DALLAS POLICE & FIRE PENSION SYSTEM

AN INDEPENDENTLY GOVERNED COMPONENT UNIT OF THE CITY OF DALLAS, TEXAS

Comprehensive Annual Financial Report for the Year Ended December 31, 2014

DALLAS POLICE & FIRE PENSION SYSTEM

Serving those who protect the Dallas community.

Comprehensive Annual Financial Report

For the fiscal year ended December 31, 2014

Kelly Gottschalk

Executive Director

Prepared through the combined efforts of the

Dallas Police & Fire Pension System Staff

Photography Acknowlegement:

Our thanks for photos provided by Stephen Kuo of Stephen Kuo Photography, Cindy Barelas of CFP Photography, Karen Hoskins of Box 4, Jon Freilich of Freilich Creative Services, Jason Evans of Dallas Fire-Rescue, Margarita Argumedo and Monica Cordova of the Dallas Police Department.

Graphic Design:

Katherine Roberts Graphic Design

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Introductory Section

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Kelly Gottschalk
Executive Director

Summer L. Loveland
Chief Financial Officer

Joshua Mond
General Counsel

DALLAS POLICE & FIRE PENSION SYSTEM

September 1, 2015

Board of Trustees
Dallas Police and Fire Pension System
4100 Harry Hines Blvd., Suite 100
Dallas, TX 75219

Dear Trustees and Members:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the Dallas Police and Fire Pension System (DPFP), including the Combined Pension Plan and the Supplemental Police and Fire Pension Plan of the City of Dallas (Supplemental Plan), collectively referred to as the "Plans", for the fiscal year ended December 31, 2014.

The CAFR has five sections: Introductory, Financial, Investment, Actuarial and Statistical. Responsibility for the accuracy of the data, the completeness and fairness of the presentation, including all disclosures, rests with DPFP management.

Management is responsible for establishing a system of internal controls to safeguard assets. BDO USA, LLP (BDO) audited the accompanying basic financial statements and related disclosures. The financial statement audit provides reasonable assurance that DPFP's financial statements are presented in conformity with accounting principles generally accepted in the United States of America and are free from material misstatement.

The financial statements include a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. MD&A can be found immediately following the independent auditor's report in the Financial Section.

Profile of DPFP

DPFP is an independently governed component unit of the City of Dallas and serves to provide retirement, death and disability benefits to police officers and firefighters employed by the City. DPFP is a single employer contributory defined benefit plan. The general terms "police officers" and "firefighters" also include fire and rescue operators, fire alarm operators, fire inspectors, apprentice police officers, and apprentice firefighters.

4100 Harry Hines Blvd. • Suite 100 • Dallas, TX 75219
Phone 214.638.3863 • 800.638.3861 • Fax 214.638.6403
website: www.dpfp.org • email: info@dpfp.org

A retirement plan for Dallas police officers and firefighters was first created in 1916 by City of Dallas ordinance. In 1933, the 43rd Legislature enacted 6243a, Vernon's Texas Civil Service Statutes, establishing DPFP in statutes. DPFP was restated and continued in 1989 by an Act of the 71st Legislature under Article 6243a-1. This plan is referred to as the Combined Pension Plan. At December 31, 2014 there were 9,712 members and beneficiaries in the Combined Plan.

The Supplemental Plan was created by City ordinance in 1973. The intent of the Supplemental Plan is to provide additional retirement benefits to those members holding a rank higher than the highest corresponding civil service rank as provided in the Combined Pension Plan. At December 31, 2014 there were 161 members and beneficiaries in the Supplemental Plan.

The assets of the Combined Pension Plan and the Supplemental Plan are co-invested through a Group Master Trust. Administrative expenses of DPFP are allocated on a pro-rata share based on the assets of each plan.

2014 Financial Results

The Plans' net position decreased by $263 million in 2014 driven primarily by declines in private equity and real estate investments, the majority of which were reported by investment managers for the fourth quarter and will therefore be reflected in the rate of return provided by NEPC for fiscal year 2015 as a result of the one quarter lag for non-public investments as discussed below under Investment Return Reporting Methodology Change. Private equity performance was impacted negatively by exposure to the energy sector for a second consecutive year, as well as changes in estimates of enterprise value of certain business ventures and declines in estimated fair values of underlying development stage real estate holdings. The real assets portfolio was significantly adversely impacted by declines in fair value estimates of certain real estate assets due to specific market conditions impacting such properties in the current year. Additional information on financial results is provided in the Financial and Investment sections. The Investment Consultant's Report in the Investment section provides additional economic information and the rate of the return calculation for 2014.

Major Initiatives and Significant Events

Beginning in 2014 and continuing through the date of this report, DPFP has been in a state of significant transition. In July 2015, the actuarial consultant provided information to the Board based on their latest analysis, reporting that plan assets are not projected to be sufficient to meet the long term obligations of the Plans. The revised outlook is based on a reduction in the valuation of certain real estate and other investments and recognition that the investments are not expected to earn the rate of return previously projected. Additional information on these changes is included in MD&A and the Notes to Financial Statements in the Financial section, as well as the Investment and Actuarial sections of this report.

Significant progress has been made and continues to be made relative to the assessment of the assets and liabilities of the Plans. My immediate focus, working with a special Sub-Committee of the Board, is to evaluate all options and develop a recommendation to the full Board about the best approach to solve the projected funding gap. Following are some of the major initiatives and significant events from 2014 and year-to-date 2015.

Plan Amendment Changes

In October 2014, the DPFP members voted to amend the Combined Pension Plan provisions. Such changes went into effect January 1, 2015. According to the actuarial valuation report, the plan amendment changes resulted in an actuarial gain of $185 million, however, this gain was offset by losses from asset experience and the impact of the rate of return assumption change which is discussed below. The plan amendment changes and associated ongoing litigation are discussed in detail in MD&A and the Notes to Financial Statements, as well as the Actuary's Letter from Buck Consultants, LLC (Buck) in the Actuarial section of this report.

Rate of Return Assumption

In July 2015, the Board voted to lower the actuarial rate of return assumption from 8.5% to 7.25%. This reduction is reflected in the actuarial valuation as of January 1, 2015. The reduction acknowledges a lower expectation of long-term capital market returns, largely due to lower inflation expectations. The rate of return assumption of 8.5% included a 4% inflation factor which was lowered to 2.75% as of January 1, 2015. The lower rate of return assumption also acknowledges the fact that recent returns have failed to meet expectations and that certain real assets are expected to continue to limit the returns on the portfolio in the near term.

As a result of the rate of return assumption change and declines in asset values recognized in 2014, the actuarial funded ratio of the Combined Pension Plan declined from 75.6% in the prior year to 63.8% as of January 1, 2015. Both the employee and the employer contributions are set by statute at 8.5% and 27.5%, respectively, therefore lowering the rate of return assumption did not change the contribution rates for the Combined Pension Plan. The funding period increased from 26 years in the prior year to an infinite period as of January 1, 2015.

The actuarial funded ratio of the Supplemental Plan declined from 62.0% in the prior year to 51.2% as of January 1, 2015 due to the reduction of the rate of return assumption and the decline in asset values. The employee contribution rate is fixed at 8.5%. The employer contribution is determined by the actuarial valuation and will increase from $1.8 million in 2015 to $2.4 million in 2016.

Additional information is available in the Actuary's Letter from Buck in the Actuarial section, as well as in MD&A and the Notes to Financial Statements in the Financial section of this report.

Real Estate Portfolio

In August 2014, the Board initiated a real estate portfolio reallocation process that looked to more broadly diversify the investment manager base and add third party fiduciary management of separate account and direct investment real estate assets where an investment manager was previously not in place. The reallocation process resulted in the transfer of over $500 million in DPFP real estate investments to four new investment managers during 2015.

The Real Estate Strategic Allocation Plan (Strategic Allocation Plan) was adopted by the Board in 2014. The Strategic Allocation Plan better defines the investment objectives and parameters of the real estate portfolio, while addressing the challenge of reducing the real estate portfolio to the target allocation of 15% without sacrificing the ability to make selective and strategic new investments in core real estate funds.

Executive Staff Changes

During 2014 and 2015, the executive staff has had significant turnover. The former Administrator and former Chief Financial Officer (CFO) left the organization in 2014. The Assistant Administrator working with Investments retired in 2015. The CFO was a planned retirement and DPFP had hired Summer Loveland to transition into that position in late 2013. The former Assistant Administrator-Operations, Don Rohan, served as Interim Administrator while the search for the Executive Director was conducted. Mr. Rohan retired, as planned, two months after the Executive Director start date. I assumed the role of Executive Director (the position formerly titled Administrator) on April 15, 2015. In 2015, the Board made the decision to add a Chief Investment Officer (CIO) position which will report to the Executive Director. We have completed the hiring process and the CIO will begin work in September 2015.

Investment Return Reporting Methodology Change

The Board adopted a change in the methodology used to calculate the investment return based on the recommendation of DPFP's general investment consultant, NEPC, LLC (NEPC). In 2014, the calculated rate of return was adjusted to incorporate a one quarter lag on market value adjustments for private equity, debt, infrastructure, real estate, timberland and farmland investments. The "lagged with cash flow adjustments" methodology is consistent with standard industry practice which allows for more timely reporting to the Board. Gains and losses on lagged investments which occurred in the fourth quarter are recognized in the following year's rate of return. The net-of-fees, time-weighted investment rate of return for 2014 as calculated by NEPC under the lagged methodology is 4.0%, net of all fees.

Several real estate and energy-related private equity investments declined significantly in value during the fourth quarter of 2014, resulting in a decrease of approximately $271 million between the performance reporting methodology (lagged) and the unlagged net asset values. These fourth quarter 2014 losses will be included in the 2015 performance return figures as determined by NEPC. If there had not been a change to the "lagged with cash flow adjustments" methodology, the fourth quarter losses would have been included in the 2014 performance return and would have effectively lowered it to an approximate loss of 4.2%, net of all fees. Additional information can be found in the Investment section and the Notes to Financial Statements in this report.

GASB Statement Numbers 67 and 68

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25* (GASB No. 67), effective for periods beginning after June 15, 2013 and Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, effective for plan sponsors for the fiscal year beginning after June 15, 2014. The purpose of these statements is to improve the decision-making usefulness of pension information included in the general purpose external financial reports of governmental pension plans and increase transparency, consistency and comparability of pension information across governments. DPFP has implemented GASB No. 67 for the year ended December 31, 2014. The new guidance has shifted financial reporting from a funding-based approach to an accounting-based approach. It is important to note that only the financial reporting has changed; the funding of the pension plan itself remains unchanged.

Audit Firm

DPFP hired BDO to audit the combined financial statements of the Combined Pension Plan and the Supplemental Plan as of and for the year ended December 31, 2014. The change in audit firms was a major undertaking; the prior audit firm had been in place since 2003.

Annual Report

This report, for the first time, is being prepared in accordance with the guidelines established by the Governmental Finance Officers' Association's Certificate of Achievement of Excellence in Financial Reporting program. The goal of the revised annual report is to provide transparency and full disclosure to the Trustees, members, and citizens of Dallas.

Acknowledgements

I would like to take this opportunity to thank the members of DPFP for their support as we continue to progress through a difficult transition. Also, I would like to express my sincere thanks to the Board for its dedicated effort in supporting DPFP and their commitment to making the tough decisions that are required to ensure that benefit obligations are met over the long-term, as promised. Finally, I would like to thank the staff and consultants for their commitment to DPFP and their diligent work to assure DPFP's success and the assistance they have provided me during my transition into the role of Executive Director. Lastly, I would like to expressly recognize the work of Summer Loveland, John Holt and the Investment team for their efforts in transforming this annual report.

Respectfully submitted,

Kelly Gottschalk
Executive Director

Board of Trustees

(As of September 1, 2015)

The DPFP plan document establishes the makeup and the role of the Board of Trustees. The Board is responsible for the administration of DPFP and investment of the assets of the Combined Pension Plan and Supplemental Police and Fire Pension Plan of the City of Dallas.

The Board consists of twelve trustees who are selected as follows:

- The City Council names from among its members, four Trustees. The City Council Trustees are to serve for the term of office to which they were elected as Council members.
- Six Trustees are elected by the members. The police and fire-rescue department members of DPFP who are on active service separately, by department, elect from among their respective departments three active police officer and three active firefighter members. Active police and fire Trustees serve four-year staggered terms.
- The remaining two Trustees are elected by the pensioners. One Trustee is a pensioner who has retired from the police department and the other Trustee is a pensioner who has retired from the fire-rescue department.The pensioner Trustees serve terms of four years.

The Board serves without compensation and meets not less than once each month. Seven Trustees of the Board constitute a quorum at any meeting.

