enrolled Actuaries, Fellows of the Society of Actuaries, and Members of the American Academy of Actuaries. We meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. To the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally accepted actuarial principles and practice, and we am available to answer questions about it.

Respectfully submitted,

David L. Driscoll

David L. Driscoll, FSA, EA, MAAA
Principal, Consulting Actuary

David Kent, FSA, EA, MAAA
Director, Retirement

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Enclosures

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Dallas Police and Fire Pension System
Actuarial Valuation - January 1, 2014

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Dallas Police and Fire Pension System
Actuarial Valuation - January 1, 2014

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Summary of Principal Results

	January 1, 2014	January 1, 2013
Membership		
Active	5,397	5,400
Terminated with refunds due	106	86
Terminated with deferred benefits	122	96
Retired members and beneficiaries	3,890	3,783
Compensation		
Total	$ 377,943,454	$ 361,043,989
Average	$ 70,028	$ 66,860
Assets		
Market value	$ 3,362,750,503	$ 3,206,364,971
Actuarial value	$ 3,877,321,261	$ 3,795,024,584
Valuation Results		
Unfunded actuarial accrued liability	$ 1,251,874,626	$ 1,063,181,047
Funding period*	26	23
GASB No. 25		
Actuarial accrued liability (AAL)	$ 5,129,195,887	$ 4,858,205,631
Assets (actuarial)	$ 3,877,321,261	$ 3,795,024,584
GASB ratio	75.6%	78.1%
Unfunded AAL	$ 1,251,874,626	$ 1,063,181,047

* The funding period has been calculated in accordance with the Texas PRB Guidelines for Actuarial Soundness, which allow funding the UAAL as a level percentage of payroll. In calculating the funding period, we have determined the level percentage of pay available to fund the UAAL as the excess of the fixed contribution rates over the normal cost rate. In order for this excess to be level, the normal cost rate must be level and, as such, has been determined using the entry age normal cost rate for the benefits available to members hired after February 28, 2011.

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Comments on the Valuation

Overview

The current contribution rates are sufficient to fund the System over a finite time period, 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 increased to 26 years from 23 years. This increase was primarily due to returns on the actuarial value of assets in 2013 that were below the long-term expectations.

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 29.03% of payroll compared with the City's actual contribution rate of 27.50% of payroll and the 30-year funding cost in 2013 of 28.35% of payroll. Section 3 shows a reconciliation of the changes between the 2013 and 2014 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. The funding period has been calculated consistent with the Texas PRB Guidelines for Actuarial Soundness, which allow funding the UAAL over a level percentage of payroll. In calculating the funding period, we have determined the level percentage of pay available to fund the UAAL as the excess of the fixed contribution rates over the normal cost rate. In order for this excess to be level, the normal cost rate must be level and, as such, has been determined using the entry age normal cost rate for the benefits available to members hired after February 28, 2011. Based on this method, the current contribution rate covers the normal cost and the amortization of 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 2013 and 2014.

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 adopted by the Board of Trustees 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 29.03% of payroll will be required for the City to avoid showing an additional pension liability on its financial statements for the fiscal year beginning in 2014. 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 2013 and 2014 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 ten years, is used. The estimated rates of return for 2013 were 7.70% on the market value of assets, and 4.52% on 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 remained fairly level during the last year. The active membership decreased from 5,400 members as of January 1, 2013 to 5,397 members as of January 1, 2014. The total active payroll increased from $361,043,989 to $377,943,454 over the same period, a 4.7% increase. Schedule A shows a summary of the membership data.

Experience

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

GASB 67 and 68

Plan sponsors will be transitioning to new financial statement disclosure requirements which are set forth in GASB Statement 67 (for plans' financial statements) and GASB Statement 68 (for plan sponsors' financial statements) over the next two years. Some key requirements and implications are:

- A Net Pension Liability (NPL, equal to plan liability minus plan assets as defined by the new standards as described below) will be added to the balance sheet for all employers
- Assets will be reported at Fair Value (not Actuarial value)
- Liabilities will be based on the following methods and assumptions:
  - Individual Entry Age Normal cost method
  - A discount rate (used to discount expected future benefits) equal to the expected investment rate of return except for benefit payments not expected to be funded by assets on hand, which are to be discounted at a high quality 20-year tax-exempt municipal bond index rate
  - "Run-out date" cash projections must be used to determine the cross-over point between benefits expected to be covered by assets and those that must be discounted using the municipal bond index rates.

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A key element of this change is that the NPL will reflect the market value funded position of the plan and will likely differ materially from the previously disclosed Net Pension Obligation, which represented the difference between the amounts contributed and the Actuarially Required Contribution (ARC) which represented the anticipated contribution. Moreover, plans which are less well funded may be subject to a discount rate modified by the Municipal Bond Rate Index, which would generally have the effect of increasing the NPL.

Actuarial Cost, Margin and Funding Period

	January 1, 2014	January 1, 2013
1. Covered Payroll		
a. Active members excluding DROP	241,738,643	227,581,470
b. DROP members	136,204,811	133,462,519
c. Total	377,943,454	361,043,989
2. Actuarial present value of future pay		
a. Active members excluding DROP	2,981,547,669	2,800,679,183
b. DROP members	596,403,988	590,037,954
c. Total	3,577,951,657	3,390,717,137
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	5,889,448,642	5,603,126,940
5. Actuarial present value of future normal costs		
a. Total	760,252,755	744,921,309
b. Member (3b x 2c)*	304,125,891	285,808,555
c. City (5a - 5b)	456,126,864	459,112,754
6. Actuarial accrued liability (4 - 5a)	5,129,195,887	4,858,205,631
7. Actuarial value of assets	3,877,321,261	3,795,024,584
8. Unfunded actuarial accrued liability (UAAL) (6 - 7)	1,251,874,626	1,063,181,047
9. Normal cost		
a. Normal cost percentage (5a ÷ 2c)	21.25%	21.97%
b. Total normal cost (1c x 9a)	80,312,984	79,321,364
c. Member normal cost (1c x 3b)*	32,125,194	28,186,317
d. City normal cost (9b - 9c)	48,187,790	51,135,047
e. City normal rate (9d ÷ [1c x 1.11])	11.49%	12.76%

* Active DROP members contribute 3.0% of pay for pay periods ending on or after October 1, 2011, 6.0% of pay for pay periods ending on or after October 1, 2012, and 8.5% of pay for pay periods ending on or after October 1, 2013. Present value of future member contributions (line 5b) as of January 1, 2013 was decreased by $2,402,402 and member normal cost (line 9c) as of January 1, 2013 was decreased by $2,502,422 to account for these changes.

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Actuarial Cost, Margin and Funding Period

	January 1, 2014	January 1, 2013
10. 30-year funding cost*		
a. City normal cost rate**	11.49%	12.76%
b. Amortization rate	17.54%	15.59%
c. Total	29.03%	28.35%
11. Margin over/(under) 30-year cost*		
(3a - 10c)	(1.53)%	(0.85)%
12. Funding period to amortize UAAL***	26	23

* 30-year funding cost is necessary for accounting purposes only.

** 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 and the plan modifications approved by the membership in 2011.

*** The funding period has been calculated in accordance with the Texas PRB Guidelines for Actuarial Soundness, which allow funding the UAAL as a level percentage of payroll. In calculating the funding period, we have determined the level percentage of pay available to fund the UAAL as the excess of the fixed contribution rates over the normal cost rate. In order for this excess to be level, the normal cost rate must be level and, as such, has been determined using the entry age normal cost rate for the benefits available to members hired after February 28, 2011.

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Analysis of Change in UAAL

1.	UAAL as of January 1, 2013	$1,063,181,047
2.	Changes due to:	
	a. Expected increase/(amortization)	$ 27,503,212
	b. Method change	0
	c. Actual contributions (greater)/less than expected	10,040,886
	d. Liability experience	1,700,508
	e. Asset experience	149,448,973
	f. Total changes	$ 188,693,579
3.	UAAL as of January 1, 2014	$1,251,874,626

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Analysis of Change in Funding Cost

1.	30-year funding cost* as of January 1, 2013	28.35%
2.	Changes due to:	
	a. Resetting of amortization from prior year	(0.83)
	b. Assumption change	0.00
	c. Actual contributions (greater)/less than expected	0.14
	d. Liability experience**	(0.74)
	e. Asset experience	2.11
	f. Total	0.68
3.	30-year funding cost* as of January 1, 2014	29.03%

* 30-year funding cost is necessary for accounting purposes only.

** Includes decrease in employer normal cost percentage due to increased employee DROP contribution.

Analysis of Change in Funding Period

1. Funding period as of January 1, 2013	23 years
2. Changes due to:	
a. Passage of time	(1)
b. Assumption change	0
c. Actual contributions (greater)/less than expected	0
d. Liability experience	0
e. Asset experience	4
f. Total changes	3
3. Funding period as of January 1, 2014	26 years

The funding period has been calculated consistent with the Texas PRB Guidelines for Actuarial Soundness, which allow funding the UAAL over a level percentage of payroll. In calculating the funding period, we have determined the level percentage of pay available to fund the UAAL as the excess of the fixed contribution rates over the normal cost rate. In order for this excess to be level, the normal cost rate must be level and, as such, has been determined using the entry age normal cost rate for the benefits available to members hired after February 28, 2011.

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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, 2009	3,040	3,878	838	78.4%	348	240.8%
January 1, 2010	3,383	4,133	750	81.8%	367	204.4%
January 1, 2011	3,431	4,316	885	79.5%	365	242.5%
January 1, 2012	3,379	4,569	1,190	73.9%	349	341.0%
January 1, 2013	3,795	4,858	1,063	78.1%	361	294.5%
January 1, 2014	3,877	5,129	1,252	75.6%	378	331.2%

GASB #25 Schedule of Employer Contributions for Year Ending December 31, 2013

Annual Required Contribution	Percentage Contributed
28.35% of Pay	97.0%

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Reconciliation of Fund Assets

	Year Ending December 31, 2013
1. Value of fund at beginning of year	$ 3,206,364,971
2. Contributions	
a. City	105,711,435
b. Member	26,044,579
c. Total	$ 131,756,014
3. Benefit payments (including DROP payments)	(218,884,493)
4. Gross earnings	251,396,329
5. Expenses	(7,882,318)
6. Value of assets at end of year	$ 3,362,750,503
7. Estimated rate of return	7.70%

Determination of Excess Earnings To Be Deferred

	Year Ending December 31, 2013
1. Market value at beginning of year	$ 3,206,364,971
2. Net new investments	
a. Contributions	$ 131,756,014
b. Benefit payments (including DROP payments)	(218,884,493)
c. Total	$ (87,128,479)
3. Market value at end of year	$ 3,362,750,503
4. Yield, net of expenses (3 - 1 – 2c)	$ 243,514,011
5. Average balance [1 + ½ x (2d)]	3,162,800,731
6. Assumed investment return rate	8.50%
7. Expected net return (5 x 6)	$ 268,838,062
8. Gains/(losses) subject to deferral (4 - 7)	$ (25,324,051)

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Dallas Police and Fire Pension System
Actuarial Valuation - January 1, 2014

Section 5
(continued)

Calculation of Actuarial Value of Assets

1. Market value of assets as of January 1, 2014 — $3,362,750,503

2. Deferral amounts

	Year	Total Gain/(Loss)	Percent Deferred	Deferral Amount
a.	2013	$ (25,324,051)	90%	$ (22,791,646)
b.	2012	41,774,976	80%	33,419,981
c.	2011	(316,579,427)	70%	(221,605,599)
d.	2010	62,874,951	60%	37,724,971
e.	2009	132,954,038	50%	66,477,019
f.	2008	(1,125,904,567)	40%	(450,361,827)
g.	2007	10,785,809	30%	3,235,743
h.	2006	168,016,769	20%	33,603,354
i.	2005	57,272,457	10%	5,727,246
j.	Total			$ (514,570,758)

3. Preliminary actuarial value of assets (1 – 2j) — 3,877,321,261

4. 80% of Market value — 2,690,200,402

5. 120% of Market value — 4,035,300,604

6. Actuarial value of assets (3, not less than 4 or more than 5) — 3,877,321,261

7. Rate of return on actuarial value of assets — 4.52%

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Membership Data

	January 1, 2014	January 1, 2013
1. Active members (excluding DROP)		
a. Police and Fire		
1. Number	3,983	3,974
2. Covered payroll	$241,738,643	$227,581,470
3. Average annual pay	$ 60,693	$ 57,268
4. Average age	36.65	36.63
5. Average service (years)	9.64	9.70
b. Police		
1. Number	2,661	2,631
2. Covered payroll	$161,784,235	$151,312,498
3. Average annual pay	$ 60,798	$ 57,511
4. Average age	36.85	36.90
5. Average service (years)	9.92	10.06
c. Fire		
1. Number	1,322	1,343
2. Covered payroll	$ 79,954,408	$ 76,268,972
3. Average annual pay	$ 60,480	$ 56,790
4. Average age	36.26	36.11
5. Average service (years)	9.08	8.99

