RETIREMENT PLAN FOR THE EMPLOYEES' RETIREMENT FUND OF THE CITY OF DALLAS

ACTUARIAL VALUATION REPORT

AS OF DECEMBER 31, 2006

Gabriel Roeder Smith & Company

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May 8, 2007

Board of Trustees
Employees' Retirement Fund of the City of Dallas
600 North Pearl Street
Suite 2450
Dallas, Texas 75201

Dear Members of the Board:

We are pleased to present the report of the actuarial valuation of the Employees' Retirement Fund of the City of Dallas ("ERF") as of December 31, 2006.

This valuation provides information on the funding status of ERF. It includes a determination of the actuarially calculated contribution level for the 2007 calendar year. In addition, it also contains the information necessary to determine the current total obligation rate and the current adjusted total obligation rate for the fiscal year beginning October 1, 2007. This rate is a function of the previous year's adjusted total obligation rate, this year's actuarially calculated contribution rate, and the rate necessary to make the debt service payment on the pension obligation bonds for fiscal year 2008.

This valuation is based on the provisions of ERF in effect as of the valuation date, data on the ERF membership and information on the asset value of the trust fund as of that date. All member data and asset information were provided by ERF staff. While certain checks for reasonableness were performed, the data used was not audited.

The actuarial assumptions and cost method are those adopted by the Board of Trustees in April 2006 following the completion of an experience investigation. Those assumptions were further modified this year to reflect our recommendations regarding the election of a refund of contributions by terminated members.

To the best of our knowledge, this report is complete and accurate and was conducted in accordance with standards of practice by the Actuarial Standards Board and in compliance with the provisions of the ordinance. The actuarial assumptions used for the valuation produce results which, in the aggregate, are reasonable. The valuation was produced under the supervision of a Member of the American Academy of Actuaries, and all three signatories have significant experience valuing large, public employee retirement systems.

Respectfully submitted,

Norman S. Losk, F.S.A.	Lewis Ward	Mark R. Randall, M.A.A.A
Senior Consultant	Consultant	Senior Consultant

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SECTION A

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY
($ in 000's)

The key results from the valuation of the Employees' Retirement Fund of the City of Dallas as of December 31, 2006, may be summarized as follows:

	December 31, 2005 (1)		December 31, 2006 (2)	
• Members				
- Actives		7,763		7,772
- Benefit recipients		5,065		5,197
- Deferred vested*		551		579
- Other terminated*		197		401
- Total		13,576		13,949
• Projected payroll (including overtime)	$	322,763	$	334,949
• Normal cost	$	50,443	$	53,695
as % of payroll		15.79%		16.25%
• Actuarial accrued liability	$	2,606,173	$	2,761,404
• Actuarial value of assets	$	2,739,269	$	2,998,099
• Market value of assets	$	2,798,536	$	3,171,542
• Unfunded actuarial accrued liability (UAAL)	$	(133,096)	$	(236,695)
• Estimated yield on assets (market value basis)		7.93%		16.90%
• Estimated yield on assets (actuarial value basis)		13.71%		13.03%
• Contribution Rates				
- Prior Adjusted Total Obligation Rate		24.41%		24.41%
- Current Total Obligation Rate		22.56%		21.00%
- Current Adjusted Total Obligation Rate		24.41%		22.71%
• Actuarial gains/(losses)				
- Assets	$	133,361	$	128,747
- Actuarial liability experience	$	640	$	(9,346)
- Assumption changes	$	1,029	$	(24,799)
• 30-year level % of pay funding cost	$	44,503	$	41,079
as % of payroll (Employee + City)		14.03%		12.62%
• Funded ratio				
- Based on actuarial value of assets		105.1%		108.6%
- Based on market value of assets		107.4%		114.9%

** Deferred vested are members who have applied for a deferred pension. Other terminations are other members who have terminated and still have contribution balances in the Fund.*

SECTION B

PURPOSES OF THE ACTUARIAL VALUATION

PURPOSES OF THE ACTUARIAL VALUATION

At your request, we have performed the actuarial valuation of the Employees' Retirement Fund of the City of Dallas ("ERF") as of December 31, 2006.

The purposes of an actuarial valuation are as follows:

- To determine the funding status of ERF as of the valuation date, and
- To develop the actuarially determined level of contributions for ERF for the 2007 calendar year, and
- To develop the current total obligation rate and the current adjusted total obligation rate for the fiscal year beginning October 1, 2007.

SECTION C

REPORT HIGHLIGHTS

REPORT HIGHLIGHTS

The following is a set of key results for the prior year valuation and for the current year:

	($ in 000's)	
	2006	**2007**
Contribution Rates (% of Payroll)		
Normal Cost (including administrative expense)	16.64%	17.09%
Total Actuarial Contribution Rate	14.03%	12.62%
Total Projected Actuarial Contribution	$44,503	$41,079

Funded Status	**12/31/05**	**12/31/06**
Actuarial Accrued Liability	$2,606,173	$2,761,404
Actuarial Value of Assets	2,739,269	2,998,099
Unfunded Actuarial Accrued Liability	(133,096)	(236,695)
Funded Ratio	105.11%	108.57%

SECTION D

FUNDING PROCESS

FUNDING PROCESS

Based on the previous work of the Employees' Retirement Fund Study Committee, that was ratified by both the City Council and the voters, a new funding process commenced October 1, 2005. From that date forward, a new "current adjusted total obligation rate" will be contributed jointly by the City (63%) and the Membership (37%). This current adjusted total obligation rate will cover both the debt service tied to pension obligation bonds issued in 2005 and the contributions to the ERF. In subsequent years, the contribution rate will change only if the actuarial valuation develops a "current total obligation rate" which differs from the "prior adjusted total obligation rate" by 3.00% or more.

As shown on Table 3 and discussed later in this report, the "current total obligation rate" is more than 3.00% less than the "prior adjusted total obligation rate". This means that the "current adjusted total obligation rate" will decrease this year.

