



D A L L A S
POLICE & FIRE
PENSION SYSTEM



ANNUAL REPORT

DECEMBER 31, 2000

2000 AT A GLANCE

THE DALLAS POLICE & FIRE PENSION SYSTEM PROVIDES RETIREMENT, DISABILITY AND SURVIVOR BENEFITS TO THE POLICE OFFICERS AND FIREFIGHTERS OF THE CITY OF DALLAS. THE SYSTEM HAS HAD A STEADY GROWTH IN BOTH ITS MEMBERSHIP AND ITS ASSETS SINCE IT WAS FOUNDED IN 1916.

2000 STATISTICAL HIGHLIGHTS:

ACTIVE MEMBERS CONTRIBUTING	4,477
BENEFIT RECIPIENTS	<u>2,780</u>
TOTAL PARTICIPANTS	7,257

SERVICE RETIREMENTS ADDED:

POLICE	39
FIRE	<u>24</u>
	63

DISABILITY RETIREMENTS ADDED:

POLICE	1
FIRE	<u>0</u>
	1

FUND ASSETS AT MARKET VALUE	\$2,039,741,240
BENEFITS PAID	\$78,662,824
MEMBER CONTRIBUTIONS (LESS REFUNDS)	\$13,371,174
CITY CONTRIBUTIONS	\$66,690,520
INVESTMENT RATE OF RETURN	2.42%

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE
DALLAS POLICE AND FIRE PENSION SYSTEM**

AND

**FINANCIAL STATEMENTS
OF THE
POLICE AND FIRE SUPPLEMENTAL PENSION FUND
OF THE
CITY OF DALLAS**

**FOR THE YEAR ENDING
DECEMBER 31, 2000**

RICHARD L. TETTAMANT, ADMINISTRATOR

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SUITE 200
DALLAS, TEXAS 75201
214-638-3863**

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Honorable Mayor, Members of the City Council, and Fellow 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 2000 Annual Report. This annual report is intended to provide complete and reliable information as the basis for making management decisions, to assure compliance with legal requirements, and to provide a means of measuring the responsible stewardship of the assets of the Pension System.

In addition to the Transmittal Message, this annual report consists of six other sections. The *Year 2000 in Review* highlights the Pension System's history, operations, and programs; summarizes significant developments during the year; and provides a list of professional service providers. The third section lists significant events in the System's modern history. Section four provides an organization chart and identifies the Board of Trustees and administrative staff of the Pension System.

The complete actuarial valuation of the Pension System and audited financial reports for both it and the Supplemental Police and Fire Pension Fund are included in separate sections of this Annual Report. The actuarial valuation performed by Buck Consultants, Inc. as of January 1, 2001, indicated that, through proper management and prudent investment practices, the overall funding of the Pension System remains sound. The employee contribution rate is 8.5%, and the employer contribution rate is 27.5%. The current contribution rate covers the normal cost and the amortization of the Unfunded Actuarial Accrued Liability during 17 years.

The financial reports and notes were audited by KPMG and include all recent Governmental Accounting Standards Board rulings. Except where noted, the investment performance data included in this report was provided by Wilshire Associates or Russell Real Estate Advisors. During the year ending December 31, 2000, both the Pension System and the Supplemental Fund remained broadly diversified with investments in domestic and international equities and fixed

income, and cash equivalent securities. The Pension System's investments also included real estate and private equities. During the year ending December 31, 2000, the total rate of return on investments was 2.42%.

The final section of the annual report presents the *2000 Actuarial Valuation* and *2000 Audit Report* for the Supplemental Police and Fire Pension Fund.

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

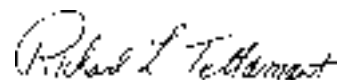
The Board of Trustees and the pension staff realize that our primary commitment is to our Members and to maintaining the excellent financial condition of the Pension System. We will continue to do our best to:

"Serve Those Who Protect the Dallas Community."

Respectfully submitted:



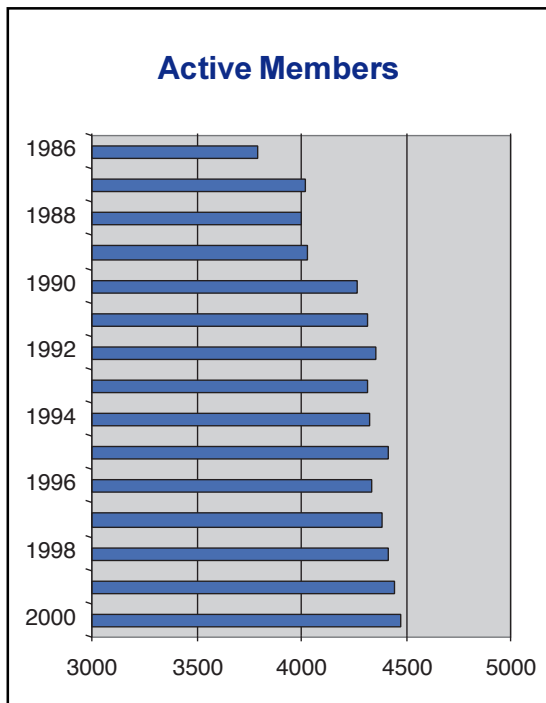
Jerry Brown,
Chairman



Richard Tettamant,
Administrator

YEAR 2000 IN REVIEW

The year 2000 was a year of continued growth and stability of the Pension System in the face of a declining financial market. Amendments to the Combined Pension Plan provided significant benefit enhancements and greater flexibility to Members. The membership increased slightly and activity continued to increase in both the number of Members participating in the Deferred Retirement Option Plan (DROP) and the assets in DROP accounts. The System also expanded communications programs and broadened investments during the year to include private equities. Two new Trustees joined the Board, and an amendment passed by the membership approved the addition of two additional Trustees to represent pensioner Members of the System.



Favorable market conditions that helped the Pension System attain the outstanding investment performance that we have enjoyed during the last few years ended in 2000. Nevertheless, the System continued to outperform most large public retirement funds. As a result of the downturn in the markets, System assets fell slightly during 2000. However, the overall financial picture of the Pension System remains strong and the

years to fully fund the System increased by only one year despite the benefit improvements.

We discuss these topics in further detail in the remainder of this section. For a review of the Combined Pension Plan provisions, see the *Actuarial Valuation* and the notes to the *Financial Statements*. You may obtain more information on the Pension System at the DFPF Web site at www.dfpf.org.

Program Highlights

Deferred Retirement Option Plan (DROP)

In 2000, 155 new active participants and 40 new pensioner participants enrolled in the program, bringing the total to 1,172 participants, with more than \$143.9 million in total deposits.

Pre-Retirement Education Program (PREP)

Four meetings, 306 Attendees

New Recruit Education Meetings

Two meetings with 89 new Members

Benefit Statements Distributed

Total: 4,477 with year 2000 handbooks

Counseling Sessions

505 Members

Newsletters Mailed

81,900 total

Retiree—Mailed to more than 2,700 retirees and survivors monthly

Active—Mailed to more than 4,500 active Members and DROP Members

Benefit Recipients—2000

	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Service Pensions Granted:	39	24	63
Disability Pensions Granted:	1	0	1
Pensions Discontinued due to Death:	25	23	48
Survivor Pensions Granted:	16	11	27
Survivor Pensions Discontinued:	11	20	31

Board of Trustees

The Board of Trustees is composed of ten positions. Three are elected from the membership of the Police Department and three are elected from the Fire Department membership. The City Council appoints four City Council Members to the Board.

The year 2000 saw the addition of two new police Trustees on the Board. At its July 13, 2000, meeting, Sergeant Rector McCollum was selected by the Board to complete the term of retiring Police Trustee Captain Dwight Walker. At the December 14, 2000, meeting, the Board selected Sergeant Steve Umlor to complete the term of Sergeant John Mays who retired at that time.

Captain Walker retired after 27 years of service on the Dallas Police Department. He served more than thirteen years as a Trustee on the Board.

Sergeant Mays retired with more than 35 years of service to the City, including 19 years on the Board of Trustees.

An amendment was approved in the 2000 Amendment Election to modify the composition of the Board by adding two positions to the Board of Trustees—one representing retired police officers and one representing retired firefighters. Terms of office for the new positions, after an election in the Spring of 2001, begin on June 1, 2001.

Administrative Staff

The administrative staff of the System oversees the day-to-day operations of the System. Though the System had only 12 employees on staff at the end of 2000, the administrative team will grow to 22 when all positions approved by the Board in the 2000–2001 budget are filled. This will allow the staff to better serve the needs of our Members. The staff's main functions are (i) audit and control, (ii) payment of benefits, (iii) Member communications, (iv) counseling, (v) legal, (vi) review and monitoring of investments, (vii) coordination with professional service providers, and (viii) staff support to the Board.

Professional Service Providers

To continue its efforts to ensure safe and sound pension benefits and investment administration, the Board of Trustees has retained the services of many professional consultants and advisors. These professionals assist the Board in making the decisions that affect the System's investment performance as well as the administration and maintenance of benefit programs. The table below lists the 30 firms that the Board of Trustees has engaged and the area of expertise that they provide the System.

Professional Service Providers

Investment Advisors

AEW Capital Management
Alliance Capital Management, Inc.
Bank of Ireland Asset Management
Crow Holdings
Deutsche Asset Management
Forest Investment Associates
Hancock Agricultural Investment Group
Hearthstone Advisors
Heitman Capital Management
Hudson Advisors
W. R. Huff Asset Management
INVESCO Realty Advisors
Kennedy Associates Real Estate Counsel
L & B Real Estate Counsel
Loomis, Sayles & Company
North Texas Opportunity Fund
Oak Associates
Oaktree Capital Management
Olympus Real Estate Partners
Prudential Asset Management
RREEF
State Street Global Advisors

Actuary

Buck Consultants, Inc.

Auditor

KPMG, LLP

Custodian Bank

State Street Bank and Trust Company

Investment Consultants

Russell Real Estate Advisors
Wilshire Associates Inc.

Performance Measurement Consultants

Financial Control Systems, Inc.

Legal Advisors

City Attorney's Office
Lawson and Fields, P.C.

Member Programs

PREP

During 2000, the System's Member programs continued to be successful. Four day-long seminars for the very successful Pre-Retirement Education Program (PREP) were held with more than 300 Members and spouses attending. PREP assembles many professionals in addition to our staff to provide our Members with information in their areas of expertise at these educational seminars. We would like to thank Tom Clark of the Social Security Administration; Roxie Cates of the City of Dallas Health Benefits Division; Neil "Doc" Gallagher of Gallagher Financial Group, Inc. on investments; Gary Lawson of Lawson & Fields, P.C.; Evy Davis of Wolfish and Davis, P.C., attorneys; and Denny Burris and Ike Moore, Fire Department Chaplains. In addition, Steve Bazis (Fidelity) of the 401(k) program and Nancy Roth (Great West) of the 457 Deferred Compensation Program presented information on their respective programs. We appreciate the help of Steve Otto, manager of the Police Academy and his dedicated team, including Linda Kindt, and Denny Burris and Shawn Kelly of the Fire Academy. We also thank Pension System staff members, including Mary Lester, Don McMillan, Gail Borneman, Tara Anderson, and John Holt for their efforts in making PREP a success.

DROP

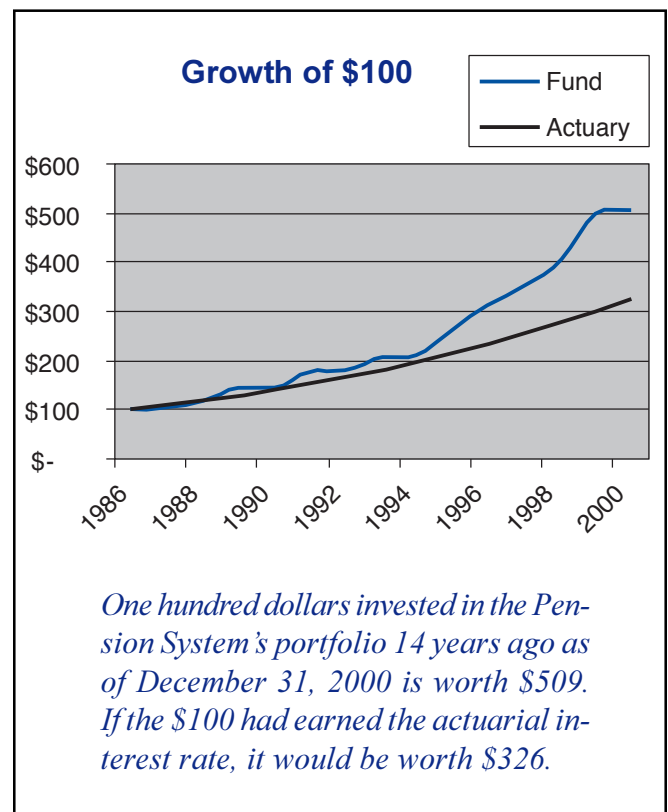
The DROP program began in 1993 and provided participants with an opportunity to save for their retirement years. DROP continues to be an attractive option to Members for their retirement planning. A total of 1,172 Active Members and Pensioners participate in the program. This includes 40 Pensioners who have deferred their benefit payments and continue to accumulate funds in their DROP accounts.

An amendment passed in the 2000 Amendment Election permits active Members to transfer DROP funds to the City of Dallas 401(k) Plan. This amendment also permits early retirees to elect to defer pension payments into a DROP account. DROP is truly adding dimensions to the retirement process.

COMMUNICATIONS

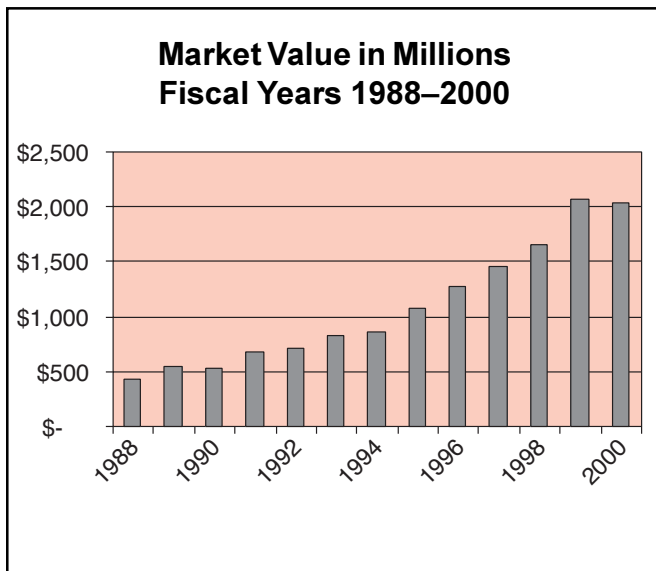
The Board and staff continued to strive to improve communications with our membership. In 2000, 11 monthly newsletters were sent to active Members and 12 newsletters were mailed to pensioners. System staff also mailed several other communications to Members on issues such as the Amendment Election.

The Internet played an increasing role in our communications effort during 2000. Via our Web site, you can now view agendas and minutes of Board meetings. You also may follow the progress and learn the results of issues such as elections, and you may access current and back issues of System publications. Our Internet address is www.dpfp.org. You may reach us by e-mail at info@dpfp.org.



Investment Highlights

The System's prudent strategy of diversification produced an overall return of 2.42% in a year when stocks were generally down. The one-year return of 2.42% and the three-year return of 12.76% place the fund among the top 25% of large public funds. Outstanding returns from real estate, domestic equities, and global opportunistic fixed income managers contributed to the System's top-tier performance during the year 2000. The System's long-term track record also is impressive. Annualized over the last 19 years, the return has been 12.8%, as shown in the graph on the next page.



During 2000, the market value of the System dropped from \$2.07 billion to \$2.04 billion at December 31, 2000, because expenses and benefit payments exceeded investment income. The System's 2000 investment return of 2.42% fell below the 8.5% interest rate that the Pension System expects to earn during an extended period into the future.

Growth-style investing lost its dominance over value-style investing in the U.S. for the first time since 1997. The System's value manager benefited from the style change and realized an excellent 16.96% return for the year. Wilshire's Large Value and Large Growth

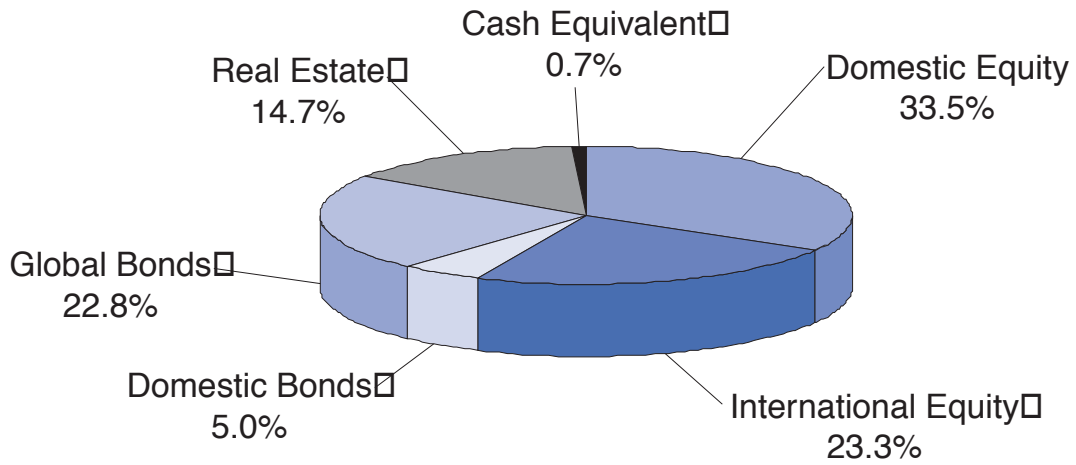
Index returned 1.09% and -24.98% respectively for the year 2000. Last year's 26.07% divergence between value stocks and growth stocks is one of the largest value to growth spread differences over the last two decades. International stocks as represented by the Morgan Stanley All Country World Index, excluding the United States (ACWI ex U.S.), underperformed the domestic stock market returning -15.09%.

High grade, fixed income markets in the United States rebounded as the Lehman Aggregate returned 11.63% for the year 2000. The high yield market, as measured by the Credit Suisse First Boston (CSFB) High Yield Index, underperformed high grade markets by returning -5.21% for the year.