Membership Data
(continued)

	January 1, 2014	January 1, 2013
2. Active members (DROP only)		
a. Police and Fire		
1. Number	1,414	1,426
2. Covered payroll	$136,204,811	$133,462,519
3. Average annual pay	$ 96,326	$ 93,592
4. Average age	54.21	54.14
5. Average total service (years)	27.78	27.94
6. Average time in DROP (years)	4.73	4.70
7. DROP account balance	$436,857,660	$432,840,550
b. Police		
1. Number	845	851
2. Covered payroll	$ 81,385,780	$ 78,183,319
3. Average annual pay	$ 96,315	$ 91,872
4. Average age	53.67	53.59
5. Average total service (years)	26.98	27.12
6. Average time in DROP (years)	4.21	4.15
7. DROP account balance	$224,874,668	$220,682,041
c. Fire		
1. Number	569	575
2. Covered payroll	$ 54,819,031	$ 55,279,200
3. Average annual pay	$ 96,343	$ 96,138
4. Average age	55.01	54.96
5. Average service (years)	28.98	29.16
6. Average time in DROP (years)	5.51	5.53
7. DROP account balance	$211,982,992	$212,158,509

Membership Data
(continued)

	January 1, 2014	January 1, 2013
3. Active members (including DROP)		
a. Police and Fire		
1. Number	5,397	5,400
2. Covered payroll	$377,943,454	$361,043,989
3. Average annual pay	$ 70,028	$ 66,860
4. Average age	41.25	41.26
5. Average service (years)	14.39	14.52
6. DROP account balance	$436,857,660	$432,840,550
b. Police		
1. Number	3,506	3,482
2. Covered payroll	$243,170,015	$229,495,817
3. Average annual pay	$ 69,358	$ 65,909
4. Average age	40.90	40.98
5. Average service (years)	14.03	14.23
6. DROP account balance	$224,874,668	$220,682,041
c. Fire		
1. Number	1,891	1,918
2. Covered payroll	$134,773,439	$131,548,172
3. Average annual pay	$ 71,271	$ 68,586
4. Average age	41.90	41.76
5. Average service (years)	15.07	15.04
6. DROP account balance	$211,982,992	$212,158,509

Dallas Police and Fire Pension System
Actuarial Valuation - January 1, 2014

Schedule A
(continued)

Membership Data
(continued)

	January 1, 2014	January 1, 2013
4. Inactive members eligible for annuity		
a. Retired members	2,956	2,854
b. Beneficiaries	934	929
c. Number entitled to deferred benefits	122	96
d. Total number of inactive members	4,012	3,879
e. Total annual benefit	$170,573,194	$159,592,548
f. Average annual benefit	$ 42,516	$ 41,143
5. Inactive members with refunds due		
a. Number	106	86
b. Accumulated contribution balance	$ 924,778	$ 948,715

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Summary of Benefit Provisions
As of January 1, 2014
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.

Qualified Surviving Children: All surviving unmarried children under 19 years of age and children that become handicapped before age 23 provided they were born or adopted before Member terminated his employment.

Contribution Rates

The Member contribution rate is 6.5%.

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).

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

Generally applicable to Members hired on or before February 28, 2011.

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 and children that become handicapped before age 23 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 contribution rate for Members not participating in DROP is currently 8.5%. The contribution rate for Members participating in DROP is 3.0% for pay periods ending on or after October 1, 2011, 6.0% for pay periods ending on or after October 1, 2012, and 8.5% for pay periods ending on or after October 1, 2013.

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.

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	2.75%
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 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. As of October 1, 2011, Members continue making contributions to the Combined Pension Plan while active and participating in DROP. 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.

Group B

For Members hired after February 28, 2011

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 60 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 and children that become handicapped before age 23 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 contribution rate for Members not participating in DROP is currently 8.5%. The contribution rate for Members participating in DROP is 3.0% for pay periods ending on or after October 1, 2011, 6.0% for pay periods ending on or after October 1, 2012, and 8.5% for pay periods ending on or after October 1, 2013.

Service Retirement Benefits

Annual Normal Retirement Pension

Condition for Retirement: Attainment of age 55 and 20 years of Pension Service.

Amount for Allowance: 2.0% of Average Computation Pay for the first 20 years of Pension Service, 2.5% of Average Computation Pay for the next five years of Pension Service, and 3.0% of Average Computation Pay for every year of Pension Service after 25 years.

Disability Retirement Benefits

Service-Related Disability

Condition for Retirement: Disability preventing the Member from performing his or her duties with his or her department for the first two years. After the initial two years, the disability must prevent the Member from performing any gainful employment for which he or she is qualified by reason of training, education or experience.

Amount of Pension: The greater of 50% of Average Computation Pay and the Normal Retirement Allowance.

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: Normal Retirement Allowance.

Survivor Benefits

Survivor Benefits for Qualified Surviving Spouse: Death in Active Service: The greater of 50% of: (1) the benefit amount that the deceased Member would have received if the Member had left active service and had attained age 55, assuming a benefit based on a minimum of 50% of Average Computation Pay; or (2) as calculated using the benefit calculation formula and actual years of Pension Service.

Survivor Benefits when no Qualified Surviving Spouse: Death in Active Service: The greater of 50% of: (1) the benefit amount that the deceased Member would have received if the Member had left active service and had attained age 55, assuming a benefit based on a minimum of 50% of Average Computation Pay; or (2) as calculated using the benefit calculation formula and actual 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. 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.

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

Not eligible for an automatic increase.

Minimum Benefits

The minimum benefit for normal retirement is $2,200 monthly 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.

Benefit Supplement

If a Member retires 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

At normal retirement age, a member may elect to enter the DROP. Retirement benefits will be calculated as if the Member retired on that date. Each month, the retirement benefit will be deposited in an account while the active Member is participating in DROP. Upon termination of employment, the Member will have the balance in the 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, 2014

Schedule C

Summary of Actuarial Methods and Assumptions
(Effective as of January 1, 2014)

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 8.5% per annum for Members eligible to receive interest accumulation in their DROP account.

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		Disability	
Age	Police	Fire	Police	Fire
20	70.0	23.0	.35	.70
25	70.0	23.0	.37	.75
30	70.0	18.0	.42	.84
35	40.0	18.0	.48	.96
40	30.0	18.0	.57	1.15
45	20.0	18.0	.79	1.58

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	9.24
10	8.05
15	6.17
20	4.74
25	4.12
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.

Mortality: According to the RP-2000 Combined Healthy Mortality Table projected ten years beyond the valuation date using Scale AA, for healthy retirees and active members. The RP-2000 Combined Healthy Mortality Table with a one-year set forward for disabled members.

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DROP Election: Members are assumed to elect DROP at age 50 with five years for Plan B if hired on or before February 28, 2011, age 55 with 20 years for Plan B if hired after February 28, 2011, 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

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:

$$MV - (9/10) \times G/(L)_1 - (8/10) \times G/(L)_2 - (7/10) \times G/(L)_3 - (6/10) \times G/(L)_4 - (5/10) \times G/(L)_5 - (4/10) \times G/(L)_6 - (3/10) \times G/(L)_7 - (2/10) \times G/(L)_8 - (1/10) \times G/(L)_9$$

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 changed as of January 1, 2012 in order 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, 2012 through December 31, 2013 shows that during this period there have been about 5% fewer terminations than expected.

January 1, 2012 through December 31, 2013	Actual	Expected	Actual/Expected
Terminations prior to Retirement	235	248	95%

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, 2009 through December 31, 2013 shows that during this period there have been about 55% fewer disability retirements than 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, 2009 through December 31, 2013	Actual	Expected	Actual/Expected
Disability Retirements	5	11	45%

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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, 2009 through December 31, 2013 shows that during this period there have been about 14% fewer retirements than expected. Due to the changes in DROP interest rates and Member contributions during the DROP period, we feel that no change is needed at this time due to the expectation that these changes will create an increase in retirement rates from their recent levels.			
January 1, 2009 through December 31, 2013			
	Actual	Expected	Actual/Expected
Retirement	736	853	86%

Death
This assumption was changed as of January 1, 2012 in order to reflect strengthened actuarial standards and to take into account mortality improvement. It is updated each year to project mortality improvements to ten years beyond the valuation date.

Age at DROP			
This assumption has not changed since the implementation of DROP in 1993. The average 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 very little difference in the assumed age at DROP and the actual age at DROP.			
Through December 31, 2013			
	Actual	Expected	Actual/Expected
Age at DROP (from January 1, 1996)	49.8	50.0	100%
Age at DROP (from January 1, 2009)	49.4	50.0	99%

Economic Assumptions

The economic assumptions selected for valuing 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, 2013 has been 3.67%. 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, 1953 through December 31, 2013	Actual	Expected	Actual/Expected
Inflation	3.67%	4.00%	92%

Salary Increases

The assumed rates of salary increase used to value the liabilities of the System vary 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 assumed salary increase rates are reasonable. A summary of the actual valuation earnings to the expected valuation earnings over the period January 1, 2009 through December 31, 2013 follows.

January 1, 2009 through December 31, 2013	Actual	Expected	Actual/Expected
Valuation Compensation	$1,757,621,159	$1,816,969,792	97%

Dallas Police and Fire Pension System
Actuarial Valuation - January 1, 2014

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, 2013 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
1/1/2010	through	12/31/2010	10.72
1/1/2011	through	12/31/2011	(1.78)
1/1/2012	through	12/31/2012	9.92
1/1/2013	through	12/31/2013	7.70

Effective for years beginning on October 1, 2011 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 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 6.38%. Therefore, the annual DROP interest rate for October 1, 2014 is 8.00%.

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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, 2014

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	64	43,295	58	50,199	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	93	43,131	259	50,460	149	53,060	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30 to 34	28	43,025	136	50,399	334	55,589	56	63,425	0	0	0	0	0	0	0	0	0	0	0	0
35 to 39	13	43,249	60	50,265	174	55,247	188	65,401	52	71,066	0	0	0	0	0	0	0	0	0	0
40 to 44	4	43,018	38	49,841	87	54,961	148	66,036	178	74,947	54	81,888	0	0	0	0	0	0	0	0
45 to 49	2	43,500	10	54,890	34	56,885	43	65,066	91	74,017	213	83,384	40	89,266	0	0	0	0	0	0
50 to 54	0	0	2	82,179	11	56,464	6	62,270	10	75,104	12	79,736	4	90,111	1	85,697	0	0	0	0
55 to 59	0	0	1	83,201	3	64,234	1	61,029	1	67,751	0	0	0	0	1	87,733	0	0	0	0
60 to 64	0	0	0	0	2	66,350	0	0	0	0	0	0	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

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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, 2014

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	10	42,944	25	50,021	1	49,033	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	32	43,222	161	50,944	60	51,476	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30 to 34	23	43,328	137	50,443	137	54,131	17	64,463	1	61,221	0	0	0	0	0	0	0	0	0	0
35 to 39	3	42,941	52	50,915	107	55,928	120	68,198	27	72,439	0	0	0	0	0	0	0	0	0	0
40 to 44	0	0	3	51,083	29	56,503	90	67,143	93	77,142	27	85,223	0	0	0	0	0	0	0	0
45 to 49	0	0	0	0	12	58,949	29	66,165	39	74,752	44	82,853	28	92,125	0	0	0	0	0	0
50 to 54	0	0	0	0	4	61,102	2	63,362	3	74,076	3	86,443	2	82,460	0	0	0	0	0	0
55 to 59	0	0	0	0	0	0	0	0	0	0	1	77,382	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	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, 2014

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	74	43,247	83	50,146	1	49,033	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	125	43,155	420	50,645	209	52,605	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30 to 34	51	43,162	273	50,421	471	55,165	73	63,667	1	61,221	0	0	0	0	0	0	0	0	0	0
35 to 39	16	43,191	112	50,567	281	55,506	308	66,490	79	71,535	0	0	0	0	0	0	0	0	0	0
40 to 44	4	43,018	41	49,932	116	55,346	238	66,455	271	75,700	81	83,000	0	0	0	0	0	0	0	0
45 to 49	2	43,500	10	54,890	46	57,424	72	65,508	130	74,237	257	83,293	68	90,443	0	0	0	0	0	0
50 to 54	0	0	2	82,179	15	57,701	8	62,543	13	74,867	15	81,077	6	87,561	1	85,697	0	0	0	0
55 to 59	0	0	1	83,201	3	64,234	1	61,029	1	67,751	1	77,382	0	0	1	87,733	0	0	0	0
60 to 64	0	0	0	0	2	66,350	0	0	0	0	0	0	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

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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, 2014