SECTION E

ACTUARIAL CONTRIBUTIONS

ACTUARIAL CONTRIBUTION

The Actuarially Required Contribution Rate developed in this actuarial valuation is 12.62% of active member payroll. This rate excludes the amount needed to make the City's debt service payment on the pension obligation bonds in fiscal year 2008. As shown on Table 3, the debt service payment was determined to be 8.38% of projected payroll. The sum of these rates is 21.00% (the Current Total Obligation Rate) which is 3.41% less than the Prior Adjusted Total Obligation Rate of 24.41%. Because the difference is more than 3.00%, the total contribution rate in fiscal year 2008 (the Current Adjusted Total Obligation Rate) to fund the ERF and make the debt service payment on the pension will decrease when compared to last year's rate.

The new Current Adjusted Total Obligation Rate is determined as the greater of (i) the midway point between the Prior Adjusted Total Obligation Rate and the Current Total Obligation Rate (22.71%) and (ii) 90% of the Prior Adjusted Total Obligation Rate (21.97%), which is 22.71%.

SECTION F

ACTUARIAL ASSUMPTIONS

ACTUARIAL ASSUMPTIONS

Section N of this report includes a summary of the actuarial assumptions and methods used in this valuation. In short, costs are determined using the Entry Age actuarial cost method. The assumed annual investment return rate is 8.25%.

An experience investigation was completed for the five-year period ending December 31, 2005. Based on that investigation, the actuary recommended numerous changes to the actuarial assumptions.

One assumption recommended by the experience study but not adopted by the Board, was the assumption that terminated vested employees would elect the most valuable benefit between a refund of their contributions or a deferred annuity. The actuarial audit performed last year recommended that the Board adopt our assumption, therefore that change has been reflected this year. Another recommendation of the actuarial audit was to make an assumption about vacation leave conversions. We have added that assumption this year. Please see Section N for a complete description of these assumptions.

SECTION G

ERF BENEFITS

ERF BENEFITS

There have been no changes in the benefit provisions of ERF since the prior valuation. Please see Section O for a summary description of ERF benefits

SECTION H

EXPERIENCE DURING PREVIOUS YEAR

EXPERIENCE DURING 2006

Actuarial Gain and Loss Analysis reviews the effects of experience that differs from that assumed on actuarial results. If such a difference increases assets or reduces liabilities, we have an actuarial gain. The reverse is an actuarial loss.

ERF experienced an overall actuarial gain in calendar year 2006. This year's overall actuarial gain amounted to approximately $119.40 million.

The total actuarial gain is the net of the gain from assets and the gain from liabilities. The total gain is broken down as follows ($ in millions):

		2003	2004	2005	2006
1)	Actuarial (Gain)/Loss on Assets	$118.79	($15.80)	($133.36)	($128.75)
2)	Actuarial (Gain)/Loss on Liabilities	(51.16)	(27.52)	(0.64)	9.35
3)	Total Actuarial (Gain) or Loss (1+2)	67.63	(43.32)	(134.00)	(119.40)

On a market value basis, the fund earned approximately 16.90% (on a dollar weighted basis net of investment expenses). The actual investment income was significantly more than the expected investment income on the actuarial value of assets, therefore, a large amount of excess investment income is being deferred into the future. Due to the recognition of prior years' deferred investment gains, there was an actuarial gain of nearly $128.75 million on the actuarial value of assets. The rate of return on the actuarial value for 2006 was 13.03% (on a dollar weighted basis net of investment expenses). This result was more than the current investment return assumption of 8.25%.

In addition, during 2006, there was an aggregate actuarial loss of about $9.35 million from demographic assumptions and non-investment economic assumptions (salary increases).

SECTION I

ASSET INFORMATION

ASSET INFORMATION

The assets of the fund (on a market value basis), that are available for benefits, increased from $2,799 million as of December 31, 2005 (includes proceeds of the pension obligation bond) to $3,172 million as of December 31, 2006. The investment markets, which turned downward significantly in the first three years of the 21st century, have reversed themselves to produce significant investment gains in the last four calendar years.

The assets recognized for actuarial purposes (actuarial value of assets) are the product of a smoothing technique. The purpose of such a technique is to allow the use of market values, but to dampen the effect of market volatility. See Table 6 for the determination of the actuarial value of assets.

The actuarial value of assets has been increased from $2,739 million to $2,998 million during 2006. The rate of return on investments for 2006 on the actuarial value of assets was 13.03% compared to 13.71% in 2005. The detailed determinations of asset values utilized in this valuation and asset growth in the last year are set out in Tables 4 and 5.

SECTION J

FUNDED STATUS

FUNDED STATUS

The funded status of ERF is measured by the Funded Ratio and the Unfunded Actuarial Accrued Liability (UAAL). The Funded Ratio is the ratio of the actuarial value of assets available for benefits to the actuarial accrued liability (AAL) of the Fund. Thus, it reflects the portion of the AAL that is covered by ERF assets. The UAAL is the difference between these items.

A funded ratio of 100% means that the funding of ERF is precisely on schedule. By monitoring changes in the funding ratio each year we can determine whether or not funding progress is being made.

Based on the actuarial value of assets, the ERF funded ratio increased from 105.11% as of December 31, 2005 to 108.57% as of December 31, 2006.

The UAAL decreased from -$133.1 million at December 31, 2005 to -$236.7 million at December 31, 2006. Since the UAAL is negative, this implies the actuarial assets exceed the actuarial liabilities of the Fund.

SECTION K

GASB DISCLOUSURE

GASB DISCLOSURE

GASB Statements Numbers 25 and 27 set out the current accounting standards for ERF and the Fund's sponsor, the City of Dallas. Tables 10a, 10b, and 10c provide footnotes and/or Required Supplemental Information tables required to be disclosed by those statements.

