Gabriel Roeder Smith & Company
Consultants & Actuaries

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

ACTUARIAL VALUATION REPORT

AS OF DECEMBER 31, 2009

GRS
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May 28, 2010

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

Dear Members of the Board:

We are pleased to present our report of the actuarial valuation of the Employees' Retirement Fund of the City of Dallas, Texas ("ERF" or the "Fund") as of December 31, 2009.

This valuation provides information on the funding status of ERF. It includes a determination of the actuarially calculated contribution rates for the 2010 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, 2010 per City Ordinance. 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 previously issued pension obligation bonds for fiscal year 2011.

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 values of the Fund as of December 31, 2009. The member, annuitant and asset data used in the valuation were all prepared and furnished by ERF staff. While certain checks for reasonableness were performed, the data used was not audited.

There were no changes in the actuarial assumptions since the prior valuation. The actuarial asset method was modified this year. The smoothing period was increased from three to five years. All actuarial assumptions and methods are described under Section N of this report and meet the parameters of Governmental Accounting Standards Board Statement No. 25. We believe the actuarial assumptions individually and collectively represent reasonable expectations of experience over the long-term future.

To the best of our knowledge, this report is complete and accurate and was conducted in accordance with the Actuarial Standards of Practice as set forth by the Actuarial Standards Board and in compliance with the provisions of the City Ordinance. The actuarial valuation was produced under the supervision of a Member of the American Academy of Actuaries and both signatories have significant experience valuing large public employee retirement systems.

Respectfully submitted,

Lewis Ward

Lewis Ward
Consultant

Mark R. Randall

Mark R. Randall, MAAA, FCA, EA
Executive Vice President & Senior Consultant

TABLE OF CONTENTS

SECTION A

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

($ in 000's)

The key results from the actuarial valuation of the Employees' Retirement Fund of the City of Dallas as of December 31, 2009, may be summarized as follows:

	December 31, 2008 (1)	December 31, 2009 (2)
• Members		
- Actives	8,371	7,654
- Benefit recipients	5,476	5,706
- Deferred vested*	583	655
- Other terminated*	509	564
- Total	14,939	14,579
• Projected payroll (including overtime)	$ 378,021	$ 364,237
• Normal cost	$ 60,689	$ 59,020
as % of payroll	16.34%	16.46%
• Actuarial accrued liability	$ 3,075,385	$ 3,192,121
• Actuarial value of assets	$ 2,957,506	$ 3,031,652
• Market value of assets	$ 2,096,850	$ 2,600,373
• Unfunded actuarial accrued liability (UAAL)	$ 117,879	$ 160,469
• Estimated yield on assets (market value basis)	(31.31)%	30.35%
• Estimated yield on assets (actuarial value basis)	(3.76)%	6.79%
• Contribution Rates		
- Prior Adjusted Total Obligation Rate	22.71%	24.76%
- Current Total Obligation Rate	26.81%	28.26%
- Current Adjusted Total Obligation Rate	24.76%	26.51%
• Actuarial gains/(losses)		
- Assets	$ (375,992)	$ (146,936)
- Actuarial liability experience	$ (29,249)	$ 23,699
- Assumption and method changes	$ -	$ 96,689
• 30-year level % of pay funding cost	$ 71,615	$ 72,765
as % of payroll (Employee + City)	19.17%	20.15%
• Funded ratio		
- Based on actuarial value of assets	96.2%	95.0%
- Based on market value of assets	68.2%	81.5%

** 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" or the "Fund") as of December 31, 2009.

The purposes of an actuarial valuation are as follows:

- To determine the funding status of ERF as of the valuation date;
- To develop the actuarially determined level of contributions for ERF for the 2010 calendar year; and
- To develop the current total obligation rate and the current adjusted total obligation rate for the fiscal year beginning October 1, 2010.