Samuel L. Friar
Fire-Rescue Department
Chairman
Term: Feb. 2011 - June 2017

Lee Kleinman
City Council
Vice Chairman
Term: Aug. 2013 - June 2017

Joseph Schutz
Police Department
Deputy Vice Chairman
Term: July 2013 - June 2019

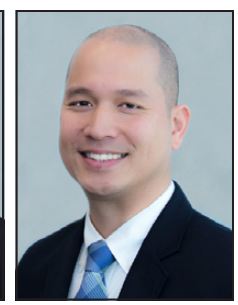
Gerald Brown
Fire-Rescue Pensioner
Term: June 2013 - June 2017
(previous service 1983-2010)

Clint Conway
Fire-Rescue Department
Term: June 2015 - June 2019

Scott Griggs
City Council
Term: Jan. 2012 - June 2017

Ken Haben
Police Department
Term: June 2013 - June 2017

Brian Hass
Fire-Rescue Department
Term: June 2015 - June 2019

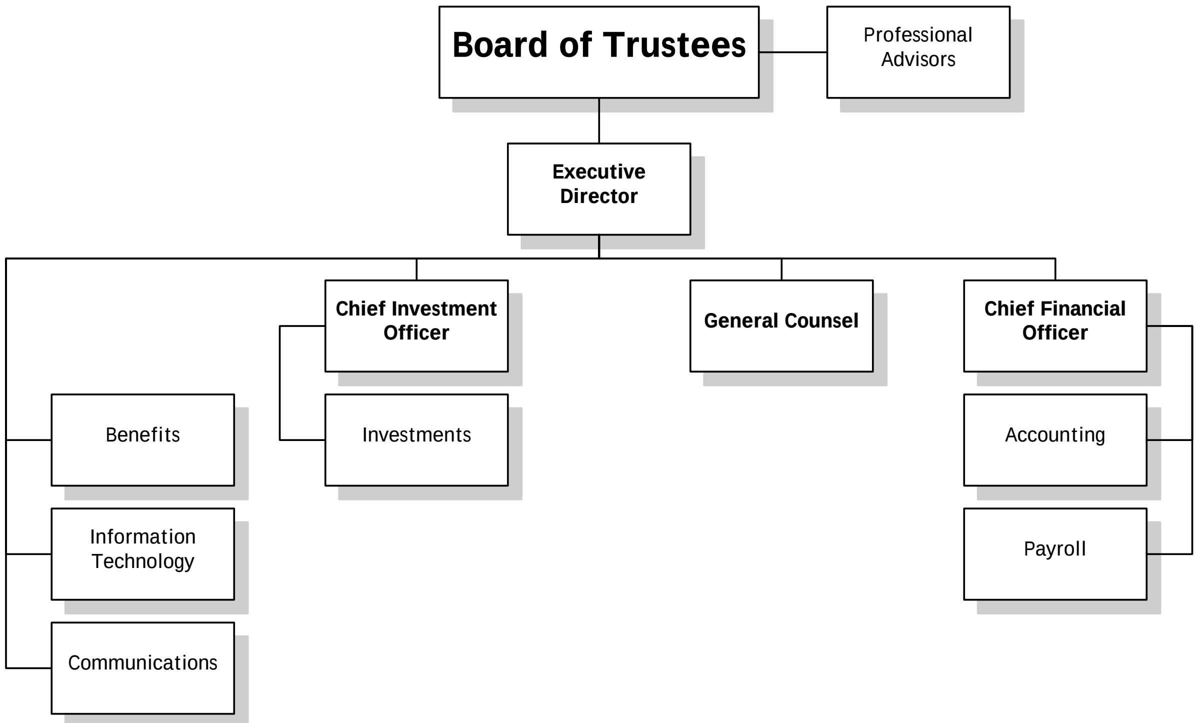


Tho Tang Ho
Police Department
Term: June 2015 - June 2019

Philip T. Kingston
City Council
Term: Aug. 2013 - June 2017

John Mays
Police Pensioner
Term: June 2001 - June 2017
(previous service 1981-2000)

Erik Wilson
City Council
Term: Aug. 2015 - June 2017



Professional Advisors

ACTUARY
Buck Consultants, LLC

AUDITOR
BDO USA, LLP

CUSTODIAN BANK
JPMorgan Chase Bank, N.A.

INVESTMENT ACCOUNTING FIRM
Financial Control Systems, Inc.

INVESTMENT CONSULTANTS
NEPC, LLC
The Townsend Group

INVESTMENT MANAGERS
(See page 73)

LEGAL ADVISOR
Strasburger & Price, LLP

LEGISLATIVE CONSULTANTS
Locke Lord, LLP
HillCo Partners, LLC

Executive Staff

EXECUTIVE DIRECTOR
Kelly Gottschalk

GENERAL COUNSEL
Joshua Mond

CHIEF FINANCIAL OFFICER
Summer Loveland

CHIEF INVESTMENT OFFICER
Vacant

Note: A schedule of investment management fees is provided in the Investment section of this report at page 71.

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Financial Section

BDO

Tel: 214-969-7007
Fax: 214-953-0722
www.bdo.com

700 North Pearl, Suite 2000
Dallas, Texas 75201

Independent Auditor's Report

To the Board of Trustees
Dallas Police and Fire Pension System

Report on the Financial Statements

We have audited the accompanying financial statements of Dallas Police and Fire Pension System (DPFP), as of December 31, 2014, and the related notes to the financial statements, which collectively comprise DPFP's basic financial statements as listed in the table of contents. The financial statements as of and for the year ended December 31, 2013 were audited by other accountants and their report dated August 20, 2014 expressed an unqualified opinion.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of DPFP as of December 31, 2014, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

DPFP has adopted the disclosure requirements of GASB 67, Financial Reporting for Pension Plans in 2014. The provision of the additional disclosure requirements are discussed in Note 4 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying supplementary schedule of Administrative, Investments and Professional Expenses is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsivity of the DPFP management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2015 on our consideration of the Pension System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pension System's internal control over financial reporting and compliance.

BDO USA, LLP

Dallas, Texas
August 14, 2015

Overview

Management's Discussion and Analysis (MD&A) provides an overall review of the financial activities of the Dallas Police and Fire Pension System (DPFP), including the Combined Pension Plan and the Supplemental Police and Fire Pension Plan of the City of Dallas (Supplemental Plan), collectively referred to as the "Plans", for the fiscal years ended December 31, 2014 and 2013. This discussion and analysis is intended to serve as an introduction to the financial statements which reflect the Plans' resources available for payment of benefits and other related expenses. MD&A should be read in conjunction with the combining financial statements, notes to the combining financial statements, required supplementary information and other schedules provided in this report.

Financial Statements

The combining financial statements consist of:

The Combining Statements of Fiduciary Net Position which reflect a snapshot of the Plans' financial position and reflect resources available for the payment of benefits and related expenses at year end. The resulting Net Position (Assets – Liabilities = Net Position) represents the value of the assets held in trust for pension benefits net of liabilities owed as of the financial statement date.

The Combining Statements of Changes in Fiduciary Net Position which reflect the results of all transactions that occurred during the fiscal year and present the additions to and deductions from the net position. Effectively, this presents the changes in plan net position during the fiscal year. If change in net position increased, additions were more than deductions. If change in net position decreased, then additions were less than deductions.

Notes to the Combining Financial Statements which are an integral part of the combining financial statements and include additional information that may be needed to obtain an adequate understanding of the overall financial status of the Plans.

Required Supplementary Information (Unaudited) and additional Supplementary Information provide historical and additional information considered useful in obtaining an overall understanding of the financial position and activities of the Plans.

Financial Highlights

The Plans present the combining financial statements solely on the accounts of the Plans. The accrual basis of accounting is utilized, whereby revenues are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the related liability has been incurred. Investments are reported at fair value.

A summary of the Combined Statements of Fiduciary Net Position of the Plans is as follows (in thousands):

December 31:		2014		2013		2012
Assets						
Investments, at fair value	$	**3,389,263**	$	3,737,002	$	3,707,694
Invested securities lending collateral		**147,070**		174,237		196,324
Receivables		**43,895**		72,913		49,996
Cash and cash equivalents		**32,451**		20,863		16,235
Prepaid expenses		**194**		-		-
Capital assets, net		**12,400**		-		-
Total assets		**3,625,273**		4,005,015		3,970,249
Liabilities						
Notes payable		**345,004**		420,343		442,431
Securities purchased		**32,495**		48,083		39,444
Securities lending obligations		**147,070**		174,237		196,324
Accounts payable and accrued liabilities		**5,104**		3,515		4,423
Total liabilities		**529,673**		646,178		682,622
Net position	$	**3,095,600**	$	3,358,837	$	3,287,627

See accompanying independent auditor's report.

The assets of the Combined Pension Plan and the Supplemental Plan are co-invested through a Group Master Trust (Group Trust). The rate of return on Group Trust investments during 2014 was 4.0% net of fees, compared to a rate of return of 4.4% for 2013 and 11.4% for 2012. The rate of return is provided by NEPC, LLC (NEPC), DPFP's general investment consultant. The rate of return calculation for 2014 was prepared using a time-weighted rate of return in accordance with the CFA Institute's Global Investment Performance Standards and, as such, cannot be recalculated from the information provided herein. In 2014, the methodology used by NEPC to calculate the rate of return was adjusted to incorporate a one quarter lag on market value adjustments for private equity, debt, and real assets investments. This "lagged with cash flow adjustments" methodology, which was recommended by NEPC, is consistent with standard industry practice and allows for more timely reporting to the Board of Trustees. Gains and losses on lagged investments which occurred in the fourth quarter are recognized in the following year's rate of return.

The Plans' net position decreased by $263 million in 2014 driven primarily by declines in private equity and real estate investments, the majority of which were reported by investment managers for the fourth quarter and will therefore be reflected in the rate of return provided by NEPC for fiscal year 2015 as a result of the one quarter lag for non-public investments as discussed above. Private equity performance was impacted negatively by exposure to the energy sector for a second consecutive year, as well as changes in estimates of enterprise value of certain business ventures and declines in estimated fair values of underlying development stage real estate holdings. The real assets portfolio was significantly adversely impacted by declines in fair value estimates of certain real estate assets due to specific market conditions impacting such properties in the current year. In contrast to most real estate indices, DPFP's real estate portfolio is weighted more heavily toward assets in the developmental stage. Global equities continued to be led by the US in 2014, while conditions for companies in Europe remained challenging. In a volatile, but generally upward-trending environment for US interest rates, DPFP's global fixed income portfolio outperformed its benchmark, the Barclays Global Aggregate Index. During 2014, DPFP's global asset allocation (GAA) portfolio experienced gains from nominal interest rates and equities which more than offset losses incurred in commodities. The global natural resources portfolio was also affected adversely by the sharp decline in oil prices. As in 2013, the global infrastructure portfolio performed as expected since many of the assets remain in the developmental stage. Other factors impacting the global economy in 2014 included a declining unemployment rate, the Bank of Japan surprisingly increasing its target of asset purchase, the European Central bank loosening monetary policy, and the Federal Reserve bringing an end to its quantitative easing program in December without significant market volatility. The outperformance of the US economy and the end of quantitative easing helped lift the US stock markets to new highs in 2014, trumping problems overseas.

The Plans' net position increased $71.2 million in 2013, aided by strong performance in public equities and fixed income, however performance was negatively impacted by losses in real assets which were the result of the depressed value of land holdings. In addition, the private equity portfolio felt the impact of lower oil prices at year end which adversely affected energy investments. The global infrastructure portfolio is young in nature and several of the assets were in development and under construction at year end. In 2013, the GAA portfolio underperformed compared to its benchmark primarily as a result of the decline in commodities. Investments related to oil and gas dragged the performance down for the global natural resources portfolio; however gains in timber and agricultural investments contributed to a positive return for the global natural resources asset class.