SECTION L

ACTUARIAL TABLES

ACTUARIAL TABLES

TABLE 1

Summary of Actuarial Values
As of December 31, 2006
($ in 000's)

		Entry Age Actuarial Values		
	APV* of Projected Benefits	**Actuarial Accrued Liability (AAL)**	**Normal Cost $**	**Normal Cost % of Pay****
1 Active Members				
a. Retirement	$ 1,354,594	$ 1,120,883	$ 36,581	11.07%
b. Death	32,490	21,332	1,794	0.54%
c. Disability	16,809	8,202	1,362	0.41%
d. Termination	92,042	16,136	11,576	3.51%
e. Health Subsidy	50,071	36,539	2,382	0.72%
Total	1,546,006	1,203,092	53,695	16.25%
2 Benefit Recipients	1,498,680	1,498,680		
3 Other Inactive	59,632	59,632		
4 Total Actuarial Values of Benefits	3,104,318	2,761,404	53,695	16.25%
5 Actuarial Value of Assets		2,998,099		
6 Unfunded Actuarial Accrued Liability (4 - 5)		(236,695)		
7 Funding Ratio		108.57%		

* *APV – Actuarial Present Value*

** *Percentage of expected payroll for continuing active participants*

Development of Actuarially Required Contribution for FY 2008
($ in 000's)

	$	% of Pay
1 Actuarial Requirement		
a. Payment to Amortize UAAL over 30 years*	$ (15,421)	-4.47%
b. Normal Cost	53,695	16.25%
c. Administrative Expense	2,805	0.84%
Total	$ 41,079	12.62%

** Amortization is determined as a level percentage of projected payroll*

Information for Ordinance 25695
For the Fiscal Year Commencing October 1, 2007

1 Prior Adjusted Total Obligation Rate	24.41%
2 Actuarially Required Contribution Rate	12.62%
3 Debt Service	
a Scheduled Debt Service Payment for FY 2008	28,911,149
b Projected Payroll	344,997,190
c Pension Obligation Bond Credit Rate (a/b)	8.38%
4 Current Total Obligation Rate (2 + 3c)	21.00%
5 Current Adjusted Total Obligation Rate	22.71% *
6 Allocation of Contribution Rates for FY 2007	
a Employee (5 x .37)	8.40%
b City (5 x .63)	14.31%

* If the difference between the Prior Adjusted Total Obligation Rate and the Current Total Obligation Rate is more than 3.0% then the Current Adjusted Total Obligation Rate is set equal to the greater of :
a) the average of the Prior Adjusted Total Obligation Rate and the Current Total Obligation Rate; or
b) 90% of the Prior Adjusted Total Obligation Rate

Excerpts from City Ordinance 25695

ACTUARIALLY REQUIRED CONTRIBUTION RATE – means, for any fiscal year, a rate of contribution to the fund, expressed as a percentage of members' projected wages for such fiscal year, that is the sum of the following as determined in the actuarial valuation report for the preceding plan year:

(A) the actuarial present value of the pension plan benefits and expenses that are allocated to a valuation period by the actuarial cost method; and

(B) the contribution that will amortize the difference between the actuarial accrued liability of the fund and the actuarial value of the assets of the fund over the period of years required by generally accepted accounting principles.

CITY CONTRIBUTIONS – means, for each pay period ending during a transition year, the city shall contribute to the retirement fund an amount equal to:

(A) 63% times the current total obligation rate for that fiscal year times the members' wages for the pay period, minus

(B) The pension obligation bond credit rate for that fiscal year times the members' wages for the pay period;

and, for each pay period ending during each fiscal year, except for a transition year, the city shall contribute to the retirement fund an amount equal to:

(C) 63% times the current adjusted total obligation rate for that fiscal year times the members' wages for the pay period, minus

(D) The pension obligation bond credit rate for that fiscal year times the members' wages for the pay period.

EMPLOYEE CONTRIBUTIONS – means, for each pay period ending during a transition year, each member shall contribute to the retirement fund an amount equal to:

(A) 37% times the current total obligation rate for that fiscal year times the member's wages for the pay period;

and, for each pay period ending during each fiscal year, except for a transition year, the member shall contribute to the retirement fund an amount equal to:

(B) 37% times the current adjusted total obligation rate for that fiscal year times the member's wages for the pay period, minus

CURRENT ADJUSTED TOTAL OBLIGATION RATE – means, for any fiscal year, the rate determined by the board as follows, using whichever formula is applicable:

(A) If the current total obligation rate minus the prior adjusted total obligation rate is greater than three, then the current adjusted total obligation rate for such fiscal year is equal to the lesser of:

(i) the prior adjusted total obligation rate plus one-half times the difference of the current total obligation rate minus the prior adjusted total obligation rate; or

(ii) 110 percent times the prior adjusted total obligation rate; or

(iii) 36 percent.

(B) If the difference between the current total obligation rate and the prior adjusted total obligation rate is less than three, then the current adjusted total obligation rate for such fiscal year is equal to the prior adjusted total obligation rate.

(C) If the prior adjusted total obligation rate minus the current total obligation rate is greater than three, then the current adjusted total obligation rate for such fiscal year is equal to the greater of:

(i) the prior adjusted total obligation rate minus one-half times the difference of the prior adjusted total obligation rate minus the current total obligation rate; or

(ii) 90 percent times the prior adjusted total obligation rate.

CURRENT TOTAL OBLIGATION RATE – means, for any fiscal year, the rate adopted by the board that is equal to the sum of the pension obligation bond credit rate for such fiscal year plus the actuarially required contribution rate for such fiscal year.

PENSION OBLIGATION BOND CREDIT RATE – means, for any fiscal year, the rate adopted by the board that is a percentage calculated by dividing:

(A) the debt service due during such fiscal year on any pension obligation bonds, the proceeds of which have been deposited in the fund, by:

(B) the total members' projected wages for such fiscal year, as reported in the relevant actuarial valuation report.

PRIOR ADJUSTED TOTAL OBLIGATION RATE – means:

(A) for the fiscal year commencing October 1, 2006, the current total obligation rate that was effective for the prior fiscal year; and

(B) for each fiscal year commencing on or after October 1, 2007, the current adjusted total obligation rate that was effective for the prior fiscal year.

PROJECTED PAYROLL – means the covered payroll for the valuation preceding the fiscal year multiplied by the payroll growth assumption.