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	64	43,295	58	50,199	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	93	43,131	259	50,460	149	53,060	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30 to 34	28	43,025	136	50,399	334	55,589	56	63,425	0	0	0	0	0	0	0	0	0	0	0	0
35 to 39	13	43,249	60	50,265	174	55,247	188	65,401	52	71,066	0	0	0	0	0	0	0	0	0	0
40 to 44	4	43,018	38	49,841	87	54,961	148	66,036	178	74,947	63	83,390	0	0	0	0	0	0	0	0
45 to 49	2	43,500	10	54,890	34	56,885	44	65,179	93	74,162	278	86,136	89	93,461	0	0	0	0	0	0
50 to 54	0	0	2	82,179	14	57,668	21	72,923	38	85,762	133	91,327	194	99,261	93	99,417	0	0	0	0
55 to 59	0	0	1	83,201	5	68,225	4	65,492	7	82,317	28	91,715	64	98,447	83	101,100	18	96,389	2	96,575
60 to 64	0	0	0	0	4	76,631	0	0	1	81,013	7	96,185	15	99,366	9	87,115	18	102,900	3	100,578
65 to 69	0	0	0	0	1	101,717	1	75,227	0	0	1	99,944	1	93,633	1	81,668	0	0	5	105,049
70 & up	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

TABLE 2

THE NUMBER AND ANNUAL AVERAGE COMPENSATION OF ACTIVE (including DROP) MEMBERS DISTRIBUTED BY FIFTH AGE AND SERVICE AS OF JANUARY 1, 2014

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	10	42,944	25	50,021	1	49,033	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	32	43,222	161	50,944	60	51,476	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30 to 34	23	43,328	137	50,443	137	54,131	17	64,463	1	61,221	0	0	0	0	0	0	0	0	0	0
35 to 39	3	42,941	52	50,915	107	55,928	120	68,198	27	72,439	0	0	0	0	0	0	0	0	0	0
40 to 44	0	0	3	51,083	29	56,503	90	67,143	93	77,142	28	85,446	0	0	0	0	0	0	0	0
45 to 49	0	0	0	0	12	58,949	29	66,165	39	74,752	64	86,334	52	95,053	0	0	0	0	0	0
50 to 54	0	0	0	0	8	63,193	9	75,461	13	87,368	48	91,806	152	97,740	50	99,244	0	0	0	0
55 to 59	0	0	0	0	1	65,533	0	0	1	84,121	14	85,718	57	96,562	82	98,365	28	97,218	0	0
60 to 64	0	0	0	0	1	65,006	1	78,809	1	95,015	5	86,482	6	110,151	13	95,546	27	97,017	10	97,374
65 to 69	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6	92,435	5	103,747
70 & up	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	151,030

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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, 2014

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	74	43,247	83	50,146	1	49,033	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	125	43,155	420	50,645	209	52,605	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30 to 34	51	43,162	273	50,421	471	55,165	73	63,667	1	61,221	0	0	0	0	0	0	0	0	0	0
35 to 39	16	43,191	112	50,567	281	55,506	308	66,490	79	71,535	0	0	0	0	0	0	0	0	0	0
40 to 44	4	43,018	41	49,932	116	55,346	238	66,455	271	75,700	91	84,023	0	0	0	0	0	0	0	0
45 to 49	2	43,500	10	54,890	46	57,424	73	65,571	132	74,336	342	86,173	141	94,048	0	0	0	0	0	0
50 to 54	0	0	2	82,179	22	59,677	30	73,684	51	86,171	181	91,454	346	98,593	143	99,357	0	0	0	0
55 to 59	0	0	1	83,201	6	67,777	4	65,492	8	82,542	42	89,716	121	97,559	165	99,741	46	96,893	2	96,575
60 to 64	0	0	0	0	5	74,306	1	78,809	2	88,014	12	92,142	21	102,447	22	92,097	45	99,370	13	98,113
65 to 69	0	0	0	0	1	101,717	1	75,227	0	0	1	99,944	1	93,633	1	81,668	6	92,435	10	104,398
70 & up	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	151,030

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TABLE 3

THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCE OF RETIRED MEMBERS
BY AGE AS OF JANUARY 1, 2014

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
Less than 50	34	$ 1,058,724	$ 31,139
50 to 54	155	6,512,508	42,016
55 to 59	341	20,087,916	58,909
60 to 64	648	37,542,647	57,936
65 to 69	628	31,350,138	49,921
70 to 74	426	21,453,766	50,361
75 to 79	259	12,285,505	47,434
80 to 84	203	8,298,772	40,881
85 to 89	80	3,018,276	37,728
Greater than or equal to 90	20	767,084	38,354
TOTAL	2,794	$ 142,375,336	$ 50,958
POLICE	1,651	$ 81,611,144	$ 49,431
FIRE	1,143	$ 60,764,192	$ 53,162

TABLE 4

THE NUMBER AND ANNUAL RETIREMENT ALLOWANCE OF DISABLED MEMBERS BY AGE AS OF JANUARY 1, 2014

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
Less than 40	5	$ 150,060	$ 30,012
40 to 44	5	182,352	36,470
45 to 49	10	392,352	39,235
50 to 54	14	513,120	36,651
55 to 59	15	508,656	33,910
60 to 64	22	958,848	43,584
65 to 69	21	802,318	38,206
70 to 74	25	1,130,610	45,224
75 to 79	17	673,420	39,613
Greater than or equal to 80	28	1,061,576	37,913
TOTAL	162	$ 6,373,312	$ 39,341
POLICE	65	$ 2,266,238	$ 34,865
FIRE	97	$ 4,107,074	$ 42,341

TABLE 5

THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCE OF BENEFICIARIES
BY AGE AS OF JANUARY 1, 2014

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
Less than 50	86	$ 1,528,870	$ 17,778
50 to 54	45	1,035,084	23,002
55 to 59	48	1,179,977	24,583
60 to 64	92	2,159,766	23,476
65 to 69	114	2,654,994	23,289
70 to 74	133	3,171,589	23,847
75 to 79	136	3,283,976	24,147
80 to 84	114	2,285,567	20,049
85 to 89	115	2,168,498	18,857
Greater than or equal to 90	51	926,879	18,174
TOTAL	934	$ 20,395,200	$ 21,836
POLICE	547	$ 11,588,771	$ 21,186
FIRE	387	$ 8,806,429	$ 22,756

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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, 2014

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
Less than 50	140	$ 3,312,358	$ 23,660
50 to 54	214	8,060,712	37,667
55 to 59	404	21,776,549	53,902
60 to 64	762	40,661,261	53,361
65 to 69	763	34,807,450	45,619
70 to 74	584	25,755,965	44,103
75 to 79	412	16,242,901	39,425
80 to 84	330	11,114,411	33,680
85 to 89	206	5,593,358	27,152
Greater than or equal to 90	75	1,818,883	24,252
TOTAL	3,890	$ 169,143,848	$ 43,482
POLICE	2,263	$ 95,466,153	$ 42,186
FIRE	1,627	$ 73,677,695	$ 45,284

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TABLE 7

THE NUMBER AND FUTURE RETIREMENT
ALLOWANCE OF TERMINATED MEMBERS
ENTITLED TO A FUTURE BENEFIT
BY AGE AS OF JANUARY 1, 2014

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
Less than 40	45	$ 469,783	$ 10,440
40 to 44	38	404,865	10,654
45 to 49	28	405,341	14,476
Greater than or equal to 50	11	149,357	13,578
TOTAL	122	$ 1,429,346	$ 11,716
POLICE	102	$ 1,214,352	$ 11,905
FIRE	20	$ 214,994	$ 10,750

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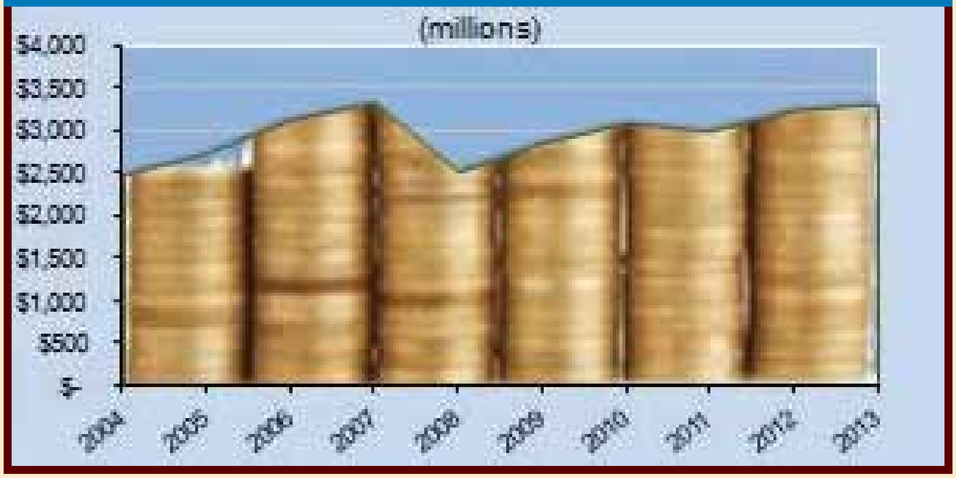
STATISTICS

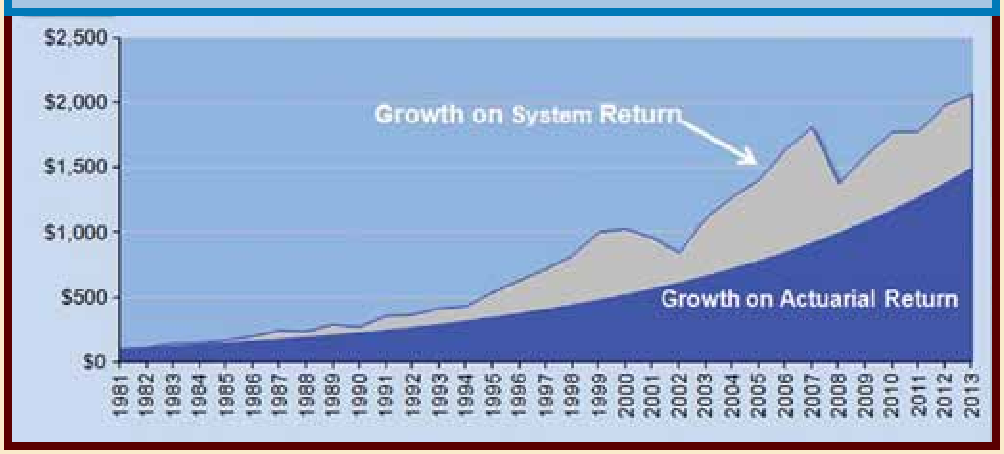

DALLAS
FIRE RESCUE

Market Value 2004-2013



The graph above indicates the growth in market value of DPFP's assets over the last ten years. The market value of assets has grown from $2.18 billion at the end of 2003 to $3.34 billion as of December 31, 2013.

Growth of $100
(1981-2013)

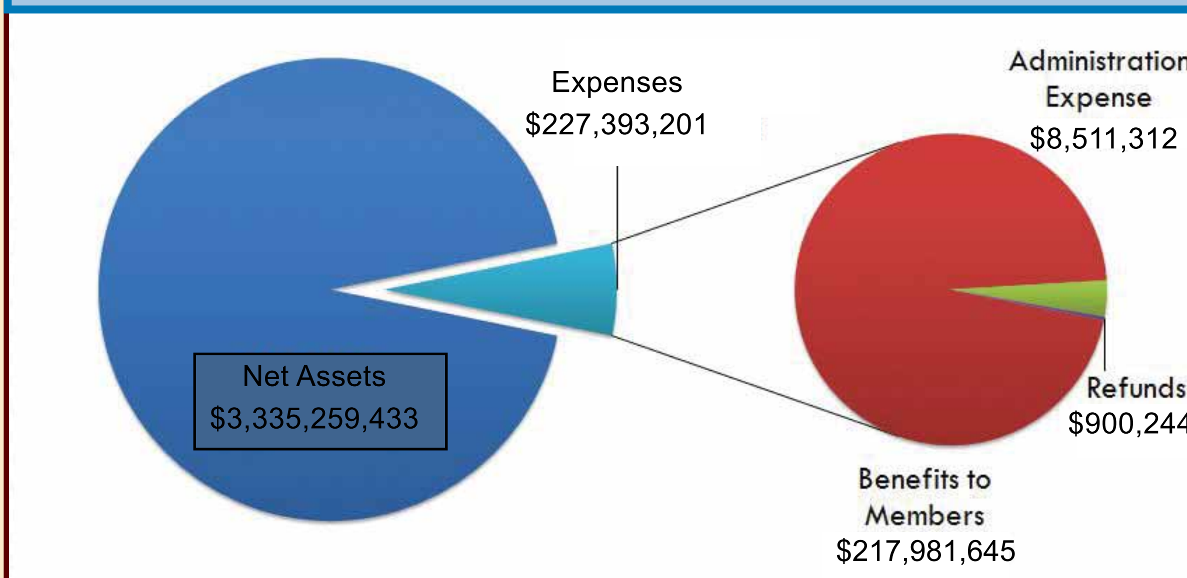


DPFP's investment return has exceeded the actuarial assumed return rate over the period from 1981 through 2013. One hundred dollars invested in DPFP's portfolio in 1982 would be worth $2,075.02 as of December 31, 2013. If the $100 had earned the actuarial interest rate, it would be worth $1,498.29.