SECTION C

REPORT HIGHLIGHTS

REPORT HIGHLIGHTS

The following is a set of key actuarial results from the prior year's valuation as compared to the current year:

	($ in 000's)	
	2009	**2010**
Contribution Rates (% of Payroll)		
Normal Cost (including administrative expense)	17.20%	17.37%
Total Actuarial Contribution Rate	19.17%	20.15%
Total Projected Actuarial Contribution	$71,615	$72,765

Funded Status	**12/31/08**	**12/31/09**
Actuarial Accrued Liability	$3,075,385	$3,192,120
Actuarial Value of Assets	2,957,506	3,031,652
Unfunded Actuarial Accrued Liability	$117,879	$160,468
Funded Ratio	96.17%	94.97%

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 of Dallas, a new funding process commenced October 1, 2005. From this 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 the pension obligation bonds issued in 2005 and the contributions to the ERF. In subsequent years, the contribution rate changes only if the actuarial valuation develops a "current total obligation rate" which differs from the "prior adjusted total obligation rate" by more than 3.00%.

As shown in Table 3 (under Section L) and discussed later in this report, the "current total obligation rate" differs from the "prior adjusted total obligation rate" by more than 3.00% as of December 31, 2009. This means that the "current adjusted total obligation rate" will increase from 24.76% to 26.51% of active member payroll effective October 1, 2010.

SECTION E

ACTUARIAL CONTRIBUTIONS

ACTUARIAL CONTRIBUTION

The Actuarially Required Contribution Rate developed in this actuarial valuation is 20.15% 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 2011. As shown in Section L -Table 3 of this report, the debt service payment is determined to be 8.11% of projected payroll. The sum of these rates is 28.26% (the Current Total Obligation Rate) which is 3.50% more than the Prior Adjusted Total Obligation Rate of 24.76%. Because the difference is more than 3.00%, the total contribution rate in fiscal year 2011 (the Current Adjusted Total Obligation Rate) to fund the ERF and make the debt service payment on the pension obligation bonds will increase to 26.51% which is the average of the Prior Adjusted Total Obligation Rate of 24.76% and the Current Total Obligation Rate of 28.26%.

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 Normal actuarial cost method. The assumed annual investment return rate is 8.25% including an annual assumed rate of inflation of 3.00%.

There were no changes in the actuarial assumptions since the prior valuation report. There was a change to one of the actuarial methods. The smoothing period used in the determination of the actuarial value of assets was increased from three years to five years. The prior years' bases were adjusted to reflect the longer smoothing period. As a result of this change, the beginning of year actuarial value of assets was adjusted by $96.689 million. The gain/(loss) on the actuarial value of assets was calculated after reflecting the method change. Please see Section N for a complete description of the actuarial assumptions and methods currently being employed.

SECTION G

ERF BENEFITS

ERF BENEFITS

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

SECTION H

EXPERIENCE DURING PREVIOUS YEAR

EXPERIENCE DURING 2009

An Actuarial (Gain)/Loss Analysis [(G)/L] reviews the effects of the actual experience that differs from the assumed experience based on the actual results for the year. If any difference increases assets or reduces liabilities, we have an actuarial gain. The reverse is an actuarial loss.

On a market value return basis, the Fund gained approximately 30.35% (calculated on a dollar-weighted basis, net of investment expenses). Given this positive return, the actual investment income was more than the expected investment income on the actuarial value of assets; therefore, an investment income gain is being partially recognized this year (1/5) and partially deferred into the near future (4/5). Recognizing prior years' deferred investment gains and losses (years 2008, 2007, 2006 and 2005), there was an overall actuarial loss of approximately $147 million on the actuarial value of assets as of December 31, 2009. The rate of return on the actuarial value of assets for 2009 was 6.79% (calculated on a dollar-weighted basis, net of investment expenses). This result was less than the current investment return assumption of 8.25% per annum.

During 2009 there was an aggregate actuarial gain of about $23.7 million derived from demographic assumptions and non-investment economic assumption (salary increases) losses. As seen below, ERF experienced an overall actuarial loss in calendar year 2009. This year's overall actuarial experience loss amounted to approximately $123.24 million.