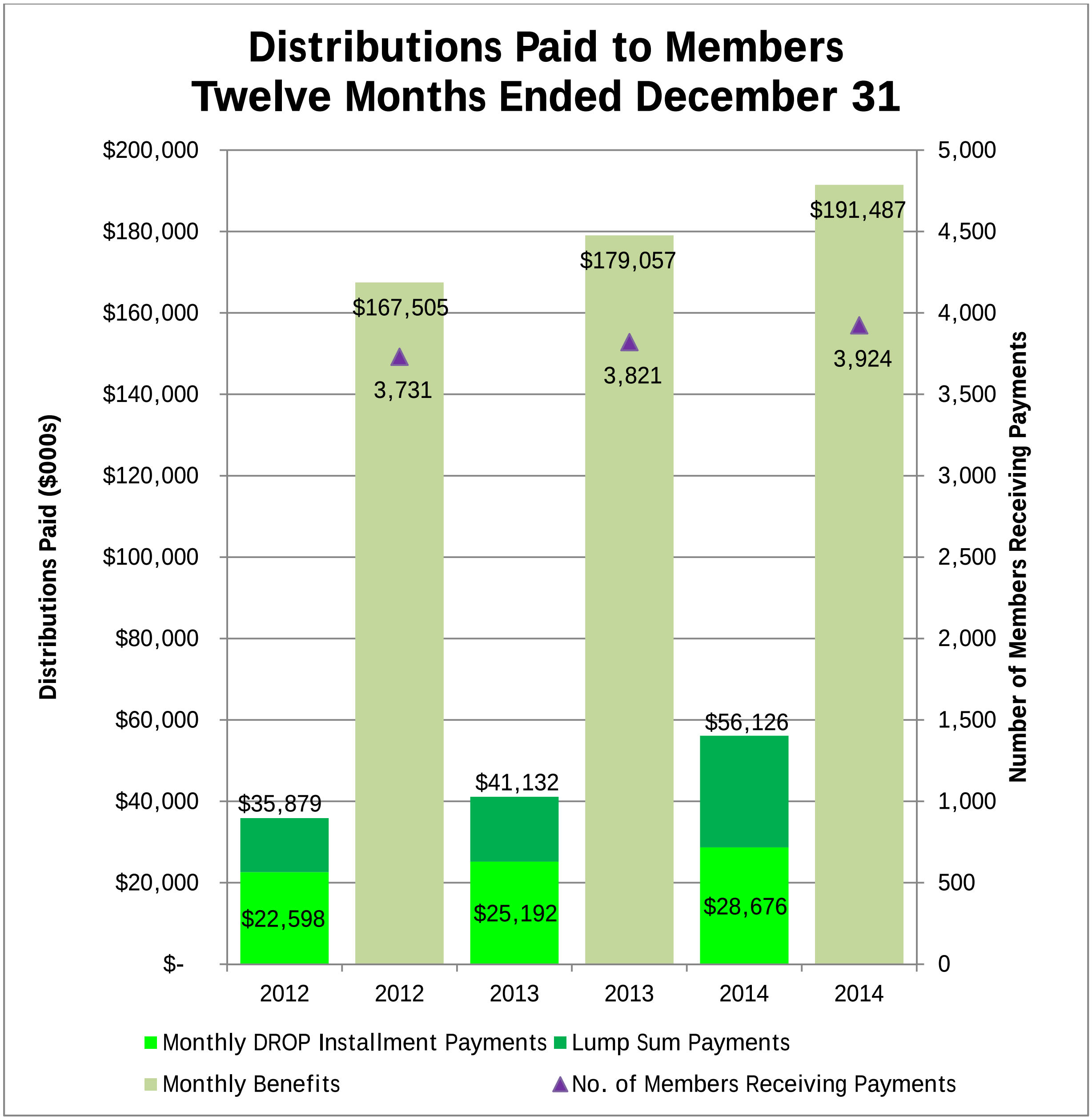
Changes in receivables are primarily a result of the timing of investments transactions. As of December 31, 2014, DPFP's office building and related land are classified as capital assets. Prior to December 31, 2014, the building and land were held by a limited liability investment in which DPFP is the sole member. The transfer of the building and land to DPFP at fair value of $12.4 million resulted in an increase in capital assets which was offset by an equal reduction in investment assets. For additional discussion regarding capital assets, see Note 8 of the accompanying financial statements. Notes payable has decreased as a result of a reduction in amounts drawn on agreements with Bank of America, N.A., as well as payment in full of the revolving lines of credit with Texas Capital Bank, N.A. and BBVA Compass. For further discussion regarding debt transactions, see Note 6 of the accompanying financial statements.

A summary of the Combined Statements of Changes in Fiduciary Net Position of the Plans is as follows (in thousands):

As of December 31:	2014	2013	2012
Contributions:			
City	$ 111,609	$ 108,010	$ 105,888
Members	29,382	26,272	22,773
Total contributions	140,991	134,282	128,661
Net income (loss) from investing activities	(140,039)	170,604	339,894
Net income from securities lending activities	628	781	718
Total additions	1,580	305,667	469,273
Deductions:			
Benefits paid to members	247,613	220,189	203,384
Refunds to members	1,733	900	1,535
Interest expense	7,412	5,903	6,343
Professional and administrative expenses	8,059	7,465	5,991
Total deductions	264,817	234,457	217,253
Net increase (decrease) in net position	(263,237)	71,210	252,020
Net position			
Beginning of period	3,358,837	3,287,627	3,035,607
End of period	$ 3,095,600	$ 3,358,837	$ 3,287,627

Member contributions are 8.5% of active members' base pay rate plus education and longevity pay (Computation Pay). The increases in member contributions from 2012 through 2014 are the result of a change to the Plans which became effective in 2011. This change required members in active service who participate in DPFP's Deferred Retirement Option Plan (DROP) to pay pension contributions while in DROP. The contribution rate increased from 3% of Computation Pay beginning with the first pay period ended after October 1, 2011, to 6% of Computation Pay beginning with the first pay period ended after October 1, 2012, and increased from 6% to 8.5% of Computation Pay with the first pay period ended after October 1, 2013. See further discussion below regarding amendments to the Combined Pension Plan as a result of a member election held in 2014 which reduced member contributions for active DROP participants effective in 2015. City contributions represent 27.5% of total salary and wages of covered members in the Combined Pension Plan. The City is required by ordinance to contribute amounts, as determined by an actuary, necessary to maintain the Supplemental Plan.

Distributions to members consist of lump sum payments and monthly payments of retirement, disability, and survivor benefits, as well as monthly installment payments of DROP balances. The chart below compares the components of distributions paid to members for the years ended December 31, 2014, 2013, and 2012.



Benefits paid in 2014 increased $27.4 million or 12.5% over 2013, compared to an increase of $16.8 million or 8.3% between 2012 and 2013. For each year, the increase in benefit payments resulted from an increase in the number of benefit recipients, post retirement increases to base benefits, and an increase in distributions from DROP. The increase in 2014 consists of a $12.4 million increase in monthly benefits and a $15.0 million increase in lump sum payments compared to an $11.5 million increase in monthly benefits and a $5.3 million increase in lump sum payments in 2013. The increase in monthly benefits includes an increase in monthly DROP installment payments of $3.5 million in 2014 compared to an increase of $2.6 million in 2013. Average monthly benefit payments were $16.0 million and $14.9 million per month for 2014 and 2013, respectively. The increase of average monthly benefit payments in 2014 of approximately $1 million was slightly greater than the increase of $963 thousand experienced in 2013 as the number of members and survivors who are receiving benefits increased by 103 in 2014 compared to an increase of 90 in 2013.The larger increase in lump sum payments in 2014 is presumed to be due to an increase in DROP withdrawals made in anticipation of proposed amendments to the DROP program which were voted on by the members in October-November 2014 (see further discussion below). The total DROP account balance was $ 1.42 billion and $1.30 billion at December 31, 2014 and 2013, respectively.

The cost of administering the benefit programs of the Plans, including administrative costs and professional fees, increased $594 thousand in 2014 compared to an increase of $1.5 million in 2013. The increase in 2014 is primarily related to increased professional service fees and staff compensation related to the departure of the former Administrator, slightly offset by a decrease in legal expenses. The primary drivers for the increase in 2013 were increases in legal expenses and staff incentive compensation over the prior year. A pro rata share of the total expenses of the Plans is allocated to the Combined Pension Plan and the Supplemental Plan according to the ratio of Combined Pension Plan and Supplemental Plan investment assets to the total investment assets of the Group Trust. Any expenses specific to either the Combined Pension Plan or the Supplemental Plan are charged directly as a reduction of such plan's net position.

Funding Overview

DPFP contracted with Buck Consultants to conduct actuarial valuations to determine the funding position of the Plans as of January 1, 2015. As a result of the previously mentioned material declines in private equity and real estate investments recognized in 2013 and 2014, as well as changes in long-term capital market return assumptions, in July 2015, the Board of Trustees elected to lower the actuarial assumed rate of return from 8.5% to 7.25% for the actuarial valuation performed as of January 1, 2015. With recent returns failing to meet expectations, and the recognition that certain real assets are expected to fall short of benchmark returns in the near term, the Board determined that a significant decrease in the assumed rate was warranted. As a result, the Combined Pension Plan's funded ratio declined significantly to 63.8% from 75.6% in the prior year, while the Supplemental Plan's funded ratio decreased to 51.2% compared to 62.0% in the prior year. These funded ratios represent unfunded actuarial accrued liabilities of $2.10 billion for the Combined Pension Plan and $20.47 million for the Supplemental Plan as of January 1, 2015, compared to unfunded actuarial accrued liabilities of $1.25 billion for the Combined Pension Plan and $14.70 million for the Supplemental Plan as of January 1, 2014.

A key measure of funding status is the funding period. This is the length of time in years needed to amortize the current unfunded actuarial accrued liability based on the current contribution rate. As of January 1, 2015, as a result of the declines in portfolio value and the drop in the assumed rate of return to 7.25%, the Combined Pension Plan's funding period significantly increased from 26 years to an infinite period. In addition, a change in methodology for calculating the funding period was approved by the Board of Trustees as a result of an actuarial audit performed during 2014. This change in methodology contributed to the increase in the funding period by 11 years. The normal cost rate used to calculate the funding period at January 1, 2014 was determined using the entry age normal cost for the benefits available to members hired after February 28, 2011. In the January 1, 2015 valuation, the normal cost rate calculation was changed to use the weighted-average entry age normal cost rate for all three tiers of benefits available to members as of the valuation date. These increases in the funding period were slightly offset by a decrease due to plan amendment changes discussed below which became effective in 2015. The impact of the plan amendment changes decreased the funding period by 13 years.

The City contribution rate required to pay the normal cost and to amortize the unfunded actuarial accrued liability over a 30-year period is currently 42.0% of payroll. This compares to the City's actual contribution rate of 27.5% of payroll and the 30-year funding cost in the prior year of 29.0% of payroll. The significant increase is the result of the decline in portfolio value and the decrease in the assumed rate of return.

In preparing the valuations, the actuary uses a smoothing process over a rolling ten-year period of investment data to remove year-to-year volatility in asset returns. This smoothing period was changed as of the January 1, 2013 valuation date from five years to ten years.

To address concerns regarding the growing balance of the DROP liability, plan amendments were proposed by the Board of Trustees and voted on by the members in late 2014 as mentioned above. The Board of Trustees approved the implementation of the plan amendments in April 2015 to be effective January 1, 2015. The plan amendments included the following significant changes:

- The interest rate earned on balances in DROP accounts will be reduced to 7% effective October 1, 2015, 6% effective October 1, 2016, and 5% effective October 1, 2017. Effective October 1, 2018, further reductions to the interest rate could be made based on the Combined Pension Plan's funded ratio and cumulative DROP loss situation.

  For any year ending on or after December 31, 2017, if the Combined Pension Plan has credited more interest to the DROP program than has been earned on DROP account assets since inception of the DROP program, and the funded ratio drops below 65%, the following thresholds would be utilized to further reduce the DROP interest rate:

  - Funded ratio falls below 65% - DROP interest is reduced to 4% the following October 1;
  - Funded ratio falls below 60% - DROP interest is reduced to 3% the following October 1;
  - Funded ratio falls below 55% - DROP interest is reduced to 0% the following October 1.

- The contribution rate for members participating in DROP was reduced from 8.5% to 4.0% the first pay period ending after December 31, 2014.
- The vesting requirement for members hired after February 28, 2011 was reduced from 20 years to 10 years.
- The DROP accounts of members hired after February 28, 2011 are subject to earning interest, following the above noted thresholds.
- DROP members and surviving spouse beneficiaries, upon attaining age 70 ½, are required to take a distribution from DROP each year until the DROP account is paid out, spread over a period of less than 10 years.

Governmental Accounting Standards Board Statement No. 67 (GASB No. 67) requires disclosure of the Net Pension Liability (NPL). The NPL is the difference between the Total Pension Liability (TPL) and the market value of assets. GASB No. 67 requires the determination for the TPL using the individual entry age method, level percent of pay actuarial cost method and a discounted rate. Information about whether the Plans' net positions are increasing or decreasing over time relative to the TPL is provided in the accompanying Schedule of Changes in the Net Pension Liability and Related Ratios.

Contacting DPFP's Financial Management

This financial report is designed to provide members and other users with a general overview of DPFP's finances and present the Plans' accountability for the funding received. If you have questions about this report, you may contact the Executive Director of the Dallas Police and Fire Pension System at 4100 Harry Hines Boulevard, Suite 100, Dallas, Texas 75219, or by phone at 214-638-3863.