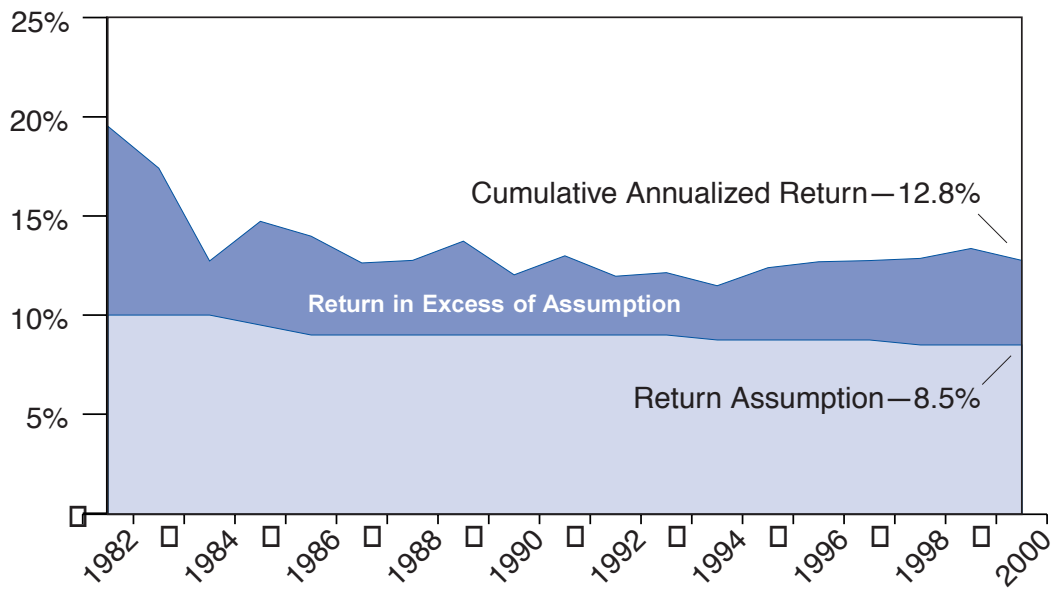
The domestic equity portfolio outperformed the S&P 500 by 10.26% (1.14% vs. -9.12%) during the year. A large part of the outperformance was due to the 16.96% return from the fund's value manager, Alliance Capital. During the past five years, the System's domestic equity managers produced an impressive 21.78% annualized return, surpassing both the S&P 500 Index (18.35%) and the Wilshire 5000 (16.69%) by wide margins.

The System's fixed income portfolios are divided into three groups: Domestic High Yield, Global Quality, and Global Opportunistic. The returns from the Domestic High Yield portfolio exceeded the benchmark, the Salomon Brothers High Yield Composite plus 1.5%, by 2.86% (-2.08% vs. -4.94%). The Global Quality portfolio returned a positive 4.45%, but underperformed its global benchmark by 1.4% (4.45% vs. 5.85%). The Global Quality portfolio is measured against a benchmark constructed by a 50% weight to the Salomon Brothers Non-U.S. Government Bond Index and a 50% weight to Lehman Aggregate plus 1.5%. The Global Opportunistic returned 9.33% for the year, outperforming various custom indices by large margins. One manager in the Global Opportunistic portfolio, W.R. Huff L.P., had an outstanding year, returning more than 136% to the System.

Asset Allocation as of December 31, 2000



Annualized Cumulative Investment Return



International markets were down in both large and small capitalization stocks; one factor was the strong U.S. dollar. The System's international equity portfolio, consisting of one index manager and two active managers, returned -14.8%. The System's large capitalization international manager returned -7.48%, outperforming the benchmark of -15.04% by 7.56%. The benchmark is the Morgan Stanley Capital International All Country World Index ex United States plus 2.50%. The System's emerging markets international manager returned -29.68% and outperformed the benchmark's return of -30.60% by 0.92%. The emerging market's benchmark is the Morgan Stanley Capital International Emerging Markets Free Index plus 2%.

Real Estate had an excellent year—returning 18.22% in comparison to the Wilshire Real Estate Fund benchmark of 8.1%. An outstanding performance by RREEF, the fund's REIT manager, returned 34.45% for the year. INVESCO and Prudential also had noteworthy performances in real estate returning 30.09% and 28.3% respectively, for the year 2000.

Inflation, as measured by the Consumer Price Index (CPI), increased slightly from 2.68% to 3.39% for 2000.

Rates of return by asset class with a comparison to the designated performance benchmarks are listed in the table on the next page.

Contributions

The combination of Member and City contributions with an outstanding record of investment performance has led to the excellent financial condition of the Pension System. Members contribute a percentage of their compensation to the System, along with statutory contributions from the City, under the provisions of Article 6243a-1 of the Revised Civil Statutes of Texas. Neither Members nor the City (for Pension System Members) make any retirement contributions to the Social Security program.

Assets by Class

	Market Value
DOMESTIC EQUITIES	
State Street Global S & P Flagship	\$337,679,826
Alliance R&T Value Index Fund	128,935,471
Oak Associates Growth Equity	89,786,119
W.R. Huff High Yield	11,101,986
Deutsche Asset Micro Cap	100,126,163
Subtotal	\$667,629,565
INTERNATIONAL EQUITIES	
Loomis Sayles	\$8,879,929
Deutsche Asset Emerging Market	91,264,014
Bank of Ireland	171,520,850
State Street Global Advisors	201,639,188
Subtotal	\$473,303,981
DOMESTIC FIXED INCOME	
W.R. Huff High Yield	\$100,256,058
Loomis Sayles	142,235,884
Deutsche Asset	98,305,281
W.R. Huff Alternative Income Funds	55,773,344
North Texas Opportunity Fund	4,346,464
TCW Special Credit Trust IIIb	1,145,983
Subtotal	\$402,063,014
GLOBAL FIXED INCOME	
Deutsche Asset	\$102,684,868
Loomis Sayles	28,747,000
Subtotal	\$131,431,868
REAL ESTATE	
Hudson Advisors	\$20,045,404
Hancock Agricultural	14,502,267
Hearthstone MSH Home Bld.	1,440,146
Oaktree (OCM Real Estate)	14,799,001
Olympus Real Estate	18,795,551
Prudential (Strategic Value)	15,604,786
RREEF REITS	57,872,910
INVESCO	14,123,915
Kennedy Associates	32,471,899
Forest Investment Associates	45,566,149
Heitman / JMB Group Trust III	601,210
Heitman / JMB Group Trust IV	990,951
L & B Real Estate Counsel	50,635,120
AEW Capital (Copley)	261,889
Crow Holdings	2,296,108
Subtotal	\$290,007,306
Cash & Short Term Securities	\$73,519,205
Securities Sold and Receivables	73,930,036
Securities Purchase and other Payables	-72,143,734
Subtotal	\$75,305,507
TOTAL INVESTMENTS	\$2,039,741,241

Rates of Return by Asset Class

Investment Category	Rate of Return	Benchmark Comparison
Domestic Equities	1.14%	-9.12% (S&P 500)
International Equities	-14.8%	-14.16% (EAFE Index)
Domestic Fixed Income	-2.08%	-4.94% (Lehman Aggregate)
Global Fixed Income	4.45%	5.85% (Salomon Non-U.S. Gov)
Global Opportunistic Fixed	9.33%	2.44% (Emerging Mkts Bond Index)
Real Estate	18.22%	8.1% (Wilshire Real Estate)
Cash & Equivalents	4.39%	6.18% (91-Day T-Bill)
 Total Portfolio	 2.42%	 3.39% (Consumer Price Index)

Changes in Assets Available for Benefits Years 1995–2000 (in Thousands)

	December 1995	December 1996	December 1997	December 1998	December 1999	December 2000
Assets at Cost—Beginning	\$755,425	\$880,871	\$1,018,749	\$1,312,621	\$1,415,483	\$1,655,216
Contributions:						
City	50,260	54,072	57,039	59,308	63,441	66,690
Employee (Less Refunds)	11,053	12,182	12,537	12,982	13,199	13,371
Interest, Dividends, and Realized Gains (Losses)	123,566	136,696	293,254	106,387	245,777	241,912
Benefit Payments and Administrative Fees	(59,433)	(65,072)	(68,958)	(75,815)	(82,684)	(92,567)
Assets at Cost—Ending	\$880,871	\$1,018,749	\$1,312,621	\$1,415,483	\$1,655,216	\$1,884,622
Assets at Market	\$1,077,195	\$1,267,612	\$1,452,336	\$1,659,397	\$2,069,734	\$2,039,741

Actuarial Summary Information

<u>Actuarial Valuation Results</u>	<u>1/1/1999 Valuation</u>	<u>1/1/2000 Valuation</u>	<u>1/1/2001 Valuation</u>
Level Funding ¹	\$454,488,485	\$322,253,673	\$323,007,168
Actuarial Value ²	\$1,503,346,794	\$1,772,480,669	\$2,005,078,546
Market Value ³	\$1,659,255,762	\$2,069,704,731	\$2,037,741,240
Normal Cost Rate ⁴	22.8%	23%	23.75%
AAL Ratio ⁵	76.8%	84.6%	86.1%
Years To Fund ⁶	28	16	17

1 Level Funding Requirements Accumulated to Date

2 Actuarial Value of Assets

3 Market Value of Assets

4 Monthly Normal Cost Rate

5 Actuarial Accrued Liability (GASB 25)

6 Projected Years to Fund Level Funding

During 2000, the Pension System received \$13.4 million in contributions from Members of the System (less refunds) and \$66.7 million from the City of Dallas on behalf of Members.

Actuarial Valuation

The complete actuarial valuation for the Pension System is included in this annual report. The report shows that the market value has decreased from \$2.07 billion in the January 1, 2000, valuation to \$2.04 billion in the current (January 1, 2001) valuation. The actuarial value of the assets, however, has increased from \$1.77 billion to \$2.01 billion during the same period. The actuarial value is calculated using a smoothing process to remove year-to-year volatility in the asset returns. The actuarial accrued liability ratio has improved from 84.6% to 86.1%. The Pension System's funding plan is still on track and moving toward being fully funded.

The actuarial valuation reflects benefit and contribution provisions approved by the membership in the 2000 Amendment Election and certified by the Board. Changes that had a material effect on the Plan include:

- (a) Minimum retirement benefit increases
- (b) Reduction in the computation pay period to 36 months
- (c) Change in requirements for the special qualified surviving spouse's percentage

These changes are reviewed in more detail in the *Actuarial* section of this annual report. Other changes made to the System had no material effect on the valuation results. See page 12 for a complete list of Plan amendments approved during the year 2000.

The Board also authorized a change in the actuarial assumptions and methods used in the valuation of the Plan. The mortality rate used in projecting benefits was changed to an updated mortality table. The change was made to better reflect life expectancies for Members and beneficiaries.

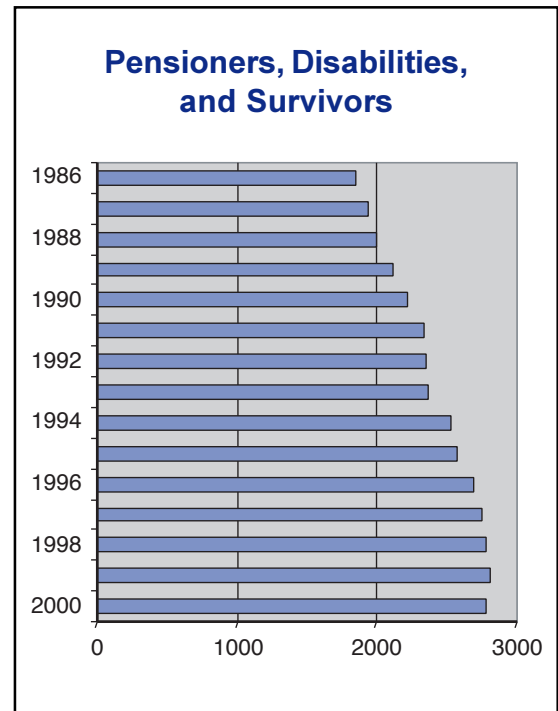
Due to the impact of a weak economy on investment performance and the benefit improvements approved by the membership, the number of years to fund the Plan increased slightly from 16 to 17 years. The overall funding of the Plan remains sound.

Plan Membership

The DFPF provides comprehensive retirement, death, and disability benefits for the City's 7,257 police officers, firefighters, retirees, and their beneficiaries. During 2000, the System experienced a normal number of retirements and a slight increase in active membership. As of December 31, 2000, 1,640 firefighters and 2,837 police officers were Members of the Pension System. The total of 4,477 active Members reflects an increase over last year's total of 4,448 (42 more firefighters and 13 fewer police officers). The *Membership of the System* chart below is an analysis of the membership by length of service. Including DROP participants, the average firefighter is 42.18 years of age and has 16.69 years of service with the City of Dallas. The average police officer is 39.91 years of age and has 14.17 years of service.

The number of DROP participants still in active service was 808 during 2000, an increase of 83. The average DROP participant still in active service is 53.41 years of age with 27.56 years of pension service. The DROP accounts totaled \$143.9 million as of December 31, 2000.

The System included 1,853 pensioners, 232 disabled Members, and 695 beneficiaries at the end of 2000. More



than \$78.6 million was paid to 2,780 total benefit recipients, including DROP. The history of growth in the number of pension recipients is included in the *Pensioners, Disabilities, and Survivors* chart above.

Membership of the System As of December 31, 2000

Years of Service	Fire	Police	Total
Less than 5	261	502	763
5-9	184	468	652
10-14	221	641	862
15-19	335	440	775
20-24	182	236	418
25-29	83	106	189
30 and over	5	5	10
DROP Members	369	439	808
TOTAL	1,640	2,837	4,477

Plan Amendments

The Board of Trustees met on April 13, 2000, and called for an election to make certain amendments to the Combined Pension Plan. The election held May 15–24, 2000, included the following amendments:

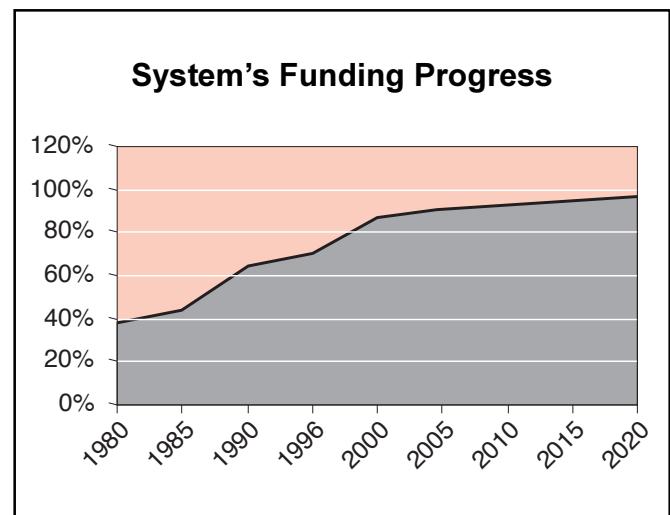
- 1) **Decrease** the number of months used in calculating a Group B Member’s computation pay from 60 months to 36 months.
- 2) **Add an option** for a survivor benefit for the spouses of those pensioners who marry or remarry after leaving active service. The pensioner will have the opportunity to cover the new spouse with a limited survivor benefit. The pensioner will pay for the coverage by making an irrevocable election to reduce all future monthly benefits. The option had to be taken by May 31, 2001, or within one year of the marriage, whichever is later.
- 3) **Change** Rule of 80 to Rule of 78.
- 4) **Change** definition of “qualified surviving spouse” to “the spouse at the time of leaving active service whether or not the Member has been a DROP participant.”
- 5) **Increase** minimum benefit to \$2,000 per month. The minimum qualified survivor spouse benefit when there are no qualified surviving children increased to \$1,100. If children are qualified survivors, both the surviving spouse’s benefit and the children’s (as a group) benefit will increase from \$900 to \$1,000.
- 6) **Allow** DROP funds of active Members to be transferred to the City of Dallas 401(k) Plan subject to IRS plan qualification and approval by the City of Dallas 401(k) Board of Trustees. **Allow** early retirees to participate in DROP.
- 7) **Modify** the composition of the Board of Trustees to include two additional Trustees positions: a police pensioner and a firefighter pensioner.
- 8) **Make** technical and grammatical changes as necessary.

All of the amendments passed and became a part of the Combined Pension Plan. The IRS qualified the Plan and the City of Dallas 401(k) Board approved the transfer of funds from the DROP monies into the City’s 401(k) Plan.

Legislation

During 2000, the System continued to promote federal legislation aimed at improving pension portability. Though passage of this important legislation was derailed due to the confusion over the presidential election, analysts are confident of eventual passage.

The System, along with other public retirement systems and organizations, successfully continued efforts to educate legislators in the U.S. Congress about the general opposition by public retirement plans to mandatory or universal Social Security coverage. The Board believes that legislation that would mandate Social Security coverage for all public employees would be bad public policy, would do little to correct any perceived shortcomings in the Social Security program, and would potentially jeopardize public pension plans.



Revenue and Expenses

Revenues received by the System are used to fund current and future benefits for System Members and their beneficiaries. Revenues for 2000 totaled \$63.8 million, and came from the following sources: investment income including gains and losses from investment activities (-\$18.1 million), city contributions (\$66.7 million), employee contributions (\$14.6 million), and other income (\$0.6 million).