The total (G)/L for the prior 4 years is broken down as follows ($ in millions):

		2006	2007	2008	2009
1)	Actuarial (Gain)/Loss on Assets	($128.75)	($39.19)	$375.99	$146.94
2)	Actuarial (Gain)/Loss on Liabilities	9.35	21.73	29.25	(23.70)
3)	Total Actuarial (Gain) or Loss (1+2)	(119.40)	(17.46)	405.24	123.24

In addition, as previously discussed, there was a method change which resulted in an actuarial gain of approximately $96.7 million. Also, the UAAL increased $14.3 million because of the difference between the calculated amortization payment and the actual payment during 2009.

SECTION I

ASSET INFORMATION

ASSET INFORMATION

The assets of the Fund (on a market value basis) increased from $2,097 million as of December 31, 2008 to $2,600 million as of December 31, 2009.

The assets recognized for actuarial valuation purposes (known as "the actuarial value of assets") are the product of a five-year market smoothing asset method. The purpose of such a smoothing method is to allow the use of market values, but to dampen the effect of the typical year-to-year market fluctuations. See Table 6 in Section L of this report for the determination of the actuarial value of assets as of December 31, 2009.

The actuarial value of assets has increased from $2,958 million to $3,032 million during 2009. The rate of return on investments for 2009 on the actuarial value of assets was 6.79% compared to -3.76% in 2008. The detailed determinations of asset values utilized in this valuation and the change in assets in the last year are exhibited in Tables 4 and 5 of Section L of this report.

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. Therefore, it reflects the portion of the AAL that is covered by ERF assets. The UAAL is the difference between these two amounts.

A Funded Ratio of 100% means that the funding of ERF is precisely on schedule. In addition, an increasing funded ratio from year-to-year also means that the funding of ERF is 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 Funded Ratio of ERF decreased from 96.2% as of December 31, 2008 to 95.0% as of December 31, 2009 as a result of the continued recognition of the significant downturn in the investment markets during 4th quarter of 2008.

The UAAL increased from $117.9 million (shortfall) as of December 31, 2008 to $160.5 million (shortfall) as of December 31, 2009. Since the UAAL is positive, this implies the actuarial accrued liabilities exceed the actuarial assets of the Fund as of December 31, 2009.

SECTION K

GASB DISCLOSURE

GASB DISCLOSURE

Governmental Accounting Standards Board (GASB) Statement Numbers 25 and 27 detail the current accounting standards for ERF and the Fund's sponsor, the City of Dallas. Tables 10a, 10b, and 10c located in Section L of this report provide footnotes and/or Required Supplemental Information tables required to be disclosed by these statements.

SECTION L

ACTUARIAL TABLES

ACTUARIAL TABLES

Summary of Actuarial Values
As of December 31, 2009
($ in 000's)

	APV* of Projected Benefits	Entry Age Actuarial Values: Actuarial Accrued Liability (AAL)	Normal Cost $	Normal Cost % of Pay**
1 Active Members				
a. Retirement	$ 1,453,149	$ 1,198,598	$ 40,184	11.21%
b. Death	36,201	23,754	2,019	0.56%
c. Disability	17,971	8,387	1,530	0.43%
d. Termination	101,160	17,707	12,783	3.56%
e. Health Subsidy	50,187	36,130	2,504	0.70%
Total	1,658,668	1,284,576	59,020	16.46%
2 Benefit Recipients	1,834,491	1,834,491		
3 Other Inactive	73,053	73,053		
4 Total Actuarial Values of Benefits	3,566,212	3,192,120	59,020	16.46%
5 Actuarial Value of Assets		3,031,652		
6 Unfunded Actuarial Accrued Liability (4 - 5)		160,468		
7 Funding Ratio		94.97%		

* *APV – Actuarial Present Value*

** *Percentage of expected payroll for continuing active members.*

TABLE 2

Development of Actuarially Required Contribution for FY 2011

($ in 000's)

		$	% of Pay
1	**Actuarial Requirement**		
	a. Payment to Amortize UAAL over 30 years*	$ 10,430	2.78%
	b. Normal Cost	59,020	16.46%
	c. Administrative Expense	3,315	0.91%
	Total	$ 72,765	20.15%