Sources of Funds- 2013 Revenues
(Millions)

Revenues totaled $297.7 million in 2013, including $118.2 million in net appreciation.

Uses of Funds- 2013 Expenses



DPFP expenses totaled $227.4 million in 2013, with 96% being payments to DPFP Members and beneficiaries. Investment expenses are netted against investment return.

Average Membership of DPFP by Age
Including DROP (As of December 31, 2013)

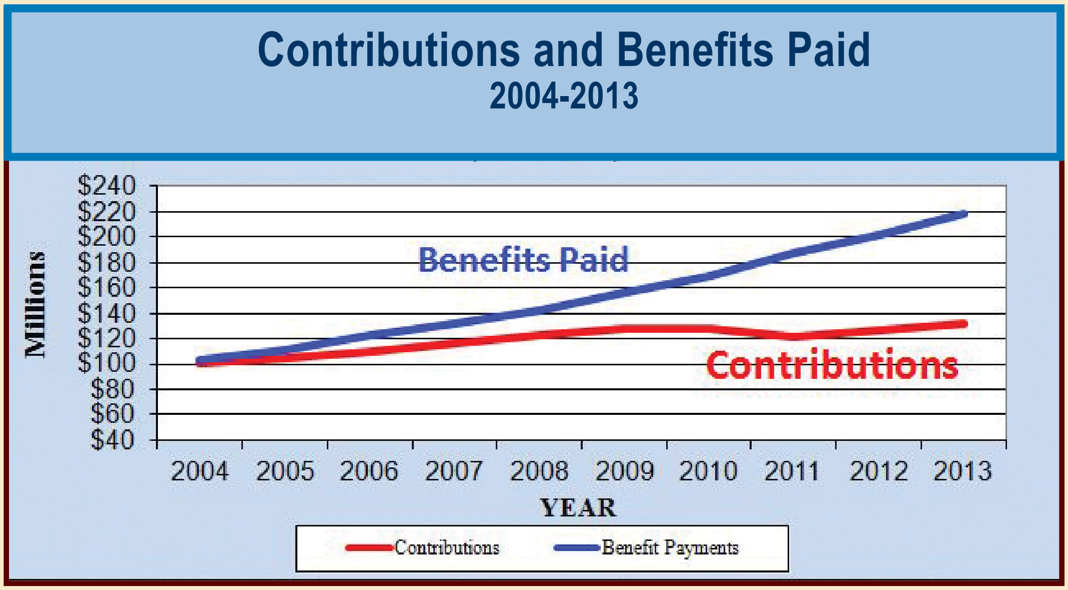
Age Range	Police	Fire	Total
Under 25	122	36	158
25 to 29	501	253	754
30 to 34	554	315	869
35 to 39	487	309	796
40 to 44	518	243	761
45 to 49	550	196	746
50 to 54	495	280	775
55 to 59	212	183	395
60 to 64	57	64	121
65 to 69	10	11	21
70 and Over	0	1	1
TOTAL	**3,506**	**1,891**	**5,397**

The chart above reports the number of Active Members by Department according to age. The average age for all Active Members is 41.25 — 40.90 for Police Officers and 41.90 for Firefighters. There were 5,397 Active Members as of December 31, 2013.

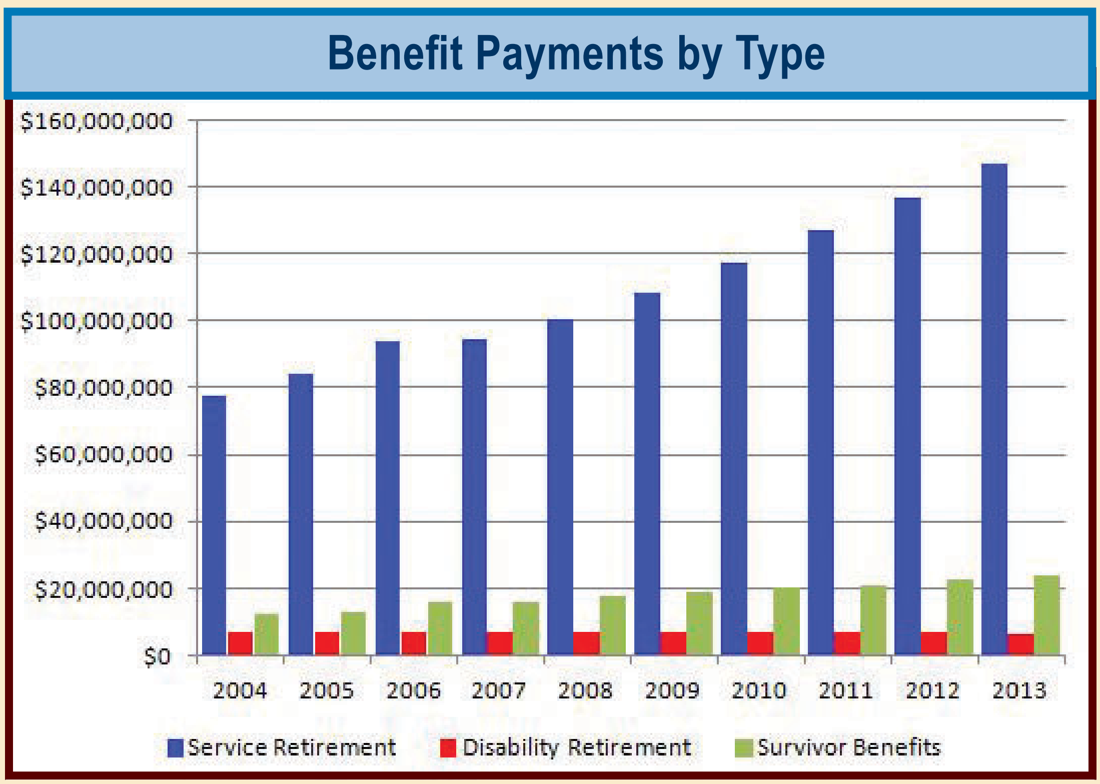
Average Membership of DPFP by Service
including DROP (As of December 31, 2013)

Years of Service	Police	Fire	Total
Fewer than 5	768	446	1214
5 to 9	802	356	1158
10 to 44	462	266	728
15 to 19	369	175	544
20 to 24	510	159	669
25 to 29	363	267	630
30 and over	232	222	454
TOTAL	**3,506**	**1,891**	**5,397**

The chart above reports the number of Active Members by Department according to years of service. The average service for all Active Members is 14.39 years— 14.03 years of service for Police Officers, and 15.07 for Firefighters. There were 5,397 Active Members as of December 31, 2013.

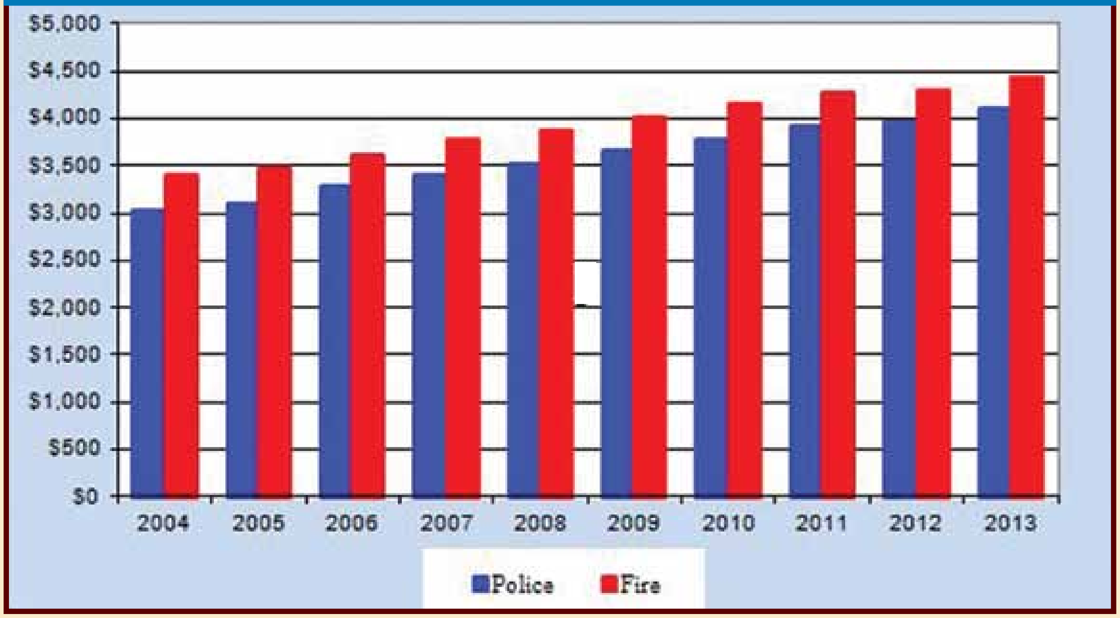


Total benefit payments have grown faster over the last ten years than contributions received. This is typical for mature pension plans. Investment income pays benefits not covered by contributions received.



The ten year history of benefit payments by type, excluding lump sum DROP distributions, demonstrates that payments have increased from $96.7 Million in 2004 to $177.2 Million in 2013.

Average Monthly Retirement Benefits
2004-2013



Benefit payments for both Police and Fire Retired Members have increased steadily over the last ten years. As of the end of 2013, the average monthly benefit of retired Police Officers was $4,119 and of Firefighters was $4,430.

Actuarial Summary Information

Actuarial Valuation Results	January 1, 2012 Valuation	January 1, 2013 Valuation	January 1, 2014 Valuation
UAAL [1]	$ 1,190,369,365	$ 1,063,181,047	$ 1,251,874,626
Actuarial Value [2]	$ 3,378,481,222	$ 3,795,024,584	$ 3,877,321,261
Market Value [3]	$ 2,990,943,353	$ 3,206,364,971	$ 3,362,750,503
AAL Ratio [4]	73.9%	78.1%	75.6%
Years To Fund [5]	30	23	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 changes in funding ratio over this period.


DALLAS
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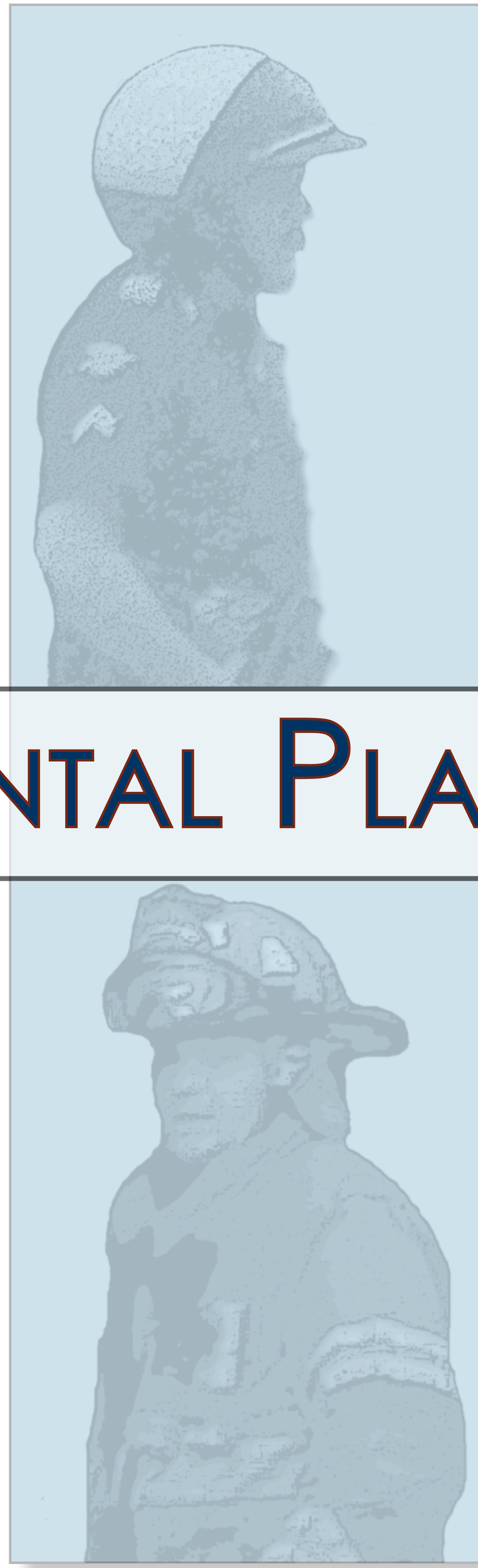

SUPPLEMENTAL PLAN

STATE PENSION REVIEW BOARD OF TEXAS

9/18/2014

Dallas Police & Fire Pension System-Supplemental
4100 Harry Hines Blvd Ste 100
Dallas, TX 75219

The State Pension Review Board (PRB) has received and reviewed the documentation you recently submitted. At this time, your plan is currently in compliance with annual reporting requirements contained in Chapter 802 of the Texas Government Code and we have updated our records based on this information.