December 31,	2014 Dallas Police and Fire Pension System	2014 Supplemental Police and Fire Pension Plan of the City of Dallas	2014 Total	2013 Dallas Police and Fire Pension System	2013 Supplemental Police and Fire Pension Plan of the City of Dallas	2013 Total
Assets						
Investments, at fair value						
Short-term investments	$ 35,989,320	$ 251,027	$ 36,240,347	$ 34,832,845	$ 248,984	$ 35,081,829
Fixed income securities	470,501,965	3,281,776	473,783,741	463,154,371	3,310,614	466,464,985
Equity securities	698,196,979	4,869,960	703,066,939	895,016,046	6,397,549	901,413,595
Real assets	1,219,863,725	8,508,613	1,228,372,338	1,409,642,094	9,848,656	1,419,490,750
Private equity	545,237,254	3,803,058	549,040,312	530,174,936	3,789,675	533,964,611
Alternative investments	396,006,606	2,762,167	398,768,773	377,641,439	2,699,370	380,340,809
Forward currency contracts	(8,671)	(61)	(8,732)	243,367	1,740	245,107
Total investments	3,365,787,178	23,476,540	3,389,263,718	3,710,705,098	26,296,588	3,737,001,686
Invested securities lending collateral	146,050,850	1,018,712	147,069,562	173,000,245	1,236,601	174,236,846
Receivables						
City	4,546,842	-	4,546,842	4,076,582	-	4,076,582
Members	1,213,233	2,081	1,215,314	1,096,875	1,544	1,098,419
Interest and dividends	6,051,429	42,209	6,093,638	6,766,047	48,364	6,814,411
Investment sales proceeds	31,699,026	221,102	31,920,128	60,490,830	432,386	60,923,216
Other receivables	117,871	822	118,693	-	-	-
Total receivables	43,628,401	266,214	43,894,615	72,430,334	482,294	72,912,628
Cash and cash equivalents	32,226,308	224,780	32,451,088	20,715,190	148,070	20,863,260
Prepaid expenses	192,594	1,343	193,937	-	-	-
Capital assets, net	12,314,108	85,892	12,400,000	-	-	-
Total assets	3,600,199,439	25,073,481	3,625,272,920	3,976,850,867	28,163,553	4,005,014,420
Liabilities						
Notes payable	342,614,725	2,389,756	345,004,481	417,359,737	2,983,276	420,343,013
Payables						
Securities purchased	32,269,427	225,081	32,494,508	47,741,482	341,255	48,082,737
Securities lending obligations	146,050,850	1,018,712	147,069,562	173,000,245	1,236,601	174,236,846
Accounts payable and other accrued liabilities	5,068,971	35,356	5,104,327	3,489,970	24,944	3,514,914
Total liabilities	526,003,973	3,668,905	529,672,878	641,591,434	4,586,076	646,177,510
Net Position						
Net investment in capital assets	12,314,108	85,892	12,400,000	-	-	-
Unrestricted	3,061,881,358	21,318,684	3,083,200,042	3,335,259,433	23,577,477	3,358,836,910
Net position held in trust - restricted for pension benefits	$ 3,074,195,466	$ 21,404,576	$ 3,095,600,042	$ 3,335,259,433	$ 23,577,477	$ 3,358,836,910

See accompanying independent auditor's report and notes to financial statements.

Years ended December 31,	2014 Dallas Police and Fire Pension System	2014 Supplemental Police and Fire Pension Plan of the City of Dallas	2014 Total	2013 Dallas Police and Fire Pension System	2013 Supplemental Police and Fire Pension Plan of the City of Dallas	2013 Total
Contributions						
City	$ 109,791,512	$ 1,817,136	$ 111,608,648	$ 106,074,335	$ 1,935,588	$ 108,009,923
Members	29,333,112	49,104	29,382,216	26,238,269	34,241	26,272,510
Total contributions	139,124,624	1,866,240	140,990,864	132,312,604	1,969,829	134,282,433
Investment income						
Net appreciation (depreciation) in fair value of investments	(222,113,423)	(1,097,953)	(223,211,376)	93,509,283	666,093	94,175,376
Interest and dividends	93,839,209	654,533	94,493,742	85,915,687	614,123	86,529,810
Total gross investment income (loss)	(128,274,214)	(443,420)	(128,717,634)	179,424,970	1,280,216	180,705,186
less: Investment expense	(11,242,372)	(78,416)	(11,320,788)	(10,029,756)	(71,692)	(10,101,448)
Net investment income (loss)	(139,516,586)	(521,836)	(140,038,422)	169,395,214	1,208,524	170,603,738
Securities lending income						
Securities lending income	831,359	5,799	837,158	1,054,323	7,536	1,061,859
Securities lending expense	(207,804)	(1,449)	(209,253)	(278,721)	(1,992)	(280,713)
Net securities lending income	623,555	4,350	627,905	775,602	5,544	781,146
Total additions	231,593	1,348,754	1,580,347	302,483,420	3,183,897	305,667,317
Deductions						
Benefits paid to members	244,198,722	3,414,491	247,613,213	217,981,646	2,207,338	220,188,984
Refunds to members	1,732,907	-	1,732,907	900,244	-	900,244
Interest expense	7,360,955	51,343	7,412,298	5,861,065	41,895	5,902,960
Professional and administrative expenses	8,002,976	55,821	8,058,797	7,412,116	52,982	7,465,098
Total deductions	261,295,560	3,521,655	264,817,215	232,155,071	2,302,215	234,457,286
Net increase (decrease) in net position	(261,063,967)	(2,172,901)	(263,236,868)	70,328,349	881,682	71,210,031
Net position						
Beginning of period	3,335,259,433	23,577,477	3,358,836,910	3,264,931,084	22,695,795	3,287,626,879
End of period	$ 3,074,195,466	$ 21,404,576	$ 3,095,600,042	$ 3,335,259,433	$ 23,577,477	$ 3,358,836,910

See accompanying independent auditor's report and notes to financial statements.

1. Organization

General

The Dallas Police and Fire Pension System (DPFP) is an independently governed component unit of the City of Dallas (City or Employer) and serves as a single-employer pension and retirement fund for police officers and firefighters employed by the City. The general terms "police officers" and "firefighters" also include fire and rescue operators, fire alarm operators, fire inspectors, apprentice police officers, and apprentice firefighters. DPFP is comprised of a single defined benefit pension plan (Combined Pension Plan) designed to provide retirement, death, and disability benefits for firefighters and police officers (members). DPFP was originally established under former Article 6243a of the Revised Civil Statutes of Texas, and since 1989, derives its authority to continue in operation under the provisions of Article 6243a-1 of the Revised Civil Statutes of Texas (the Governing Statute). All active police officers and firefighters employed by the City are required to participate in the Combined Pension Plan.

The Supplemental Police and Fire Pension Plan of the City of Dallas (Supplemental Plan) was created in 1973 to supplement DPFP's Plan B Defined Benefit Pension Plan (Plan B). The Combined Pension Plan and Supplemental Plan are collectively referred to as the "Plans". Former Plan B members are now denominated as "Group B" members of the Combined Pension Plan. The intent of the Supplemental Plan is to provide additional retirement benefits to those members of the Supplemental Plan 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 into the Supplemental Plan and compensation while in the Supplemental Plan. The Supplemental Plan was established and derives its authority from a non-codified City ordinance.

As of December 31, 2014 and 2013, the Combined Pension Plan's membership consisted of:

	2014	2013
Retirees and beneficiaries:		
Firefighters	**1,684**	1,627
Police officers	**2,385**	2,263
Terminated vested members not yet receiving benefits	**157**	122
Total non-active members	**4,226**	4,012
Active members:		
Vested:		
Firefighters	**1,479**	1,445
Police officers	**2,837**	2,738
Total vested active members	**4,316**	4,183

Non-vested:		
Firefighters	**456**	446
Police officers	**714**	768
Total non-vested active members	**1,170**	1,214
Total active members	**5,486**	5,397

As of December 31, 2014 and 2013, the Supplemental Plan's membership consisted of:

	2014	2013
Retirees and beneficiaries:		
Firefighters	**50**	52
Police officers	**71**	68
Total non-active members	**121**	120
Active members:		
Vested:		
Firefighters	**14**	14
Police officers	**26**	24
Total active members	**40**	38

Benefits

Members hired by the City before March 1, 1973 are Group A members of the Combined Pension Plan. All members hired on or after March 1, 1973 are Group B members of the Combined Pension Plan.

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

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

- Members with 20 years or more of pension service are entitled to normal monthly pension benefits beginning at age 55 equal to 3% of their base pay computed as noted in the prior paragraph for each year, with a maximum of 32 years. In addition, a member receives 50% of the longevity pay and 1/24th of any City service incentive pay the member was receiving either at the time he or she left active service with the City or the effective date the member joined DROP. Pension benefit payments are increased annually on October 1 by 4%

of the initial benefit amount. Members who meet the service prerequisite may elect to take early retirement at age 50 with reduced pension benefits.

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

- Members who began membership before March 1, 2011 with five or more years of pension service are entitled to monthly pension benefits beginning at age 50 equal to 3% of the member's average Computation Pay determined over the highest 36 consecutive months of Computation Pay, multiplied by the number of years of pension service, up to a maximum of 32 years. Certain members who meet the service prerequisite may elect to take early retirement with reduced benefits starting at age 45.

- Members who began membership after February 28, 2011 are entitled to monthly pension benefits after accruing 10 years of service and the attainment of age 55. Pension benefits are equal to the member's average Computation Pay determined over the highest 60 consecutive months of Computation Pay, multiplied by 2% for the first 20 years of service, 2.5% for the next five years of service and 3% for years of service in excess of 25 years and multiplied by the number of years of pension service. The member shall not accrue a monthly pension that exceeds 90% of the member's average Computation Pay.

The Computation Pay includes civil service pay for the highest rank attained by competitive exam and any educational incentive, longevity or City service incentive pay. A Group B member who has accrued 20 or more years of pension service and who has been on active service at any time on or after January 1, 1999 may take a pension benefit regardless of age except that the percent multiplier would be based on the member's age at the time of applying for the pension. Group B benefits for members hired before January 1, 2007 are increased each October 1 by 4% of the initial benefit amount. Group B benefits for members hired on or after January 1, 2007 are subject to an ad hoc increase as approved by the Board of Trustees, not to exceed 4% of the initial benefit amount.

Additional benefits available under the Combined Pension Plan are as follows:

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

- Service-connected disability benefits are available for members who become disabled during the performance of their duties from the first day of employment. Members receiving service-connected disability benefits are given credit for the greater of actual pension service or 20 years of pension service. The benefit is equal to 60% of the average of the highest 36 consecutive months of Computation Pay. However, if a member has more than 20 years of service, the benefit is calculated in the same manner as their service retirement pension. Members determined to be eligible for a non service-connected disability benefit are entitled to a benefit of 3% times the average of the highest 36 consecutive months of Computation Pay times 10 years of pension service. If the member has fewer than 36 months of service, the benefit is based on the average of Computation Pay during their entire pension service.

- Members who are eligible to retire are allowed to enter the DROP program which is an optional method of accruing pension account balances. The accumulated balance in the member's DROP account is equal to an amount calculated as if the member's monthly benefit, employee contributions, and an interest component had been deposited in a separate account in the member's name during their participation in DROP. See below, under Contributions, for discussion of required DROP contributions. Upon retirement from the City, the member is able to withdraw amounts from their DROP account along with receiving normal pension benefits. The total DROP account balance for the Combined Pension Plan was $1.41 billion and $1.29 billion at December 31, 2014 and 2013, respectively.

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

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

Members of the Supplemental Plan who enter the DROP program in the Combined Pension Plan also enter the DROP program in the Supplemental Plan. The total balance related to Supplemental Plan DROP members was $10.4 million and $10.6 million at December 31, 2014 and 2013, respectively.

Death benefits are available to a surviving spouse, dependent children, handicapped children, or dependent parents in the event of the death of a member either after disability or service retirement, or prior to retirement.

Members retiring with 20 years of pension service or who are receiving a service-connected disability benefit are eligible to receive a benefit supplement upon reaching age 55. The supplement amount is 3% of the member's monthly benefit, with a minimum of $75 per month.

Contributions

As a condition of participation, Group A members contribute to the Combined Pension Plan 6.5% of their base pay, as defined in the Combined Pension Plan's plan document. However, during 2014 and 2013, no member elected contribution under Group A. Group B members are required to contribute to the Combined Pension Plan 8.5% of their Computation Pay, as defined in the Combined Pension Plan's plan document. Article 6243a-1 of the Revised Civil Statutes of Texas requires the City to make contributions of 27.5% of total wages and salaries as defined in the Combined Pension Plan's plan document, in accordance with schedules contained in the plan document.

The City is required by ordinance to contribute amounts, as determined by an actuary, necessary to maintain the Supplemental Plan. Members electing to participate in the Supplemental Plan must contribute 8.5% of the excess of their compensation for the rank held over the compensation of the civil service rank held as a result of competitive examinations.

Active members in DROP paid contributions at the rate of 6% of Computation Pay beginning with the first pay period ending after October 1, 2012 and the rate of 8.5% of Computation Pay for all pay periods through December 31, 2014. See Note 5 for discussion of plan amendments which took effect in 2015 which reduce the rate of contribution for active members effective with the first pay period ending after December 31, 2014. The City pays contributions for active members in DROP at the rate of 27.5% of total wages and salaries of those members.

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

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

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

Termination

Although DPFP has not expressed any intent to do so, in the event either of the Plans 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.

Administration

The Combined Pension Plan is administered by a twelve-member Board of Trustees consisting of four City Council members appointed by the City Council, three police officers and three firefighters who are members of the Combined Pension Plan and are elected by employees of their respective departments, one pensioner who has retired from the Police Department and one pensioner who has retired from the Fire Department who are members of the Combined Pension Plan and are elected by pensioners from their respective departments. The Supplemental Plan is administered by the same twelve-member Board of Trustees. Collectively, the Combined Pension Plan Board of Trustees and the Supplemental Plan Board of Trustees are referred to as the "Board". The Board is responsible for the general administration of DPFP and has the full power to invest the Plans' assets.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States (GAAP). In doing so, DPFP adheres to guidelines established by the Governmental Accounting Standards Board (GASB). The accompanying financial statements include solely the accounts of the Plans on a combined basis, which include all programs, activities and functions relating to the accumulation and investment of the net position and related income necessary to provide the service, disability and death benefits required under the terms of the Governing Statutes and amendments thereto.