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

Information for Ordinance 25695

For the Fiscal Year Commencing October 1, 2010

1	**Prior Adjusted Total Obligation Rate**	24.76%
2	**Actuarially Required Contribution Rate**	20.15%
3	**Debt Service**	
	a Scheduled Debt Service Payment for FY 2011	30,408,849
	b Projected Payroll	375,163,908
	c Pension Obligation Bond Credit Rate (a/b)	8.11%
4	**Current Total Obligation Rate (2 + 3c)**	28.26%
5	**Current Adjusted Total Obligation Rate**	26.51% *
6	**Allocation of Contribution Rates for FY 2010**	
	a Employee (5 x .37)	9.81%
	b City (5 x .63)	16.70%

* If the absolute value of the difference between the Prior Adjusted Total Obligation Rate (PATOR) and the Current Total Obligation Rate (CTOR) is less than or equal to 3.0% then:
Current Adjusted Total Obligation Rate (CATOR) = PATOR
otherwise:
1) If PATOR - CTOR > 3.00% then the CATOR 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
or
2) If PATOR - CTOR < -3.00% then the CATOR is set equal to the lesser of:
a) the average of the Prior Adjusted Total Obligation Rate and the Current Total Obligation Rate; or
b) 110% 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, which 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.

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 proceeding 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, 2008	December 31, 2009
Assets		
Cash & Short-Term	$183,207	$87,493
Receivables		
Accrued Investment Income	13,008	12,125
Securities Sold	20,707	2,364
Employer Contribution	1,001	217
Employee Contribution	1,325	239
Pending Contracts	0	0
	36,041	14,945
Investments		
Index Funds	81,083	355,299
Fixed Income	601,494	707,134
Equities	1,235,558	1,463,692
Real Estate	0	0
Private Equity	0	3,708
Venture Capital	5	5
	1,918,140	2,529,838
Total Assets	2,137,388	2,632,276
Liabilities		
Accounts Payable	3,692	4,324
Investment Transactions	36,846	27,579
	40,538	31,903
Net Assets Available For Benefits	2,096,850	2,600,373

Change in Assets Available for Benefits
Fiscal Year Ending December 31, 2009
($ in 000's)

	2008	2009
1 Assets Available at Beginning of Year	$ 3,185,216	$ 2,096,850
Adjustment *	194	6,415
	3,185,410	2,103,265
2 Revenues		
a. Employer Contributions	22,720	25,232
b. Employee Contributions	31,839	32,229
c. Investment Income	101,668	77,616
d. Investment Expense	(10,730)	(9,147)
e. Realized and Unrealized Gains (Losses)	(1,074,528)	549,664
f. Other (Security Lending)	3,044	1,595
Total Revenues	(925,987)	677,189
3 Expenses		
a. Benefits	156,575	172,493
b. Refunds	2,742	4,273
c. Administration Expense	3,256	3,315
Total Expense	162,573	180,081
4 Assets Available at End of Year (1 + 2 - 3)	2,096,850	2,600,373

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

Development of Actuarial Value of Assets
As of December 31, 2009
($ in 000's)

		Market Value	Actuarial Value
1	**Value of Assets @ 12-31-2008**	$ 2,096,850	$ 2,957,506
	Adjustment for Method Change		96,689
			3,054,195
2	**Non-Investment Cash Flows during 2009**		
	a. Employer Contributions	25,232	25,232
	b. Employee Contributions	32,229	32,229
	c. Benefits (including refunds)	(176,766)	(176,766)
	d. Administrative Expenses	(3,315)	(3,315)
	Total	(122,620)	(122,620)
3	**Expected Investment Returns @ 8.25%**	247,013	247,013
4	**Expected Assets @ 12-31-2009 (1 + 2 + 3)**	2,221,243	3,178,588
5	**Actual Assets Available for Benefits**	2,600,373	
6	**Gain/ (Loss) From Investment Returns (5 - 4)**	379,130	
7	**Recognition of Gains / (Losses)**		
	a. One-fifth of Current Year Gain/(Loss) (20% of item 6)		75,826
	b. One-fith of 2008 Gain/(Loss)*		(246,859)
	c. One-fifth of 2007 Gain/(Loss)*		(25,893)
	d. One-fifth of 2006 Gain/(Loss)*		48,600
	e. One-fifth of 2005 Gain/(Loss)*		1,390
	Total		(146,936)
8	**Actuarial Value of Assets @ 12-31-2009 (4 + 7)**		3,031,652