TRANSITION YEAR – means each of the following:

(A) the first fiscal year in which debt service payments related to pension obligation bonds are due from the city;

(B) the first fiscal year in which no debt service payments related to pension obligation bonds are due from the city; and

(C) the fiscal year beginning October 1, 2005.

Net Assets Available for Benefits
($ in 000's)

	December 31, 2005	December 31, 2006
Assets		
Cash & Short-Term	$72,015	$93,872
Receivables		
Accrued Investment Income	11,641	13,758
Securities Sold	50,051	87,251
Employer Contribution	682	695
Employee Contribution	881	916
Pending Contracts	195	412
Pension Obligaion Bond Proceeds	0	0
	63,450	103,032
Investments		
Index Funds	1,125,465	128,599
Fixed Income	792,250	928,715
Equities	867,820	2,101,599
Real Estate	0	0
Venture Capital	161	63
	2,785,696	3,158,976
Total Assets	2,921,161	3,355,880
Liabilities		
Accounts Payable	4,797	3,961
Investment Transactions	117,828	180,377
	122,625	184,338
Net Assets Available For Benefits	2,798,536	3,171,542

TABLE 5

Change in Assets Available for Benefits
Fiscal Year Ending December 31, 2006
($ in 000's)

	2005		2006
1 Assets Available at Beginning of Year	$ 2,667,758		$ 2,798,536
Adjustment *	(4)		(1)
	2,667,754		2,798,535
2 Revenues			
a. Employer Contributions	32,172		23,000
b. Employee Contributions	23,392		30,123
c. Investment Income	62,065		80,332
d. Investment Expense	(7,561)		(9,855)
e. Realized and Unrealized Gains (Losses)	153,271		393,653
f. Other (Security Lending)	806		1,057
Total Revenues	264,145		518,310
3 Expenses			
a. Benefits	127,578		139,202
b. Refunds	3,049		3,296
c. Administration Expense	2,737		2,805
Total Expense	133,363	**	145,303
4 Assets Available at End of Year (1 + 2 - 3)	2,798,536		3,171,542

** Change due to difference between unaudited asset value used for prior valuation and audited asset value reported the following year.*

*** The Total Expense differs from the sum of components shown due to rounding.*

Development of Actuarial Value of Assets
As of December 31, 2006
($ in 000's)

	Market Value	Actuarial Value
1 Value of Assets @ 12/31/2005	$ 2,798,536	$ 2,739,269
2 Non-Investment Cash Flows during 2006		
a. Employer Contributions	23,000	23,000
b. Employee Contributions	30,123	30,123
c. Benefits (including refunds)	(142,498)	(142,498)
d. Administrative Expenses	(2,805)	(2,805)
Total	(92,180)	(92,180)
3 Expected Investment Returns @ 8.25%	222,263	222,263
4 Expected Assets @ 12-31-2006 (1 + 2 + 3)	2,928,619	2,869,352
5 Actual Assets Available for Benefits	3,171,542	
6 Gain/ (Loss) From Investment Returns (5 - 4)	242,923	
7 Recognition of Gains / (Losses)		
a. One-third of Current Year Gain/(Loss) (one-third of 6)		80,974
b. One-third of 2005 Gain/(Loss)		2,317
c. One-third of 2004 Gain/(Loss)		45,456
Total		128,747
8 Actuarial Value of Assets @ 12-31-2006 (4 + 7)		2,998,099

TABLE 7

Historical Investment Performance
Dollar Weighted Basis Net of Investment Expenses

Calendar Year	On Market Value	On Actuarial Value
1997	20.48%	12.49%
1998	16.99%	15.17%
1999	16.74%	17.69%
2000	-3.45%	9.59%
2001	-5.46%	2.76%
2002	-9.81%	-5.37%
2003	27.05%	2.03%
2004	15.22%	9.38%
2005	7.93%	13.71%
2006	16.90%	13.03%

Analysis of Change in Unfunded Actuarial Accrued Liability For the Year Ending December 31, 2006 ($ in 000's)

1 UAAL as of December 31, 2005		$ (133,096)
2 Expected Change in UAAL during 2006		
a. Normal Cost for 2006 based on actual payroll	$ 55,028	
b. Contributions 2006	(53,123)	
c. Interest adjustments on 1, 2a, & 2b to Year End @ 8.25%	(10,902)	
d. Expected change in UAAL		(8,997)
3 Net Actuarial Experience (Gains) & Losses		(119,401)
4 Assumption Changes and Audit Recommendations		24,799
5 UAAL as of December 31, 2006		$ (236,695)

Analysis of Actuarial Gains and Losses
For 2006
($ in 000's)

	2006
Investment Return	$(128,747)
Salary Increase	9,492
Age and Service Retirement	(2,607)
General Employment Termination	(767)
Disability Incidence	21
Active Mortality	70
Benefit Recipient Mortality	(2,218)
Actual vs. Expected Cost of Living Adjustment	4,511
Other	844
Total Actuarial (Gain) Loss	$(119,401)

Schedule of Funding Status
(As Required by GASB #25)
($ in 000's)

End of Year	Actuarial Value of Assets (a)	AAL (b)	UAAL (b-a)	Funding Ratio (a/b)	Payroll* (c)	UAAL as % of Payroll ((b-a)/c)
1992	$854,000	$1,107,000	$253,000	77.15%	$200,000	126.50%
1993	945,000	1,123,000	178,000	84.15%	200,000	89.00%
1994	991,000	1,199,000	208,000	82.65%	208,000	100.00%
1995	1,176,000	1,459,000	283,000	80.60%	243,357	116.30%
1996	1,310,081	1,585,081	275,000	82.65%	257,169	106.90%
1997	1,437,533	1,673,761	236,228	85.89%	261,799	90.20%
1998	1,617,468	1,750,430	132,962	92.40%	275,547	48.30%
1999	1,862,644	1,873,998	11,353	99.39%	282,127	4.00%
2000	1,997,828	2,038,078	40,250	98.03%	298,355	13.50%
2001	2,017,041	2,276,488	259,447	88.60%	332,842	77.90%
2002	1,863,701	2,399,569	535,868	77.67%	324,615	165.08%
2003	1,843,099	2,489,071	645,972	74.05%	318,492	202.82%
2004	2,482,082	2,488,270	6,188	99.75%	331,201	1.87%
2005	2,739,269	2,606,173	(133,096)	105.11%	332,446	-40.04%
2006	2,998,099	2,761,404	(236,695)	108.57%	344,997	-68.61%

* *Projected to following year.*

Note: Data for years prior to 1997 are based on prior actuarial work product.