Basis of Accounting

The accrual basis of accounting is used for the Plans. Revenues are recognized in the period in which they are earned and collection is reasonably assured. Expenses are recognized when the liability is incurred. Member and employer contributions are recognized in the period in which the contributions are due. Accrued income, when deemed uncollectible, is charged to operations. The final biweekly payroll contributions of members for the years ended December 31, 2014 and 2013 and the City's related contributions were not deposited into DPFP's account by year end and accordingly, uncollected contributions related to each year are recorded as receivables in the accompanying Combining Statements of Fiduciary Net Position. Benefits and refunds are recognized when due and payable. Dividend income is recorded on the ex-dividend date. Other income from investments is recorded when earned. Gains and losses on sales of securities are recognized on the trade date. The cost of investments sold is determined using the average cost method.

Reporting Entity

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

Administrative Costs

All costs of administering the Plans are paid from the Plans' assets pursuant to an annual fiscal budget approved by the Board.

Federal Income Tax

Favorable determinations that the Plans are qualified and exempt from Federal income taxes were received on October 20, 2014. The Board believes that the Plans are designed and continue to operate in compliance with the applicable requirements of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the actuarial information included in the footnotes to the financial statements as of the benefit information date, the reported amounts of income and expenses during the reporting period, and when applicable, disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

DPFP considers only demand deposits as cash. Cash equivalent securities, which are composed of all highly liquid investments with a maturity of three months or less when purchased, are considered to be cash equivalents. Highly liquid investments invested by investment managers as part of a short-term investment fund are not considered cash equivalents and are classified as short-term investments.

Plan Interest in the Group Master Trust

Effective January 1, 2006, the Board elected to establish a Group Master Trust (Group Trust) in order to unitize the investments of the Combined Pension Plan and the Supplemental Plan. JPMorgan Chase Bank, N.A. (JPMorgan) served as custodian of the Group Trust for the years ended December 31, 2014 and 2013. The fair value of the Combined Pension Plan's interest and the Supplemental Plan's interest in the Group Trust is based on the unitized interest that each plan has in the Group Trust. The Combined Pension Plan's interest in the Group Trust's investments was approximately 99.3% at both December 31, 2014 and 2013, while the remaining interest belongs to the Supplemental Plan. The allocation of investment income and expenses between the Combined Pension Plan and the Supplemental Plan is based on the number of units owned of the Group Trust. Benefits, contributions and shared administrative expenses are allocated to each plan directly in proportion to each plan's ownership interest.

Investments

<u>Investment Policy</u>
Statutes of the State of Texas authorize DPFP to invest surplus funds in the manner provided by Government Code, Title 8, Subtitle A, Subchapter C which provides for the investment of surplus assets in any investment that is deemed prudent by the Board. These statutes stipulate that the governing body of the Plans is responsible for the management and administration of the funds of the Plans and shall determine the procedure it finds most efficient and beneficial for the management of the funds of the Plans. The governing body may directly manage the investments of the Plans or may contract for professional investment management services. Investments are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

The investment policy of the Board does not restrict the types of investments authorized to be made on behalf of the Group Trust. The investment policy is based upon an asset allocation study that considers the current and expected financial condition of the Plans, the expected long-term capital market outlook and DPFP's risk tolerance. The following is the Board's adopted asset allocation policy as of December 31, 2014:

Asset Class	Target Allocation
Global public equity	15%
Global private equity	15%
Global natural resources	10%
Global fixed income	15%
Global asset allocation	20%
Global infrastructure	10%
Global real estate	15%
Short-term investments	-
Total	100%

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

Investment Transactions

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

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

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

Valuation of Investments

The diversity of the investment types in which the Group Trust invests requires a wide range of techniques to determine fair value.

Short-term investments include money market funds and government bonds with a maturity of less than one year and are valued based on year-end current market rates.

Fixed income investments include government securities such as Treasury securities, bank loans, US corporate bonds, foreign securities such as dollar denominated and non-dollar denominated issues of non-US governments and private corporations, plus units of commingled fixed income funds of both US and foreign securities. Equity securities consist of individual shares of equity securities plus units of commingled stock funds of both US and foreign entities. The stated market value of investments in publicly traded fixed income and equity securities is based on published market prices or quotations from major investment dealers as provided by JPMorgan utilizing vendor supplied pricing. Vendor supplied pricing data for equity securities is based upon the daily closing price from the primary exchange of each security while vendor supplied pricing data for fixed income securities is based upon a combination of market maker quotes, recent trade activity, and observed cash flows. Securities traded on an international exchange are valued at the last reported sales price as of year end at current exchange rates. The fair value of non-publicly traded commingled fixed income funds and commingled stock funds are based on their respective net asset value (NAV).

Real assets consist of private real estate, infrastructure, forestland, and farmland investments. Real estate is held either in separate accounts, limited partnerships, joint venture or commingled funds, or as debt investments in the form of notes receivable. Infrastructure, forestland, and farmland are held in separate accounts, partnerships, and joint ventures. Real estate, forestland and farmland are generally subject to independent third-party appraisals performed in accordance with the Uniform Standards of Professional Appraisal Practice on a periodic basis, every three years at minimum, as well as annual financial statement audits. Interests in joint ventures, limited partnerships and notes receivable are valued at the dollar value reported by the general partners or investment managers, as applicable. Certain real estate investments are managed internally by DPFP staff and the real estate holdings of such partnerships are subject to appraisal annually. Such investments are valued at their net equity on a fair value basis. Externally managed partnerships, joint venture and commingled funds, and separate accounts are valued at the net asset value provided by the investment or fund manager, as applicable. The underlying investment holdings are valued by the investment or fund managers on a continuous basis. Infrastructure investments which are currently under construction are held at cost as reported by the fund managers due to the fact that during construction, there is no liquid market for the equity, no history of revenues, and a material de-risking of the project has not yet occurred, therefore cost is considered a reasonable estimation of fair value. As of December 31, 2012, the carrying values of certain real estate investments were based on historical cost. During 2013, management revised the methodology used to estimate the fair value of these certain real estate investments to include the use of independent third-party appraisals as discussed above. The resulting changes in estimates recorded in 2013 did not have a material impact on the accompanying financial statements.

Private equity and alternative investments are in various investment vehicles including limited partnerships, commingled funds and notes receivable. Alternative investments consist of structured beta or “risk parity” funds. Private equity limited partnership investments and notes receivable are valued at the dollar value provided by the investment manager. Private equity and alternative investment commingled funds and notes receivable are valued using their respective NAV as reported by the fund’s custodian or investment manager, as applicable.

DPFP has established a framework to consistently measure the fair value of the Plans’ assets and liabilities in accordance with applicable accounting, legal, and regulatory guidance. This framework has been provided by establishing valuation policies and procedures that will provide reasonable assurance that assets and liabilities are carried at fair value as described above.

Foreign Currency Transactions

DPFP is 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.

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

Investments and broker accounts denominated in foreign currencies outstanding at December 31, 2014 and 2013 were converted to the US dollar at the applicable foreign exchange rates quoted as of December 31, 2014 and 2013, respectively. The resulting foreign exchange gains and losses are included in net appreciation (depreciation) in fair value of investments.

Reclassifications

In previous years, the financial statements for the Combined Pension Plan and Supplemental Plan were presented separately, with stand-alone audit opinions. For the year ended December 31, 2014, the financial statements for the Plans have been presented in combining format as described above under Basis of Presentation. Reclassifications have been made to the prior year balances to conform to the current year presentation.

Recent Accounting Pronouncements

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25* (GASB No. 67). This Statement replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 50, *Pension Disclosures* (GASB No. 50), as they relate to pension plans that are administered as trusts or equivalent arrangements. GASB No. 67 requires changes in presentation of the financial statements, notes to the financial statements, and requires supplementary information. Significant changes include an actuarial calculation of total and net pension liability. GASB No. 67 also requires comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures. The implementation of GASB No. 67 during 2014 did not significantly impact the Plans' financial statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* (GASB No. 68). This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB No. 50, as they relate to pensions that are administered as trusts or equivalent arrangements. The requirements of GASB No. 68 are effective for financial statements for periods beginning after June 15, 2014 which is the fiscal year ending September 30, 2015 for the City.

3. Investments

The Board has contracted with investment managers to manage the investment portfolio of the Group Trust subject to the policies and guidelines established by the Board. The Board has a custody agreement with JPMorgan under which JPMorgan assumes responsibility for the safekeeping of certain investments, handling of transactions based on the instructions of investment managers, and reporting investment transactions.

The fair value of investments at December 31, 2014 and 2013 are as follows:

	2014	2013
Short-term investments		
US Treasury bills	**$ -**	$ 5,407,704
Short-term investment funds	**36,240,347**	29,674,125
Fixed income securities		
US Treasury bonds	**21,338,977**	12,831,433
US government agencies	**5,592,114**	6,392,475
Corporate bonds	**198,109,962**	211,195,222
Foreign-denominated bonds	**65,814,616**	74,635,179
Commingled funds	**182,928,072**	161,410,676
Equity securities		
Domestic	**453,272,401**	606,182,412
Foreign	**249,794,538**	295,231,183
Real assets		
Real estate	**771,927,173**	1,050,154,412
Infrastructure	**185,838,492**	153,047,665
Timberland	**136,895,053**	100,923,803
Farmland	**133,711,620**	115,364,870
Private equity	**549,040,312**	533,964,611
Alternative investments	**398,768,773**	380,340,809
Forward currency contracts	**(8,732)**	245,107
Total	**$3,389,263,718**	$ 3,737,001,686

Concentrations

As of December 31, 2014, the Group Trust did not have any single investment in an issuer which represented greater than 5% of the Plans' net position.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of an investment counterparty, DPFP will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Group Trust or DPFP, and are held by either the counterparty or the counterparty's trust department or agent, but not in the Group Trust's or DPFP's name. DPFP mitigates this risk by having investments held at a custodian bank on behalf of DPFP according to DPFP's investment policy.

As of December 31, 2014 and 2013, cash balances of $2,380,928 and $6,411,275, respectively, included in cash and cash equivalents were in excess of Federal Depository Insurance Corporation coverage limits. DPFP does not have a deposit policy for custodial credit risk; however, management believes that credit risk exposure is mitigated by the financial strength of the banking institutions in which the deposits are held.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Group Trust's investment in a single issue. DPFP does not have an investment policy specifically regarding concentration of credit risk, however the target allocations of assets among various asset classes are determined by the Board with the objective of optimizing the investment return of the Group Trust within a framework of acceptable risk and diversification. For major asset classes, the Group Trust will further diversify the portfolio by employing multiple investment managers who provide guidance for implementing the strategies selected by the Board.

Interest Rate Risk

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

The Group Trust invests in fixed income securities including, but not limited to, investments representing instruments with an obligated fixed rate of interest including public and private debentures, mortgage backed securities, guaranteed investment contracts with maturities greater than one year, and options/futures. Purchases and sales, investment selection, and implementation of investment strategies are delegated to the discretion of the investment manager, subject to compliance with its management agreement and DPFP's investment policy.