*Gain/(Loss) for 2005, 2006, 2007, and 2008 recalculated as part of asset method change

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%
2007	3.56%	9.58%
2008	-31.31%	-3.76%
2009	30.35%	6.79%

Analysis of Change in Unfunded Actuarial Accrued Liability For the Year Ending December 31, 2009 ($ in 000's)

1 UAAL as of December 31, 2008		$	117,879
2 Expected Change in UAAL during 2009			
a. Expected Amortization Payment for CY 2009	(7,670)		
b. Interest adjustments on 1, 2a, & 2b to Year End @ 8.25%	9,409		
c. Expected change in UAAL			1,739
3 Increase/(Decrease) in UAAL Due to Difference Between Calculated Contribution Rate and Actual Contribution Rate			14,302
4 Net Actuarial Experience (Gains) & Losses			123,237
5 Method Changes			(96,689)
6 UAAL as of December 31, 2009		$	160,468

Analysis of Actuarial (Gains) and Losses
For 2009
($ in 000's)

	2009
Investment Return*	$ 146,936
Salary Increase	$ 1,542
Age and Service Retirement	$(2,627)
General Employment Termination	$(900)
Disability Incidence	$(29)
Active Mortality	$ 256
Benefit Recipient Mortality	$ 6,717
Actual vs. Expected Cost of Living Adjustment (COLA)**	$(33,346)
Other	4,688
Total Actuarial (Gain) Loss	$ 123,237

*Determined after reflecting actuarial asset method change
**Actual COLA of 0.000% versus expected COLA of 3.000%

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%
2007	3,183,260	2,915,164	(268,096)	109.20%	370,150	-72.43%
2008	2,957,506	3,075,385	117,879	96.17%	389,362	30.27%
2009	3,031,652	3,192,120	160,468	94.97%	375,164	42.77%

* *Projected to following year.*

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	31,692	9,387	23,413	249.42 %
2008	42,637	31,839	10,798	22,720	210.41 %
2009	71,615	32,229	39,386	25,232	64.06 %
2010	72,765	34,365 **	38,400 **		

* *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	December 31, 2009
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	5-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, 2007	December 31, 2008	December 31, 2009
Active Members			
Number	8,117	8,371	7,654
Total Annualized Earnings of Members as of 12/31 (000's)	$359,369	$378,021	$364,237
Average Earnings	44,274	45,158	47,588
Benefit Recipients			
Number	5,304	5,476	5,706
Total Annual Retirement Income (000's)	$142,267	$154,693	$165,826
Total Annual Health Supplement (000's)	$7,784	$7,988	$8,317
Average Total Annual Benefit	$28,283	$29,708	$30,519
Inactive Members			
Number	1,043	1,092	1,219*

* *The number of inactives on 12/31/2009 includes 655 members who have applied for a deferred pension and 564 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, 2009