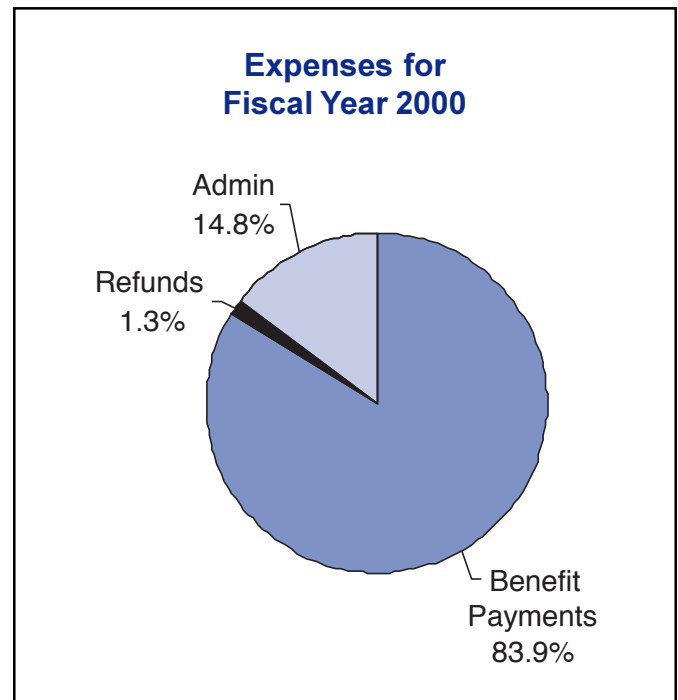
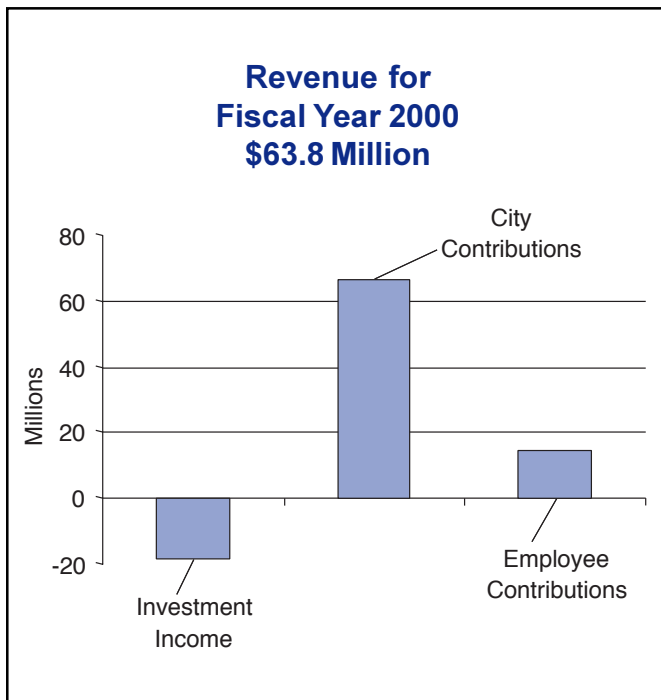
Expenses consist of benefits to retired Members and their qualified beneficiaries, refunds of contributions to former Members, fees for professional services, and the cost of administering the programs of the System. Total expenses for 2000 were \$93.8 million and consisted of the following: benefit payments 83.9%, administrative and professional service fees 14.8%, and refunds 1.3%. Administrative and professional service fees totaled \$13.9 million, or 0.68%, of the total assets of the System.

Summary

Pension System membership and programs remain strong. Participation in the DROP program continued to increase at a much greater rate than the increase in active plan membership, demonstrating the popularity of DROP. The System's communications effort continued to improve.

The investment strategy adopted by the Board led to an investment return that placed the DPFP among the top 25% of all public pension plans. Despite benefit improvements and the reduced investment performance from recent years, the years and actual dollars needed to fully fund the Plan increased only slightly during 2000, and the System's funding progress remains on track.

As always, the Board of Trustees and staff welcome your comments and thank you for your support.



Significant Events in the System's Modern History

1977

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

1978

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

1979

- New city and employee contribution plan implemented
- Retention of Compensation & Capital, Inc. to monitor investments
- System's assets top \$85.8 million (12-31-79)

1980

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

1981

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

1982

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

1983

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

Significant Events in the System's Modern History (continued)

1984

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

1985

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

1986

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

1987

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

1988

- Approval of Plan amendments increased pension service credits from 2.5% to 2.75% per year
- Stock market dropped October 19, 1987
- System's assets top \$434 million (9-30-88)

1989

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

1990

- Benefit changes made during the year included: 1) the benefit supplement increased and 2) the yearly pension service credit was increased from 2.75% to 3%
- Changes in asset allocation included global fixed income (9%) and international small capitalization (5%)
- System's assets decreased to \$529.7 million (9-30-90)

Significant Events in the System's Modern History (continued)

1991

- Plan amendment election held July, 1991
- The System changed its year-end to December 31
- System's assets top \$683 million (12-31-91)

1992

- Plan Amendment election held October, 1992: (1) created Deferred Retirement Option Plan (DROP), (2) increased the minimum benefit, (3) allowed active Members to buy back service time they lost or to repay contributions withdrawn by a Qualified Domestic Relations Order (QDRO), and (4) Integrated Plan B of the System into the Combined Pension Plan
- Appointed a new administrator, Richard Tettamant, and approved the addition of a second assistant administrator
- System's assets top \$719 million (12-31-92)

1993

- Plan amendment election held September 1993
- Implemented multifamily residential (apartment) investment program
- Exit strategy for real estate commingled funds implemented
- Deferred Retirement Option Plan (DROP) implemented January 1st
 - 1) 220 Members joined
 - 2) Annual benefit statements distributed
- Added two staff positions and appointed an assistant administrator
- System's assets top \$825.8 million (12-31-93)

1994

- Relocated Pension System office to 2777 Stemmons Freeway
- Assistant administrator appointed for financial controls and investments
- Plan improved to reinstate benefits for 68 surviving widows whose benefits had been previously terminated upon remarriage
- Texas State Pension Review Board reaffirmed the System's actuarial soundness
- Initiated Pre-Retirement Education Program (PREP) for active employees
- System's assets exceed \$863.8 million (12-31-94)

1995

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

Significant Events in the System's Modern History (continued)

1996

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

1997

- Member pretax contributions begin
- DROP five-year actuarial review completed—approved by the Board with no changes to DROP
- System's assets exceed \$1.452 billion (12-31-97)

1998

- Plan amended to allow "20 and Out" and/or "20 and DROP," to increase minimum benefit to \$1,800 for Members with more than 20 years of pension service and \$900 for eligible surviving spouses, to change the DROP interest rate calculation method with a minimum of 8% and a maximum of 10%, to place numbers for Trustee positions, and other technical and clarifying amendments
- Pension System's Internet Web page initiated
- System's assets exceed \$1.659 billion (12-31-98)

1999

- Plan amended to increase the minimum benefit to qualified surviving spouses to \$1,000 if there are no qualified surviving children receiving benefits, to allow a pensioner receiving a service retirement a one time opportunity to defer their pension benefit into DROP, to add a ten year certain benefit for unmarried Members who die prior to leaving active service and not yet in DROP, to allow a tax deferred rollover from other qualified plans to purchase pension service, and to designate place numbers for the four City Council Trustee Board positions
- DROP had 959 total participants with more than \$109 million in deposits
- System's assets exceed \$2.069 billion (12-31-99)

2000

- Plan amended to decrease number of months used in calculating Group B Member's computation pay to 36 months, to add an option for a survivor's benefit for the spouse of pensioners who marry or remarry after leaving active service, to reduce the age and service credits requirement for the special survivor benefit from 80 to 78, to change the definition of qualifying spouse to be the spouse at the time the Member leaves active service, to increase the minimum retirement benefit to \$2,000 per month and the minimum qualified surviving spouse benefit when there are no qualified surviving children to \$1,100, to allow the transfer of funds from an active employee's DROP account to the Member's City of Dallas 401(k) account and to allow Members who retired early to participate in DROP, to add a police pensioner and a firefighter pensioner to the Board of Trustees, and to make technical and grammatical corrections.
- System's assets exceeded \$2.039 billion (12-31-00)

BOARD OF TRUSTEES—2000

BOARD CHAIRMAN, GERALD BROWN PRESENTS PLAQUES TO OUTGOING BOARD MEMBERS



CHAIRMAN OF BOARD LIEUTENANT GERALD BROWN PRESENTS
PLAQUE TO RETIRING BOARD MEMBER CAPTAIN DWIGHT WALKER.



JOHN MAYS (ON THE LEFT) RECEIVING A HEARTFELT THANK-
YOU AND PLAQUE FROM BOARD CHAIRMAN JERRY BROWN.

Board of Trustees—2000



GERALD BROWN
FIRE DEPARTMENT
CHAIRMAN



STEVE SHAW
POLICE DEPARTMENT
VICE CHAIRMAN



GARY EDGE
FIRE DEPARTMENT
DEPUTY VICE CHAIRMAN



RECTOR MCCOLLUM
POLICE DEPARTMENT



GEORGE TOMASOVIC
FIRE DEPARTMENT



STEVE UMLOR
POLICE DEPARTMENT



DONALD HILL
CITY
COUNCILMEMBER



JOHN LOZA
CITY
COUNCILMEMBER



MARY POSS
CITY
COUNCILMEMBER



MAXINE THORNTON-REESE
CITY
COUNCILMEMBER

Historical List of Trustees 1916–2000

Councilmember English, 1920–1921
Officer L.E. McGee (P), 1920–1921
Firefighter Prigmore (F), 1920–1921
Officer J.W. Ryan (P), 1920–1921
Mayor Frank W. Wozencraft, 1920–1921
Officer Muse (P), 1920–1923
Mayor Louis Blaylock, 1920–1927
Chief T.A. Myers (F), 1920–1927
Chief Elmo Strait (F), 1921–1922
Mayor Sawnie R. Aldredge, 1921–1923
Chief J.H. Tanner (P), 1922, 1951–1961
Firefighter J.R. Bower (F), 1922–1926
Chief Louis W. Brown (P), 1922–1926
Firefighter F.D. Thomas (F), 1923–1927
Officer J.C. Harris (P), 1923–1927
Commissioner L.S. Turley, 1923–1927
Firefighter J.L. Burgess (F), 1927–1928
Officer Harry I. Maxson (P), 1927–1928
Mayor R.E. Burt, 1927–1931
Sergeant Davis (P), 1927–1931
Officer Clarence S. Parker (P), 1927–1931
Chief C.W. Trammell (P), 1924–1934
Councilmember Wolff, 1928–1929
Chief R.D. Gambrell (F), 1928–1932
Councilmember Julius Schepps, 1928–1932

Historical List of Trustees 1916–2000 (continued)

Councilmember Ray Shelton, 1928–1935

City Manager John M. Edy, 1929–1931

Police and Fire Commissioner W.C. Graves, 1929–1931

Mayor J. Waddy Tate, 1929–1931

Chief J.T. Coffman (F), 1929–1933

Mayor T.L. Bradford, 1931–1932

Sergeant Hexter (P), 1931–1935

Firefighter W.J.D. Moore (F), 1931–1935

Councilmember Duff, 1935–1935

Councilmember Jones, 1935–1936

Sergeant Banks (P), 1935–1939

Officer D.R. Graham (P), 1935–1939

Lieutenant Gunn (F), 1935–1939

Officer C.D. McKeehan (P), 1935–1939

Mayor George Sergeant, 1935–1940

Councilmember M.M. Straus, 1935–1941

Mayor George A. Sprague, 1937–1939

Lieutenant Cantrell (P), 1939–1943

Sergeant Coleman (P), 1939–1943

Firefighter E.J. Gannon (F), 1939–1943

Lieutenant Haynes (F), 1939–1943

Lieutenant Riddell (F), 1939–1943

Mayor James Woodall Rodgers, 1939–1943

Lieutenant Spencer (P), 1939–1943

Firefighter A.B. Williams (F), 1939–1943

Councilmember Bennett Stampes, 1942–1947

Historical List of Trustees 1916–2000 (continued)

Councilmember W.J. Red Bryan, 1948–1953
Councilmember Jess S. Epps, 1948–1953
Councilmember E.C. Harrell, 1948–1953
Chief C.N. Penn (F), 1948–1953
Mayor J.R. Temple, 1948–1953
Mayor Wallace H. Savage, 1949–1951
Councilmember W.H. Pierce, 1949–1953
Officer Paul Ashenhust (P), 1949–1957
Mayor J.B. Adoue, 1951–1955
Councilmember Cecil French, 1951–1955
Councilmember B.B. Hemphill, 1951–1955
Chief M.C. Hendrix (F), 1951–1965
Councilmember Harris, 1953–1956
Councilmember Arthur L. Kramer, 1953–1957
Mayor Robert L. Thornton, 1953–1959
Chief Guy Harbert (F), 1953–1973
Councilmember Carr P. Collins, 1957–1961
Captain Johan C. Nichols (P), 1957–1961
Councilmember Tom Unis, 1957–1961
Sergeant Cousin (P), 1959–1963
Sergeant Moody (P), 1961–1962
Councilmember Elizabeth Blessing, 1961–1965
Mayor Earle Cabell, 1961–1965
Lieutenant J.W. Finley (P), 1961–1969
Mayor Pro Tem Carie Welch, 1963–1965
Mayor Erik Jonsson, 1963–1971

Historical List of Trustees 1916–2000 (continued)

Councilmember W.H. (Bill) Roberts, 1965–1967
Councilmember Charles G. Cullum, 1965–1971
Chief E.A. Emerson (F), 1966–1970
Councilmember William E. Cothrum, 1966–1981
Captain Lloyd S. Reeves (P), 1967–1971
Lieutenant G.L. Hill (F), 1967–1973
Councilmember Jack F. McKinney, 1967–1973
Chief John P. Lamar (F), 1967–1973
Sergeant C.T. Burnley (P), 1969–1973
Deputy Mayor Pro Tem Fain, 1969–1973
Councilmember Ted Holland, 1969–1973
Deputy Mayor Pro Tem Sheffield Kadane, 1969–1973
Mayor Wes Wise, 1969–1973
Councilmember Jesse Price, 1971–1972
Councilmember Fred Zeder, 1971–1974
Councilmember Pedro Aguirre, 1973–1975
Mayor Pro Tem George Allen, 1973–1975
Councilmember Charles Terrell, 1973–1975
Chief C.R. Busby (P), 1973–1977
Chief Bobby C. Moore (F), 1973–1977
Mayor Pro Tem Adlene Harrison, 1975–1977
Councilmember L.A. Murr, 1975–1977
Councilmember Richard Smith, 1975–1977
Captain W.F. Gentry (F), 1975–1979
Driver W.E. Sheppard (F), 1975–1979
Assistant Chief J.F. Stark (F), 1975–1979

Historical List of Trustees 1916–2000 (continued)

Sergeant Troy Withers (P), 1975–1979

Mayor Robert Folsom, 1976–1978

Captain Kenneth Dodd (F), 1977–1990

Battalion Section Chief Richard Wachsman (F),
1979–1987, 1990–1999, 2001–Present

Driver Engineer W.L. Goggans (F), 1979–1980

Councilmember Don Hicks, 1979–1981

Sergeant Ray Ball (P), 1979–1983

Detective Ken Coop (P), 1979–1987

Mayor Steve Bartlett, 1980–1982

Councilmember Fred Blair, 1980–1982

Lieutenant Marcus Dollar (F), 1980–1984

Councilmember Joe Haggar, 1981–1983

Councilmember Ricardo Medrano, 1981–1983

Sergeant John M. Mays (P), 1981–2000, 2001–Present

Councilmember Paul Fielding, 1983–1984

Councilmember Jerry Rucker, 1983–1984

Councilmember Jim Richards, 1983–1985

Lieutenant A.L. McAllister (P), 1983–1986

Councilmember Craig Holcomb, 1983–1989

Lieutenant Gerald Brown (F), 1983–Present

Councilmember Al Lipscomb, 1984–1986

Councilmember Dean Vanderbilt, 1984–1986

Sergeant Ron Waldrop (P), 1985–1987

Captain W.R. Rollins (P), 1986–1987

Councilmember Jerry Bartos, 1987–1989

Historical List of Trustees 1916–2000 (continued)

Lieutenant Charles Luedeker (F), 1987–1991
Councilmember Charles Tandy, 1987–1992
Sergeant Larry Eddington (P), 1987–1999
Captain Dwight Walker (P), 1987–1999
Councilmember Diane Ragsdale, 1989–1989
Councilmember Max Wells, 1989–1989
Councilmember Glenn Box, 1989–1991
Councilmember Harriet Miers, 1989–1991
Councilmember Mattie Nash, 1991–1992
Councilmember Larry Duncan, 1991–1998
Councilmember Charlotte Mayes, 1991–1998
Councilmember Sandra Crenshaw, 1993–1993
Driver Engineer Gary W. Edge (F), 1995–Present
Mayor Pro Tem Mary Poss, 1995–Present
Sergeant Steve Shaw (P), 1999–Present
Lieutenant George Tomasovic (F), 1999–Present
Councilmember Donald Hill, 2000–Present
Councilmember John Loza, 2000–Present
Sergeant Rector McCollum (P), 2000–Present
Councilmember Dr. Maxine Thornton-Reese, 2000–Present
Sergeant Steve Umlor (P), 2000–Present

Thanks to Merrill Hendrix, John Mays, Richard Wachsman, and Dwight Walker, and our staff member Tara Anderson, for their assistance researching and reviewing this list. To the best of our knowledge and according to the records we have, the list is accurate. However, we would appreciate any corrections or changes you notice while reading.

Administrative Staff—2000



ERICA DOUGLAS
TARA ANDERSON
RICHARD L. TETTAMANT
LINDA N. RICKLEY
CAROL TURBEVILLE



VIJAY FREEMAN
JERRY BALDREE
BARBARA McCANN
JOHN HOLT



MARY C. LESTER
DON P. McMILLAN
GAIL BORNEMAN

Dallas Police & Fire Pension System Staff—2000



Richard L. Tettamant
Administrator



John Holt
Information Technology Manager



Mary C. Lester
Benefits Manager



Jerry Baldree
Auditor



Don P. McMillan
Benefits Counselor



Linda N. Rickley
Board Coordination Manager



Gail Borneman
Benefits Counselor



Barbara McCann
Payroll Specialist



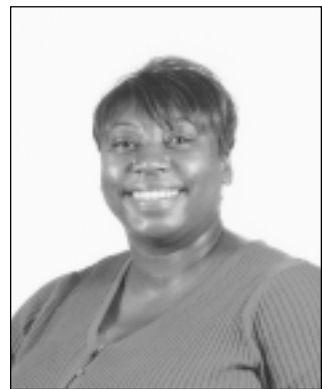
Vijay Freeman
Accountant



Carol Turbeville
Executive Secretary



Tara Anderson
Benefits Assistant



Erica Douglas
Receptionist

2000 Actuarial Valuation



DALLAS POLICE AND FIRE PENSION SYSTEM
ACTUARIAL VALUATION
AS OF JANUARY 1, 2001

August 7, 2001

Mr. Richard L. Tettamant
Administrator
Dallas Police and Fire Pension System
2301 N. Akard Street, Suite 200
Dallas, TX 75201

Re: Dallas Police and Fire Pension System Actuarial Valuation as of January 1, 2001

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, 2001.

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, 2001, the employer contribution rate needed in order to pay the normal cost and fund the Unfunded Actuarial Accrued Liability over 40 years is 23.04%. This amount is slightly more than the 22.53% employer contribution calculated as of January 1, 2000. The current contribution rate covers the normal cost and the amortization of the Unfunded Actuarial Accrued Liability (UAAL) over 17 years.