The membership and assets information is displayed on two tables on the following page; please review the information in order to verify that it is correct. The third table shows the dates of the most recent actuarial valuation, benefits summary, investment policy and investment returns and assumptions report that have been received by our office for your plan. If any of these documents have been updated, please submit the most recent copy to our office.

Please feel free to contact our office at one of the numbers shown below if you have any questions regarding the information shown.

Sincerely,

State Pension Review Board
(800) 213-9425
(512) 463-1736

Dallas Police & Fire Pension System-Supplemental
9/18/2014
Page 2

Membership Information

Total Members	158
Total Annuitants	120

Asset Breakdown

Other	$25,584,297.00
Receivables	$1,543.00

Liabilities	$8,363.00
Total Net Assets	$25,577,477.00

Document	**Most recent date on file with the PRB**
Actuarial Valuation	1/1/2013
Benefit Summary	12/31/2009
Investment Policy	7/12/2012
Investment Returns and Assumptions Report	12/31/2013

If any of these documents have been updated, please submit the most recent copy to our office


POLICE
SERVING SINCE 1881

Supplemental Plan Financials

SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Financial Statements and
Required Supplemental Information

December 31, 2013 and 2012
(With Independent Auditors' Report Thereon)

Insight. Oversight. Foresight.[SM]

DoerenMayhew
CPAs AND ADVISORS

SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Table of Contents

DoerenMayhew
CPAs AND ADVISORS

One Riverway, Ste. 1200
Houston, Texas 77056
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Supplemental Police and Fire Pension Plan of the City of Dallas (the Supplemental Plan), which comprise the statements of plan net position as of December 31, 2013 and 2012, and the related statements of changes in plan net position for the years then ended, and the related notes to the basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial status of the Supplemental Plan as of December 31, 2013 and 2012, and the changes in its financial status for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and the schedules of funding progress and employer contributions be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A and schedules of funding progress and employer contributions in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Weaver Mayhew

Houston, Texas
August 20, 2014

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SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Management's Discussion and Analysis (Unaudited)
December 31, 2013 and 2012

OVERVIEW

Management's Discussion and Analysis (MD&A) provides an overview of the Supplemental Police and Fire Pension Plan of the City of Dallas's financial activities for the fiscal years ended December 31, 2013 and 2012.

The Supplemental Police and Fire Pension Plan of the City of Dallas (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

The Statement of Plan Net Position presents the Supplemental Plan's assets and liabilities and reflects the plan net position as of the end of the year for the payment of pension benefits and other expenses. The Statement of Changes in Plan Net Position summarizes additions to and deductions from Supplemental Plan net assets during the year. The net position of the plan represents net assets available to pay pension benefits and other expenses. 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 Supplemental Plan presents its financial statements solely on the accounts of the Supplemental Plan. The accrual basis of accounting is used, whereby income is recognized when earned and collection is reasonably assured, and expenses are recognized when the liability has been incurred. Investments are reported at estimated fair value.

CONDENSED FINANCIAL INFORMATION

	2013	2012	2011
Assets	$ 23,585,840	$ 22,702,458	$ 20,369,200
Liabilities	8,363	6,663	14,192
Net position - restricted for pension benefits	23,577,477	22,695,795	20,355,008
Contributions	1,969,829	1,981,353	1,570,508
Investment and other income (loss)	1,180,030	2,221,055	(167,129)
Benefit payments	2,207,338	1,819,155	2,119,029
Administrative expenses and professional fees	60,839	42,466	48,378

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements
December 31, 2013 and 2012

FINANCIAL HIGHLIGHTS

The Supplemental Plan's net position increased $882 thousand in 2013 to $23.6 million. Net position increased $2.3 million in 2012 to $22.7 million. The increase in plan net position reflects continued recovery in the financial markets in 2013.

The assets of the Dallas Police and Fire Pension System (DPFP) and Supplemental Plan are co-invested through a Group Trust. The rate of return on Group Trust investments during 2013 was 4.4% net of fees, compared to a rate of return of 11.4% for 2012. The rate of return is provided by NEPC, LLC, the Supplemental Plan's general investment consultant. The actuarial expected rate of return for both years was 8.5%.

The Supplemental Plan maintains a highly diversified investment portfolio that is comprised of Global Public Equity, Global Private Equity, Global Fixed Income, Global Natural Resources, Global Asset Allocation, Global Infrastructure and Global Real Estate.

The Global Public Equity and Global Fixed Income asset classes provided the greatest value added as both outperformed their benchmarks. The Supplemental Plan's Global Public Equity portfolio returned 23.3% in 2013 beating the respective benchmark, MSCI ACWI, which returned 22.8%. Domestic markets were aided by the Federal Reserve's stimulus program and correspondingly low interest rates. Central banks in Japan and Europe also pumped money into their economies, held interest rates low and promised to continue to do so, following the same path as the U.S. Federal Reserve.

Global fixed income markets, as benchmarked against the Barclays Global Aggregate Index, returned negative 2.6% in 2013, while the Supplemental Plan's Global Fixed Income portfolio surpassed the benchmark and achieved a positive return of 5.1%. The U.S. fixed income market received its fair share of headlines for poor performance in 2013 led by concerns regarding the Federal Reserve's tapering of its quantitative easing program. However, there were plenty of opportunities for investment in the global fixed income markets that did produce positive returns, such as high yield bonds, senior loans, and short-term bonds along with appropriate diversification as exercised by the Supplemental Plan.

At year end, the Supplemental Plan's Global Private Equity portfolio performance was negative 7.3%, compared to the benchmark's return of 35% using the S&P 500 + 2% as the benchmark. As private equity is expected to earn a premium to public markets over the long term, discretion should be exercised in making relative performance comparisons over shorter time periods, especially when public markets experienced such a significant rally as they did in 2013. A prominent driver of the underperformance was the impact of lower oil prices at year end which affected energy investments.

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SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

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The Supplemental Plan's allocation to the Global Natural Resources asset class underperformed compared to the "custom" benchmark calculated by NEPC, primarily due to the performance of the timber and clean energy technology sectors. The "custom" benchmark was developed to provide a benchmark that is similarly weighted to the market capitalization weighting of each investment within the Global Natural Resources portfolio. The benchmark returned 23.8% while the Supplemental Plan's allocation returned 14.6%.

By design, the Global Asset Allocation (GAA) portfolio is intended to increase the diversification of the overall portfolio due to the uncorrelated nature of the investments. GAA underperformed when matched against the 6.1% benchmark, but still returned a positive 3.2%.

Fully developed infrastructure investments are expected to earn a return premium over inflation in the long-term. The performance of the Global Infrastructure portfolio, with a return of 6.0% against the benchmark of 6.6%, is due to the relatively young nature of the assets in the portfolio, including several that were in development and under construction at year end. The infrastructure portfolio is generally performing as expected.

The Global Real Estate portfolio has experienced a decline in performance returning negative 4.2%, predominately as the result of the depressed value of land holdings. In comparison to most real estate indices, the Supplemental Plan's real estate portfolio is weighted more heavily toward assets in the developmental stage.

The Supplemental Plan has always maintained a long-term strategic investment policy and will remain focused on the long-term, disciplined strategy of a well diversified portfolio.

The below chart summarizes the Supplemental Plan's performance by asset class.

Rates of Return by Asset Class*

Asset Class	2013 Return	Benchmark Return	Benchmark
Global Public Equity	23.3%	22.8%	MSCI ACWI
Global Private Equity	-7.3%	35.0%	S&P 500 + 2%
Global Fixed Income	5.1%	-2.6%	BC Global Aggregate
Global Natural Resources	14.6%	23.8%	Custom**
Global Asset Allocation	3.2%	6.1%	T-Bill + 6%
Global Infrastructure	6.0%	6.6%	CPI + 5%
Global Real Estate	-4.2%	8.5%	Actuarial Assumption

** - All return information is presented net of management fees, unless stated otherwise.*

***- A weighted average benchmark is used to measure the performance of the Global Natural Resources asset class. The custom benchmark is weighted by the market capitalization of each investment within the portfolio.*

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SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Management's Discussion and Analysis (Unaudited)
December 31, 2013 and 2012

The Supplemental Plan had $8,363 and $6,663 in liabilities as of December 31, 2013 and 2012, respectively. Investment liabilities are incorporated into the Group Trust and reflected within total investments.

The Supplemental Plan received member contributions of $34,241 in 2013 and $27,331 in 2012. The Supplemental Plan received employer contributions from the City of Dallas (the City) in the amount $1.94 million and $1.95 million in 2013 and 2012, respectively. Employer contributions are made in accordance with actuarial assumptions as established by Buck Consultants, external actuarial firm, and by the Board.

The Supplemental Plan paid $2.2 million in service retirement, disability retirement and survivor benefits during 2013, compared to $1.8 million in 2012. No changes to benefit provisions were implemented in 2013 or 2012.

The cost of administering the benefit programs of the Supplemental Plan, including administrative costs and professional fees, was approximately $61 thousand in 2013 compared to approximately $42 thousand for 2012. The primary driver for the $18 thousand increase in 2013 was an increase in professional service fees over the prior year. A pro rata share of the total expenses of the Group Master Trust is allocated to the Supplemental Plan according to the ratio of Supplemental Plan assets to the total assets of the Group Master Trust. Any expenses specific to the Supplemental Plan are charged directly as a reduction of the Supplemental Plan's net plan position.

There were 38 and 39 active members of the Supplemental Plan at December 31, 2013 and 2012, respectively. The number of retired members, terminated vested members and beneficiaries was 120 and 120 as of December 31, 2013 and 2012, respectively.

FUNDING PROGRESS

The Supplemental Plan contracted with Buck Consultants to conduct an actuarial valuation to determine the funding position of the Supplemental Plan as of January 1, 2014. The actuarial valuation report indicated that the overall funding of the Supplemental Plan remains sound and the current contribution rates are sufficient to keep the Supplemental Plan actuarially sound. In preparing the valuation, the actuary uses a smoothing process over a rolling ten-year period of investment data to remove year-to-year volatility in asset returns.

The ratio of a plan's actuarial value of assets 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 increased to 62% for 2013 compared to 57.9% for 2012.

 Continued

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Management's Discussion and Analysis (Unaudited)
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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, 2014, the Supplemental Plan's UAAL was $14,740,169, a decrease of $962 thousand from a UAAL of $15,702,369, as of January 1, 2013.

CONTACTING THE SUPPLEMENTAL PLAN'S FINANCIAL MANAGEMENT

The above Financial Highlights discussion 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 Interim Administrator of the Dallas Police and Fire Pension System at 4100 Harry Hines Blvd., Suite 100, Dallas, Texas 75219.

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Statements of Plan Net Position
December 31, 2013 and 2012

Assets	2013	2012
Plan interest in Group Master Trust, at fair value	$ 23,584,297	$ 22,701,117
Accrued member contributions receivable	1,543	1,341
Total assets	23,585,840	22,702,458
Liabilities and Plan Net Position		
Liabilities - administrative expenses payable	8,363	6,663
Net position - restricted for pension benefits	$ 23,577,477	$ 22,695,795

See accompanying notes to basic financial statements.

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SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Statements of Changes in Plan Net Position
Years Ended December 31, 2013 and 2012

	2013	2012
Additions to net position:		
Investment income -		
net investment gain from Group Master Trust	$ 1,180,030	$ 2,221,055
Contributions:		
Employer	1,935,588	1,954,022
Member	34,241	27,331
Total contributions	1,969,829	1,981,353
Total additions to net position	3,149,859	4,202,408
Deductions from net position:		
Benefit payments	2,207,338	1,819,155
Administrative expenses and professional fees	60,839	42,466
Total deductions from net position	2,268,177	1,861,621
Net increase in net position	881,682	2,340,787
Net position - restricted for pension benefits:		
Beginning of year	22,695,795	20,355,008
End of year	$ 23,577,477	$ 22,695,795

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, 2013 and 2012

Note 1 - Organization

General

The Supplemental Police and Fire Pension Plan of the City of Dallas (the Supplemental Plan) is a single-employer pension and retirement fund 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 (DPFP) Plan B Defined Benefit Pension Plan (Plan B). DPFP is a component unit of the City. The Plan B benefit structure was consolidated into DPFP's Combined Pension Plan in 1992. Former Plan B members are now denominated as "Group B" members of the Combined Pension Plan. The objective of the Supplemental Plan is to provide additional retirement benefits to those members of the Supplemental Plan holding a rank higher than the highest corresponding civil service rank as provided for in the Combined Pension Plan. Members receive a supplemental pension based upon the difference between compensation for the civil service position held before entrance into the Supplemental Plan and compensation while participating in the Supplemental Plan. The Supplemental Plan was established and derives its authority from a non-codified City ordinance. As of December 31, 2013 and 2012, the Supplemental Plan's membership consisted of:

	2013	2012
Non-active members:		
Pensioners and qualified survivors currently receiving benefits:		
Firefighters	52	52
Police officers	68	68
Total non-active members	120	120
Active members:		
Vested:		
Firefighters	14	14
Police officers	24	25
Total active members	38	39

In 1992, an amendment to Article 6243a-1 of the Revised Civil Statutes of Texas 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 that members who 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 Supplemental Plan and accumulates interest. Upon retirement from the City, the member is able to withdraw from their DROP account along with the normal benefits. The total balance related to Supplemental Plan DROP members was $10,558,427 and $9,701,115 at December 31, 2013 and 2012, respectively.