Schedule of Employer Contributions
(As Required by GASB #25)
($ in 000's)

Year	Total ARC*	Member Contributions	Net City ARC	Actual City Contributions	City Cont. as Percent of Net ARC
1997	$58,095	$13,193	$44,902	$22,404	49.90 %
1998	61,339	14,001	47,338	23,762	50.20 %
1999	57,159	14,932	42,227	25,217	59.72 %
2000	50,142	16,460	33,682	27,847	82.68 %
2001	52,535	20,814	31,728	35,182	110.91 %
2002	71,246	21,771	49,475	36,606	73.99 %
2003	86,429	20,580	65,849	34,729	52.74 %
2004	92,278	20,896	71,382	35,251	49.38 %
2005	51,290	23,392	27,898	565,569	2027.29 %
2006	44,503	30,123	14,380	23,000	159.94 %
2007	41,079	31,153 **	9,926 **		

* *ARC – Annual Required Contribution as defined in GASB Statements No. 25 and No. 27.*

** *Estimated.*

Note 1: Data for years prior to 1998 are based on prior actuarial work product.

Note 2: GASB Statements 25 and 27 are standards for accounting for public retirement systems and employers.

They are not designed to limit the funding decisions of plan sponsors.

Notes to Required Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation for GASB 25 purposes is as follows:

Valuation Date	Decmber 31, 2006
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent Open
Payroll Growth Rate for Amortization	3.00%
Remaining Amortization Period	30 years
Asset Valuation Method	3-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return*	8.25%
Projected Salary Increases*	3.5% - 8.0%
*Includes Inflation at	3.00%
Cost-of-Living Adjustments	3.00%

Summary of Data Characteristics

	December 31, 2004	December 31, 2005	December 31, 2006
Active Members			
Number	7,825	7,763	7,772
Total Annualized Earnings of Members as of 12/31 (000's)	$321,554	$322,763	$334,949
Average Earnings	41,093	41,577	43,097
Benefit Recipients			
Number	4,926	5,065	5,197
Total Annual Retirement Income (000's)	$112,934	$124,076	$133,532
Total Annual Health Supplement (000's)	$7,268	$7,430	$7,614
Average Total Annual Benefit	$24,402	$25,964	$27,159
Inactive Members			
Number	489	748	980*

* *The number of inactives on 12/31/2006 includes 579 members who have applied for a deferred pension and 401 other members who have terminated and still have contribution balances in the Fund.*

Distribution of Active Members and Payroll by Age and Years of Service as of December 31, 2006

	Years of Service								
Age	**Under 1**	**1-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30 & Over**	**Totals**
Under20	10	1	-	-	-	-	-	-	11
	195,732	18,346	-	-	-	-	-	-	214,078
20-24	128	75	-	-	-	-	-	-	203
	3,211,740	2,129,998	-	-	-	-	-	-	5,341,738
25-29	192	215	81	3	-	-	-	-	491
	5,912,007	6,957,002	2,645,985	105,481	-	-	-	-	15,620,475
30-34	137	257	222	74	1	-	-	-	691
	4,360,226	9,222,946	8,092,365	2,772,019	42,687	-	-	-	24,490,243
35-39	142	232	269	191	61	4	-	-	899
	4,577,330	8,786,477	10,520,439	8,091,775	2,829,162	188,848	-	-	34,994,031
40-44	136	266	299	233	151	160	17	-	1,262
	4,608,704	9,748,015	11,627,284	10,159,703	7,634,985	7,916,623	951,744	-	52,647,058
45-49	101	198	302	204	203	300	193	6	1,507
	3,885,922	7,862,649	12,021,377	9,187,551	10,662,323	16,291,277	10,109,260	293,261	70,313,620
50-54	77	142	244	197	152	273	171	46	1,302
	2,785,260	5,620,577	10,558,390	9,105,845	8,253,574	14,884,596	9,518,104	2,513,050	63,239,396
55-59	46	117	167	137	133	178	86	34	898
	1,968,023	4,658,492	7,732,984	6,308,164	7,146,854	9,704,262	5,044,659	1,949,783	44,513,221
60-64	10	51	83	72	54	59	31	18	378
	330,498	1,939,984	3,477,793	3,394,807	2,652,922	2,975,560	1,669,008	1,056,946	17,497,518
65&Over	7	16	36	25	18	13	8	7	130
	296,658	783,462	1,696,159	1,148,291	869,515	632,218	336,469	314,578	6,077,350
Totals	986	1,570	1,703	1,136	773	987	506	111	7,772
	32,132,100	57,727,948	68,372,776	50,273,636	40,092,022	52,593,384	27,629,244	6,127,618	334,948,728

TABLE 13

Distribution of Benefit Recipients as of December 31, 2006

Age	Number	Annual Benefit*	Annual Average Benefit*
Under 50	104	1,406,648	13,525
50-54	396	14,018,278	35,400
55-59	883	33,694,883	38,160
60-64	911	26,298,413	28,868
65-69	780	19,611,788	25,143
70-74	657	14,037,753	21,366
75-79	581	11,240,610	19,347
80-84	450	8,055,403	17,901
85-89	293	3,866,450	13,196
90 & Over	142	1,301,384	9,165
Total	5,197	133,531,610	25,694

* *Does not include Health Benefit Supplement.*

SECTION M

EXPERIENCE TABLES

EXPERIENCE TABLES

Pay Experience for Employees who are Active at Beginning and End of Year
Valuation Pay Analysis
Analyzed by Years of Service