Benefit Provisions

The actuarial valuation reflects the benefit and contribution provisions set forth in the System's statutes. There were three changes in these provisions since the last actuarial valuation that affected the results:

Mr. Richard L. Tettamant
August 7, 2001
Page 2

1. The minimum retiree benefit was increased to \$2,000 per month from \$1,800 per month. The minimum benefit was increased to \$1,100 per month from \$1,000 per month for a qualified surviving spouse, if there are no qualified surviving children receiving benefits. The minimum benefit was increased to \$1,000 per month from \$900 per month for a qualified surviving spouse, if there are qualified surviving children receiving benefits,
2. The computation pay period was decreased from 60 months to 36 months in calculating average computation pay, and
3. The age and service credits used for calculating the special Qualified Surviving Spouses' percentage were decreased from 80 to 78.

The other changes made to the system had no effect on the valuation results.

Assumptions and Methods

The actuarial assumptions and methods used in the valuation are presented in Schedule C. The only change in assumptions from the previous valuation was the change in mortality tables from the 1983 Group Annuity Mortality for males and females to the 1994 Group Annuity Mortality Table for males and females. This change was made to better reflect expectations about future experience. The assumptions used are individually reasonable and reasonable in the aggregate.

Data

Asset information and member data for retired, active, and inactive members was supplied as of January 1, 2001 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.

Very truly yours,

Signed (RICHARD A. MACKESEY)

Richard A. Mackesey, F.S.A.
Principal and Consulting Actuary

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Enclosures

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Summary of Principal Results

	January 1, 2001	January 1, 2000
Membership		
Active	4,477	4,448
Terminated with deferred benefits	116	103
Retired members and beneficiaries	2,780	2,708
Compensation		
Total	\$ 224,276,366	\$ 213,419,312
Average	\$ 50,095	\$ 47,981
Assets		
Market value	\$ 2,039,741,240	\$ 2,069,704,731
Actuarial value	\$ 2,005,078,546	\$ 1,772,480,669
Valuation Results		
Unfunded actuarial accrued liability	\$ 323,032,766	\$ 322,253,673
Funding period	17	16
40-year funding cost (City)	23.04%	22.53%
Margin	4.46%	4.97%
GASB No. 25		
Actuarial accrued liability (AAL)	\$ 2,328,085,714	\$ 2,094,734,342
Assets (actuarial)	\$ 2,005,078,546	\$ 1,772,480,669
GASB ratio	86.1%	84.6%
Unfunded AAL	\$ 323,007,168	\$ 322,253,673

Comments on the Valuation

Overview

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

The overall funding of the Plan remains sound. The funding period increased to 17 years from 16 years. Although there were significant plan amendments this year, they were offset by a gain in the actuarial value of assets. Due to the asset valuation method, there was a gain on the actuarial value of assets even though there was a loss on the market value of assets.

Section 3 shows in more detail the changes to the 40-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 40-year funding cost. This is the City contribution rate required to pay the normal cost and to amortize the UAAL over a 40-year period. This rate is currently 23.04% compared with the City's actual contribution rate of 27.50% and with the 40-year funding cost in 2000 of 22.53%. Section 3 shows a reconciliation of the changes between the 2000 and 2001 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 current contribution rate is sufficient to pay the normal cost and amortize the UAAL over 17 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 2000 and 2001.

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. There were three changes in provisions since the previous actuarial valuation as of January 1, 2000. These changes include:

1. The minimum retiree benefit was increased to \$2,000 per month from \$1,800 per month. The minimum benefit was increased to \$1,100 per month from \$1,000 per month for a qualified surviving spouse, if there are no qualified surviving children receiving benefits. The minimum benefit was increased to \$1,000 per month from \$900 per month for a qualified surviving spouse, if there are qualified surviving children receiving benefits,
2. The computation pay period was decreased from 60 months to 36 months in calculating average computation pay, and
3. The age and service credits used for calculating the special Qualified Surviving Spouses' percentage were decreased from 80 to 78.

Actuarial Assumptions and Methods

The actuarial assumptions and methods used in the valuation are presented in Schedule C. The only change in assumptions from the previous valuation was the change in mortality tables from the 1983 Group Annuity Mortality for males and females to the 1994 Group Annuity Mortality Table for males and females. This change was made to better reflect expectations about future experience. 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

Under GASB Statement No. 27, which is effective for fiscal years beginning after June 15, 1997, employers must determine a pension expense based on a 40-year amortization of the UAAL. The amortization can assume payroll growth due to inflation, but no membership growth. After a 10-year transition period, the required amortization period will drop to 30 years. 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 23.04% will be required for the City to avoid showing an accrued pension liability on its financial statements for the fiscal year beginning in 2001, assuming no other changes are made. At the current rate of contribution, and assuming no other changes, the City would not be required to show an accrued but unpaid pension liability for the System on its financial statement.

Financial Data

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

Section 5 reconciles the System's assets between 2000 and 2001 and shows the development of the actuarial value of assets (AVA). Rather than using the market value for cost calculations, an adjusted market value, which phases in gains and losses (compared to the assumed investment return rate) over five years, is used. This method is designed to reduce the volatility of the results. The estimated rates of return for 2000 are (1.52)% and 13.04% for the market value of assets and the actuarial value of assets, respectively.

Membership Statistics

Data on active members and on retired members was supplied by the Administrator. Growth among active members was relatively flat and growth of the total payroll for active members was moderate during the last year. The active membership increased from 4,448 members as of January 1, 2000 to 4,477 members as of January 1, 2001. The total active payroll increased from \$213,419,312 to \$224,276,366 over the same period, a 5.1% increase. Schedule A shows a summary of the membership data.

Experience

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

Actuarial Cost, Margin and Funding Period

	<u>January 1, 2001</u>	<u>January 1, 2000</u>
1. Covered Payroll		
a. Active members excluding DROP	\$ 172,846,171	\$ 169,218,633
b. DROP members	\$ <u>51,430,195</u>	\$ <u>44,200,679</u>
c. Total	\$ 224,276,366	\$ 213,419,312
2. Actuarial value of future pay		
a. Active members excluding DROP	\$ 1,384,464,600	\$ 1,352,835,800
b. DROP members	\$ <u>177,444,400</u>	\$ <u>153,630,700</u>
c. Total	\$ 1,561,909,000	\$ 1,506,466,500
3. Current contribution rates		
a. City	27.50%	27.50%
b. Member	<u>8.50%</u>	<u>8.50%</u>
c. Total	36.00%	36.00%
4. Actuarial present value of future benefits	\$ 2,699,049,306	\$ 2,441,542,786
5. Actuarial present value of future normal costs		
a. Total	\$ 370,963,592	\$ 346,808,444
b. Member (3b x 2a)	\$ 117,679,491	\$ 114,991,043
c. City (5a - 5b)	\$ 253,284,101	\$ 231,817,401
6. Actuarial accrued liability (4 - 5a)	\$ 2,328,085,714	\$ 2,094,734,342
7. Actuarial value of assets	\$ 2,005,078,546	\$ 1,772,480,669
8. Unfunded actuarial accrued liability (UAAL) (6 - 7)	\$ 323,007,168	\$ 322,253,673
9. Normal cost		
a. Normal cost percentage (5a + 2c)	23.75%	23.02%
b. Total normal cost (1c x 9a)	\$ 53,265,637	\$ 49,129,126
c. Member normal cost (1a x 3b)	\$ 14,691,925	\$ 14,383,584
d. City normal cost (9b - 9c)	\$ 38,573,712	\$ 34,745,542
e. City normal rate (9d ÷ [1c x 1.07])	16.07%	15.22%

**Actuarial Cost, Margin and Funding Period
(continued)**

	<u>January 1, 2001</u>	<u>January 1, 2000</u>
10. 40-year funding cost*		
a. City normal cost rate	16.07%	15.22%
b. Amortization rate	<u>6.97%</u>	<u>7.31%</u>
c. Total	23.04%	22.53%
11. Margin over/(under) 40-year cost* (3a - 10c)	4.46%	4.97%
12. Funding period to amortize UAAL	17	16

* 40-year funding cost is necessary for accounting purposes only. The actual funding period is calculated each year based on level contributions and is currently 17 years.

Dallas Police and Fire Pension System
Actuarial Valuation - January 1, 2001

Section 3
(continued)

Analysis of Change in UAAL

1. UAAL as of January 1, 2000	\$ 322,253,673
2. Changes due to:	
a. Expected increase (negative amortization)	\$ (2,463,021)
b. Actual contributions greater than expected	(4,275,669)
c. Liability experience	19,054,052
d. Asset experience	(80,478,698)
e. Assumption change	29,905,737
f. Plan amendments	<u>39,011,094</u>
g. Total changes	\$ 753,495
3. UAAL as of January 1, 2001	\$ 323,007,168

Dallas Police and Fire Pension System
Actuarial Valuation - January 1, 2001

Section 3
(continued)

Analysis of Change in Funding Cost

1. 40-year funding cost* as of January 1, 2000	22.53%
2. Changes due to:	
a. Actual contributions greater than expected	(0.09)
b. Liability experience	(0.09)
c. Asset experience	(2.07)
d. Assumption change	0.96
e. Plan amendments	<u>1.80</u>
f. Total	0.51
3. 40-year funding cost* as of January 1, 2001	23.04%

* 40-year funding cost is necessary for accounting purposes only. The actual funding period is calculated each year based on level contributions and is currently 17 years.

Analysis of Change Funding Period

1. Funding period as of January 1, 2000	16
2. Changes due to:	
a. Passage of time	(1)
b. Actual contributions greater than expected	0
c. Liability experience	0
d. Assumption change	2
e. Plan amendments	4
f. Asset experience	(4)
g. Total	1
3. Funding period as of January 1, 2001	17

Historical Trend Information

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

	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability (AAL) <u>Entry Age</u>	Unfunded AAL <u>(UAAL)</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a Percentage of Covered <u>Payroll</u>
January 1, 1996	999	1,497	498	66.8%	169	294.7%
January 1, 1997	1,137	1,630	493	69.7%	178	277.0%
January 1, 1998	1,307	1,782	475	73.3%	193	246.1%
January 1, 1999	1,503	1,958	455	76.8%	205	222.0%
January 1, 2000	1,772	2,094	322	84.6%	213	151.2%
January 1, 2001	2,005	2,328	323	86.1%	224	144.2%

**GASB #25 Schedule of Employer Contributions
 for Year Ending December 31, 2000**

<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
27.50% of Pay	100.0%

Dallas Police and Fire Pension System
Actuarial Valuation - January 1, 2001

Section 4
(continued)

Summary of Accumulated Benefits
(FASB #35)

Accumulated Benefits at January 1, 2001

Vested benefits of participants and beneficiaries currently receiving payments	\$ 967,571,617
Other vested benefits	1,124,815,641
Nonvested benefits	<u>81,527,119</u>
Total benefits	\$ 2,173,914,377

FASB #35 Reconciliation

Accumulated benefits at January 1, 2000		\$ 1,963,295,234
Benefits accumulated	\$ 60,031,934	
Interest	163,554,228	
Benefits paid	(79,884,708)	
Assumption change	28,829,899	
Plan amendments	<u>38,087,790</u>	
Total Change		<u>210,619,143</u>
Accumulated benefits at January 1, 2001		\$ 2,173,914,377

Dallas Police and Fire Pension System
Actuarial Valuation - January 1, 2001

Section 5

Reconciliation of Fund Assets

	Year Ending December 31, 2000
1. Value of fund at beginning of year*	\$ 2,069,734,222
2. Contributions	
a. City	66,690,520
b. Member	<u>14,593,058</u>
c. Total	\$81,283,578
3. Benefit payments	(78,662,824)
4. Refunds	(1,221,884)
5. Earnings	(17,487,169)
6. Expenses	(13,904,683)
7. Value of assets at end of year	\$ 2,039,741,240
8. Estimated rate of return	(1.52)%

* The actual market value of assets as of December 31, 2000 are \$29,491 higher than those reported to us at the time last year's valuation was completed.

Determination of Excess Earnings To Be Deferred

	Year Ending <u>December 31, 2000</u>
1. Market value at beginning of year*	\$ 2,069,734,222
2. Net new investments	
a. Contributions	\$ 81,283,578
b. Benefit payments	(78,662,824)
c. Refunds	<u>(1,221,884)</u>
d. Total	\$ 1,398,870
3. Market value at end of year	\$ 2,039,741,240
4. Yield (3 - 1 - 2d)	\$ (31,391,852)
5. Average balance [1 + 1/2(2d)]	2,070,433,657
6. Assumed investment return rate	8.50%
7. Expected net return (5 x 6)	\$ 175,986,861
8. Gains/(losses) subject to deferral (4 - 7)	\$ (207,378,713)

* The actual market value of assets as of December 31, 2000 are \$29,491 higher than those reported to us at the time last year's valuation was completed.

Calculation of Actuarial Value of Assets

1. Market value of assets as of January 1, 2001	\$2,039,741,240																														
2. Deferral amounts																															
	<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: center;"><u>Year</u></th> <th style="text-align: center;"><u>Total Gain/(Loss)</u></th> <th style="text-align: center;"><u>Percent Deferred</u></th> <th style="text-align: center;"><u>Deferral Amount</u></th> </tr> </thead> <tbody> <tr> <td>a.</td> <td style="text-align: center;">2000</td> <td style="text-align: right;">\$ (207,378,713)</td> <td style="text-align: center;">80%</td> <td style="text-align: right;">\$ (165,902,970)</td> </tr> <tr> <td>b.</td> <td style="text-align: center;">1999</td> <td style="text-align: right;">264,873,251</td> <td style="text-align: center;">60%</td> <td style="text-align: right;">158,923,951</td> </tr> <tr> <td>c.</td> <td style="text-align: center;">1998</td> <td style="text-align: right;">71,755,626</td> <td style="text-align: center;">40%</td> <td style="text-align: right;">28,702,250</td> </tr> <tr> <td>d.</td> <td style="text-align: center;">1997</td> <td style="text-align: right;">64,697,315</td> <td style="text-align: center;">20%</td> <td style="text-align: right;">12,939,463</td> </tr> <tr> <td>e.</td> <td style="text-align: center;">Total</td> <td></td> <td></td> <td style="text-align: right;">\$ 34,662,694</td> </tr> </tbody> </table>		<u>Year</u>	<u>Total Gain/(Loss)</u>	<u>Percent Deferred</u>	<u>Deferral Amount</u>	a.	2000	\$ (207,378,713)	80%	\$ (165,902,970)	b.	1999	264,873,251	60%	158,923,951	c.	1998	71,755,626	40%	28,702,250	d.	1997	64,697,315	20%	12,939,463	e.	Total			\$ 34,662,694
	<u>Year</u>	<u>Total Gain/(Loss)</u>	<u>Percent Deferred</u>	<u>Deferral Amount</u>																											
a.	2000	\$ (207,378,713)	80%	\$ (165,902,970)																											
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c.	1998	71,755,626	40%	28,702,250																											
d.	1997	64,697,315	20%	12,939,463																											
e.	Total			\$ 34,662,694																											
3. Preliminary actuarial value of assets (1 - 2e)	2,005,078,546																														
4. 80% of Market value	1,631,792,992																														
5. 120% of Market value	2,447,689,488																														
6. Actuarial value of assets (3, not less than 4 or more than 5)	2,005,078,546																														
7. Rate of return on actuarial value of assets	13.04%																														

Membership Data

	January 1, 2001	January 1, 2000
1. Active members (excluding DROP)		
a. Police and Fire		
1. Number	3,669	3,723
2. Covered payroll	\$ 172,846,171	\$ 169,218,633
3. Average annual pay	\$ 47,110	\$ 45,452
4. Average age	37.95	37.92
5. Average service (years)	12.35	12.40
b. Police		
1. Number	2,398	2,450
2. Covered payroll	\$ 111,900,620	\$ 109,804,501
3. Average annual pay	\$ 46,664	\$ 44,818
4. Average age	37.45	37.23
5. Average service (years)	11.82	11.66
c. Fire		
1. Number	1,271	1,273
2. Covered payroll	\$ 60,945,551	\$ 59,414,132
3. Average annual pay	\$ 47,951	\$ 46,673
4. Average age	38.90	39.24
5. Average service (years)	13.34	13.81

Membership Data
(continued)

	January 1, 2001	January 1, 2000
2. Active members (DROP only)		
a. Police and Fire		
1. Number	808	725
2. Covered payroll	\$ 51,430,195	\$ 44,200,679
3. Average annual pay	\$ 63,651	\$ 60,966
4. Average age	53.41	53.25
5. Average service (years)	27.56	27.17
6. DROP account balance	\$ 105,543,120	\$ 83,624,966
b. Police		
1. Number	439	400
2. Covered payroll	\$ 27,636,713	\$ 24,171,784
3. Average annual pay	\$ 62,954	\$ 60,429
4. Average age	53.37	53.18
5. Average service (years)	26.98	26.57
6. DROP account balance	\$ 52,975,182	\$ 41,135,684
c. Fire		
1. Number	369	325
2. Covered payroll	\$ 23,793,482	\$ 20,028,895
3. Average annual pay	\$ 64,481	\$ 61,627
4. Average age	53.46	53.33
5. Average service (years)	28.24	27.91
6. DROP account balance	\$ 52,567,938	\$ 42,489,282

Membership Data
(continued)

	January 1, 2001	January 1, 2000
3. Active members (including DROP)		
a. Police and Fire		
1. Number	4,477	4,448
2. Covered payroll	\$ 224,276,366	\$ 213,419,312
3. Average annual pay	\$ 50,095	\$ 47,981
4. Average age	40.74	40.42
5. Average service (years)	15.10	14.80
6. DROP account balance	\$ 105,543,120	\$ 83,624,966
b. Police		
1. Number	2,837	2,850
2. Covered payroll	\$ 139,537,333	\$ 133,976,285
3. Average annual pay	\$ 49,185	\$ 47,009
4. Average age	39.91	39.47
5. Average service (years)	14.17	13.75
6. DROP account balance	\$ 52,975,182	\$ 41,135,684
c. Fire		
1. Number	1,640	1,598
2. Covered payroll	\$ 84,739,033	\$ 79,443,027
3. Average annual pay	\$ 51,670	\$ 49,714
4. Average age	42.18	42.11
5. Average service (years)	16.69	16.68
6. DROP account balance	\$ 52,567,938	\$ 42,489,282

Membership Data
(continued)

	January 1, 2001	January 1, 2000
4. Inactive members		
a. Retired members	2,085	2,035
b. Beneficiaries	695	673
c. Number entitled to deferred benefits	<u>116</u>	<u>103</u>
d. Total number of inactive members	2,896	2,811
e. Total annual benefit	\$ 77,986,732	\$ 71,465,847
f. Average annual benefit	\$ 26,929	\$ 25,424

**Summary of Benefit Provisions
As of January 1, 2001
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 (23 for a disabled child) provided they were born or adopted before Member terminated his employment.