At December 31, 2014, the Group Trust had the following fixed income securities and maturities:

Investment Type	Less than 1 year	1 to 5 years	6 to 10 years	More than 10 years	Total
US Treasury bonds	$ 916,369	$ 9,975,943	$ 6,200,232	$ 4,246,433	$ 21,338,977
US government agencies	-	-	-	5,592,114	5,592,114
Corporate bonds	4,032,335	63,322,374	83,341,122	47,414,131	198,109,962
Foreign-denominated bonds	4,708,061	22,213,069	17,921,491	20,971,995	65,814,616
Total	$ 9,656,765	$ 95,511,386	$ 107,462,845	$ 78,224,673	$ 290,855,669

Commingled fixed income funds do not have specified maturity dates and are therefore excluded from the above table.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The books and records of the Plans are maintained in US dollars. Foreign currencies and non-US dollar denominated investments are translated into US dollars at the bid prices of such currencies against US dollars at each balance sheet date. Realized and unrealized gains and losses on investments which result from changes in foreign currency exchange rates have been included in net appreciation (depreciation) in fair value of investments. Net realized foreign currency gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date of investment securities transactions, foreign currency transactions, and the difference between the amounts of interest and dividends recorded on the books of the Plans and the amount actually received. International and global managers have the permission to use currency forward and futures contracts to hedge currency against the US dollar. DPFP does not have an investment policy specific to foreign currency risk, however to mitigate foreign currency risk, international investment managers are expected to maintain diversified portfolios by sector and by issuer. The Group Trust's exposure to foreign currency risk in US dollars as of December 31, 2014 is shown in the following table:

Currency	Fixed Income	Equities	Real Assets	Total
Austrailian Dollar	$ 5,048,262	$ 13,651,558	$ -	$ 18,699,820
Brazilian Real	2,934,790	1,049,945	-	3,984,735
British Pound Sterling	7,986,955	40,531,687	7,976,384	56,495,026
Canadian Dollar	1,111,278	10,337,269	-	11,448,547
Danish Krone	-	3,816,266	-	3,816,266
Euro	9,704,328	68,268,699	-	77,973,027
Hong Kong Dollar	-	19,686,082	-	19,686,082
Hungarian Forint	1,308,675	-	-	1,308,675
Indonesian Rupiah	2,464,554	-	-	2,464,554
Israeli Shekel	-	136,376	-	136,376
Japanese Yen	3,145,837	48,933,008	-	52,078,845
Malaysian Ringgit	571,886	-	-	571,886
Mexican Peso	13,474,943	202,232	-	13,677,175
New Zealand Dollar	5,211,591	-	-	5,211,591
Norwegian Krone	-	393,073	-	393,073
Philippine Peso	-	655,773	-	655,773
Polish Zloty	2,646,643	-	-	2,646,643
Singaporian Dollar	-	6,036,760	-	6,036,760
South Korean Won	2,843,939	317,067	-	3,161,006
South African Rand	2,218,594	-	-	2,218,594
Swedish Krona	5,142,341	10,253,902	-	15,396,243
Swiss Franc	-	25,004,957	-	25,004,957
Taiwan Dollar	-	519,885	-	519,885
Total	$ 65,814,616	$ 249,794,539	$ 7,976,384	$ 323,585,539

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. DPFP does not have a formal policy limiting investment credit risk, but rather mandates such limits within investment management services contracts. DPFP was not party to any negotiated derivative contracts as of December 31, 2014, therefore credit risk exposure to such counterparties does not exist. The Group Trust's exposure to credit risk in fixed income securities that are not US government guaranteed, including short-term investment funds classified as cash equivalents, as of December 31, 2014 using the Standard & Poor's rating scale, at fair value, is as follows:

Quality Rating	Corporate Bonds	Foreign-Denominated Bonds	Short-Term Investment Funds	Total
AAA	$ 7,872,591	$ 8,151,944	$ -	$ 16,024,535
AA+	3,857,221	16,437,024	-	20,294,245
AA	1,201,368	-	-	1,201,368
AA-	3,480,290	3,462,925	-	6,943,215
A+	2,736,906	2,647,865	-	5,384,771
A	4,381,232	3,217,705	-	7,598,937
A-	3,682,854	13,991,859	-	17,674,713
BBB+	2,405,356	-	-	2,405,356
BBB	3,628,087	10,089,132	-	13,717,219
BBB-	3,735,857	2,464,554	-	6,200,411
BB+	7,125,831	-	-	7,125,831
BB	12,776,361	1,308,675	-	14,085,036
BB-	21,042,228	-	-	21,042,228
B+	28,584,498	61,229	-	28,645,727
B	13,388,057	-	-	13,388,057
B-	6,722,781	332,130	-	7,054,911
CCC+	8,876,800	102,452	-	8,979,252
CCC	20,400,523	-	-	20,400,523
CCC-	875,175	-	-	875,175
CC	13,675,814	-	-	13,675,814
C	14,283,090	-	-	14,283,090
D	1,624	572,195	-	573,819
NR	13,375,418	2,974,929	65,759,999	82,116,346
Total	$ 198,109,962	$ 65,814,618	$ 65,765,999	$ 329,690,579

Securities Lending

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

JPMorgan lends, on behalf of the Group Trust, securities held by JPMorgan as the Group Trust's custodian and receives US dollar cash and US Government securities as collateral. JPMorgan does not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers are required to put up collateral for each loan equal to: (i) in the case of loaned securities denominated in US dollars or whose primary trading market was in the US or sovereign debt issued by foreign governments, 102% of the fair market value of the loaned securities; and (ii) in the case of loaned securities not denominated in US dollars or whose primary trading market was not in the US, 105% of the fair market value of the loaned securities.

The Board did not impose any restrictions during 2014 and 2013 on the amount of the loans that JPMorgan made on its behalf. There were no failures by any borrowers to return the loaned securities or pay distributions thereon during 2014 and 2013. Moreover, there were no losses during the 2014 and 2013 fiscal years resulting from a default of the borrower. JPMorgan indemnifies the Group Trust in respect of any loan related to any non-cash distribution and return of securities.

During 2014 and 2013, the Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral was invested, together with the collateral of other qualified tax-exempt plan lenders, in a collective investment pool maintained by JPMorgan. The relationship between the maturities of the collateral pool and the Group Trust's securities lent has not been determined. The market value for securities on loan for the Group Trust was $142,808,381 and $170,618,214 at December 31, 2014 and 2013, respectively. Cash collateral held for the Group Trust was $147,069,562 and $174,119,191 at December 31, 2014 and 2013, respectively. Non-cash collateral held for the Group Trust was $382,864 and $117,846 at December 31, 2014 and 2013, respectively, consisting of treasury securities. At year end, credit risk is substantially mitigated as the amounts of collateral held by the Group Trust exceed the amounts the borrowers owe the Group Trust. Securities lending transactions resulted in income, net of expenses, of $627,905 and $781,146 during 2014 and 2013, respectively.

Forward Contracts

During fiscal years 2014 and 2013, certain investment managers, on behalf of the Group Trust, entered into forward foreign exchange contracts as permitted by guidelines established by the Board. DPFP's staff monitors guidelines and compliance. A currency forward is a contractual agreement between two parties to pay or receive specific amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. Forward commitments are not standardized and carry credit risk due to the possible nonperformance by one of the counterparties. The maximum potential loss is the aggregate face value in US dollars at the time the contract was opened. Forwards are usually traded over-the-counter. These transactions are initiated in order to hedge risks from exposure to foreign currency rate fluctuation and to facilitate trade settlement of foreign security transactions. Forwards carry market risk resulting from adverse fluctuations in foreign exchange rates. Recognition of realized gain or loss depends on whether the currency exchange rate has moved favorably or unfavorably to the contract holder upon termination of the contract. Prior to termination of the contract, the Group Trust records the unrealized currency translation gain or loss based on the applicable forward exchange rates. Forward currency contracts are considered derivative financial instruments and are reported at fair value.

The fair value balance and notional amounts of derivative instruments outstanding at December 31, 2014, classified by type, and the changes in fair value of such derivative instruments for the year then ended are shown in the table below (in thousands).

	Change in Fair Value	Fair Value	Notional Value
Currency forwards	$ (254)	$ (9)	$ 60,057

4. Net Pension Liability

The net pension liability is measured as the total pension liability, less the amount of the plan's fiduciary net position. The components of the net pension liability at December 31, 2014 were as follows (in thousands):

Combined Pension Plan

Total pension liability	$ 8,048,930
Plan fiduciary net position	(3,074,195)
Net pension liability	$ 4,974,735

Plan fiduciary net position as a percentage of the total pension liability 38.2%

Supplemental Plan

Total pension liability	$ 42,712
Plan fiduciary net position	(21,405)
Net pension liability	$ 21,307

Plan fiduciary net position as a percentage of the total pension liability 50.1%

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2015, using the following significant assumptions, applied to all periods included in the measurement:

Investment rate of return	7.25% per annum, compounded annually, net of all expenses, including administrative expenses. This rate is based on an average inflation rate of 2.75% and a real rate of return of 4.5%.
Projected salary increases	Range of 4% to 9.64% per year, dependent upon years of service
Actuarial cost method	Entry age normal cost method (level percent of pay)
Post retirement benefit increases - Group A and	4% of original pension, annually

Group B

Asset valuation method	Combined Pension Plan - 10-year smoothing; Supplemental Plan – Market value of assets
Amortization method	Open level fixed percent of payroll
Remaining amortization period	Combined Pension Plan - 30 years (In no event is the actuarial value of assets less than 80%, nor more than 120%, of the market value of assets.); Supplemental Pension Plan – 10 years
DROP account returns, compounded annually, net of expenses	At October 1, 2014 - 8.0% At October 1, 2015 – 7.0% At October 1, 2016 – 6.0% At October 1, 2017 and thereafter – 5.0%
Retirement age	Experience-based table of rates based on age
Mortality	RP-2000 Combined Healthy Mortality Table projected to 10 years beyond the valuation date using Scale AA for healthy retirees and active members
Disabled mortality	RP-2000 Combined Healthy Mortality Table with a one-year set forward
DROP entry	Age 50 with 5 years of service for Plan B if hired on or before February 28, 2011, and Supplemental Plan; age 55 with 10 years of service for Plan B if hired after February 28, 2011; and age 55 with 20 years for Plan A. Any active members who satisfy these criteria and have not entered DROP are assumed to never join DROP. Active members who retire with a DROP account are assumed to receive the balance of their account over a 10-year period.

The long-term expected rate of return on the Plans' investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment and administrative expense) are developed for each major asset class. Best estimates of arithmetic rates of return for each major asset class included in the Plans' target asset allocation as of December 31, 2014 are summarized as shown below. Note that the rates of return below exclude the inflation component.

Asset Class	Long-Term Expected Real Rate of Return	Target Asset Allocation
Global public equity	8.02%	15%
Global private equity	12.41%	15%
Global natural resources	5.32%	10%
Global fixed income	2.57%	15%
Global asset allocation	4.72%	20%
Global infrastructure	6.61%	10%
Global real estate	6.83%	15%

Discount rate

The discount rate used to measure the total pension liability for the Combined Pension Plan was 4.54%. The projection of cash flows used to determine this discount rate assumes that member and employer contributions will be made at the contribution rates outlined in Note 1 and also considers the effect of plan amendments which went into effect in 2015 as described in Note 5. Total covered employee payroll is assumed to grow at 4% per year. The normal cost rate for future members is assumed to be 16.35% for all years. Based on these assumptions, the plan's fiduciary net position is not projected to be available to make all projected future payments to current plan members. In order to develop the blended GASB No. 67 discount rate of 4.54%, the actuarial assumed rate of return of 7.25% was used during the period that the plan was projected to have a fiduciary net position, and a municipal bond rate of 3.34% was used during the period that the plan was projected to have no fiduciary net position. The 3.34% is based on the S&P Municipal Bond 20-year High Grade Rate Index as of December 31, 2014.

The discount rate used to measure the total pension liability for the Supplemental Plan was 7.13%. The projection of cash flows used to determine this discount rate assumes that member and employer contributions will be made at the contribution rates outlined in Note 1 and also considers the effect of plan amendments which went into effect in 2015 as described in Note 5. Since the funding policy of the plan is to contribute the normal cost not covered by member contributions, as well as an amount that will amortize the unfunded accrued liability over ten years, it is assumed that no new entrants enter the plan. It has been assumed that the amortization amount is calculated as a level percent of payroll as long as there are active members projected to be in the plan. Once there are no longer active members expected to be in the plan, it is assumed that the amortization amount will be calculated as a level dollar amount. Based on these assumptions, the plan's fiduciary net position is not projected to be available to make all projected future payments to current plan members. In order to develop the blended GASB No. 67 discount rate of 7.13%, the actuarial assumed rate of return of 7.25% was used during the period that the plan was projected to have a fiduciary net position, and a municipal bond rate of 3.34% was used during the period that the plan was projected to have no fiduciary net position. The 3.34% is based on the S&P Municipal Bond 20-year High Grade Rate Index as of December 31, 2014.

Sensitivity of the net pension liability to changes in the discount rate

The following tables present the net pension liability, calculated using the current discount rates, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (in thousands):

Combined Pension Plan

	1% Decrease (3.54%)	Current Discount Rate (4.54%)	1% Increase (5.54%)
Net pension liability	$ 6,088,136	$ 4,974,735	$ 4,069,391

Supplemental Plan

	1% Decrease (6.13%)	Current Discount Rate (7.13%)	1% Increase (8.13%)
Net pension liability	$ 24,945	$ 21,307	$ 18,234

5. Deferred Retirement Option Plan

The following tables reflect the change in DROP account balances and number of participants during the year ended December 31, 2014.

Combined Pension Plan

	DROP Account Balance (000's)		DROP Participants
Balance at December 31, 2013	$ 1,289,303	Participants at December 31, 2013	3,270
Accumulations	217,756	Entrants	141
Distributions	(92,811)	Withdrawals	(57)
Balance at December 31, 2014	$ 1,414,248	Participants at December 31, 2014	3,354

Supplemental Plan

	DROP Account Balance (000's)		DROP Participants
Balance at December 31, 2013	$ 10,558	Participants at December 31, 2013	80
Accumulations	2,378	Entrants	1
Distributions	(2,545)	Withdrawals	(4)
Balance at December 31, 2014	$ 10,391	Participants at December 31, 2014	77

See discussion of requirements for entry into DROP and DROP contributions in Note 1.

To address concerns regarding the growing balance of the DROP liability, plan amendments were proposed by the Board and voted on by the members in late 2014. The Board approved the implementation of the plan amendments in April 2015. The plan amendments included the following significant changes:

- The DROP interest rate will be reduced to 7% effective October 1, 2015, 6% effective October 1, 2016, and 5% effective October 1, 2017. Effective October 1, 2018, further reductions to the interest rate could be made based on the Combined Pension Plan's funded ratio and cumulative DROP loss situation.