Service Beginning of Year	Experience for 2006			
	Number	Expected Pay	Actual Pay	Ratio A/E
Under 5	1,544	56,666,748	56,209,851	99.19%
5-9	1,596	63,686,314	64,205,271	100.81%
10-14	1,197	51,540,958	52,090,615	101.07%
15-19	786	39,788,500	40,035,251	100.62%
20-24	971	51,289,941	51,656,958	100.72%
25-29	549	30,065,757	30,089,136	100.08%
30 & Over	147	8,182,483	8,181,866	99.99%
Total	6,790	$ 301,220,701	$ 302,468,948	100.41%
Over 10 Years	3,650	$ 180,867,639	$ 182,053,826	100.66%

Service Beginning of Year	Experience for 2006/2006			
	Number	Expected Pay	Actual Pay	Ratio A/E
Under 5	1,544	56,666,748	56,209,851	99.19%
5-9	1,596	63,686,314	64,205,271	100.81%
10-14	1,197	51,540,958	52,090,615	101.07%
15-19	786	39,788,500	40,035,251	100.62%
20-24	971	51,289,941	51,656,958	100.72%
25-29	549	30,065,757	30,089,136	100.08%
30 & Over	147	8,182,483	8,181,866	99.99%
Total	6,790	$ 301,220,701	$ 302,468,948	100.41%
Over 10 Years	3,650	$ 180,867,639	$ 182,053,826	100.66%

TABLE 14b

Pay Experience for Employees who are Active at Beginning and End of Year
Rate of Pay Analysis
Analyzed by Years of Service

Service Beginning of Year	Experience for 2006			
	Number	Expected Pay	Actual Pay	Ratio A/E
Under 5	1,544	54,268,280	53,037,399	97.73%
5-9	1,596	60,447,210	60,404,714	99.93%
10-14	1,197	48,353,698	48,696,541	100.71%
15-19	786	37,457,511	37,578,391	100.32%
20-24	971	47,628,919	47,670,755	100.09%
25-29	549	28,036,350	28,090,928	100.19%
30 & Over	147	7,692,539	7,713,248	100.27%
Total	6,790	$ 283,884,507	$ 283,191,976	99.76%
Over 10 Years	3,650	$ 169,169,017	$ 169,749,863	100.34%

Service Beginning of Year	Experience for 2006/2006			
	Number	Expected Pay	Actual Pay	Ratio A/E
Under 5	1,544	54,268,280	53,037,399	97.73%
5-9	1,596	60,447,210	60,404,714	99.93%
10-14	1,197	48,353,698	48,696,541	100.71%
15-19	786	37,457,511	37,578,391	100.32%
20-24	971	47,628,919	47,670,755	100.09%
25-29	549	28,036,350	28,090,928	100.19%
30 & Over	147	7,692,539	7,713,248	100.27%
Total	6,790	$ 283,884,507	$ 283,191,976	99.76%
Over 10 Years	3,650	$ 169,169,017	$ 169,749,863	100.34%

TABLE 15a

Analysis of Retirement Experience

	2006 Retirement			2006/2006 Retirement		
Age	Actual	Expected	Ratio A/E	Actual	Expected	Ratio A/E
46	-	-	N/A	-	-	N/A
47	-	-	N/A	-	-	N/A
48	-	0.20	0.00%	-	0.20	0.00%
49	1	0.80	125.00%	1	0.80	125.00%
50	16	19.75	81.01%	16	19.75	81.01%
51	16	15.82	101.14%	16	15.82	101.14%
52	16	18.30	87.43%	16	18.30	87.43%
53	18	16.10	111.80%	18	16.10	111.80%
54	15	19.50	76.92%	15	19.50	76.92%
55	13	22.25	58.43%	13	22.25	58.43%
56	13	16.75	77.61%	13	16.75	77.61%
57	19	23.00	82.61%	19	23.00	82.61%
58	11	17.00	64.71%	11	17.00	64.71%
59	15	13.44	111.61%	15	13.44	111.61%
60	19	24.85	76.46%	19	24.85	76.46%
61	11	16.24	67.73%	11	16.24	67.73%
62	7	13.68	51.17%	7	13.68	51.17%
63	8	13.10	61.07%	8	13.10	61.07%
64	7	10.76	65.06%	7	10.76	65.06%
65	4	12.65	31.62%	4	12.65	31.62%
66	6	6.20	96.77%	6	6.20	96.77%
67	7	5.15	135.92%	7	5.15	135.92%
68	1	2.05	48.78%	1	2.05	48.78%
69	2	2.55	78.43%	2	2.55	78.43%
70 & Over	8	38.00	21.05%	8	38.00	21.05%
Total	233	328.14	71.01%	233	328.14	71.01%
Total Under 70	225	290.14	77.55%	225	290.14	77.55%

TABLE 15b

Analysis of Retirement Experience
Age Groups

Age Group	2006 Retirements Actual	2006 Retirements Expected	2006 Retirements Ratio A/E	2006/2006 Retirements Actual	2006/2006 Retirements Expected	2006/2006 Retirements Ratio A/E
Under 55	82	90.47	90.64%	82	90.47	90.64%
55-59	71	92.44	76.81%	71	92.44	76.81%
60-64	52	78.63	66.13%	52	78.63	66.13%
65-69	20	28.60	69.93%	20	28.60	69.93%
70 & Over	8	38.00	21.05%	8	38.00	21.05%
Total	233	328.14	71.01%	233	328.14	71.01%
Total Under 70	225	290.14	77.55%	225	290.14	77.55%

TABLE 16

Analysis of Turnover Experience

Years of Service	2006 Quits			2006/2006 Quits		
	Actual	Expected	Ratio A/E	Actual	Expected	Ratio A/E
0-4	488	312.96	155.93%	488	312.96	155.93%
5-9	140	102.79	136.21%	140	102.79	136.21%
10-14	58	46.66	124.30%	58	46.66	124.30%
15-19	18	19.18	93.86%	18	19.18	93.86%
20-24	11	13.26	82.94%	11	13.26	82.94%
25-29	1	1.92	52.03%	1	1.92	52.03%
Total	716	496.77	144.13%	716	496.77	144.13%