Contribution Rates

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

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

<u>City</u>	<u>Member</u>
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.

Minimum Benefits

The minimum benefit is \$2,000 monthly for 20 years of Pension Service at retirement, and \$1,100 monthly for Qualified Surviving Spouses, if there are no Qualified Surviving Children receiving benefits. The minimum benefit is \$1,000 monthly for Qualified Surviving Children and Qualified Surviving Spouses if Qualified Surviving Children are receiving benefits. This minimum does not affect the base benefit. The benefit will not increase until the base retirement benefit with annual increases exceeds the minimum.

Benefit Supplement

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

Group B

Definitions

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

Average Computation Pay: Computation Pay averaged over 36 months.

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

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

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

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

Pension System: The Dallas Police and Fire Pension System.

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

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

Contribution Rates

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

<u>City</u>	<u>Member</u>
28.5%	9.0%
27.5	8.5
26.0	8.0
24.5	7.5
23.0	7.0
21.5	6.5

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

Service Retirement Benefits

Annual Normal Retirement Pension

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

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

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.

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

Special Rule for Members of former Old Plan or Plan A

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

Disability Retirement Benefits

Service-Related Disability

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

Amount of Pension: 60% plus 3% for each year of Pension Service (maximum 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.

Post-Retirement Cost of Living 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.

Minimum Benefits

The minimum benefit for normal retirement is \$2,000 monthly (prorated if less than 20 years at retirement) and \$1,100 monthly for Qualified Surviving Spouses, if there are no Qualified Surviving Children receiving benefits. The minimum benefit is \$1,000 monthly for Qualified Surviving Children and Qualified Surviving Spouses if Qualified Surviving Children are receiving benefits. This benefit does not affect the base benefit. The benefit will not increase until the base retirement benefit with annual increases exceeds the minimum.

Benefit Supplement

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

Deferred Retirement Option Plan

As of January 1, 1993, at normal retirement age, a member may elect to enter the Deferred Retirement Option Plan (DROP). As of January 1, 1999, a member may also elect to enter DROP after 20 years of Pension Service. Retirement benefits will be calculated as if the Member retired on that date. Employee contributions made under the Combined Pension Plan will cease as will accruals under the Combined Pension Plan. Each month, the retirement benefit will be accumulated in an account earning interest based on a five-year weighted average of the 30-year U.S. Treasury bond rates. 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.

**Statement of Actuarial Methods and Assumptions
 (Effective as of January 1, 2001)**

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

DROP balances are assumed to earn 9.00% per annum.

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

Age	<u>Annual Rate per 1,000 Members</u>							
	<u>Withdrawal</u>		<u>Mortality - Disableds</u>		<u>Mortality - Other</u>		<u>Disability</u>	
	<u>Police</u>	<u>Fire</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Police</u>	<u>Fire</u>
20	43.0	21.0	48.30	26.30	.51	.28	.35	.70
25	43.0	21.0	48.30	26.30	.66	.29	.37	.75
30	32.0	16.0	36.20	23.70	.80	.35	.42	.84
35	23.0	16.0	27.80	21.40	.85	.48	.48	.96
40	23.0	16.0	28.20	20.90	1.07	.71	.57	1.15
45	23.0	16.0	32.20	22.40	1.58	.97	.79	1.58
50	NA	NA	38.30	25.70	2.58	1.43	NA	NA
60	NA	NA	60.30	33.10	7.98	4.44	NA	NA
70	NA	NA	73.90	41.10	23.73	13.73	NA	NA
75	NA	NA	84.20	49.20	37.21	22.69	NA	NA

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

	Annual Rate of Salary Increase
20	10.00%
30	5.23
40	4.57
50	4.37
60	4.33

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

Overtime is assumed to be 7% of base pay. The city contributes on total pay including overtime. This assumption is consistent with past experience and the city's budget.

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

Age	Rate	Age	Rate	Age	Rate
38	15%	48	15%	58	20%
39	15	49	15	59	30
40	15	50	20	60	40
41	15	51	15	61	50
42	15	52	15	62	60
43	15	53	15	63	70
44	15	54	15	64	80
45	15	55	20	65	100
46	15	56	20		
47	15	57	20		

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

Postretirement Mortality: According to the 1994 Group Annuity Mortality Table for males and females.

DROP Election: Members are assumed to elect DROP at age 50 with five years for Plan B, age 55 with 20 years for Plan A, and age 50 with 20 years for Old Plan.

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 Post Retirement Cost of Living:

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

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

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

The Normal Cost and Accrued Actuarial Liability are derived by making certain assumptions as to the rates of interest, mortality, turnover, etc., which are assumed to reflect experience for many

years into the future. Since actual experience will differ from the assumptions, the costs determined must be regarded as estimates of the true costs of the Plan. The effects of any actuarial gains or losses are immediately reflected in the Unfunded Actuarial Accrued Liability and the Normal Cost.

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

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

where:

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

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

This method was phased in beginning January 1, 1995. Asset gains or losses prior to January 1, 1994, are fully reflected in the calculation of the Actuarial Value of Assets. In no event is the actuarial value of assets less than 80% nor more than 120% of the market value of assets.

**Comparison of Actual Experience
 and Actuarial Expectations**

Demographic Assumptions

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

Terminations Prior to Retirement			
This assumption was last changed as of January 1, 1999 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, 1998 through December 31, 2000 shows that during this period there have been about 19% more terminations than expected. Since the difference in assumed terminations and actual terminations is small and the period over which this assumption has been measured is short, we do not feel that any change in this assumption is necessary at this time.			
January 1, 1998 through December 31, 2000			
	<u>Actual</u>	<u>Expected</u>	<u>Actual/Expected</u>
Termination Prior to Retirement	265	222	119%

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, 1998 through December 31, 2000 shows that during this period there have been about 22% less disability retirements than expected. Since the difference in assumed disability retirements and actual disability retirements is small and the period over which this assumption has been measured is short, we do not feel that any change in this assumption is necessary at this time.			
January 1, 1998 through December 31, 2000			
	<u>Actual</u>	<u>Expected</u>	<u>Actual/Expected</u>
Disability Retirements	7	9	78%

Retirement (Leaving Active Service)			
<p>This assumption was last changed as of January 1, 1993 to better reflect the actual experience of the System and to better anticipate future expectations. Since we changed our valuation programs as of January 1, 2000 to differentiate between leaving active service and entering DROP, we can measure this assumption explicitly. The ratio of actual retirements to the expected retirements for the period January 1, 1999 through December 31, 2000 shows that during this period there have been about 9% less retirements than expected. We do not feel that any change in this assumption is necessary at this time, since this difference in assumed retirements and actual retirements is small, the period over which this assumption has been measured is short, and this assumption has very little effect on the liabilities of the System (due to the fact that we assume all Members DROP when first eligible for unreduced benefits).</p>			
January 1, 1999 through December 31, 2000			
	<u>Actual</u>	<u>Expected</u>	<u>Actual/Expected</u>
Retirement	450	492	91%

Death			
<p>This assumption was last changed as of January 1, 2001 to better reflect the actual experience of the System and to better anticipate future expectations. The ratio of actual deaths to the expected deaths for the period January 1, 2000 through December 31, 2000 shows that during this period there have been about 34% less deaths than expected. The experience this year was extremely unusual when compared to the past. We feel that the new table will match experience more closely in the future.</p>			
January 1, 2000 through December 31, 2000			
	<u>Actual</u>	<u>Expected</u>	<u>Actual/Expected</u>
Death	50	76	66%

Age at DROP			
<p>This assumption has not changed since the implementation of DROP in 1993. The actual age at DROP is only slightly higher than the assumed age of 50. We do not feel that any change or assumption is necessary at this time since the difference in the assumed age at DROP and the actual age at DROP is very small.</p>			
January 1, 1996 through December 31, 2000			
	<u>Actual</u>	<u>Expected</u>	<u>Actual/Expected</u>
Age at DROP	50.3	50.0	101%

Economic Assumptions

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

Inflation			
The inflation assumption used to value the liabilities of the System is 4%. This assumption was last changed as of January 1, 1999 to better anticipate future expectations. The average annual inflation rate (as measured by CPI-U) over the 60 years ending December 31, 2000 has been 4.29%. 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, 1940 through December 31, 2000			
	<u>Actual</u>	<u>Expected</u>	<u>Actual/Expected</u>
Inflation	4.29%	4.00%	107%

Salary Increases			
The salary increase assumption used to value the liabilities of the System varies by the age of the Member. This assumption was last changed as of January 1, 1999 to reflect the change in the inflation rate. Based on our expectations of future promotional and merit salary increases and the assumed rate of inflation, we feel that the current salary increase rates are reasonable. A summary of the actual valuation earnings to the expected valuation earnings over the period January 1, 1998 through December 31, 2000 follows.			
January 1, 1998 through December 31, 2000			
	<u>Actual</u>	<u>Expected</u>	<u>Actual/Expected</u>
Valuation Compensation	\$568,501,175	\$562,942,987	101%

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, 2000 follows.

<u>Period</u>			<u>Annualized Rate of Return</u>
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)
10/1/1988	through	12/31/2000	12.22%

TABLE 1

THE NUMBER AND ANNUAL AVERAGE COMPENSATION OF ACTIVE
(excluding DROP) MEMBERS DISTRIBUTED BY FIFTH AGE AND SERVICE
AS OF JANUARY 1, 2001

POLICE

ATTAINED AGE	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	
	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp
Under 25	36	32,129	38	32,935	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	51	32,129	195	34,755	55	38,873	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30 to 34	25	32,129	109	35,542	248	40,906	150	44,658	3	43,772	0	0	0	0	0	0	0	0	0	0
35 to 39	6	32,129	25	37,175	121	41,764	310	47,122	120	54,227	0	0	0	0	0	0	0	0	0	0
40 to 44	3	32,129	8	42,152	33	41,212	127	48,348	237	57,194	90	59,522	0	0	0	0	0	0	0	0
45 to 49	0	0	4	39,360	7	43,761	43	49,214	72	56,230	144	59,015	94	60,312	2	61,600	0	0	0	0
50 to 54	0	0	2	41,979	4	51,579	9	47,383	6	57,559	2	60,123	11	57,417	2	52,277	0	0	0	0
55 to 59	0	0	0	0	0	0	1	50,682	2	55,312	0	0	1	48,362	1	56,872	0	0	0	0
60 to 64	0	0	0	0	0	0	1	46,013	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, 2001
CONTINUED

FIRE

ATTAINED AGE	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	
	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp
Under 25	28	32,129	20	32,281	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	25	32,129	104	33,906	24	39,672	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30 to 34	12	32,129	49	34,605	69	40,105	30	46,677	1	51,949	0	0	0	0	0	0	0	0	0	0
35 to 39	7	32,129	10	35,869	59	41,259	110	48,527	99	53,448	0	0	0	0	0	0	0	0	0	0
40 to 44	1	32,129	3	36,146	24	42,767	59	49,080	159	54,680	61	56,990	0	0	0	0	0	0	0	0
45 to 49	1	113,029	0	0	6	45,389	19	47,693	72	54,934	116	57,725	74	58,805	3	64,670	0	0	0	0
50 to 54	0	0	1	32,129	2	52,046	3	56,481	4	50,849	5	59,470	9	56,830	2	65,641	0	0	0	0
55 to 59	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
60 to 64	0	0	0	0	0	0	0	0	0	0	0	0	0	0	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, 2001
 CONTINUED

POLICE AND FIRE

ATTAINED AGE	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		
	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	
Under 25	64	32,129	58	32,710	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	76	32,129	299	34,460	79	39,116	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30 to 34	37	32,129	158	35,251	317	40,731	180	44,995	4	45,816	0	0	0	0	0	0	0	0	0	0	0
35 to 39	13	32,129	35	36,802	180	41,598	420	47,490	219	53,875	0	0	0	0	0	0	0	0	0	0	0
40 to 44	4	32,129	11	40,514	57	41,867	186	48,580	396	56,185	151	58,499	0	0	0	0	0	0	0	0	0
45 to 49	1	113,029	4	39,360	13	44,512	62	48,747	144	55,582	260	58,440	168	59,648	5	63,442	0	0	0	0	0
50 to 54	0	0	3	38,695	6	51,735	12	49,658	10	54,875	7	59,657	20	57,153	4	58,959	0	0	0	0	0
55 to 59	0	0	0	0	0	0	1	50,682	2	55,312	0	0	1	48,362	1	56,872	0	0	0	0	0
60 to 64	0	0	0	0	0	0	1	46,013	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	0
70 & up	0	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, 2001

POLICE

ATTAINED AGE	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		
	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	
Under 25	36	32,129	38	32,935	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	51	32,129	195	34,755	55	38,873	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30 to 34	25	32,129	109	35,542	248	40,906	150	44,658	3	43,772	0	0	0	0	0	0	0	0	0	0	0
35 to 39	6	32,129	25	37,175	121	41,764	310	47,122	120	54,227	0	0	0	0	0	0	0	0	0	0	0
40 to 44	3	32,129	8	42,152	33	41,212	127	48,348	237	57,194	91	59,492	0	0	0	0	0	0	0	0	0
45 to 49	0	0	4	39,360	7	43,761	43	49,214	72	56,230	151	59,122	102	60,682	2	61,600	0	0	0	0	0
50 to 54	0	0	2	41,979	4	51,579	20	51,868	32	61,927	68	63,233	155	62,935	82	63,485	0	0	0	0	0
55 to 59	0	0	0	0	1	61,427	4	57,939	4	49,165	12	64,431	27	61,118	32	62,359	7	64,099	0	0	0
60 to 64	0	0	0	0	0	0	2	55,064	0	0	1	58,992	4	69,039	3	60,745	2	63,918	0	0	0
65 to 69	0	0	0	0	0	0	0	0	0	0	1	67,379	1	58,608	0	0	0	0	1	52,889	0
70 & up	0	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, 2001
CONTINUED

FIRE

ATTAINED AGE	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	
	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp
Under 25	28	32,129	20	32,281	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	25	32,129	104	33,906	24	39,672	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30 to 34	12	32,129	49	34,605	69	40,105	30	46,677	1	51,949	0	0	0	0	0	0	0	0	0	0
35 to 39	7	32,129	10	35,869	59	41,259	110	48,527	99	53,448	0	0	0	0	0	0	0	0	0	0
40 to 44	1	32,129	3	36,146	24	42,767	59	49,080	159	54,680	62	57,183	0	0	0	0	0	0	0	0
45 to 49	1	113,029	0	0	6	45,389	19	47,693	72	54,934	120	57,726	88	59,070	4	69,935	0	0	0	0
50 to 54	0	0	1	32,129	2	52,046	5	54,175	12	61,261	66	59,986	147	64,193	54	65,656	2	82,163	0	0
55 to 59	0	0	0	0	0	0	1	57,430	0	0	0	0	33	64,640	11	64,007	26	71,636	1	69,362
60 to 64	0	0	0	0	0	0	0	0	0	0	0	0	1	56,107	5	66,928	5	60,193	3	81,577
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 2

THE NUMBER AND ANNUAL AVERAGE COMPENSATION OF ACTIVE
(including DROP) MEMBERS DISTRIBUTED BY FIFTH AGE AND SERVICE
AS OF JANUARY 1, 2001
CONTINUED

POLICE AND FIRE

ATTAINED AGE	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	
	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp	#	Avg Comp
Under 25	64	32,129	58	32,710	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	76	32,129	299	34,460	79	39,116	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30 to 34	37	32,129	158	35,251	317	40,731	180	44,995	4	45,816	0	0	0	0	0	0	0	0	0	0
35 to 39	13	32,129	35	36,802	180	41,598	420	47,490	219	53,875	0	0	0	0	0	0	0	0	0	0
40 to 44	4	32,129	11	40,514	57	41,867	186	48,580	396	56,185	153	58,556	0	0	0	0	0	0	0	0
45 to 49	1	113,029	4	39,360	13	44,512	62	48,747	144	55,582	271	58,504	190	59,935	6	67,156	0	0	0	0
50 to 54	0	0	3	38,695	6	51,735	25	52,330	44	61,746	134	61,634	302	63,547	136	64,347	2	82,163	0	0
55 to 59	0	0	0	0	1	61,427	5	57,837	4	49,165	12	64,431	60	63,055	43	62,780	33	70,037	1	69,362
60 to 64	0	0	0	0	0	0	2	55,064	0	0	1	58,992	5	66,452	8	64,609	7	61,257	3	81,577
65 to 69	0	0	0	0	0	0	0	0	0	0	1	67,379	1	58,608	0	0	1	52,889	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 3
THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCE OF RETIRED MEMBERS
BY AGE AS OF JANUARY 1, 2001

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
40	1	\$ 4,271	\$ 4,271
45	2	32,474	16,237
46	2	32,042	16,021
47	5	91,385	18,277
48	3	44,944	14,981
49	6	150,439	25,073
50	16	444,172	27,761
51	22	571,169	25,962
52	31	846,651	27,311
53	48	1,402,226	29,213
54	47	1,482,070	31,533
55	55	1,697,566	30,865
56	57	1,760,221	30,881
57	73	2,625,047	35,960
58	86	3,090,234	35,933
59	64	2,380,065	37,189
60	99	3,495,625	35,309
61	85	3,172,922	37,328
62	92	3,551,089	38,599
63	79	3,054,950	38,670
64	64	2,254,150	35,221
65	72	2,388,834	33,178
66	72	2,293,139	31,849
67	75	2,314,170	30,856
68	74	2,428,719	32,821
69	73	2,057,913	28,191
70	73	2,157,412	29,554
71	69	1,910,877	27,694
72	62	1,740,272	28,069
73	51	1,525,244	29,907
74	37	1,102,747	29,804
75	40	1,159,868	28,997
76	43	1,232,269	28,657
77	30	871,126	29,038