Age	Under 1	1-4	5-9	10-14	15-19	20-24	25-29	30 & Over	Totals
	Years of Service								
Under 20	1	5	-	-	-	-	-	-	6
	24,500	133,204	-	-	-	-	-	-	157,704
20-24	27	138	1	-	-	-	-	-	166
	775,482	3,993,180	29,369	-	-	-	-	-	4,798,031
25-29	75	374	45	5	-	-	-	-	499
	2,576,608	13,218,967	1,672,977	202,546	-	-	-	-	17,671,098
30-34	66	376	148	79	3	-	-	-	672
	2,541,579	15,007,532	6,495,736	3,287,352	103,986	-	-	-	27,436,185
35-39	55	341	180	204	66	1	-	-	847
	2,149,944	13,963,650	7,644,894	9,299,215	3,122,161	71,136	-	-	36,251,000
40-44	49	350	196	236	146	83	10	-	1,070
	1,976,545	14,127,724	9,174,677	11,511,647	7,692,445	4,595,769	591,389	-	49,670,196
45-49	41	388	210	315	144	215	167	11	1,491
	1,466,263	15,557,337	9,605,327	15,132,988	8,017,515	12,963,787	9,812,127	669,378	73,224,722
50-54	39	257	169	239	157	215	190	48	1,314
	1,789,050	11,138,215	7,774,941	11,838,481	8,601,999	13,560,268	12,306,500	3,041,711	70,051,165
55-59	26	177	120	218	124	118	104	53	940
	1,081,585	7,943,798	5,819,370	11,256,199	6,716,639	7,150,629	6,771,691	3,261,489	50,001,400
60-64	11	78	86	114	71	53	48	31	492
	431,527	3,311,950	4,328,648	6,000,591	3,904,760	3,328,904	3,210,508	2,394,929	26,911,817
65&Over	1	16	27	36	28	23	11	15	157
	42,605	845,672	1,396,558	1,861,138	1,373,772	1,255,279	568,085	720,377	8,063,486
Totals	391	2,500	1,182	1,446	739	708	530	158	7,654
	14,855,688	99,241,229	53,942,497	70,390,157	39,533,277	42,925,772	33,260,300	10,087,884	364,236,804

Distribution of Benefit Recipients
as of December 31, 2009

Age	Number	Annual Benefit*	Annual Average Benefit*
Under 50	96	1,557,061	16,219
50-54	371	13,777,777	37,137
55-59	840	33,490,502	39,870
60-64	1,247	43,501,675	34,885
65-69	950	26,523,715	27,920
70-74	710	18,088,134	25,476
75-79	582	12,587,056	21,627
80-84	443	8,993,448	20,301
85-89	305	5,400,124	17,705
90 & Over	162	1,906,836	11,771
Total	5,706	165,826,328	29,062

* *Does not include Health Benefit Supplement.*

SECTION M

EXPERIENCE TABLES

EXPERIENCE TABLES

TABLE 14

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

	Experience for 2009			
Service Beginning of Year	**Number**	**Expected Pay**	**Actual Pay**	**Ratio A/E**
Under 5	2,285	90,258,379	89,161,271	98.78%
5-9	1,220	55,849,839	55,371,222	99.14%
10-14	1,474	69,355,569	69,485,614	100.19%
15-19	791	41,260,177	41,399,002	100.34%
20-24	689	40,824,066	41,131,717	100.75%
25-29	587	35,532,322	35,733,985	100.57%
30 & Over	189	11,620,529	11,702,262	100.70%
Total	7,235	$ 344,700,881	$ 343,985,073	99.79%
Over 10 Years	3,730	$ 198,592,663	$ 199,452,580	100.43%

	Experience for 2006/2009			
Service Beginning of Year	**Number**	**Expected Pay**	**Actual Pay**	**Ratio A/E**
Under 5	7,940	304,011,041	302,554,675	99.52%
5-9	5,521	233,962,282	234,954,745	100.42%
10-14	5,351	241,603,401	244,080,656	101.03%
15-19	3,184	162,886,650	164,476,377	100.98%
20-24	3,328	185,259,725	187,033,366	100.96%
25-29	2,325	133,302,756	134,215,364	100.68%
30 & Over	717	42,208,525	42,500,319	100.69%
Total	28,366	$ 1,303,234,380	$ 1,309,815,502	100.50%
Over 10 Years	14,905	$ 765,261,057	$ 772,306,082	100.92%