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SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 1 - Organization (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.

The Supplemental Plan's plan document can be amended only by the City council in accordance with City ordinance.

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 on 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 POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 1 - Organization (Continued)

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 Combined Pension Plan, one pensioner who has retired from the Police Department and one pensioner who has retired from the Fire Department who are members of the Combined Pension Plan and are elected by pensioners from their respective departments.

Effective January 1, 2006, the Supplemental Plan's Board elected to establish a Group Master Trust (Group Trust) in order to unitize the investments of DPFP and the Supplemental Plan. The Supplemental Plan's Board has investment oversight for the investment activities of the Group Trust.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying basic financial statements are presented in accordance with accounting principles generally accepted in the United States (GAAP). In doing so, the Supplemental Plan adheres to guidelines established by the Governmental Accounting Standards Board (GASB). 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.

Member and employer contributions are recognized as income in the period in which the related compensation is earned. Benefits paid to members and contribution refunds are recognized when due and payable. Accrued income, when deemed uncollectible, is charged to operations. The final biweekly payroll contributions of members for the years ended December 31, 2013 and 2012 and the City's related contributions were not deposited into the Supplemental Plan's account by year-end and accordingly, are recorded as receivables in the accompanying Statements of Plan Net Position.

Use of Estimates

The preparation of financial statements in accordance with GAAP 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 income 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
December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (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. Highly liquid investments invested as part of a short-term investment fund are not considered cash equivalents.

Plan Interest in the Group Trust

Beginning January 1, 2006, the Supplemental Plan's investments are held in the Group Trust. JPMorgan Chase Bank, N.A. (JPMorgan) served as custodian for the years ended December 31, 2013 and 2012. The fair value of the Supplemental Plan's interest in the Group Trust is based on the unitized interest that the Supplemental Plan has in the Group Trust. The Supplemental Plan's interest in the Group Trust's investments was approximately .71% and 0.67% at December 31, 2013 and 2012, respectively, while the remaining interest belongs to DPFP. The allocation of investment income and expenses between DPFP and the Supplemental Plan is based on the number of units owned of the Group Trust. Benefits, contributions and shared administrative expenses are allocated to each plan directly in proportion to each plan's ownership interest.

Investments

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.

The accompanying Statements of Changes in Plan Net Position present the net appreciation (depreciation) in the fair value of investments which consists of the realized gains and losses on securities sold and the unrealized gains and losses on those investments still held in the portfolio.

The value and performance of the Supplemental Plan's investments are subject to various risks, including, but not limited to, credit risk, interest rate risk, concentration of credit risk, custodial credit risk and foreign currency risk, which are in turn affected by economic and market factors impacting certain industries, sectors or geographies. See Note 3 for disclosures related to these risks.

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

Purchases and sales of investments and forward foreign exchange contracts are recorded on the trade date. Unsettled investment trades as of fiscal year-end are reported in the financial statements on the accrual basis of accounting. Gains or losses on forward foreign exchange contracts are recognized when the contract is settled.

Interest earned but not yet received and dividends declared but not yet received are recorded as accrued interest and dividends receivable, respectively. In addition, unsettled investment purchases and sales are accrued.

Investments are reported at fair value. The Supplemental Plan's interest in the Group Trust is based on the fair value of the unitized interest held by the Supplemental Plan. The diversity of the investment types in which the Group Trust invests requires a wide range of techniques to determine fair value. Short-term investments made up of money market funds and government bonds with a maturity of less than one year are valued based on year-end current market rates. The stated market value of investments in public securities is based on published market prices or quotations from major investment dealers. Securities traded on an international exchange are valued at the last reported sales price as of year-end at current exchange rates. Private equity investments are valued using their respective net asset value (NAV). The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are valued by the general partners on a quarterly basis, in accordance with financial reporting standards: GAAP or International Financial Reporting Standards, as applicable. Real estate investments consist of private real estate equity in separate accounts and commingled funds. Real estate is held either directly, in separate accounts, as a limited partner or in a joint venture or commingled fund. Properties owned directly, held in a separate account or in a joint venture structure, are subject to independent third-party appraisals performed in accordance with the Uniform Standards of Professional Appraisal Practice on a periodic basis. Limited partner interests in joint venture and commingled funds are valued by the Supplemental Plan using the NAV of the partnership. The underlying investment holdings are valued by the general partners on a continuous basis, and are generally periodically appraised by an independent third-party, as directed by the general partners. As of December 31, 2012, the carrying values of certain real estate investments were based on historical cost. During 2013, management revised the methodology used to estimate the fair value of these certain real estate investments to include the use of independent third-party appraisals as discussed above. The resulting changes in estimates recorded in 2013 did not have a material impact on the accompanying basic financial statements.

Benefits

Benefits and refunds of contributions are recorded when they are paid to members.

 Continued

SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (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 - U. S. dollar) 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 Position 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, 2013 and 2012 were converted to the U.S. dollar at the applicable foreign exchange rates quoted at December 31, 2013 and 2012, respectively. The resulting foreign exchange gains and losses are included the in Group Trust net appreciation in fair value of investments as disclosed in Note 3.

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.

Reclassifications

Certain reclassifications have been made to the December 31, 2012 Notes to Basic Financial Statements to conform to the presentation as of December 31, 2013.

 Continued

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013 which is the fiscal year ending December 31, 2014 for the Supplemental Plan. Management is currently assessing the impact that this statement will have on the Supplemental Plan's financial statements when adopted.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* (Statement No. 68). This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for periods beginning after June15, 2014 which is the fiscal year ending September 30, 2015 for the City.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The requirements of this Statement should be applied simultaneously with the provisions of Statement No. 68.

SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 3 - Investments and Plan Interest in the Group Trust

The following disclosures on investments and the Supplemental Plan's interest in the Group Trust are made for the Group Trust as of and for the years ended December 31, 2013 and 2012.

The following summarizes the net position of the Group Trust as of December 31:

	2013	2012
Assets		
Investments, at fair value:		
Cash and cash equivalents	$ 53,613,033	$ 51,340,723
Short-term investments	2,332,057	3,815,973
Securities lending collateral	174,236,846	196,323,550
U.S. government securities	12,831,433	6,447,279
U.S. government agency securities	6,392,475	825,180
Foreign government bonds	74,385,274	114,555,742
Commingled equity funds	1,267,284,291	1,258,820,113
Commingled debt funds	104,919,238	61,461,156
Domestic equity securities	498,950,736	454,741,136
Foreign equity securities	296,780,688	275,833,357
Corporate bonds	210,009,325	207,909,286
Real assets	1,230,121,289	1,288,179,047
Total investments	3,931,856,685	3,920,252,542
Receivables:		
Accrued interest and dividends	6,814,411	6,800,636
Forward currency contracts	47,997,315	36,811,902
Receivable for securities sold	13,504,150	1,764,907
Total receivables	68,315,876	45,377,445
Total assets	4,000,172,561	3,965,629,987
Liabilities and Net Position		
Payable for securities purchased	663,130	2,468,417
Professional fees payable	2,336,595	3,425,584
Forward currency contracts	47,752,748	36,975,573
Securities lending obligations	174,236,846	196,323,550
Lines of credit and other bank loans	420,343,013	442,430,730
Total liabilities	645,332,332	681,623,854
Net position of the Group Trust	$ 3,354,840,229	$ 3,284,006,133

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SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements December 31, 2013 and 2012

Note 3 - Investments and Plan Interest in the Group Trust (Continued)

The following summarizes total investment income of the Group Trust for the years ended December 31:

	2013	2012
Investment income:		
Interest	$ 20,631,350	$ 18,671,028
Dividends	31,799,126	28,016,763
Real estate income	28,196,374	14,209,687
Net appreciation in fair value of investments	118,163,274	299,651,675
Securities lending income	781,146	718,498
Less investment expenses:		
Custody fees	(409,353)	(225,173)
Investment services	(32,572,941)	(28,549,282)
Net investment income of the Group Trust	$ 166,588,976	$ 332,493,196

The following summarizes interest held in the Group Trust as of December 31:

	2013	2012
Interest held by DPFP (99.3%)	$ 3,331,255,932	$ 3,261,305,016
Interest held by the Supplemental Plan (.7%)	23,584,297	22,701,117
Total net position of the Group Trust	$ 3,354,840,229	$ 3,284,006,133

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, limited liability companies, private real estate trusts, and loans and mortgages are investments that are evidenced by contracts rather than securities.

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 a custody agreement with JPMorgan under which JPMorgan assumes responsibility for the safekeeping of certain investments, handling of transactions based on the instructions of investment managers, and reporting investment transactions.

As of December 31, 2013 and 2012, there was one limited liability company investment which individually represented more than five percent of the Group Trust's total investments. The carrying value of this investment was approximately $169.9 million and $179.9 million as of December 31, 2013 and 2012, respectively.

 Continued

SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 3 - Investments and Plan Interest in the Group Trust (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of an investment 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. The Supplemental Plan mitigates this risk by having investments held at a custodian bank on the Supplemental Plan's behalf according to the Supplemental Plan's investment policy.

As of December 31, 2013 and 2012, cash balances of $6,411,275 and $3,106,460, respectively, included in cash and cash equivalents in the net position of the Group Trust, were in excess of FDIC coverage limits. The Supplemental Plan does not have a deposit policy for custodial credit risk; however, management believes that credit risk exposure is mitigated by the financial strength of the banking institutions in which the deposits are held.

Concentration of Credit Risk

The target allocations of assets among various asset classes are determined 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, the Group Trust will further diversify the portfolio by employing multiple investment managers who provide guidance for implementing the strategies selected by the Board.

Significant guidelines are as follows:

Public market investments

1. Specific manager guidelines are developed collectively by DPFP investment staff, legal counsel, and the investment manager and are incorporated into the investment management services contract.
2. In the case of conflict between the specific manager guidelines and the general guidelines, the specific manager guidelines 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.
    b. 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.
    c. Transactions shall be executed at competitive costs.

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 3 - Investments and Plan Interest in the Group Trust (Continued)

3. The Board, with assistance from DPFP staff, shall monitor each investment manager's performance and adherence to style, strategy, and specific manager 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 specific manager 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.

2. In case of conflict between the specific manager guidelines and the general guidelines, the specific guidelines 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.

   b. The Administrator 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 DPFP 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 DPFP 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 invest in fixed income securities including, but not limited to, investments representing instruments with an obligated fixed rate of interest including public and private debentures, mortgage backed securities, investments in life insurance general accounts and guaranteed investment contracts with maturities greater than one year, and options/futures. 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 Supplemental Plan's investment policy.

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SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 3 - Investments and Plan Interest in the Group Trust (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 of a fixed income security 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 Supplemental Plan 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 investment management services contracts.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. To mitigate foreign currency risk, international investment managers are expected to maintain diversified portfolios by sector and by issuer using the Supplemental Plan's investment policy.