TABLE 3
THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCE OF RETIRED MEMBERS
BY AGE AS OF JANUARY 1, 2001
CONTINUED

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
78	20	\$ 528,786	\$ 26,439
79	21	553,468	26,356
80	24	674,014	28,084
81	24	656,199	27,342
82	9	249,180	27,687
83	14	368,278	26,306
84	11	318,840	28,985
85	4	104,244	26,061
86	3	79,416	26,472
87	3	82,655	27,552
88	2	53,765	26,883
89	2	53,391	26,696
90	2	51,324	25,662
91	1	26,376	26,376
93	4	105,744	26,436
95	1	24,900	24,900
TOTAL	1,853	\$ 59,296,882	\$ 32,000
POLICE	1,063	\$ 32,059,875	\$ 30,160
FIRE	790	\$ 27,237,007	\$ 34,477

TABLE 4
THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCE OF DISABLED MEMBERS
BY AGE AS OF JANUARY 1, 2001

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
36	1	\$ 24,000	\$ 24,000
37	2	48,000	24,000
38	2	48,000	24,000
39	2	40,363	20,182
40	3	72,852	24,284
41	1	25,179	25,179
43	3	75,273	25,091
44	4	102,369	25,592
45	2	38,709	19,355
46	5	130,618	26,124
47	2	52,297	26,149
48	1	28,943	28,943
49	5	152,078	30,416
50	6	170,485	28,414
51	6	212,688	35,448
52	6	158,549	26,425
53	7	206,659	29,523
54	4	86,729	21,682
55	2	34,241	17,121
56	6	168,216	28,036
57	2	62,972	31,486
58	5	181,924	36,385
59	3	74,811	24,937
60	8	252,608	31,576
61	13	486,033	37,387
62	8	282,274	35,284
63	8	257,623	32,203
64	8	211,730	26,466
65	5	171,721	34,344
66	7	243,083	34,726
67	5	134,516	26,903
68	4	119,108	29,777
69	8	241,210	30,151
70	7	254,293	36,328

TABLE 4
THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCE OF DISABLED MEMBERS
BY AGE AS OF JANUARY 1, 2001
CONTINUED

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
71	8	\$ 223,035	\$ 27,879
72	4	117,863	29,466
73	4	105,408	26,352
74	7	183,816	26,259
75	8	210,036	26,255
76	6	168,151	28,025
77	4	104,148	26,037
78	9	225,861	25,096
79	5	128,808	25,762
80	2	52,704	26,352
81	2	56,025	28,013
82	1	24,900	24,900
83	4	101,100	25,275
84	1	26,184	26,184
86	1	26,352	26,352
87	2	52,983	26,492
88	1	26,376	26,376
91	1	26,472	26,472
97	1	26,472	26,472
TOTAL	232	\$ 6,736,848	\$ 29,038
POLICE	84	\$ 2,182,654	\$ 25,984
FIRE	148	\$ 4,554,194	\$ 30,772

TABLE 5
THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCE OF BENEFICIARIES
BY AGE AS OF JANUARY 1, 2001

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
1	1	\$ 4,042	\$ 4,042
3	1	4,042	4,042
6	1	12,000	12,000
8	1	6,359	6,359
9	2	16,042	8,021
10	2	16,148	8,074
11	4	33,776	8,444
12	2	30,078	15,039
13	2	18,761	9,381
14	1	3,026	3,026
15	6	51,418	8,570
16	2	30,178	15,089
17	7	72,219	10,317
18	4	32,609	8,152
19	6	49,827	8,305
20	4	37,790	9,448
27	1	12,654	12,654
29	1	17,915	17,915
30	1	12,125	12,125
31	2	26,585	13,293
33	1	12,000	12,000
34	2	25,200	12,600
35	1	12,000	12,000
36	1	13,200	13,200
39	1	12,618	12,618
40	2	24,719	12,360
41	2	30,078	15,039
42	2	25,926	12,963
43	3	37,200	12,400
44	3	39,724	13,241
45	3	43,223	14,408
46	4	54,236	13,559
47	5	76,764	15,353
48	3	45,151	15,050

TABLE 5
THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCE OF BENEFICIARIES
BY AGE AS OF JANUARY 1, 2001
CONTINUED

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
49	4	\$ 52,986	\$ 13,247
50	4	57,668	14,417
51	5	67,403	13,481
52	12	167,268	13,939
53	7	96,755	13,822
54	15	219,405	14,627
55	10	170,805	17,081
56	5	76,458	15,292
57	12	226,119	18,843
58	8	162,030	20,254
59	10	148,831	14,883
60	6	93,309	15,552
61	15	275,550	18,370
62	17	285,432	16,790
63	15	306,541	20,436
64	13	264,937	20,380
65	12	201,164	16,764
66	15	241,476	16,098
67	14	199,562	14,254
68	14	230,502	16,464
69	15	229,548	15,303
70	23	334,724	14,553
71	19	264,300	13,911
72	22	351,042	15,956
73	22	343,738	15,624
74	22	333,220	15,146
75	13	207,114	15,932
76	28	397,268	14,188
77	24	361,449	15,060
78	20	317,701	15,885
79	18	269,228	14,957
80	13	182,623	14,048
81	18	252,900	14,050
82	22	311,927	14,179

TABLE 5
 THE NUMBER AND ANNUAL RETIREMENT
 ALLOWANCE OF BENEFICIARIES
 BY AGE AS OF JANUARY 1, 2001
 CONTINUED

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
83	12	\$ 166,500	\$ 13,875
84	14	196,439	14,031
85	16	238,500	14,906
86	12	171,242	14,270
87	11	154,826	14,075
88	7	97,500	13,929
89	10	137,400	13,740
90	9	125,700	13,967
91	7	98,700	14,100
92	5	70,500	14,100
93	2	28,200	14,100
94	2	28,200	14,100
95	2	28,200	14,100
96	2	27,300	13,650
97	4	52,800	13,200
98	2	28,200	14,100
99	1	14,100	14,100
100	1	14,100	14,100
TOTAL	695	\$ 10,319,023	\$ 14,848
POLICE	364	\$ 5,163,998	\$ 14,187
FIRE	331	\$ 5,155,025	\$ 15,574

TABLE 6
 THE NUMBER AND ANNUAL RETIREMENT
 ALLOWANCE OF RETIRED MEMBERS,
 DISABLED MEMBERS AND BENEFICIARIES
 BY AGE AS OF JANUARY 1, 2001

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
1	1	\$ 4,042	\$ 4,042
3	1	4,042	4,042
6	1	12,000	12,000
8	1	6,359	6,359
9	2	16,042	8,021
10	2	16,148	8,074
11	4	33,776	8,444
12	2	30,078	15,039
13	2	18,761	9,381
14	1	3,026	3,026
15	6	51,418	8,570
16	2	30,178	15,089
17	7	72,219	10,317
18	4	32,609	8,152
19	6	49,827	8,305
20	4	37,790	9,448
27	1	12,654	12,654
29	1	17,915	17,915
30	1	12,125	12,125
31	2	26,585	13,293
33	1	12,000	12,000
34	2	25,200	12,600
35	1	12,000	12,000
36	2	37,200	18,600
37	2	48,000	24,000
38	2	48,000	24,000
39	3	52,981	17,660
40	6	101,842	16,974
41	3	55,257	18,419
42	2	25,926	12,963
43	6	112,473	18,746
44	7	142,093	20,299
45	7	114,406	16,344

TABLE 6
 THE NUMBER AND ANNUAL RETIREMENT
 ALLOWANCE OF RETIRED MEMBERS,
 DISABLED MEMBERS AND BENEFICIARIES
 BY AGE AS OF JANUARY 1, 2001
 CONTINUED

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
46	11	\$ 216,896	\$ 19,718
47	12	220,446	18,371
48	7	119,038	17,005
49	15	355,503	23,700
50	26	672,325	25,859
51	33	851,260	25,796
52	49	1,172,468	23,928
53	62	1,705,640	27,510
54	66	1,788,204	27,094
55	67	1,902,612	28,397
56	68	2,004,895	29,484
57	87	2,914,138	33,496
58	99	3,434,188	34,689
59	77	2,603,707	33,814
60	113	3,841,542	33,996
61	113	3,934,505	34,819
62	117	4,118,795	35,203
63	102	3,619,114	35,482
64	85	2,730,817	32,127
65	89	2,761,719	31,031
66	94	2,777,698	29,550
67	94	2,648,248	28,173
68	92	2,778,329	30,199
69	96	2,528,671	26,340
70	103	2,746,429	26,664
71	96	2,398,212	24,981
72	88	2,209,177	25,104
73	77	1,974,390	25,641
74	66	1,619,783	24,542
75	61	1,577,018	25,853
76	77	1,797,688	23,347
77	58	1,336,723	23,047
78	49	1,072,348	21,885

TABLE 6
 THE NUMBER AND ANNUAL RETIREMENT
 ALLOWANCE OF RETIRED MEMBERS,
 DISABLED MEMBERS AND BENEFICIARIES
 BY AGE AS OF JANUARY 1, 2001
 CONTINUED

POLICE AND FIRE

AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
79	44	\$ 951,504	\$ 21,625
80	39	909,341	23,316
81	44	965,124	21,935
82	32	586,007	18,313
83	30	635,878	21,196
84	26	541,463	20,826
85	20	342,744	17,137
86	16	277,010	17,313
87	16	290,464	18,154
88	10	177,641	17,764
89	12	190,791	15,899
90	11	177,024	16,093
91	9	151,548	16,839
92	5	70,500	14,100
93	6	133,944	22,324
94	2	28,200	14,100
95	3	53,100	17,700
96	2	27,300	13,650
97	5	79,272	15,854
98	2	28,200	14,100
99	1	14,100	14,100
100	1	14,100	14,100
TOTAL	2,780	\$ 76,352,753	\$ 27,465
POLICE	1,511	\$ 39,406,527	\$ 26,080
FIRE	1,269	\$ 36,946,226	\$ 29,114

TABLE 7
THE NUMBER AND FUTURE ANNUAL ALLOWANCE OF TERMINATED MEMBERS ENTITLED TO A FUTURE BENEFIT BY AGE AS OF JANUARY 1, 2001

POLICE AND FIRE			
AGE	NUMBER	BENEFIT	AVERAGE BENEFIT
30	1	\$ 6,558	\$ 6,558
31	3	18,069	6,023
32	4	25,672	6,418
33	4	39,500	9,875
34	5	40,345	8,069
35	8	81,663	10,208
36	1	8,663	8,663
37	5	42,646	8,529
38	6	78,266	13,044
39	8	95,605	11,951
40	9	126,955	14,106
41	4	54,938	13,735
42	7	118,341	16,906
43	7	101,416	14,488
44	10	112,740	11,274
45	5	105,817	21,163
46	9	237,027	26,336
47	8	134,364	16,796
48	2	45,494	22,747
49	6	85,498	14,250
50	4	74,402	18,601
TOTAL	116	\$ 1,633,979	\$ 14,086
POLICE	86	\$ 1,176,111	\$ 13,676
FIRE	30	\$ 457,868	\$ 15,262

TABLE 8
THE NUMBER, ANNUAL RETIREMENT ALLOWANCE AND ACCOUNT BALANCE OF DROP MEMBERS BY AGE AS OF JANUARY 1, 2001

POLICE AND FIRE DROP					
AGE	NUMBER	BENEFIT	AVERAGE BENEFIT	ACCOUNT BALANCE	AVERAGE ACCOUNT BALANCE
41	1	\$ 17,580	\$ 17,580	\$ 16,207	\$ 16,207
44	1	18,018	18,018	35,560	35,560
45	1	18,404	18,404	36,322	36,322
47	1	19,772	19,772	40,808	40,808
48	8	309,943	38,743	171,450	21,431
49	24	883,412	36,809	870,582	36,274
50	108	4,298,294	39,799	2,413,286	22,345
51	127	5,069,116	39,914	6,631,365	52,215
52	126	4,650,783	36,911	11,493,326	91,217
53	137	5,011,010	36,577	17,330,126	126,497
54	93	3,548,575	38,157	16,079,362	172,896
55	45	1,715,560	38,124	9,494,524	210,989
56	38	1,486,042	39,106	9,905,974	260,684
57	38	1,473,498	38,776	11,269,677	296,570
58	24	958,225	39,926	8,284,752	345,198
59	8	336,550	42,069	2,715,915	339,489
60	9	356,219	39,580	2,734,371	303,819
61	7	283,183	40,455	2,397,625	342,518
62	1	16,527	16,527	80,317	80,317
63	4	182,542	45,636	1,680,903	420,226
64	4	191,315	47,829	994,804	248,701
65	2	80,577	40,289	553,680	276,840
66	1	31,956	31,956	312,184	312,184
TOTAL	808	\$ 30,957,101	\$ 38,313	\$ 105,543,120	\$ 130,623
POLICE	439	\$ 16,457,102	\$ 37,488	\$ 52,975,182	\$ 120,672
FIRE	369	\$ 14,499,999	\$ 39,295	\$ 52,567,938	\$ 142,461

2000 Audit Report



DALLAS POLICE AND FIRE PENSION SYSTEM

Financial Statements

December 31, 2000, and 1999

(With Independent Auditors' Report Thereon)



2001 Crescent Court
Suite 200
Dallas, TX 75201-1885

Independent Auditors' Report

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

We have audited the accompanying statements of plan net assets of the Dallas Police and Fire Pension System (the System) as of December 31, 2000 and 1999, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the System as of December 31, 2000 and 1999, and the changes in its financial status for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Schedule of Funding Progress in note 3 on page 12 is not a required part of the general purpose financial statements of the System, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express an opinion on it.

KPMG LLP

May 25, 2001



DALLAS POLICE AND FIRE PENSION SYSTEM

Statements of Plan Net Assets

December 31, 2000 and 1999

Assets	2000	1999
Investments, at quoted market value (note 4):		
Cash and short term investments	\$ 204,417,606	203,527,361
United States government securities	60,984,829	46,028,161
Foreign government securities	124,251,485	82,815,503
Commingled Index Funds	600,584,806	568,420,348
Domestic equities	329,949,738	386,787,613
International equities	271,664,793	335,582,934
Corporate securities	277,374,709	313,268,463
Investments, at appraised value - real estate equity funds	290,007,306	247,113,348
	<u>2,159,235,272</u>	<u>2,183,543,731</u>
Receivables:		
Accrued interest and dividends	11,381,499	10,426,994
Employer contributions	1,936,902	1,737,811
Member contributions	408,426	379,116
Securities sold	60,203,208	19,918,938
	<u>73,930,035</u>	<u>32,462,859</u>
Total assets	<u>2,233,165,307</u>	<u>2,216,006,590</u>
Liabilities		
Bank overdraft	1,511,213	1,668,193
Payable for securities purchased	69,591,140	42,690,041
Administrative and professional fees payable	2,552,593	2,693,070
Securities lending collateral	119,769,121	99,221,064
Total liabilities	<u>193,424,067</u>	<u>146,272,368</u>
Net assets held in trust for pension benefits (a Schedule of Funding Progress is included on page 12)	\$ <u><u>2,039,741,240</u></u>	<u><u>2,069,734,222</u></u>

See accompanying notes to financial statements.

DALLAS POLICE AND FIRE PENSION SYSTEM

Statements of Changes in Plan Net Assets

Years ended December 31, 2000 and 1999

	2000	1999
Additions:		
Investment income:		
Interest	\$ 48,392,321	53,381,321
Dividends	9,395,854	9,354,123
Real estate income	13,544,582	15,600,134
Net appreciation (depreciation) in fair value of investments	(90,074,213)	335,959,321
Securities lending income	10,901,343	6,622,224
Less investment expenses:		
Securities lending borrower rebates	(9,994,831)	(5,473,238)
Custody fees	(271,954)	(265,236)
Net investment income (loss)	<u>(18,106,898)</u>	<u>415,178,649</u>
Contributions:		
Employer	66,690,520	63,441,213
Employee	14,593,058	14,592,280
	<u>81,283,578</u>	<u>78,033,493</u>
Other income	619,729	901,460
Total additions	<u>63,796,409</u>	<u>494,113,602</u>
Deductions:		
Benefit payments	78,662,824	71,554,291
Withdrawal payments and refunds	1,221,884	1,091,768
Administrative expenses and professional fees	13,904,683	11,130,590
Total deductions	<u>93,789,391</u>	<u>83,776,649</u>
Net increase (decrease) in net assets available for benefits	(29,992,982)	410,336,953
Net assets held in trust for pension benefits:		
Beginning of year	<u>2,069,734,222</u>	<u>1,659,397,269</u>
End of year	\$ <u><u>2,039,741,240</u></u>	<u><u>2,069,734,222</u></u>

See accompanying notes to financial statements.

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Financial Statements

December 31, 2000, and 1999

(1) Description of the System

(a) General

The Dallas Police and Fire Pension System (the System) is a single-employer pension and retirement fund for firefighters and police officers employed by the City of Dallas, Texas (the City or Employer). The general terms "firefighters" and "police officers" also include fire and rescue operators, fire alarm operators, fire inspectors, apprentice police officers, and apprentice firefighters. The System is comprised of a single defined benefit pension plan, called the "Combined Pension Plan," designed to provide retirement, death, and disability benefits for firefighters and police officers (Members). The System was originally established under former Article 6243a of the Revised Civil Statutes of Texas, and since 1989, derives its authority to continue in operation under the provisions of Article 6243a-1 of the Revised Civil Statutes of Texas. Most active firefighters and police officers (as defined above) employed by the City are eligible to participate. As of December 31, 2000, and 1999, the System's membership consisted of:

	2000	1999
Pensioners and qualified survivors currently receiving benefits and terminated employees entitled to benefits but not yet receiving them:		
Firefighters	1,269	1,248
Police officers	1,511	1,460
Terminated vested Members not yet receiving benefits	116	103
Total	<u>2,896</u>	<u>2,811</u>
Current employees:		
Vested:		
Firefighters	1,379	1,364
Police officers	2,335	2,309
	<u>3,714</u>	<u>3,673</u>
Nonvested:		
Firefighters	261	234
Police officers	502	541
	<u>763</u>	<u>775</u>
Total	<u>4,477</u>	<u>4,448</u>

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Financial Statements

December 31, 2000, and 1999

(b) Pension Benefits

Group A Members of the Combined Pension Plan may elect to receive one of two benefits structures:

- (i) Members with 20 years or more of pension service are entitled to normal monthly pension benefits beginning at age 50 equal to 50 percent of the base pay as defined as the maximum monthly civil service pay established by the City for a police officer or firefighter at the time of retirement plus 50 percent of the Longevity Pay the Member was receiving at the time he or she left service with the City. Benefit payments are adjusted according to changes in base pay. Additionally, a Member is eligible to receive 50 percent of the difference between any annualized Cityservice incentive pay granted to the Member less annual Longevity Pay. Members who meet the service prerequisites may elect to take early retirement at age 45 with reduced pension benefits.
- (ii) Members with 20 years or more of pension service are entitled to normal monthly pension benefits beginning at age 55 equal to 3 percent of the base pay for each year with a maximum of 32 years. In addition, a retiree receives 50 percent of any Longevity Pay and 1/24 of any City service incentive pay the Member was receiving at the time of leaving service with the City. Pension benefit payments are increased in the same manner as under Group B (described below). Members who meet the service prerequisite may elect to take early retirement at age 50 with reduced pension benefits.