  For any year ending on or after December 31, 2017, if the Combined Pension Plan has credited more interest to the DROP program than has been earned on DROP account assets since inception of the DROP program, and the funded ratio drops below 65%, the following thresholds would be utilized to further reduce the DROP interest rate:

  - Funded ratio falls below 65% - DROP interest is reduced to 4% the following October 1;
  - Funded ratio falls below 60% - DROP interest is reduced to 3% the following October 1;
  - Funded ratio falls below 55% - DROP interest is reduced to 0% the following October 1.
- The contribution rate for members participating in DROP was reduced from 8.5% to 4.0% the first pay period ending after December 31, 2014.
- The vesting requirement for members hired after February 28, 2011 was reduced from 20 years to 10 years.
- The DROP accounts of members hired after February 28, 2011 are subject to earning interest, following the above noted thresholds.
- DROP members and surviving spouse beneficiaries, upon attaining age 70 ½, are required to take a distribution from DROP each year until the DROP account is paid out, spread over a period of less than 10 years.

See Note 9 for discussion of the status of litigation related to the plan amendments and Note 11 for discussion of the Board's implementation of the changes in 2015.

6. Notes Payable

At December 31, 2013, DPFP had a credit agreement with Bank of America, N.A. which provided for a revolving line of credit bearing interest per annum at the 30 day floating LIBOR plus 95 basis points, payable quarterly. On April 11, 2014, the revolving line of credit was restructured to provide for 1) a maximum borrowing of $200 million, bearing interest per annum at the 30 day floating LIBOR rate plus 65 basis points, payable quarterly, maturing March 31, 2015; and 2) a term loan of $200 million bearing interest at a fixed rate of 2.58% maturing March 31, 2019, with required quarterly principal payments of $10 million. In conjunction with the restructured line of credit, DPFP pays a quarterly fee of 45 basis points, annualized, on the unused portion of the line of credit. On March 31, 2015, the revolving line of credit was extended to March 31, 2017, amending the interest rate to 30 day floating LIBOR rate plus 75 basis points with a quarterly fee of 55 basis points, annualized, on the unused portion of the line of credit. The line of credit agreement contains various covenants under which the bank may call the line of credit if DPFP is in violation of any restrictive covenants. The LIBOR margin is subject to liquidity ratio covenants which allow for increases in the rate if covenants are not met. All such covenants have been met as of December 31, 2014 and through the date of this report. At December 31, 2014, DPFP had borrowed $163,451,513 and $170,000,000 on the revolving line of credit and the term loan, respectively. As of December 31, 2013, DPFP had borrowed $349,576,013 related to the revolving line of credit.

As of December 31, 2013, DPFP had a loan agreement with Bank of America, N.A. secured by real property which was due to mature on March 31, 2014 and bore interest per annum at the 30 day floating LIBOR rate plus 95 basis points. On April 11, 2014, the loan agreement was extended to March 31, 2016 and terms were amended to reflect interest at a fixed rate of 1.46%, payable quarterly. At December 31, 2014 and 2013, the loan balance outstanding was $9,315,000 and $16,767,000, respectively. The loan agreement contains various covenants under which the bank may call the loan if DPFP is in violation of any restrictive covenants. All such covenants have been met as of December 31, 2014 and through the date of this report.

DPFP had a credit agreement with Texas Capital Bank, N.A. which as of December 31, 2013 had a maximum borrowing of $40 million, bore interest at the Prime Rate minus 26 basis points with a floor rate of 2.5% and a maximum rate of 5.0%, and included a fee of 50 basis points on the unused portion of the line of credit, payable monthly. At December 31, 2013, DPFP had borrowed $27 million related to the revolving line of credit. On February 6, 2014, the credit agreement was amended to provide for a revolving line of credit bearing interest at the Prime Rate minus 130 basis points, with an expiration date of February 6, 2015 and maximum borrowing of $30 million. On July 31, 2014, the outstanding balance on the revolving line of credit was paid in full. The line of credit was not renewed.

DPFP had a credit agreement with BBVA Compass which provided for a revolving line of credit bearing interest at the 30 day floating LIBOR plus 225 basis points, payable quarterly. The credit agreement had no fee on the unused portion. At December 31, 2013, DPFP had borrowed $27 million related to the revolving credit line, which provided for a maximum borrowing of $40 million. On July 31, 2014, the remaining balance on the revolving line of credit with BBVA Compass was paid in full. The credit agreement expired on September 15, 2014 and was not renewed.

DPFP has a loan agreement with a related party in the amount of $2,237,968 which bears interest at a fixed rate of 4% per annum, maturing July 1, 2020. At December 31, 2014 and 2013, the outstanding principal and interest balance due on the loan agreement was $2,641,170 and $2,551,651, respectively. On June 12, 2015, the outstanding balance on the loan agreement was paid in full.

Principal payments due on lines of credit and notes payable as of December 31, 2014 are as follows (in thousands):

Year Ending December 31,	**Amount**
2015	$ 210,903
2016	41,863
2017	40,000
2018	40,000
Thereafter	12,238
Total	$ 345,004

7. Deferred Compensation Plan

DPFP offers its employees a money purchase pension plan (MPP) created in accordance with Internal Revenue Code Section 401. An employee of DPFP becomes a participant in the MPP on their first day of service. Participation ceases, except for purposes of receiving distributions in accordance with the terms of the MPP, on the day employment with DPFP is terminated. Employees are allowed to make after tax contributions, not to exceed IRS Code limitations. In accordance with the MPP, DPFP is obligated to contribute 12% of permanent employees' regular rate of pay and 8% of part-time and temporary employees' regular rate of pay each year. During 2014 and 2013, DPFP contributed $417,086 and $374,271, respectively, and participants contributed $221,468 and $202,730, respectively. The MPP has a third party administrator, Voya Financial, Inc. (Voya), and the cost of administration is borne by the MPP participants. The MPP is held in trust by Voya and is properly not reflected in the accompanying basic financial statements.

8. Capital Assets

Capital assets are presented at historical cost or, if not purchased, at fair value at the date of acquisition. As of December 31, 2014, DPFP's office building and related land are classified as capital assets. Prior to December 31, 2014, the building and land were held by a limited liability investment wholly owned by DPFP and therefore classified as an investment asset. As of December 31, 2014, the building and land were transferred to DPFP at a fair value of $12.4 million resulting in an increase in capital assets, which was offset by an equal reduction in investment assets. As the transfer occurred on the last day of the year, there was no depreciation recorded for the year ended December 31, 2014. Effective January 1, 2015, depreciation will be charged over the estimated useful lives of the assets using a straight-line method. All capital assets belong to DPFP. Capitalization thresholds for all capital asset classes and useful lives for exhaustible assets are as follows:

Asset Class	Capitalization Threshold	Depreciable Life
Land	$ -	-
Building	$ 50,000	50 years
Building improvements	$ 50,000	15 years

Capital asset balances and current year changes are as follows (in thousands):

Asset Class	Beginning Balance	Increases	Decreases	Ending Balance
Land	$ -	$ 3,321	$ -	$ 3,321
Building	-	8,804	-	8,804
Building improvements	-	275	-	275
Total	$ -	$ 12,400	$ -	$ 12,400

9. Commitments and Contingencies

As described in Note 1, certain members of DPFP are entitled to refunds of their accumulated contributions upon termination of employment with the City, prior to being eligible for pension benefits. Members who terminate employment with the City with less than five years of pension service are entitled to a refund of their accumulated contributions, without interest. As of December 31, 2014 and 2013, aggregate contributions from non-vested active members for the Combined Pension Plan were $4,016,714 and $4,319,047, respectively. The portion of these contributions that might be refunded to members who terminate prior to pension eligibility has not been determined. As of December 31, 2014 and 2013, there were no aggregate contributions from active members of the Supplemental Plan with less than five years of service.

At December 31, 2014 and 2013, the total accumulated lump sum benefit due to DROP members was approximately $1.41 billion and $1.29 billion, respectively, for the Combined Pension Plan and approximately $10.4 million and $10.6 million, respectively, for the Supplemental Plan.

At December 31, 2014, DPFP's total commitments to various existing limited partnerships and current investment advisors were $1.97 billion, of which $796.1 million remained unfunded. The following table depicts the total commitments and unfunded commitments, respectively, at December 31, 2014, by asset class, in thousands.

Asset Class	Total Commitment	Total Unfunded Commitment
Real assets	$ 646,626	$ 291,775
Private equity	1,098,120	442,452
Global fixed income	225,000	61,885
Total	$ 1,969,746	$ 796,112

In relation to debt obligations entered into by various real estate limited partnerships owned in whole or part by DPFP, DPFP has guaranteed to the holder of the debt repayment of a portion of the debt. Generally, these guaranty obligations are triggered either by misconduct of the limited partnership or the failure of the limited partnership to take certain actions, such as environmental remediation, if required. Such guarantees are contingent liabilities and are therefore not recorded in the Combining Statements of Fiduciary Net Position.

Contingent liabilities of DPFP related to guarantees on debt obligations entered into by various real estate partnerships as of December 31, 2014 are summarized as follows:

Guarantee Amount	Maturity Date
$ 10,000,000	August 30, 2015
$ 15,000,000	September 30, 2015
$ 4,500,000	September 6, 2016
$ 10,000,000	November 10, 2016

Related to a lease agreement entered into by a real estate partnership, DPFP is committed as guarantor on annual lease payments of approximately $4.4 million, with a maturity date of June 30, 2032. Such guarantee is a contingent liability and is therefore not recorded in the Combining Statements of Fiduciary Net Position.

Related to an infrastructure investment, DPFP holds an irrevocable standby letter of credit of up to $28,000,000 to secure performance obligations of DPFP as it relates to the infrastructure investment commitments. On September 17, 2013, DPFP entered into the letter of credit with Bank of America, N.A. at a rate of 25 basis points which was set to expire September 30, 2014. The letter of credit was renewed with a maturity date of September 30, 2015 at a rate of 60 basis points. No amounts have been drawn on the letter of credit as of December 31, 2014.

DPFP is a defendant in litigation in which certain individual members have alleged that amendments to the Combined Pension Plan reducing the DROP interest rate and a related policy and procedure change to accelerate DROP distributions violated Article 16, Section 66 of the Texas Constitution. On April 14, 2015, the district court entered judgment for DPFP, holding these amendments and changes are constitutional. On July 13, 2015, the plaintiffs filed a notice of appeal to the Fifth District Court of Appeals. While the ultimate outcome cannot be anticipated at this time, DPFP will continue to vigorously defend this lawsuit. No amounts related to these claims have been accrued in the accompanying basic financial statements as of December 31, 2014 and 2013.

10. Risks and Uncertainties

The Group Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. The affect of such risks on the Group Trust's investment portfolio is mitigated by the diversification of its holdings. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities may occur over the course of different economic and market cycles and that such change could be material to the basic financial statements.

The Plans' actuarial estimates disclosed in Note 4 are based on certain assumptions pertaining to investment rate of return, inflation rates and participant demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is reasonably possible that changes in these estimates and assumptions in the near term could be material to the basic financial statements.

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

DPFP has intervened in such lawsuits to protect DPFP's right to members and City contributions which DPFP management believes will be due if the third party police officers' and firefighters' claims are successful. The ultimate outcome of these lawsuits cannot be determined at this time and, accordingly, no amounts related to these claims have been accrued in the accompanying basic financial statements as of December 31, 2014 and 2013.

11. Subsequent Events

As a result of the trial court decision on April 14, 2015 which found that the proposed DROP plan amendments as voted on by the members were constitutional, the Board voted on April 16, 2015 to implement the changes approved by the members. See Note 9 for discussion on the status of litigation related to the plan amendments.

Management has evaluated subsequent events through August 14, 2015, which is the date that the financial statements were available for issuance, and noted no subsequent events to be disclosed other than those which are disclosed in this Note or elsewhere in the Notes to the Financial Statements.

Schedule of Changes in the Net Pension Liability and Related Ratios
For Fiscal Year Ending December 31, 2014
(in thousands)

Combined Pension Plan

Total pension liability		
Service cost	$	131,312
Interest		369,408
Changes of benefit terms		(329,794)
Differences between expected and actual experience		(4,453)
Changes of assumptions		-
Benefit payments		(245,932)
Net change in total pension liability		(79,459)
Total pension liability - beginning		8,128,389
Total pension liability - ending (a)	$	8,048,930
Plan fiduciary net position		
Employer contributions	$	109,792
Employee contributions		29,333
Net investment loss, net of expenses		(138,893)
Benefits payments		(245,932)
Interest expense		(7,361)
Administrative expenses		(8,003)
Net change in plan fiduciary net position		(261,064)
Plan fiduciary net position - beginning		3,335,259
Plan fiduciary net position - ending (b)	$	3,074,195
Net pension liability - ending (a) - (b)	$	4,974,735
Plan fiduciary net position as a percentage of total pension liability		38.2%
Covered employee payroll	$	383,006
Net pension liability as a percentage of covered employee payroll		1,298.9%

Supplemental Pension Plan

Total pension liability		
Service cost	$	28
Interest		2,969
Changes of benefit terms		(526)
Differences between expected and actual experience		336
Changes of assumptions		-
Benefit payments		(3,414)
Net change in total pension liability		(607)
Total pension liability - beginning		43,319
Total pension liability - ending (a)	$	42,712
Plan fiduciary net position		
Employer contributions	$	1,817
Employee contributions		49
Net investment loss, net of expenses		(517)
Interest expense		(51)
Benefits payments		(3,414)
Administrative expenses		(56)
Net change in plan fiduciary net position		(2,172)
Plan fiduciary net position - beginning		23,577
Plan fiduciary net position - ending (b)	$	21,405
Net pension liability - ending (a) - (b)	$	21,307
Plan fiduciary net position as a percentage of total pension liability		50.1%
Covered employee payroll	$	557
Net pension liability as a percentage of covered employee payroll		3,827.3%

Notes to Schedule:

A. Benefit changes

The Board approved the implementation of a plan amendment as described in Note 5 on April 16, 2015. The plan amendment changed the provisions of the Combined Pension Plan as follows:

- The DROP interest rate was reduced to 8% effective October 1, 2014, and will be further reduced to 7% effective October 1, 2015, 6% effective October 1, 2016, and 5% effective October 1, 2017.