TABLE 17

Analysis of Active Mortality Experience

	2006 Deaths			2006/2006 Deaths		
Age	**Actual**	**Expected**	**Ratio A/E**	**Actual**	**Expected**	**Ratio A/E**
20-24	-	0.03	0.00%	-	0.03	0.00%
25-29	-	0.14	0.00%	-	0.14	0.00%
30-34	1	0.30	335.99%	1	0.30	335.99%
35-39	-	0.53	0.00%	-	0.53	0.00%
40-44	-	1.06	0.00%	-	1.06	0.00%
45-49	3	1.91	156.89%	3	1.91	156.89%
50-54	3	2.83	106.01%	3	2.83	106.01%
55-59	2	3.33	60.03%	2	3.33	60.03%
60 and Over	2	3.77	53.00%	2	3.77	53.00%
Total	11	13.91	79.08%	11	13.91	79.08%

TABLE 18

Analysis of Disability Experience

	2006 Disabilities			2006/2006 Disabilities		
Age	**Actual**	**Expected**	**Ratio A/E**	**Actual**	**Expected**	**Ratio A/E**
20-24	-	0.01	0.00%	-	0.01	0.00%
25-29	-	0.06	0.00%	-	0.06	0.00%
30-34	-	0.16	0.00%	-	0.16	0.00%
35-39	1	0.35	287.32%	1	0.35	287.32%
40-44	-	0.91	0.00%	-	0.91	0.00%
45-49	2	2.22	89.99%	2	2.22	89.99%
50-54	4	3.06	130.78%	4	3.06	130.78%
55-59	3	2.70	111.30%	3	2.70	111.30%
60 and Over	1	0.84	N/A	1	0.84	N/A
Total	11	10.29	106.90%	11	10.29	106.90%

TABLE 20

Analysis of Retiree Mortality Experience*

	2006 Experience			2006/2006 Experience		
Age	**Actual**	**Expected**	**Ratio A/E**	**Actual**	**Expected**	**Ratio A/E**
Under 60	6	5.79	103.63%	6	5.79	103.63%
60-64	11	8.55	128.62%	11	8.55	128.62%
65-69	12	12.91	92.92%	12	12.91	92.92%
70-74	18	16.72	107.64%	18	16.72	107.64%
75-79	32	24.66	129.78%	32	24.66	129.78%
80-84	25	26.52	94.27%	25	26.52	94.27%
85-89	37	27.86	132.78%	37	27.86	132.78%
90 & over	16	18.61	85.96%	16	18.61	85.96%
Total	157	141.63	110.85%	157	141.63	110.85%

**This analysis does not include beneficiary, QDRO, or disabled deaths.*

SECTION N

ACTUARIAL METHOD AND ASSUMPTIONS

ACTUARIAL METHOD AND ASSUMPTIONS
ENTRY AGE METHOD

The Entry Age Method is the actuarial valuation method used for all purposes under ERF.

The concept of this method is that funding of benefits for each employee should be effected as a, theoretically, level contribution (as a percentage of pay) from entry into ERF to termination of active status.

The Normal Cost (NC) for a fiscal year under this method is determined as described in the prior paragraph for each employee. The ERF NC for the year is the total of individual normal costs determined for each active employee.

The Actuarial Accrued Liability (AAL) under this method is the theoretical asset balance such normal costs would have accumulated to date based on current assumptions. To the extent that the assets of the fund are insufficient to cover the AAL, an Unfunded Actuarial Accrued Liability (UAAL) develops.

The actuarially calculated contribution for a year is the NC for that year plus an amount to amortize the UAAL over 30 years as a level percentage of pay.

ASSET METHOD

The actuarial value of assets is equal to the expected actuarial value of assets adjusted for a three-year phase in of actual investment return in excess of (or less than) expected investment return. The actual return is calculated net of investment expenses, and the expected investment return is equal to the assumed investment return rate multiplied by the prior year's actuarial value of assets, adjusted for contributions, benefits paid, and refunds.

ACTUARIAL ASSUMPTIONS (12/31/2005)

Rate of Investment Return. For all purposes under the system the rate of investment return is assumed to be 8.25% per annum, net of investment expenses.

Annual Compensation Increases. Each member's compensation is assumed to increase in accordance with a table based on ERF experience. Sample rates follow.

Years of Service	Merit, Promotion, Longevity	General	Total
0	4.50 %	3.50 %	8.00 %
1	4.00	3.50	7.50
2	3.25	3.50	6.75
3	2.00	3.50	5.50
4	1.75	3.50	5.25
5	1.50	3.50	5.00
6	1.00	3.50	4.50
7	0.75	3.50	4.25
8	0.50	3.50	4.00
9 & Over	0.00	3.50	3.50

Actuarial Assumptions

Mortality:

Disabled Lives: 1965 Railroad Retirement Board Disabled Annuitants Mortality Table (without select rates). For females, the rates are multiplied by 60%.

Sample rates follow (rate per 1,000)

	Disability Mortality Rate	
Age	Male	Female
20	44	26
30	44	26
40	44	26
50	45	27
60	53	32
70	75	45
80	130	78
90	240	144

Other Benefit Recipients:

a. Males – 1994 Uninsured Pension Mortality Table for males, set forward two years.

b. Females – 1994 Uninsured Pension Mortality Table for females, base table rates multiplied by 125% for ages less than 85 and multiplied by 135% for ages 85 and up.

Sample rates follow (rate per 1,000):

	Mortality Rate	
Age	**Male**	**Female**
30	0.9	0.5
40	1.3	1.0
50	3.5	1.9
60	10.9	6.0
70	30.6	18.5
80	81.2	53.0
90	196.0	168.8

Actuarial Assumptions

Mortality:

Active Members:

a. Males – 1994 Uninsured Pension Mortality Table for males, base table rates multiplied by 87%.

b. Females – 1994 Uninsured Pension Mortality Table for females, base table rates multiplied by 125%.