TABLE 15a

Analysis of Retirement Experience

	2009 Retirement			2006/2009 Retirement		
Age	**Actual**	**Expected**	**Ratio A/E**	**Actual**	**Expected**	**Ratio A/E**
46	-	-	N/A	-	-	N/A
47	-	-	N/A	-	-	N/A
48	1	0.40	250.00%	1	1.50	66.67%
49	1	1.50	66.67%	4	4.90	81.63%
50	24	21.45	111.89%	68	76.20	89.24%
51	23	23.10	99.57%	67	77.84	86.07%
52	22	23.20	94.83%	68	83.50	81.44%
53	16	20.25	79.01%	57	74.20	76.82%
54	28	25.80	108.53%	74	85.05	87.01%
55	18	26.70	67.42%	53	91.95	57.64%
56	12	16.97	70.71%	56	75.61	74.06%
57	21	18.94	110.88%	62	83.21	74.51%
58	19	20.16	94.25%	53	75.04	70.63%
59	16	15.80	101.27%	48	63.64	75.42%
60	24	29.95	80.13%	66	108.69	60.72%
61	22	29.94	73.48%	58	86.80	66.82%
62	15	18.54	80.91%	44	66.15	66.52%
63	12	14.97	80.16%	41	52.41	78.23%
64	13	11.12	116.91%	31	42.26	73.36%
65	15	12.45	120.48%	37	58.15	63.63%
66	8	14.05	56.94%	27	39.75	67.92%
67	10	9.65	103.63%	27	27.10	99.63%
68	6	5.70	105.26%	12	15.50	77.42%
69	4	3.45	115.94%	8	10.90	73.39%
70 & Over	14	46.00	30.43%	30	163.00	18.40%
Total	344	410.09	83.88%	992	1,463.35	67.79%
Total Under 70	330	364.09	90.64%	962	1,300.35	73.98%

TABLE 15b

Analysis of Retirement Experience

Age Groups

Age Group	2009 Retirements Actual	2009 Retirements Expected	2009 Retirements Ratio A/E	2006/2009 Retirements Actual	2006/2009 Retirements Expected	2006/2009 Retirements Ratio A/E
Under 55	115	115.70	99.39%	339	403.19	84.08%
55-59	86	98.57	87.25%	272	389.45	69.84%
60-64	86	104.52	82.28%	240	356.31	67.36%
65-69	43	45.30	94.92%	111	151.40	73.32%
70 & Over	14	46.00	30.43%	30	163.00	18.40%
Total	344	410.09	83.88%	992	1,463.35	67.79%
Total Under 70	330	364.09	90.64%	962	1,300.35	73.98%

TABLE 16

Analysis of Turnover Experience

Years of	2009 Quits			2006/2009 Quits		
Service	Actual	Expected	Ratio A/E	Actual	Expected	Ratio A/E
0-4	491	407.18	120.59%	1,780	1,455.96	122.26%
5-9	127	85.39	148.72%	426	357.38	119.20%
10-14	83	56.86	145.97%	218	205.24	106.22%
15-19	38	19.93	190.65%	79	76.99	102.61%
20-24	16	9.41	170.01%	48	44.91	106.88%
25-29	2	1.63	122.47%	4	6.89	58.06%
Total	757	580.41	130.43%	2,555	2,147.37	118.98%

Analysis of Active Mortality Experience

Age	2009 Deaths Actual	2009 Deaths Expected	2009 Deaths Ratio A/E	2006/2009 Deaths Actual	2006/2009 Deaths Expected	2006/2009 Deaths Ratio A/E
20-24	-	0.05	0.00%	-	0.15	0.00%
25-29	1	0.18	559.99%	1	0.61	163.40%
30-34	-	0.34	0.00%	2	1.24	161.67%
35-39	-	0.51	0.00%	-	2.03	0.00%
40-44	1	0.98	102.53%	3	4.06	73.92%
45-49	2	1.99	100.42%	11	7.74	142.04%
50-54	6	3.03	198.31%	19	11.61	163.69%
55-59	5	3.79	131.76%	13	14.22	91.44%
60 and Over	6	5.30	113.21%	12	17.95	66.86%
Total	21	16.16	129.91%	61	59.60	102.35%