Group B Benefit—Members with five or more years of pension service are entitled to annual pension benefits beginning at age 50 equal to 3 percent of the Member's highest average annual Computation Pay over three consecutive years, multiplied by the number of years of pension service, up to 32 years. Computation Pay, for purposes of this calculation, includes Civil Service pay for the highest rank attained by competitive exam and any educational incentive, longevity or City service incentive pay. Certain Members who meet the service prerequisite may elect to take early retirement with reduced benefits starting at age 45. A Group B Member who has accrued 20 or more years of Pension Service and who has been on Active Service at any time after January 1, 2000, may take a pension benefit regardless of age. The pension benefit calculation would be the same except the percent multiplier would be based on the Members age at the time of applying for the pension. In addition, Group B benefits increase by 4 percent of the initial benefit amount each October 1.

Additional benefits available under the System:

- " Members with more than 20 years of pension service, upon attaining age 55, shall receive a monthly supplement equal to the greater of \$75 or 3 percent of their total monthly benefits.

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Financial Statements

December 31, 2000, and 1999

- " 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 nonduty-related disabilities as well as survivor benefits for qualified survivors.
- " Members who are eligible to retire are allowed to enter the Deferred Retirement Option Plan (DROP) program. DROP Members have their contribution discontinued but the City's portion of the total contribution continues. The Member's monthly benefit remains in the System and accumulates interest. Upon retirement from the City, the Member is able to draw from this balance along with the Member's normal benefits. DROP Members balances are \$143,159,523 and \$109,748,851 for December 31, 2000, and 1999, respectively.
- " A minimum benefit is paid to vested retired Members of an amount not less than \$2,000 per month subject to any restrictions contained in the plan document. The minimum benefit is prorated for Members who retire with less than 20 years of service credit.

(c) Termination

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

(d) Contributions

As a condition of participation, Group A Members are required to contribute to the System 6.5 percent of their base pay, as defined in the System's plan document. Group B Members are required to contribute to the System 8.5 percent of their Computation pay, as defined in the System's plan document. Statutes require the City to make contributions of 27.5 percent of total wages and salaries as defined in the System's plan document, in accordance with schedules contained in the plan documents.

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

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Financial Statements

December 31, 2000, and 1999

Members of Group B are immediately vested in their contributions and, with five years of pension service may, at termination of employment, leave their contribution on deposit with the System and receive a monthly benefit at normal retirement age. If a Member's employment is terminated and the Member elects not to receive pension benefits or not to have vested rights, the Member's contributions to the System are returned, without interest, upon written application. If application for refund is not made within three years, the Member 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. Group A Members of the Combined Pension Plan vest after 20 years of credited pension service. Group A Member contributions are not refunded upon termination from employment.

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

Year ended December 31,	Annual required contribution	Percentage contributed
1995	\$ 50,260	100%
1996	54,072	100
1997	57,039	100
1998	60,843	100
1999	63,441	100
2000	66,691	100

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

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

(e) System Administration

The System is administered by a ten-member Board of Trustees (the Board) consisting of four City Council members appointed by the City Council, three police officers and three firefighters, all elected by employees of their respective departments, who are Members of the System. Effective, June 1, 2001, two more Trustees will join the Board. One will be a pensioner who has retired from the Police Department and the other one will be a pensioner who has retired from the Fire Department.

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Financial Statements

December 31, 2000, and 1999

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting. Accordingly, interest earned but not received and dividends declared but not received as of the System's fiscal year-end are recorded as accrued interest and dividends receivable, respectively. In addition, unsettled investment purchases and sales are accrued.

As part of an emphasis to conform financial statement disclosures for employee benefit plans, the Governmental Accounting Standards Board issued Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, which was implemented by the System in fiscal year 1997. This statement requires greater consistency among all employee benefit plans for the measurement and display of information in the financial statements.

(b) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

(c) Investments

The System's investment policy requires investments comply at all times with applicable local, state and federal regulations. The investment policy is based upon an asset allocation study that considers the current and expected condition of the System, the expected long-term capital market outlook and the System's risk tolerance.

Investments are valued at fair value based on quoted market prices, when available. Certain real estate investments are presented in the accompanying financial statements at estimated fair values which are based upon appraised values or other methods. Purchases and sales of securities are recorded on a trade-date basis.

(d) Benefits

Benefits and refunds are recorded in these financial statements when they are due and payable to Members.

(e) Foreign Currency Transactions

The System is a 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.

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Financial Statements

December 31, 2000, and 1999

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

Investments and broker accounts denominated in foreign currencies outstanding at December 31, 2000, and 1999, were converted to the System's functional currency at the foreign exchange rates quoted at December 31, 2000, and 1999. These foreign exchange gains and losses are included in net appreciation in fair value of investments in the accompanying statements of changes in net assets.

(f) Cash and Investments

The following shows the schedule of investments in Category 1 for custodial credit risk, which are insured or registered or for which the investments are held by the System or its agent in the System's name.

Investments - Category 1 (Held by System's agent in System's name)	Total fair value December 31, 2000	Total fair value December 31, 1999
Cash and short-term investments	\$ 84,648,485	104,306,297
Commingled index funds	600,584,806	568,420,348
Domestic corporate fixed-income	270,316,023	330,300,996
International fixed income	120,152,834	80,979,540
U.S. government and agency securities:		
Not on securities loan	29,862,837	12,654,471
On securities loan for securities collateral— letter of credit	241,064	216,620
Sub-total	<u>30,103,901</u>	<u>12,871,091</u>
Domestic equities:		
Not on securities loan	286,478,050	321,430,304
On securities loan for securities collateral— securities	178,541	—
Sub-total	<u>286,656,591</u>	<u>321,430,304</u>
International equities:		
Not on securities loan	241,352,200	321,668,876
On securities loan for securities collateral	—	1,165,805
Sub-total	<u>241,352,200</u>	<u>322,834,681</u>

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Financial Statements

December 31, 2000, and 1999

<u>Investments - Not Categorized</u>	<u>Total fair value December 31, 2000</u>	<u>Total fair value December 31, 1999</u>
Investments held by broker-dealers under securities loans with cash collateral:		
U.S. government and agency securities	\$ 30,880,927	13,164,890
Domestic corporate fixed-income	7,058,686	3,909,390
Domestic equities	43,293,148	65,357,309
International equities	30,312,593	12,748,253
International fixed income	4,098,651	886,220
Sub-total	<u>115,644,005</u>	<u>96,066,062</u>
Securities lending short-term collateral investment pool	119,769,121	99,221,064
Real estate	<u>290,007,306</u>	<u>247,113,348</u>
Sub-total	<u>409,776,427</u>	<u>346,334,412</u>
Total	<u>\$ 2,159,235,272</u>	<u>2,183,543,731</u>

(g) Securities Lending

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

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

The Board did not impose any restrictions during the fiscal year on the amount of the loans that State Street made on its behalf. There were no failures by any borrowers to return the loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or State Street. State Street maintains a Banker's Blanket Bond in the amount of \$75 million and has insurance coverage in the amount of \$50 million for any losses which could result from borrower's defaults.

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Financial Statements

December 31, 2000, and 1999

During the fiscal year, 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 State Street. The relationship between the average maturities of the investment pool and the Board's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which the Board could not determine. On December 31, 2000, and 1999, the System had no credit risk exposure to borrowers. The collateral held and market value of securities on loan for the System as of December 31, 2000, and 1999, were \$120,222,843 and \$100,743,080, and \$116,063,611 and \$97,448,487, respectively.

Disclosure of securities lending revenue is shown gross with the associated reductions for investment expenses on the face of the Statements of Changes in Plan Net Assets, and the cash collateral and associated securities lending payable is shown on the face of the Statements of Plan Net Assets for December 31, 2000, and 1999.

(3) Funding Progress

The actuarial information presented is determined by an actuary from Buck Consultants and is the amount that results from applying various assumptions with regard to termination, disability, retirement, mortality, and the time value of money to the accumulated plan benefits.

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

Actuarial calculations were made by the consulting actuary as of January 1, 2001, and 2000, and are not materially different from what they would have been had they been calculated on December 31, 2000, and 1999. The following assumptions are used by the System's actuary to determine the System's obligations only, and are not used to calculate the actual System benefits. These benefits are fully described in the System's document. The significant assumptions underlying the actuarial calculations at January 1, 2001, and 2000, are as follows:

Actuarially Assumed Investment Rate of Return*	8.5 percent per annum, compounded annually
Mortality, Retirement, Disability and Separation Rates	Graduated rates detailed in actuary's report
Projected Salary Increases *	Range 4.3 to 10 percent
Actuarial Cost Method	Entry age normal

* Includes Inflation Rate of 4 percent

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Financial Statements

December 31, 2000, and 1999

Post Retirement Benefit Increases

Group A (former Plan A) and Group B Members	4 percent of original pension annually
Group A (former Old Plan) Members	4 percent compounded annually
Asset Valuation	Fair market value
Amortization Method	Open level percent payroll
Remaining Amortization Period	17 years

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

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
1/1/95	\$ 899	\$ 1,390	\$ 491	64.7%	\$ 160	306.9%
1/1/96	999	1,497	498	66.8	169	294.7
1/1/97	1,137	1,630	493	69.7	178	277.0
1/1/98	1,307	1,782	475	73.3	193	246.1
1/1/99	1,503	1,958	455	76.8	205	222.0
1/1/00	1,772	2,094	322	84.6	213	151.2
1/1/01	2,005	2,328	323	86.1	224	144.2

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

(4) Investments

The Board has contracted with investment managers to manage the investment portfolio of the System, subject to the policies and guidelines established by the Board. The Board has custody agreements with State Street Bank, whereby this institution assume responsibility for the safekeeping of certain investments, handling of transactions based on the instructions of investment managers, and accounting for the investment transactions.

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Financial Statements

December 31, 2000, and 1999

Investments that individually represent 5 percent or more of the net assets available for benefits and the total of investments that individually represent less than 5 percent of the net assets available for benefits at December 31, 2000, and 1999, are as follows:

	2000		1999	
	Number of shares /units	Fair value	Number of shares /units	Fair value
Investments greater than 5% of net assets, at quoted market value:				
Bank commingled trust funds:				
S&P 500 Index Fund -				
State Street Global Advisors	1,498,615	\$ 337,679,826	1,386,131	\$ 343,463,915
International Equity -				
State Street Global Advisors	4,476,891	201,639,188	3,382,555	176,998,956
Securities Lending:				
State Street Bank and Trust				
Global Securities Lending	—	119,769,121	—	99,221,064
International Equity:				
Deutsche Asset Management				
Emerging Market	—	—	888,789,490	118,456,690
Bank of Ireland	16,018,421	171,520,850	6,928,633	155,283,604
Domestic equities funds:				
Deutsche Asset Management				
MicroCap	6,099,000	100,126,162	6,143,950	122,195,917
Oak Associates	2,334,800	89,786,119	2,127,200	136,182,381
Alliance Capital	3,790,254	128,935,471	3,192,909	114,038,151
Corporate securities funds:				
W.R. Huff Asset Management	126,218,000	94,350,780	132,808,000	108,821,402
International Fixed Income -				
Loomis Sayles	233,921,287	138,419,052	239,124,657	164,707,522
Deutsche Asset Management	3,671,164,000	95,504,486	—	—
		1,477,731,055		1,539,369,602
Investments less than 5% of net assets:				
At quoted market value		391,496,911		397,060,781
At appraised value		290,007,306		247,113,348
Total investments		\$ 2,159,235,272		\$ 2,183,543,731

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Financial Statements

December 31, 2000, and 1999

For the years ended December 31, 2000, and 1999, the System's investments, including investments bought, sold, as well as held during the year, appreciated (depreciated) in value as follows:

	<u>2000</u>	<u>1999</u>
Investments, at quoted market value:		
Cash (foreign exchange)	\$ (17,817)	27,071
U.S. government securities	2,944,535	(1,581,607)
Foreign government securities	(32,676,561)	(4,561,716)
Bank commingled trust funds	(67,498,177)	111,952,804
Domestic equities	44,123,382	124,836,872
International equities	(60,998,079)	89,749,075
Corporate securities	<u>(1,429,965)</u>	<u>11,222,810</u>
	(115,552,682)	331,645,309
Investment, at appraised value - real estate equity funds		
	<u>25,478,468</u>	<u>4,314,012</u>
	<u>\$ (90,074,214)</u>	<u>335,959,321</u>

(5) Foreign Exchange Transactions

During 2000 and 1999, the System recognized net realized gains (losses) on foreign currency forward contracts of \$327,510 and \$924,812, respectively. At December 31, 2000, and 1999, the System had net unrealized appreciation (depreciation) on forward contracts reflected in the accompanying financial statements of approximately (\$1,746,921) and \$1,292,411, respectively.

(6) Federal Income Tax Status

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

(7) Administrative Expenses

The System's plan document authorizes the Board to pay administrative costs from the System, provided that the System's actuary has determined that the System has sufficient income to pay such costs. Of the System's total administrative costs, \$770,281 and \$936,281 of the System's administrative costs were reimbursed to the City by the System during the years ended December 31, 2000, and 1999, respectively.

Investment related expenses for the years ended December 31, 2000, and 1999, also include approximately \$11,417,356 and \$8,731,703, respectively, in asset management fees.

DALLAS POLICE AND FIRE PENSION SYSTEM

Notes to Financial Statements

December 31, 2000, and 1999

(8) Uncertainties

Several lawsuits are pending against the City by third-party police officers and firefighters, which claim the right to significant back pay on behalf of most current and many former Dallas police officers and firefighters. If these lawsuits are successful, they will likely result in large, over-due pension claims on behalf of many retired pensioners and large increases in the actuarial accrued liabilities of current Members of the System because pensions are generally a percentage of the pay of the police officers and firefighters. The System has intervened in these lawsuits to protect the System's right to Member and City contributions that the System believes will be due if the police officers' and firefighters' claims are successful. If the System's intervention is fully successful, any payment of a large back pay award by the City can be expected to increase the System's unfunded pension liability. Any such increase in liabilities would not threaten the solvency of the System, but it would increase the number of years required to pay off the System's unfunded pension liability. 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 City's financial statements as of December 31, 2000.

2000 Supplemental Police and Fire Pension Fund



**DALLAS POLICE AND FIRE PENSION SYSTEM
SUPPLEMENTAL PLAN
ACTUARIAL VALUATION
AS OF JANUARY 1, 2001**

August 8, 2001

Mr. Richard L. Tettamant
Administrator
Dallas Police and Fire Pension System
2301 N. Akard Street, Suite 200
Dallas, TX 75201

Re: Dallas Police and Fire Pension System Supplemental Plan Actuarial Valuation as of January 1, 2001

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, 2001.

Actuarial Valuation

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

Basis for Funding

The member contribution rates are established by statute. The City's contribution rate is intended to be sufficient to amortize the unfunded actuarial accrued liability over five years, including the normal cost. The contribution is also limited to be within \$100,000 of the previous year's contribution. However, in no event will the City's contribution be less than the amount necessary to satisfy GASB 27. For 2001, the contribution is \$800,000.

Funding Progress

As of January 1, 2001, the City's contribution rate needed in order to meet the funding goal is 122.11% of covered payroll. This amount is higher than the 74.94% employer rate calculated as of January 1, 2000. The current contribution rate of 122.11% of covered payroll covers the normal cost and the amortization of the Unfunded Actuarial Accrued Liability (UAAL).

The main reasons for the increase in the City's contribution is the poor return on assets and the plan amendments. The investment return on the market value of assets was (2.10)% compared to the assumed return of 8.50%.

Mr. Richard L. Tettamant
August 8, 2001
Page 2

Benefit Provisions

The actuarial valuation reflects the benefit and contribution provisions set forth in the System's statutes. There were two changes in these provisions since the actuarial valuation as of January 1, 2000:

1. The computation pay period was decreased from 60 months to 36 months in calculating average computation pay, and
2. The age and service credits used for calculating the special Qualified Surviving Spouse's percentage were decreased from 80 to 78.

Assumptions and Methods

The actuarial assumptions and methods used in the valuation are presented in Schedule C. The only change in assumptions from the previous valuation was the change in mortality tables from the 1983 Group Annuity Mortality for males and females to the 1994 Group Annuity Mortality Table for males and females. This change was made to better reflect expectations about future experience. The assumptions used are individually reasonable and reasonable in the aggregate.

Data

Asset information and member data for retired, active, and inactive members was supplied as of January 1, 2001, 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.

Very truly yours,

Signed (RICHARD A. MACKESEY)

Richard A. Mackesey, F.S.A.
Principal and Consulting Actuary

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Enclosures

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Summary of Principal Results

	January 1, 2001	January 1, 2000
Membership		
Active	40	47
Retired and terminated members and beneficiaries	89	82
Compensation		
Total	\$ 655,158	\$ 934,076
Average	\$ 16,379	\$ 19,874
Assets		
Market value	\$ 16,626,033	\$ 17,628,411
Valuation Results		
Unfunded actuarial accrued liability (UAAL)	\$ 2,939,717	\$ 517,813
City's normal cost contribution	\$ 122,069	\$ 147,116
Funding Policy contribution	\$ 800,000	\$ 700,000
GASB No. 25		
Actuarial accrued liability (AAL)	\$ 19,565,750	\$ 18,146,224
Assets	\$ 16,626,033	\$ 17,628,411
GASB ratio	85.0%	97.1%
Unfunded AAL	\$ 2,939,717	\$ 517,813

Comments on the Valuation

Overview

The current valuation indicates that a total contribution of \$800,000 should be contributed during 2001.