Sample rates follow (rate per 1,000):

	Mortality Rate	
Age	**Male**	**Female**
30	0.7	0.5
40	1.0	1.0
50	2.4	1.9
60	7.5	6.0
70	22.2	18.5
80	58.0	53.0
90	143.1	156.3

15% of active deaths are assumed to be service related.

Disability: A client specific table of disability incidence with sample rates follows (rate per 1,000):

Age	Disability Rate
30	0.3
40	0.6
50	2.4
60	6.0

35% of disabilities are assumed to be service related.

Actuarial Assumptions

Retirement: Upon eligibility, active members are assumed to retire as follows (rate per 1,000):

Age	Male		Female	
	First Year Eligible	Thereafter	First Year Eligible	Thereafter
48-49	100	100	100	100
50	550	550	400	400
51	420	420	500	500
52	350	300	500	500
53	350	300	350	350
54	450	300	300	300
55	450	350	400	400
56	450	280	300	300
57	450	280	280	280
58-59	400	280	280	280
	Service < 18 yrs.	Service 18 yrs.+	Service < 18 yrs.	Service 18 yrs. +
60	100	280	150	400
61	110	300	150	350
62	160	300	150	250
63	140	300	150	250
64	200	300	70	170
65	250	500	300	300
66-69	250	400	200	300
70	1,000	1,000	1,000	1,000

Actuarial Assumptions

General Turnover: A table of termination rates based on ERF experience. A sample of the ultimate rates follows:

Years of Service	Terminations (per 1,000)
0	210.0
1	160.0
2	130.0
3	105.0
4	85.0
5	67.5
6	62.5
7	57.5
8	49.0
9	46.0
10-14	37.0
15-19	22.0
20 & Over	14.0

There is 0.00% assumption of termination for members eligible for retirement.

Refunds of Contributions*:* Members are assumed to choose the most valuable termination benefit.

Operational Expenses: The amount of estimated administrative expenses expected in the next year is assumed to be equal to the prior year's expenses and is incorporated in the Normal Cost.

Marital Status: 80% of members are assumed to be married.

Vacation Leave Conversions: Members with 20 to 29 years of service are assumed to convert unused vacation leave to 1 month of service. Members with 30 or more years of service are assumed to convert unused vacation leave to 2 months of service. No vacation leave conversion is assumed for disability retirement.

Spouse Age: The female spouse is assumed to be 3 years younger than the male spouse.

Payroll Growth Rate: In determining the level percent amortization of UAAL rate, the payroll of the entire system is assumed to increase at 3% each year.

Member's Pay: In determining the member's valuation salary, gross pay is used unless gross pay is less than 90% of the member's rate of compensation. If gross pay is less than 90% of the member's rate of compensation, the member's valuation salary is set to the member's rate of compensation.

Form of Payment: It is assumed that 43.75% of the married participants will elect a Joint & 50% Survivor form of payment and that 56.25% of the married participants will elect a Joint & 100% Survivor form of payment.

SECTION O

SUMMARY OF BENEFIT PROVISIONS

SUMMARY OF BENEFIT PROVISIONS

Employees' Retirement Fund of the City of Dallas as of December 31, 2006

Membership

An employee becomes a member upon permanent employment and contributes to the Retirement Fund.

Contributions

Member: 37% of the current adjusted total obligation rate. New rates effective October 1 after the valuation date.

City: 63% of the current adjusted total obligation rate. New rates effective October 1 after the valuation date.

Definitions

Final Average Salary: Average monthly salary over the member's highest three years of service.

Credited Service: Length of time an employee of the City of Dallas and while making contributions to the Fund.

Retirement Pension

Eligibility:

a. Attainment of age 60; or
b. Attainment of age 55 (if credited service began before May 9, 1972); or
c. At any age after completion of 30 years of credited service with a reduced benefit before age 50; or
d. Attainment of age 50, if the sum of an active member's age and credited service is at least 78.

Summary of Key Provisions

Retirement Benefits: The retirement benefit equals 2-3/4% multiplied by average monthly earnings multiplied by credited service limited to a maximum of 36.3636 years plus $125 health supplement (prorated for service less than 5 years).

Form of Payment: An unreduced pension under a joint and one half survivor option or a ten-year certain and life option. An actuarially equivalent joint and full survivor option is also available.

Deferred Retirement

Eligibility: Deferred retirement pension commencing at age 60 or at age 55, if employment commenced prior to May 9, 1972, with at least five years of credited service, and accumulated contributions are left on deposit with the Fund.

Monthly Benefit: The deferred retirement is equal to the retirement pension based on earnings and credited service at the time of termination.

Disability Retirement Pension

Non-Service Disability:

1. Eligibility: Five years of service and totally and permanently incapacitated for duty.

2. Monthly Benefit: Computed based on average monthly earnings and credited service at time of disability but not less than 10 times the percentage multiplier multiplied by the average monthly earnings.

Summary of Key Provisions

Service Disability:

1. Eligibility: Totally and permanently incapacitated from the further performance of duty as a result of injury while in the course of employment for the City.

2. Monthly Benefit: Calculated as a non-service disability pension but not less than $500 per month.

Death Benefits

Form: Benefit paid in accordance with the option on file, or the eligible option, or if no eligible beneficiary, a lump sum equivalent of 10 years of benefit payments to the member's estate.

Monthly Benefit: Based on average monthly earnings and credited service at death but not less than 10 times the percentage multiplier multiplied by the average monthly earnings.

Minimum Service Death Benefit: Not less than $500 per month if death resulted from a service related injury.

Return of Accumulated Contributions

A member at the time of terminations is entitled to be paid accumulated contributions without interest.

Cost-of-Living Adjustments

A cost-of-living adjustment to the base pension shall be made based on the greater of:

The percentage of change in the price index for October of the current year over October of the previous year up to 5%, or

The percentage of annual average change in the price index for the 12-month period ending with the effective date of the adjustment, up to 5%.