Analysis of Disability Experience

	2009 Disabilities			2006/2009 Disabilities		
Age	**Actual**	**Expected**	**Ratio A/E**	**Actual**	**Expected**	**Ratio A/E**
20-24	-	0.01	0.00%	-	0.04	0.00%
25-29	-	0.06	0.00%	-	0.22	0.00%
30-34	-	0.15	0.00%	-	0.60	0.00%
35-39	-	0.31	0.00%	2	1.27	157.51%
40-44	1	0.77	129.61%	4	3.31	120.86%
45-49	3	2.18	137.75%	7	8.72	80.31%
50-54	2	2.94	67.92%	12	11.96	100.37%
55-59	4	2.89	138.64%	9	10.95	82.19%
60 and Over	1	0.89	112.69%	2	3.39	59.01%
Total	11	10.20	107.88%	36	40.46	88.98%

Analysis of Retiree Mortality Experience*

Age	2009 Experience			2006/2009 Experience		
	Actual	Expected	Ratio A/E	Actual	Expected	Ratio A/E
Under 60	10	5.09	196.58%	30	22.27	134.73%
60-64	16	11.78	135.81%	49	39.98	122.56%
65-69	11	15.36	71.63%	45	55.89	80.52%
70-74	15	18.22	82.33%	61	70.04	87.09%
75-79	21	23.13	90.81%	87	95.75	90.86%
80-84	28	27.91	100.31%	91	110.11	82.64%
85-89	30	27.09	110.74%	118	105.19	112.18%
90 & over	20	20.97	95.37%	80	80.09	99.88%
Total	151	149.54	100.97%	561	579.32	96.84%

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

SECTION N

ACTUARIAL METHOD AND ASSUMPTIONS

ACTUARIAL METHOD AND ASSUMPTIONS
ENTRY AGE NORMAL METHOD

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

The concept of this method is that funding of benefits for each member should be effected as a, theoretically, level contribution (as a level 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 member. The ERF NC for the year is the total of individual normal costs determined for each active member.

The Actuarial Accrued Liability (AAL) under this method is the theoretical asset balance of the normal costs that would have accumulated to date based upon current actuarial 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 Normal Cost for that year plus an amount to amortize the UAAL over 30 years as a level percentage of pay.

ACTUARIAL VALUE OF 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 (AS OF DECEMBER 31, 2009)

Annual Rate of Investment Return. For all purposes under the Fund, the rate of investment return is assumed to be 8.25% per annum, net of investment expenses. This rate includes an annual assumed rate of inflation of 3.00%. In addition, annual cost-of-living adjustments are assumed to occur on average at the rate of 3.00% per annum.

Annual Compensation Increases. Each member's compensation is assumed to increase in accordance with a table based on actual 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 (cont.)

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 are 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 (cont.)

Mortality:

Active Members:

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

b. Females – 1994 Uninsured Pension Mortality Table for females, base table rates are 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 (cont.)

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 (cont.)

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 active 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.

Actuarial Assumptions (cont.)

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, the greater of gross pay and the member's rate of compensation is used.

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

Changes in Assumptions and Methods Since Prior Valuation: The actuarial value of assets method was modified to increase the smoothing period from three to five years. The current years actuarial value of assets was determined as if this method had been in place for the prior five years.

SECTION O

SUMMARY OF BENEFIT PROVISIONS

SUMMARY OF BENEFIT PROVISIONS

Employees' Retirement Fund of the City of Dallas as of December 31, 2009

Membership

An employee becomes a member upon permanent employment and contributes to the 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 as 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 equal to 78.

Summary of Benefit Provisions (cont.)

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 a monthly $125 health supplement (prorated for service less than 5 years).

Form of Payment: An unreduced pension benefit 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 benefit commencing at age 60 or at age 55, if employment commenced prior to May 9, 1972, with at least five (5) years of credited service, and accumulated contributions are left on deposit with the Fund.

Monthly Benefit: The deferred retirement benefit 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 (5) 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 Benefit Provisions (cont.)

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 termination is entitled to be paid accumulated contributions without interest.

Cost-of-Living Adjustments

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

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

b. 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%.