The Group Trust's exposure to interest rate risk and foreign currency risk at December 31, 2013 is presented below, at fair value:

Investment Type/Currency	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years	Total
Domestic fixed maturities:					
U.S. Treasury secureties	$ 320,262	$ 4,491,538	$ 2,008,865	$ 6,010,768	$ 12,831,433
U.S. Government agency securities	-	-	-	6,392,475	6,392,475
Corporate bonds	9,187,634	70,837,163	77,176,974	52,807,554	210,009,325
Total domestic fixed maturies	9,507,896	75,328,701	79,185,839	65,210,797	229,233,233
Foreign government bonds:					
Australian Dollar	190,963	6,966,915	5,211,598	-	12,369,476
Brazilian Real	-	235,244	528,505	-	763,749
British Pound Sterling	3,880,490	-	-	-	3,880,490
Canadian Dollar	-	2,389,718	-	-	2,389,718
Euro	414,790	3,949,724	2,361,569	5,554,615	12,280,698
Hungarian Forint	-	1,575,510	-	-	1,575,510
Indonesian Rupiah	2,106,828	-	-	-	2,106,828
Japenese Yen	670,735	2,312,441	579,837	686,101	4,249,114
Malaysian Ringgit	-	-	608,589	-	608,589
Mexico Peso	-	1,619,337	3,446,496	8,317,527	13,383,360
New Zealand Dollar	-	1,022,791	1,448,047	-	2,470,838
Polish Zloty	-	3,324,496	4,193,535	-	7,518,031
South Korean Won	-	2,233,095	641,814	-	2,874,909
South Africa Rand	-	-	841,745	1,517,949	2,359,694
Swedish Krona	1,353,916	-	4,200,354	-	5,554,270
Total foreign government bonds	8,617,722	25,629,271	24,062,089	16,076,192	74,385,274
Total fixed maturities	$ 18,125,618	$ 100,957,972	$ 103,247,928	$ 81,286,989	$ 303,618,507

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SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 3 - Investments and Plan Interest in the Group Trust (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 was not party to any negotiated derivative contracts as of December 31, 2013, therefore credit risk exposure to such counterparties does not exist. The Group Trust's exposure to credit risk in fixed income securities as of December 31, 2013 using the Standard & Poor's rating scale, at fair value, is as follows:

Quality Rating	Corporate Bonds	Foreign Government Bonds	Total
AAA	$ 10,073,390	$ 9,598,377	$ 19,671,767
AA+	1,002,830	5,996,798	6,999,628
AA	2,148,105	-	2,148,105
AA-	1,780,281	5,304,567	7,084,848
A+	1,592,450	5,338,621	6,931,071
A	2,987,452	8,730,194	11,717,646
A-	3,052,367	14,353,523	17,405,890
BBB+	435,931	2,070,104	2,506,035
BBB	4,370,372	235,244	4,605,616
BBB-	4,951,824	-	4,951,824
BB+	12,324,090	-	12,324,090
BB	20,955,555	1,575,510	22,531,065
BB-	26,136,668	1,196,800	27,333,468
B+	4,507,019	71,309	4,578,328
B	10,764,146	-	10,764,146
B-	4,771,525	-	4,771,525
CCC+	4,224,312	-	4,224,312
CCC	21,853,004	-	21,853,004
CC	21,567,860	-	21,567,860
C	17,905,499	-	17,905,499
DDD	8,336,301	-	8,336,301
DD	1,628,600	-	1,628,600
D	1,624	-	1,624
NR	22,638,120	19,914,227	42,552,347
Total credit risk of debt securities (excluding Short-term)	$210,009,325	$ 74,385,274	$ 284,394,599
U.S. Treasury securities and U.S. Government agency securities			19,223,908
Total fixed maturities			$ 303,618,507

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**SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS**

**Notes to Basic Financial Statements
December 31, 2013 and 2012**

Note 4 - Securities Lending

The Board has authorized the Group Trust to enter into an agreement with JPMorgan for the lending of certain of the Group Trust's securities 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.

JPMorgan lends, on behalf of the Group Trust, securities held by JPMorgan as the Group Trust's custodian, and receives U.S. dollar cash and U.S. Government securities as collateral. JPMorgan does not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers are required to put up collateral for each loan equal to: (i) in the case of loaned securities denominated in U.S. dollars or whose primary trading market was in the U.S. 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 U.S. dollars or whose primary trading market was not in the U.S., 105% of the fair market value of the loaned securities.

The Board did not impose any restrictions during 2013 and 2012 on the amount of the loans that JPMorgan made on its behalf. There were no failures by any borrowers to return the loaned securities or pay distributions thereon during the fiscal years 2013 and 2012. Moreover, there were no losses during the 2013 and 2012 fiscal years resulting from a default of the borrower. JPMorgan indemnifies the Group Trust in respect of any loan related to any non-cash distribution and return of securities.

During 2013 and 2012, 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 JPMorgan. 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. The market value for securities on loan for the Group Trust was $170,618,214 and $191,501,517 at December 31, 2013 and 2012, respectively. The collateral held for the Group Trust was $174,236,846 and $196,323,550 at December 31, 2013 and 2012, respectively.

Note 5 - Contributions

Funding Policy

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.

 Continued

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 5 - Contributions (Continued)

The City is required by ordinance to contribute amounts, as determined by a qualified actuary and by the Board, necessary to maintain the Supplemental Plan. The City's contribution rate is intended to be sufficient to amortize the unfunded actuarial accrued liability over ten years, including the normal cost. The required contribution rate of the City needed in order to meet the funding goal, pursuant to an actuarial study effective January 1, 2014, is 348.53% of covered members' salaries compared to 430.39% as of January 1, 2013.

State law requires that the Supplemental Plan fund the plan benefits based on an approved actuarial study. The actuary must certify that the contribution commitment by members and the City provides an adequate financing arrangement. During 2013 and 2012, contributions were made in accordance with the adopted plans of benefits approved by the Supplemental Plan's actuary.

Funded Status

Information regarding the actuarial funding status of the Supplemental Plan as of January 1, 2014, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	AVA as a Percentage of AAL	Covered Payroll	UAAL as a Percentage of Covered Payroll
$ 24,037	$ 38,777	$ 14,740	62.0%	$ 521	2,829.2%

The January 1, 2014 actuarial valuation used the following significant assumptions:

Investment rate of return	8.5%, compounded annually, net of expenses
Projected salary increases	Range of 4% to 9.64% per year
General inflation rate	4% per year
Mortality, retirement, disability and separation rates	Graduated rates detailed in actuary's report
Actuarial cost method	Entry age normal cost method
Post retirement benefit increases	4% of original pension, annually
Asset valuation	Market value
Amortization method	Open level fixed percent of payroll
Amortization period for UAAL	30 years
DROP account returns	8.5%, compounded annually, net of expenses
Post retirement mortality	RP-2000 Combined Healthy Mortality Table projected to 10 years beyond the valuation date using Scale AA for healthy retirees and active members. RP-2000 Combined Healthy Mortality Table with a one-year set forward for disabled members.

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 5 - Contributions (Continued)

Historical Trend Information

Historical trend information is provided in the accompanying Required Supplemental Information schedules. This information is intended to demonstrate the progression of accumulation of 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 the accompanying supplemental 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 reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

Note 6 - Forward Contracts

During fiscal years 2013 and 2012, certain investment managers, on behalf of 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. Forwards are usually traded over-the-counter. These transactions are initiated 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 favorably or unfavorably 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.

At December 31, 2013 and 2012, the Group Trust had net unrealized gains and losses on forward currency contracts of $244,566 and $(163,671), respectively, included in net appreciation in fair value of investments in the Group Trust investment income as presented in Note 3.

 Continued

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 7 - Lines of Credit and Other Bank Loans

The Group Trust has a credit agreement with Bank of America, N.A. which provides for a revolving line of credit bearing interest per annum at the 30 day floating LIBOR plus 95 basis points at December 31, 2013 and 30 day floating LIBOR plus 75 basis points at December 31, 2012, payable quarterly. The Group Trust also pays a quarterly fee on the unused portion of the line of credit equaling 35 basis points. The revolving credit line was opened on November 1, 2006, and expired on March 31, 2014. Subsequent to December 31, 2013 and prior to expiration, the revolving credit line was extended to April 15, 2014. See Note 12 for discussion of terms of the extension.

At December 31, 2013 and 2012, the Group Trust had borrowed $349,576,013 and $338,211,730, respectively, related to the revolving credit line, which provides for a maximum borrowing of $400,000,000. The line of credit agreement contains various covenants under which the bank may call the line of credit if the Group Trust is in violation of any restrictive covenants.

In addition to the line of credit, the Group Trust has a loan agreement with Bank of America, N.A. bearing interest per annum at the 30 day floating LIBOR rate plus 95 basis points at December 31, 2013 and the 30 day floating LIBOR rate plus 75 basis points at December 31, 2012, payable quarterly. The loan is secured by real property and matured on March 31, 2014. Subsequent to December 31, 2013 and prior to maturity, the loan agreement was extended to April 15, 2014. See Note 12 for discussion of terms of the extension. At December 31, 2013 and 2012, the loan balance outstanding was $16,767,000 and $24,219,000, respectively. The loan agreement contains various covenants under which the bank may call the loan if the Group Trust is in violation of any restrictive covenants.

The Group Trust has a credit agreement with Texas Capital Bank, N.A. which provides for a revolving line of credit bearing interest at the Prime Rate minus 26 basis points with a floor rate of 2.5%, a maximum rate of 5.0%, and a fee of 50 basis points on the unused portion of the line of credit, payable monthly. The credit agreement expires on April 1, 2017. At December 31, 2013 and 2012, the Group Trust had borrowed $27,000,000 and $40,000,000, respectively, related to the revolving line of credit which provides for a maximum borrowing of $40,000,000. On February 6, 2014, the credit agreement was amended to provide for a revolving line of credit bearing interest at the Prime Rate minus 130 basis points, with an expiration date of February 6, 2015 and maximum borrowing of $30,000,000.

The Group Trust has a credit agreement with BBVA Compass which provides for a revolving line of credit bearing interest at the 30 day floating LIBOR plus 225 basis points, payable quarterly. The credit agreement has no fee on the unused portion. The credit agreement expires on September 15, 2014. At December 31, 2013 and 2012, the Group Trust had borrowed $27,000,000 and $40,000,000, respectively, related to the revolving credit line, which provides for a maximum borrowing of $40,000,000.

 Continued

SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements
December 31, 2013 and 2012

Note 7 - Lines of Credit and Other Bank Loans (Continued)

On September 17, 2013, the Group Trust entered into an irrevocable standby letter of credit with Bank of America, N.A. for $28,000,000 at a rate of 25 basis points which expires September 30, 2014. No amount had been drawn on this line of credit as of December 31, 2013.

Maturities of debt at December 31, 2013 are as follows:

Year Ending December 31,	Amount
2014	$ 393,343,013
2017	27,000,000
Total	$ 420,343,013

Note 8 - Federal Income Tax Status

A favorable determination that the Supplemental Plan is qualified and exempt from Federal income taxes was received on May 25, 2012 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.

Note 9 - Administrative Expenses

Group Trust investment related expenses for the years ended December 31, 2013 and 2012 include $32,572,941 and $28,549,282, respectively, in asset management fees for the Group Trust.

Note 10 - Commitments and Contingencies

As described in Note 1, certain members of the Supplemental Plan are entitled to refunds of their accumulated contributions upon termination of employment with the City, prior to being eligible for pension benefits. Members who terminate employment with the City with less than five years of pension service must receive a refund of their contributions. As of December 31, 2013 and 2012, there were no aggregate contributions from active members with less than five years of service.

The Group Trust had outstanding investment commitments to various limited partnerships and investment advisors of approximately $858 million and $721 million at December 31, 2013 and 2012, respectively.

Note 11 - 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 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 Position.

Continued

**SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS**

**Notes to Basic Financial Statements
December 31, 2013 and 2012**

Note 11 - Risks and Uncertainties (Continued)

The Supplemental Plan contribution rates and the actuarial estimates disclosed in Note 5 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 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 some current and many former City of 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 as pension liabilities are generally a percentage of the pay of the police officers and firefighters.

The Supplemental Plan has intervened in such lawsuits to protect the Supplemental Plan's right to members and City contributions which the Supplemental Plan management believes will be due if the third party 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 accompanying basic financial statements as of December 31, 2013 and 2012.

Note 12 - Subsequent Events

On April 11, 2014, the Bank of America, N.A. revolving line of credit was restructured to provide for: 1) a revolving line of credit with maximum borrowing of $200,000,000 bearing interest at the 30 day floating LIBOR rate plus 65 basis points maturing March 31, 2015; and 2) a term loan of $200,000,000 bearing interest at a fixed rate of 2.58% maturing March 31, 2019. In conjunction with the restructured line of credit, the Group Trust pays a quarterly fee of 45 basis points annualized on the unused portion of the line of credit.

On April 11, 2014, the Bank of America, N.A. loan agreement secured by real property was renewed. The new terms provide for a loan amount of $14,904,000 bearing interest at a fixed rate of 1.46% maturing March 31, 2016.

On July 31, 2014, the remaining balance on the revolving line of credit with Texas Capital Bank, N.A. was paid in full.

On July 31, 2014, the remaining balance on the revolving line of credit with BBVA Compass was paid in full.

Management has evaluated subsequent events through August 20, 2014, which is the date that the basic financial statements were available for issuance, and noted no other subsequent events to be disclosed.

REQUIRED SUPPLEMENTAL INFORMATION

Schedule 1

SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Schedule of Funding Progress (Unaudited)

The following table presents required supplementary information (unaudited) related to the Supplemental Plan's funding progress (dollars in thousands):

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2009	$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%
1/1/2011	21,119	34,309	13,190	62%	886	1,489%
1/1/2012	20,823	36,330	15,507	57%	621	2,497%
1/1/2013	21,563	37,265	15,702	58%	450	3,489%
1/1/2014	24,037	38,777	14,740	62%	521	2,829%

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 the above table.

Analysis of the dollar amounts of the 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 independent auditors' report and note to required supplemental schedules.

Schedule 1

SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Schedule of Funding Progress (Unaudited)

The following table presents required supplementary information (unaudited) related to the Supplemental Plan's funding progress (dollars in thousands):

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2009	$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%
1/1/2011	21,119	34,309	13,190	62%	886	1,489%
1/1/2012	20,823	36,330	15,507	57%	621	2,497%
1/1/2013	21,563	37,265	15,702	58%	450	3,489%
1/1/2014	24,037	38,777	14,740	62%	521	2,829%

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 the above table.