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. There were two changes in these provisions for the actuarial valuation as of January 1, 2001:

1. The computation pay period was decreased from 60 months to 36 months in calculating average computation pay, and
2. The age and service credits used for calculating the special Qualified Surviving Spouse's percentage were decreased from 80 to 78.

Actuarial Assumptions and Methods

The actuarial assumptions and methods used in the valuation are presented in Schedule C. The only change in assumptions from the previous valuation was the change in mortality tables from the 1983 Group Annuity Mortality for males and females to the 1994 Group Annuity Mortality Table for males and females. This change was made to better reflect expectations about future experience. The assumptions used are individually reasonable and reasonable in the aggregate.

GASB Statement No. 27

Under GASB Statement No. 27, which became effective for fiscal years beginning after June 15, 1997, employers must determine a pension expense based on a 40-year amortization of the UAAL. The amortization can assume payroll growth due to inflation, but no membership growth. After a 10-year transition period, the required amortization period will drop to 30 years. 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 41.43% will be required for the City to avoid showing an accrued pension liability on its financial statements for the fiscal year beginning in 2001, 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 2000 and 2001. The estimated rate of return for 2000 was (2.10)%.

Membership Statistics

Data on active members and on retired members was supplied by the Administrator. The number of active members decreased over the last year. The active membership decreased from 47 members as of January 1, 2000, to 40 members as of January 1, 2001. The payroll decreased from January 1, 2000 to January 1, 2001 (\$934,076 for 2000 and \$655,158 for 2001). Schedule A shows a summary of the membership data.

Actuarial Cost

	<u>January 1, 2001</u>	<u>January 1, 2000</u>
1. Covered Payroll	\$ 655,158	\$ 934,076
2. Actuarial present value of future benefits	\$ 20,203,819	\$ 18,919,443
3. Actuarial present value of future normal costs	\$ 638,069	\$ 773,219
4. Actuarial accrued liability (2 - 3)	\$ 19,565,750	\$ 18,146,224
5. Actuarial value of assets	\$ 16,626,033	\$ 17,628,411
6. Unfunded actuarial accrued liability (UAAL) (4 - 5)	\$ 2,939,717	\$ 517,813
7. City's normal cost contribution	\$ 122,069	\$ 147,116
8. Funding Policy contribution	\$ 800,000	\$ 700,000
9. Total contribution as a percentage of covered payroll (8 ÷ 1)	122.11%	74.94%

Analysis of Change in UAAL

1. UAAL as of January 1, 2000	\$	517,813
2. Changes due to:		
a. Expected decrease	\$	(555,865)
b. Actual contributions greater than expected		0
c. Liability experience		472,674
d. Asset experience		1,834,540
e. Assumption change		238,942
f. Plan amendments		<u>431,613</u>
g. Total Changes	\$	2,421,904
3. UAAL as of January 1, 2001	\$	2,939,717

Historical Trend Information

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

<u>Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
January 1, 1996	8.807	14.020	5.213	62.8%	0.698	746.8%
January 1, 1997	10.490	14.414	3.924	72.8%	0.795	493.6%
January 1, 1998	12.685	15.278	2.593	83.0%	0.852	304.3%
January 1, 1999	15.506	17.106	1.600	90.6%	0.851	188.0%
January 1, 2000	17.628	18.146	0.518	97.1%	0.934	55.5%
January 1, 2001	16.626	19.566	2.940	85.0%	0.655	448.9%

**GASB #25 Schedule of Employer Contributions
 for Year Ending December 31, 2000**

<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
\$700,000	100%

**Summary of Accumulated Benefits
(FASB #35)**

Accumulated Benefits at January 1, 2001

Vested benefits of participants and beneficiaries currently receiving payments	\$ 12,947,740
Other vested benefits	5,972,479
Nonvested benefits	<u>162,303</u>
Total benefits	\$ 19,082,522

FASB #35 Reconciliation

Accumulated benefits at January 1, 2000		\$ 17,894,917
Benefits accumulated	\$ 603,584	
Interest	1,463,910	
Benefits paid	(1,372,891)	
Assumption changes	75,893	
Plan amendment	<u>417,109</u>	
Total change		<u>1,187,605</u>
Accumulated benefits at January 1, 2001		\$ 19,082,522

Reconciliation of Fund Assets

	<u>Year Ending December 31, 2000</u>
1. Value of fund at beginning of year	\$ 17,628,411
2. Contributions	
a. City	700,000
b. Member	<u>33,799</u>
c. Total	\$ 733,799
3. Benefit payments	(1,372,891)
4. Refunds	0
5. Earnings	(341,036)
6. Expenses	(22,250)
7. Value of assets at end of year	16,626,033
8. Estimated rate of return	(2.10)%

Membership Data

	January 1, 2001	January 1, 2000
1. Active members (excluding DROP)		
a. Number	26	34
b. Compensation	\$ 338,215	\$ 646,180
c. Average compensation	\$ 13,008	\$ 19,005
d. Average age	46.50	46.65
e. Average service (years)	22.54	22.83
2. Active members (DROP only)		
a. Number	14	13
b. Compensation	\$ 316,943	\$ 287,896
c. Average Compensation	\$ 22,639	\$ 22,146
d. Average age	52.28	53.46
e. Average service	28.86	29.92
f. DROP account balance	\$ 376,908	\$ 779,975
3. Inactive members		
a. Number	89	82
b. Total current annual benefit	\$ 986,330	\$ 799,836
c. Average current annual benefit	\$ 11,082	\$ 9,754

**Summary of Benefit Provisions
As of January 1, 2001
For Actuarial Calculations**

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

Definitions

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

Average Computation Pay: Computation Pay averaged over 36 months.

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

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

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

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

Contribution Rates

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

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

Service Retirement Benefits

Annual Normal Retirement Pension

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

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

Early Retirement Pension

Condition for Retirement:

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

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

- b. 20 years of Pension Service

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

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

Special Rule for Members of former Old Plan or Plan A

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

Disability Retirement Benefits

Service-Related Disability

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

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

Non-Service Related Disability

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

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

Survivor Benefits

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

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

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

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

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

Post-Retirement Cost of Living 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.

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 five-year weighted average of the 30-year U.S. Treasury bond rates. 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.

**Statement of Actuarial Methods and Assumptions
(Effective as of January 1, 2001)**

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

DROP balances are assumed to earn 9.00% per annum.

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

Age	Annual Rate per 1,000 Members							
	Withdrawal		Mortality - Disableds		Mortality - Other		Disability	
	Police	Fire	Male	Female	Male	Female	Police	Fire
20	43.0	21.0	48.30	26.30	.51	.28	.35	.70
25	43.0	21.0	48.30	26.30	.66	.29	.37	.75
30	32.0	16.0	36.20	23.70	.80	.35	.42	.84
35	23.0	16.0	27.80	21.40	.85	.48	.48	.96
40	23.0	16.0	28.20	20.90	1.07	.71	.57	1.15
45	23.0	16.0	32.20	22.40	1.58	.97	.79	1.58
50	NA	NA	38.30	25.70	2.58	1.43	NA	NA
60	NA	NA	60.30	33.10	7.98	4.44	NA	NA
70	NA	NA	73.90	41.10	23.73	13.73	NA	NA
75	NA	NA	84.20	49.20	37.21	22.69	NA	NA

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

	Annual Rate of Salary Increase
20	10.00%
30	5.23
40	4.57
50	4.37
60	4.33

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

Overtime is assumed to be 7% of base pay. The city contributes on total pay including overtime. This assumption is consistent with past experience and the city's budget.

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

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
38	15%	48	15%	58	20%
39	15	49	15	59	30
40	15	50	20	60	40
41	15	51	15	61	50
42	15	52	15	62	60
43	15	53	15	63	70
44	15	54	15	64	80
45	15	55	20	65	100
46	15	56	20		
47	15	57	20		

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

Postretirement Mortality: According to the 1994 Group Annuity Mortality Table for males and females.

DROP Election: Members are assumed to elect DROP at age 50 with five years.

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

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

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.

Dallas Police and Fire Pension System Supplemental Plan
Actuarial Valuation - January 1, 2001

Schedule C
(continued)

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.



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Independent Auditors' Report

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

We have audited the accompanying statements of plan net assets of the Police and Fire Supplemental Pension Plan of the City of Dallas (the Plan) as of December 31, 2000 and 1999, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Plan as of December 31, 2000 and 1999, and the changes in its financial status for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Schedule of Funding Progress in note 3 on page 8 is not a required part of the general purpose financial statements of the Plan, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

KPMG LLP

May 25, 2001



Member of the KPMG Network

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

Statements of Plan Net Assets

December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Assets:		
Investments, at fair value (note 4):		
Short-term investments	\$ 8,290	198,687
Bank commingled trust funds	<u>16,637,841</u>	<u>17,642,447</u>
	16,646,131	17,841,134
Accrued interest, dividends and employee contributions receivable	<u>2,151</u>	<u>1,721</u>
Total assets	16,648,282	17,842,855
Liabilities - administrative and benefit expenses payable	<u>22,249</u>	<u>214,444</u>
Net assets held in trust for pension benefits (a Schedule of Funding Progress is presented on page 8)	<u>\$ 16,626,033</u>	<u>17,628,411</u>

See accompanying notes to financial statements.

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

Statements of Changes in Plan Net Assets

Years ended December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Additions:		
Net investment income:		
Interest and dividends	\$ 9,197	8,023
Security lending (Index fund)	3,993	3,919
Net appreciation (depreciation) in fair value of investments	<u>(354,226)</u>	<u>2,103,724</u>
	(341,036)	2,115,666
Contributions:		
Employer	700,000	800,000
Member	<u>33,799</u>	<u>50,170</u>
	733,799	850,170
Total additions	<u>392,763</u>	<u>2,965,836</u>
Deductions:		
Benefit payments	1,372,891	806,287
Administrative and professional fees	<u>22,250</u>	<u>37,236</u>
	1,395,141	843,523
Total deductions	<u>1,395,141</u>	<u>843,523</u>
Net increase (decrease) in net assets available for benefits	(1,002,378)	2,122,313
Net asset held in trust for pension benefits (a Schedule of Funding Progress is presented on page 8):		
Beginning of year	<u>17,628,411</u>	<u>15,506,098</u>
End of year	<u>\$ 16,626,033</u>	<u>17,628,411</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2000, and 1999

(1) Description of the Plan

(a) General

The Police and Fire Supplemental Pension Plan of the City of Dallas (the plan) is a single-employer, defined benefit pension plan for firefighters and police officers employed by the City of Dallas, Texas (the City or employer) and was created in 1973 to supplement the Dallas Police and Fire Pension System's (the System) Plan B Defined Benefit Pension Plan (Plan B). The Plan B benefit structure was consolidated into the System's Combined Pension Plan in 1992. Former Plan B Members are now denominated as "Group B" Members of the Combined Pension Plan. The intent is to provide additional retirement benefits (as discussed below) to those Members of the plan (Members) holding a rank higher than the highest corresponding civil service rank as provided in the Combined Pension Plan. Members receive a supplemental pension based upon the difference between compensation for the civil service position held before entrance in the Supplemental Plan and Compensation while in the Supplemental Plan. The plan was established and derives its authority from a non-codified City ordinance. As of December 31, 2000, and 1999, the plan membership consisted of:

	<u>2000</u>	<u>1999</u>
Pensioners and qualified survivors currently receiving benefits:		
Firefighters	40	39
Police officers	49	43
Terminated vested Members not yet receiving benefits	<u>—</u>	<u>—</u>
Total	<u>89</u>	<u>82</u>
Current employees:		
Vested:		
Firefighters	17	16
Police officers	23	31
Total	<u>40</u>	<u>47</u>

In 1992, an amendment to Article 6243a-1 was approved by the Members of the Combined Plan allowing for a Deferred Retirement Option Plan (DROP). The amendment automatically modified the Supplemental Plan so Members that enter the DROP program in the Combined Plan also enter the DROP program in the Supplemental Plan. DROP Members have their contribution discontinued but the City's portion of the total contribution continues. The Member's monthly benefit remains in the plan and accumulates interest. Upon retirement from the City, the Member is able to draw from this balance along with the Member's normal benefits. Amounts included in these financial statements related to DROP Members are \$775,991 and \$779,975 for December 31, 2000, and 1999, respectively.

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

Notes to Financial Statements

December 31, 2000, and 1999

(b) Pension Benefits

The 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 Plan benefits are capped due to that plan's definition of considered compensation. Accordingly, when Group B benefits are amended, the 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 holds 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 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 Group B shall be deemed to be application for benefits under the plan and no additional application need be filed.

(c) Contributions

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

Members electing to participate in the plan must contribute 8.5 percent of the excess of their compensation for the rank held over the compensation of the civil service rank held as a result of competitive examinations.

Members are immediately vested in their contributions and with five years of service in the Supplemental Plan or the Combined Plan may, at termination of employment, leave their contributions or deposit with the System 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.

The following table lists required supplementary information related to employer contributions:

<u>Year ended December 31,</u>	<u>Annual required contribution</u>	<u>Percentage contributed</u>
1996	\$ 1,288,492	100%
1997	1,159,376	100
1998	1,030,687	100
1999	800,000	100
2000	700,000	100

The percent contributed may vary from the legally required rate as the 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.

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

Notes to Financial Statements
December 31, 2000, and 1999

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

(d) Plan Administration and Termination

The plan is administered by a Board of Trustees (the Board). Although there has been no expressed intent to do so, in the event the 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.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting. Accordingly, interest earned but not received and dividends declared but not received as of the plan's fiscal year end are recorded as accrued interest and dividends receivable, respectively.

As part of an emphasis to conform financial statement disclosures for employee benefit plans, the Governmental Accounting Standards Board issued Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, which was implemented by the plan in fiscal year 1997. This statement requires greater consistency among all employee benefit plans for the measurement and display of information in the financial statements.

(b) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(c) Investments

The plan's investments policy requires investments comply at all times with applicable local, state and federal regulations. The investments policy is based upon an asset allocation study that considers the current and expected condition of the plan, the expected long-term capital market outlook and the plan's risk tolerance.

Investments are valued at fair value based on quoted market prices. Purchases and sales of securities are recorded on a trade-date basis.

(d) Benefits

Benefits and refunds are recorded in these financial statements when they are due and payable to Members.

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

Notes to Financial Statements
December 31, 2000, and 1999

(e) Cash and Investments

The following shows investments reported at fair value at December 31, 2000, and 1999:

	<u>2000</u>	<u>1999</u>
Short-term investment fund	\$ 8,290	198,687
Commingled index funds	16,637,841	17,642,447
Total	\$ 16,646,131	17,841,134

Amounts invested in the above funds are not categorized in accordance with GASB No. 3 because they are not evidenced by securities that exist in physical or book entry form.

(3) Funding Progress

The actuarial information presented is determined by an actuary from Buck Consultants and is the amount that results from applying various assumptions with regard to termination, disability, retirement, mortality, and the time value of money to the accumulated plan benefits.

The foregoing actuarial assumptions are based on the presumption that the plan will continue. Were the 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 as of January 1, 2001, and 2000 and are not materially different from what they would have been had they been calculated on December 31, 2000, and 1999. The following assumptions are used by the plan's actuary to determine the plan's obligations only, and are not used to calculate the actual plan benefits. These benefits are fully described in the plan's document. The significant assumptions underlying the actuarial calculations at January 1, 2001, and 2000 are as follows:

Actuarially Assumed Investment Rate of Return*	8.50% per annum, compounded annually
Mortality, Retirement, Disability and Separation Rates	Graduated rates detailed in actuary's report
Projected Salary Increases*	Range 4.3 to 10%
Actuarial Cost Method	Entry age normal
Post Retirement Benefit Increases	4% per annum of original pension amount
Asset Valuation	Fair market value
Amortization Method	Open level fixed %
Remaining Amortization Period	5 years

*Includes Inflation Rate of 4%

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

Notes to Financial Statements

December 31, 2000, and 1999

Required supplementary information (**unaudited**) related to the plan's funding progress is as follows (amounts are in thousands):

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
12/31/94	\$ 6,593	\$ 12,682	\$ 6,089	54.4	\$ 549	961.6
12/31/95	8,807	14,020	5,213	62.8	698	746.8
12/31/96	10,490	14,414	3,924	72.8	795	493.6
12/31/97	12,685	15,278	2,593	83.0	852	304.3
12/31/98	15,506	17,106	1,600	90.6	851	188.0
12/31/99	17,628	18,146	518	97.1	934	55.5
12/31/00	16,626	19,566	2,940	85.0	655	448.9

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

(4) Investments

The Board has contracted with investment managers to manage the investment portfolio of the plan, subject to the policies and guidelines established by the Board. The Board has custody agreements with State Street Bank and Trust Company of Boston and, whereby State Street Bank assumes responsibility for the safekeeping of certain investments, handling of transactions based on the instructions of investment managers and accounting for the investment transactions.

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

Notes to Financial Statements

December 31, 2000, and 1999

The plan's investments at December 31, 2000, and 1999 consisted of the following:

	2000		1999	
	Number of shares/units	Fair value	Number of shares/units	Fair value
Investments greater than 5% of net assets, at quoted market value:				
S&P 500 Index Commingled Equity Trust Fund State Street Global Advisors	29,186	\$ 6,576,446	28,456	\$ 7,051,062
Commingled Bond Index Trust Funds State Street Global Advisors	375,294	6,770,300	409,792	6,651,332
Commingled Intercap Equity Index Trust Funds State Street Global Advisors	73,071	3,291,095	75,297	3,940,053
State Street Short-Term Investment Fund	8,290	8,290	198,687	198,687
Total investments		\$ 16,646,131		\$ 17,841,134

For the years ended December 31, 2000, and 1999, the plan's investments, including investments bought, sold, as well as held during the year, appreciated (depreciated) in value as follows:

	2000	1999
Investments, at quoted market value:		
S&P 500 Index Commingled Equity Trust Fund	\$ (615,795)	1,279,455
Commingled Bond Index Trust Fund	752,657	(41,205)
Commingled Intercap Equity Index Trust Fund	(491,088)	865,474
	\$ (354,226)	2,103,724

(5) Federal Income Tax Status

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

Published by the Dallas Police & Fire Pension System, 2301 N. Akard Street, Suite 200, Dallas, Texas 75201. For additional copies or information: 214.638.FUND (3863) 800.638.3861
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