Analysis of the dollar amounts of the 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 independent auditors' report and note to required supplemental schedules.

Schedule 2

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Schedule of Employer Contributions (Unaudited)

The following table presents required supplementary information (unaudited) related to employer contributions:

Schedule of Employer Contributions

Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2008	$ 1,243,717	100%
2009	1,343,717	100%
2010	1,443,717	100%
2011	1,543,717	100%
2012	1,954,022	100%
2013	1,935,588	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.

See accompanying independent auditors' report and 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, 2014 and 2013 is as follows:

Actuarially assumed investment rate of return*	8.5%, compounded annually, net of expenses
Mortality, retirement, disability, and separation rate	Graduated rates detailed in actuary's report
Projected salary increases**	Range of 4% to 9.64% per year
Actuarial cost method	Entry age normal cost method
Post retirement benefit increases	4% of original pension, annually
Asset valuation	Market Value
Amortization method	Open level fixed percent of payroll
Amortization period for UAAL	30 years
DROP account returns	8.5%, compounded annually, net of expenses
Post retirement mortality	RP-2000 Combined Healthy Mortality Table projected to 10 years beyond the valuation date using Scale AA for healthy retirees and active members. RP-2000 Combined Healthy Mortality Table with a one-year set forward for disabled members.

* Includes inflation rate of 4% and a real rate of return of 4.5%.
** Includes inflation rate of 4%.

The actuarial information presented above was determined by the actuarial firm, Buck Consultants, 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 as a going concern. 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, as of January 1, 2014 and 2013 and are not materially different from what they would have been had they been calculated on December 31, 2013 and 2012, respectively. The above assumptions are used by the Supplemental Plan's actuarial consultants to determine the Supplemental Plan's obligations only, and are not used to calculate the actual plan benefits. Plan benefits are fully described in the Supplemental Plan's plan document.


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Supplemental Plan Actuarial Report

DALLAS POLICE AND FIRE PENSION SYSTEM
SUPPLEMENTAL PLAN

ACTUARIAL VALUATION

AS OF JANUARY 1, 2014

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May 13, 2014

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, 2014

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, 2014.

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 ten years, including the normal cost. However, in no event will the City's contribution be less than the amount necessary to satisfy GASB 27. For 2014, the contribution is $1,817,136.

Funding Progress

As of January 1, 2014, the City's contribution rate needed in order to meet the funding goal is 348.53% of covered payroll. This amount is less than the 430.39% employer rate calculated as of January 1, 2013. The current contribution rate for 2014 noted above covers the normal cost and the amortization of the Unfunded Actuarial Accrued Liability (UAAL).

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Mr. Richard Tettamant
May 13, 2014
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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 adopted by the Board of Trustees as the previous valuation. The assumptions used are individually reasonable and reasonable in the aggregate.

Please note future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. An analysis of the potential range of such future differences is beyond the scope of this valuation.

Data

Asset information and member data for retired, active, and inactive members was supplied as of January 1, 2014, 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. The accuracy of the results of this valuation are dependent on the accuracy of the data.

We are Enrolled Actuaries, Fellows of the Society of Actuaries, and Members of the American Academy of Actuaries. We meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. To the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally accepted actuarial principles and practice, and we are available to answer questions about it.

Respectfully submitted,

David L. Driscoll

David L. Driscoll, FSA, EA, MAAA
Principal, Consulting Actuary

David Kent, FSA, EA, MAAA
Director, Retirement

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Enclosures

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Dallas Police and Fire Pension System Supplemental Plan
Actuarial Valuation - January 1, 2014

Table of Contents

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Summary of Principal Results

	January 1, 2014	January 1, 2013
Membership		
Active	38	39
Retired and terminated members and beneficiaries	120	120
Compensation		
Total	$ 521,370	$ 449,726
Average	$ 13,720	$ 11,531
Assets		
Market value	$ 24,036,845	$ 21,562,556
Valuation Results		
Unfunded actuarial accrued liability (UAAL)	$ 14,740,169	$ 15,702,369
City's normal cost contribution	$ 46,715	$ 49,598
Funding Policy contribution	$ 1,817,136	$ 1,935,588
GASB No. 25		
Actuarial accrued liability (AAL)	$ 38,777,014	$ 37,264,925
Assets	$ 24,036,845	$ 21,562,556
GASB ratio	62.0%	57.9%
Unfunded AAL	$ 14,740,169	$ 15,702,369

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Comments on the Valuation

Overview

The current valuation indicates that a total contribution of $1,817,136 should be contributed during 2014.

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 adopted by the Board of Trustees 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 171.96% will be required for the City to avoid showing an accrued pension liability on its financial statements for the fiscal year beginning in 2014, 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 2013 and 2014. The estimated rate of return for 2013 was 12.65%.

Membership Statistics

Data on active members and on retired members was supplied by the Administrator. The active membership decreased from 39 members as of January 1, 2013, to 38 members as of January 1, 2014. The payroll increased from January 1, 2013 to January 1, 2014 ($449,726 for 2013 and $521,370 for 2014). Schedule A shows a summary of the membership data.

GASB 67 and 68

Plan sponsors will be transitioning to new financial statement disclosure requirements which are set forth in GASB Statement 67 (for plans' financial statements) and GASB Statement 68 (for plan sponsors' financial statements) over the next two years. Some key requirements and implications are:

- A Net Pension Liability (NPL, equal to plan liability minus plan assets as defined by the new standards as described below) will be added to the balance sheet for all employers
- Assets will be reported at Fair Value (<u>not</u> Actuarial value)
- Liabilities will be based on the following methods and assumptions:
    - Individual Entry Age Normal cost method
    - A discount rate (used to discount expected future benefits) equal to the expected investment rate of return except for benefit payments not expected to be funded by assets on hand, which are to be discounted at a high quality 20-year tax-exempt municipal bond index rate
    - "Run-out date" cash projections must be used to determine the cross-over point between benefits expected to be covered by assets and those that must be discounted using the municipal bond index rates.

A key element of this change is that the NPL will reflect the market value funded position of the plan and will likely differ materially from the previously disclosed Net Pension Obligation, which represented the difference between the amounts contributed and the Actuarially Required Contribution (ARC) which represented the anticipated contribution. Moreover, plans which are less well funded may be subject to a discount rate modified by the Municipal Bond Rate Index, which would generally have the effect of increasing the NPL.

Actuarial Cost

		January 1, 2014	January 1, 2013
1.	Covered Payroll	$ 521,370	$ 449,726
2.	Actuarial present value of future benefits	$ 39,272,552	$ 37,699,772
3.	Actuarial present value of future normal costs	$ 495,538	$ 434,847
4.	Actuarial accrued liability (2 - 3)	$ 38,777,014	$ 37,264,925
5.	Actuarial value of assets	$ 24,036,845	$ 21,562,556
6.	Unfunded actuarial accrued liability (UAAL) (4 - 5)	$ 14,740,169	$ 15,702,369
7.	City's normal cost contribution	$ 46,715	$ 49,598
8.	Funding Policy contribution	$ 1,817,136	$ 1,935,588
9.	Total contribution as a percentage of covered payroll (8 ÷ 1)	348.53%	430.39%

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Analysis of Change in UAAL

1. UAAL as of January 1, 2013	$15,702,369
2. Changes due to:	
a. Expected increase/(amortization)	$ (629,809)
b. Actual contributions (greater)/less than expected	(878)
c. Assumption change	0
d. Liability experience	557,772
e. Asset experience	(889,285)
f. Total changes	$ (962,200)
3. UAAL as of January 1, 2014	$14,740,169

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, 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%
January 1, 2011	21.119	34.309	13.190	61.6%	0.886	1,488.7%
January 1, 2012	20.823	36.330	15.507	57.3%	0.621	2,497.1%
January 1, 2013	21.563	37.265	15.702	57.9%	0.450	3,489.3%
January 1, 2014	24.037	38.777	14.740	62.0%	0.521	2,829.2%

GASB #25 Schedule of Employer Contributions for Year Ending December 31, 2013

Annual Required Contribution	Percentage Contributed
$1,935,588	100%

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Reconciliation of Fund Assets

	Year Ending December 31, 2013
1. Value of fund at beginning of year	$ 21,562,556
2. Contributions	
a. City	1,935,588
b. Member	34,039
c. Total	$ 1,969,627
3. Benefit payments	(2,207,338)
4. Refunds	0
5. Gross earnings	2,768,343
6. Expenses	(56,343)
7. Value of assets at end of year	24,036,845
8. Estimated rate of return	12.65%

Dallas Police and Fire Pension System Supplemental Plan
Actuarial Valuation - January 1, 2014

Schedule A

Membership Data

	January 1, 2014	January 1, 2013
1. Active members (excluding DROP)		
a. Number	18	19
b. Compensation	$ 94,034	$ 181,501
c. Average compensation	$ 5,224	$ 9,553
d. Average age	45.25	45.22
e. Average service (years)	20.82	21.63
2. Active members (DROP only)		
a. Number	20	20
b. Compensation	$ 427,336	$ 268,225
c. Average Compensation	$ 21,367	$ 13,411
d. Average age	53.51	54.42
e. Average total service	30.71	26.63
f. DROP account balance	$ 976,576	$ 1,198,951
3. Inactive members		
a. Number	120	120
b. Total annual benefit	$ 2,019,327	$ 1,989,031
c. Average annual benefit	$ 16,828	$ 16,575

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Summary of Benefit Provisions
As of January 1, 2014
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.

For Members Hired on or Before February 28, 2011

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 and children that become handicapped before age 23 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 contribution rate for Members not participating in DROP is currently 8.50%. The contribution rate for Members participating in DROP is 3.0% for pay periods ending on or after October 1, 2011, 6.0% for pay periods ending on or after October 1, 2012, and 8.5% for pay periods ending on or after October 1, 2013.

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	2.75%
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.

For Members Hired After February 28, 2011

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 60 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 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 Supplemental Plan.

Qualified Surviving Children: All surviving unmarried children under 19 years of age and children that become handicapped before age 23 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 contribution rate for Members not participating in DROP is currently 8.5%. The contribution rate for Members participating in DROP is 3.0% for pay periods ending on or after October 1, 2011, 6.0% for pay periods ending on or after October 1, 2012, and 8.5% for pay periods ending on or after October 1, 2013.

Service Retirement Benefits

Annual Normal Retirement Pension

Condition for Retirement: Attainment of age 55 and 20 years of Pension Service.

Amount for Allowance: 2.0% of Average Computation Pay for the first 20 years of Pension Service, 2.5% of Average Computation Pay for the next five years of Pension Service, and 3.0% of Average Computation Pay for every year of Pension Service after 25 years.

Disability Retirement Benefits

Service-Related Disability

Condition for Retirement: Disability preventing the Member from performing his or her duties with his or her department for the first two years. After the initial two years, the disability must prevent the Member from performing any gainful employment for which he or she is qualified by reason of training, education or experience.

Amount of Pension: The greater of 50% of Average Computation Pay and the Normal Retirement Allowance.

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: Normal Retirement Allowance.

Survivor Benefits

Survivor Benefits for Qualified Surviving Spouse: Death in Active Service: The greater of 50% of: (1) the benefit amount that the deceased Member would have received if the Member had left active service and had attained age 55, assuming a benefit based on a minimum of 50% of Average Computation Pay; or (2) as calculated using the benefit calculation formula and actual years of Pension Service.

Survivor Benefits when no Qualified Surviving Spouse: Death in Active Service: The greater of 50% of: (1) the benefit amount that the deceased Member would have received if the Member had left active service and had attained age 55, assuming a benefit based on a minimum of 50% of Average Computation Pay; or (2) as calculated using the benefit calculation formula and actual 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. 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.

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

Not eligible for an automatic increase.

Benefit Supplement

If a Member retires 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

At normal retirement age, a member may elect to enter the DROP. Retirement benefits will be calculated as if the Member retired on that date. Each month, the retirement benefit will be deposited in an account while the active Member is participating in DROP. Upon termination of employment, the Member will have the balance in the account in addition to the monthly benefit payable as though the Member retired at the date the Member entered DROP

Summary of Actuarial Methods and Assumptions (Effective as of January 1, 2014)

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 8.5% 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		Disability	
Age	Police	Fire	Police	Fire
20	70.0	23.0	.35	.70
25	70.0	23.0	.37	.75
30	70.0	18.0	.42	.84
35	40.0	18.0	.48	.96
40	30.0	18.0	.57	1.15
45	20.0	18.0	.79	1.58

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	9.24
10	8.05
15	6.17
20	4.74
25	4.12
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.

Mortality: According to the RP-2000 Combined Healthy Mortality Table projected ten years beyond the valuation date using Scale AA, for healthy retirees and active members. The RP-2000 Combined Healthy Mortality Table with a one-year set forward for disabled members.

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 Postretirement 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. New Members hired after December 31, 2006 will not be eligible for an automatic increase.

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.

2013 Annual Report

Dallas Police and Fire Pension System

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