  For any year ending on or after December 31, 2017, if the Combined Pension Plan has credited more interest to the DROP program than has been earned on DROP account assets since inception of the DROP program, and the funded ratio drops below 65%, the following thresholds would be utilized to further reduce the DROP interest rate:
  - Funded ratio falls below 65% - DROP interest is reduced to 4% the following October 1;

    - o Funded ratio falls below 60% - DROP interest is reduced to 3% the following October 1;
    - o Funded ratio falls below 55% - DROP interest is reduced to 0% the following October 1.
- The contribution rate for members participating in DROP was reduced to 4% effective January 1, 2015.
- The vesting requirement for members hired after February 28, 2011 was reduced from 20 years to 10 years.
- The DROP accounts of members hired after February 28, 2011 are subject to earning interest, following the above noted thresholds.
- DROP members and surviving spouse beneficiaries, upon attaining age 70 ½, are required to take a distribution from DROP each year until the DROP account is paid out, spread over a period of less than 10 years.

The above noted changes have been reflected in the valuation of the net pension liability.

B. Changes of assumptions

Due to the above noted benefit changes, the assumption for the future interest rates credited to DROP accounts was changed from 8.5% to the rates noted above (assuming 5% for all years beyond October 1, 2017).

See accompanying independent auditor's report.

Schedule of Employer Contributions - Supplemental Plan
(in thousands)

Measurement Year Ending December 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	$ 1,817	$ 1,817	$ -	$ 521,370	$ 0.35%

Notes to Schedule:

Valuation date: January 1, 2014

Actuarially determined employer contributions for the Supplemental Plan are required by City ordinance. Methods and assumptions used to determine employer contributions for the Supplemental Plan are described in Note 4. Actuarially determined contributions are calculated as of January 1 in the fiscal year in which contributions are reported. The contribution calculated as of January 1, 2014 was received during the fiscal year ended December 31, 2014. For further information regarding the actuarially determined employer contribution, refer to the January 1, 2014 Dallas Police and Fire pension System Supplemental Plan Actuarial Valuation report.

See accompanying independent auditor's report.

Schedule of Investment Returns

Fiscal Year Ended December 31,	Annual Money-weighted Rate of Return, net of Investment Expense
2014	3.98%

Note to Schedule:

The annual money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense, and expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Pension plan investment expense, which consists of manager fees, is measured on the accrual basis of accounting. The return is calculated using a methodology which incorporates a one quarter lag for market value adjustments on private equity, debt, and real assets investments.

See accompanying independent auditor's report.

Administrative, Investment, and Professional Expenses

Year Ended December 31, 2014

Administrative expenses:		
Information technology	$	432,278
Education		316,399
Insurance		200,310
Personnel		4,502,098
Office equipment		62,281
Dues and subscriptions		14,660
Board meeting expenses		28,366
Office supplies		29,481
Utilities		84,527
Postage		88,953
Printing		52,117
Election		43,081
Other administrative expenses		16,244
Total administrative expenses		5,870,795
Investment expenses:		
Custodial		276,736
Investment management		10,270,445
Valuation		148,412
Research		9,376
Consulting		547,445
Other		68,375
Total investment expenses		11,320,789
Professional services:		
Consulting		83,894
Actuarial		254,880
Auditing		76,699
Accounting, tax and valuation		333,943
Medical review		16,785
Legal		1,045,506
Mortality records and address search		1,135
Legislative		248,423
Communications		126,735
Total professional services expenses	$	2,188,000

Notes to Schedule:

Supplementary information on investment expenses does not include investment management fees and performance fees embedded in the structure of private equity and other limited partnership investments. Rather, these fees are a component of the net appreciation (depreciation) in fair value of investments in the accompanying Statements of Changes in Fiduciary Net Position. In addition, management fees paid by DPFP are included net of rebates received.

The members of the Board of Trustees serve without compensation; they are reimbursed for actual expenses incurred.

See accompanying independent auditor's report.

Investment Section

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NEPC, LLC

2014 Fiscal Year Investment Summary

Global Market Commentary

Following a strong 2013 and with concerns regarding Fed tapering and potential rising interest rates, the U.S. market continued to be a primary driver of global growth, outperforming other developed markets as well as emerging markets in 2014. U.S. domestic equities topped off a strong year, yields on fixed income securities narrowed, the economy grew at a healthy pace, and unemployment receded further. The S&P 500 Index rose nearly 14% in 2014, and the Barclays Aggregate Index was up 6%. The U.S. economy grew 5% in the third quarter following 4.6% in the second quarter, and the unemployment rate fell to 5.6%. October marked the end of quantitative easing in the U.S., and 2015 is likely to bring the first increase in the federal funds rate in nearly a decade.

Looking abroad, equities of developed and emerging markets were in the red in 2014, along with global bond indices. The negative returns can be largely attributed to the strengthening U.S. dollar. The dollar shot up over 10% relative to a variety of major global currencies during the year, representing a headwind for unhedged equity and bond exposures. Meanwhile, the Organization of Petroleum Exporting Countries (OPEC) maintained oil output levels despite excess global supply. Energy markets were acutely impacted, as the price of oil declined to nearly $50 a barrel at year end. Emerging economies reliant on energy exports were stressed and suffered from declines in currencies, bonds and stocks. Debt markets were not spared, as high yield credit spreads increased 100 basis points on the year, with yields on energy debt rising significantly.

Reviewing the illiquid asset categories, for private equity in 2014, fundraising was up, distributions were the largest in years, buyout valuations in the U.S. were at levels last seen before the financial crisis, and venture capital valuations have some suggesting the presence of a bubble. Secondary private equity and venture capital valuations continued to rise for the year. Similarly, U.S. core real estate generated strong returns in 2014, continuing the trend of above average performance following the global financial crisis. For real estate debt, yields generally remained low, and lenders continued to loosen credit standards.

Reporting Methodology Change

Starting in fiscal year 2014, DPFP transitioned its performance calculation methodology to a 'lagged with cash flow adjustments' platform. The change was based on NEPC's recommendation, which was founded upon improving the timeliness of reports and best practices. This cash-adjusted valuation process accurately represents the best available statement of the account's value at a specific point in time and, in our view, is the most practical way to report a rolled-up time weighted return at the total portfolio level.

Under this methodology and as a matter of practice, NEPC uses the most recent quarterly statement in receipt from the Private Investment manager and adjusts the ending market value by any capital activity that occurred from the date of the private investment statement (i.e., 9/30) through the end of the period (i.e., 12/31). Capital calls will be added and distributions will be subtracted from the most recent statement's market value to calculate a current estimate of the DPFP's Private Investments market value.

255 State Street | Boston, MA 02109 | TEL: 617.374.1300 | www.nepc.com

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Investment Performance

For the Fiscal Year ending December 31, 2014, the DPFP earned 4.0%. This is based on a net-of-fees, time-weighted calculation.

	1 Year Return
Global Public Equity	5.3%
Global Fixed Income	2.2%
Global Asset Allocation	5.1%
Global Private Equity	6.0%
Global Real Estate	3.6%
Global Natural Resources	0.9%
Global Infrastructure	2.2%
Cash & Short Term	2.6%
DPFP Total Return	4.0%

Respectfully submitted,

Rhett Humphreys

Rhett Humphreys, CFA
Partner

INVESTMENT ACTIVITIES AND INITIATIVES

Over the course of 2014, the Board of Trustees (Board) approved three new investments amounting to $60 million in commitments. While new investment activity was muted, 2014 marked a year of transition and progress for the investment portfolio.

In August, the Board initiated a real estate portfolio reallocation process that looked to more broadly diversify the investment manager base and add third party fiduciary management in the separate account and direct investment real estate portfolio where an investment manager was previously not in place. DPFP staff, in coordination with our real asset investment consultant, The Townsend Group, reviewed the qualifications, proposals and asset management plans of 18 potential investment managers. The reallocation process resulted in the transfer of over $500 million in DPFP real estate investments to four new investment managers during 2015.

The Real Estate Strategic Allocation Plan (Strategic Allocation Plan) was also adopted by the Board in 2014. The Strategic Allocation Plan better defines the investment objectives and parameters of the real estate portfolio, while addressing the challenge of reducing the real estate portfolio to the target allocation of 15% without sacrificing the ability to make selective and strategic new investments in core real estate funds. As a first step in the Strategic Allocation Plan, the Board met with four potential open-ended core real estate funds in June of 2014. This led to the Board making new investment commitments to two of these funds in 2015.

In November, the Board approved enhancing the services provided by NEPC, our general investment consultant, to include comprehensive private investment consulting services, such as an annual private equity investment plan, private equity pacing study and commitment plan, as well as manager searches and due diligence. The objective of the private investment consulting services is to take a more structured and strategic approach to new commitment pacing and due diligence.

Looking ahead, we expect to keep this momentum going with several new initiatives and the continuation of the progress started in 2014. DPFP plans to initiate a comprehensive review of the strategic asset allocation in 2015, in consultation with NEPC, which will be driven in part by a study which will be performed related to the long term liquidity needs of DPFP. From a policy perspective, we plan to update our investment policies and create a Real Estate Investment Policy, which will codify the initiatives laid out in the Strategic Allocation Plan.

PERFORMANCE REPORTING AND RESULTS

PERFORMANCE REPORTING METHODOLOGY CHANGE

The rate of return calculation for 2014 was prepared by NEPC using a time-weighted rate of return in accordance with the CFA Institute's Global Investment Performance Standards. In 2014, the methodology used to calculate the rate of return was adjusted to a "lagged with cash flow adjustments" methodology, which incorporates a one quarter lag on the market values of private equity, debt, infrastructure, real estate, timberland and farmland investments (collectively, "Private Investments"). Due to the "lagged with cash flow adjustment" performance reporting methodology, the investment values in the Investment section do not agree with the values presented in the Financial section of this report. The values for Private Investments reported in the Financial section are based on the final December 31, 2014 net asset values (unlagged).

Several real estate and energy-related private equity investments declined significantly in value during the fourth quarter of 2014, resulting in a decrease of approximately $271 million between the performance reporting methodology (lagged) and the unlagged net asset values. These fourth quarter 2014 losses will be included in the 2015 performance return figures as determined by NEPC. If there had not been a change to the "lagged with cash flow adjustments" methodology, the fourth quarter losses would have been included in the 2014 performance return and would have effectively lowered it to an approximate loss of 4.2%, net of all fees.

DPFP INVESTMENT PERFORMANCE

DPFP's investment performance is reported to the Board by NEPC. The overall investment performance is measured against the median return of public defined benefit plans included in the InvestorForce universe. Asset class returns are measured against a benchmark for the asset class. When DPFP's managers within a single asset class have different benchmarks, a Custom Weighted Allocation Index is calculated using the individual investment manager benchmarks, weighted by the manager's market value percentage of the entire asset class. Each investment manager is measured against the return of an appropriate benchmark, as represented by a specific index return. All of the returns in the Investment section are calculated net of all fees paid to investment managers. The below table includes the 1, 3, 5 and 10 year returns by asset class and strategy as measured against the representative benchmarks.

	Net Asset Value	% of Portfolio	2014 Return (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
DALLAS POLICE AND FIRE PENSION	**$ 3,344,018,695**	**100**	**4.0**	**6.2**	**5.9**	**5.1**
INVESTORFORCE PUBLIC DB NET MEDIAN			**5.5**	**10.7**	**8.8**	**6.1**
GLOBAL PUBLIC EQUITY	**583,716,276**	**17.5**	**5.3**	**14.8**	**10.5**	**-**
CUSTOM WEIGHTED ALLOCATION INDEX[1]			**4.2**	**14.1**	**9.2**	**-**
Eagle Asset Management	85,878,448	2.6	7.5	17.8	15.4	-
Russell 2000 with dividends			*4.9*	*19.2*	*15.5*	*-*
Pyramis	184,181,715	5.5	4.8	15.6	9.8	7.0
Walter Scott	126,074,280	3.8	2.9	13.7	9.5	-
MSCI ACWI			*4.2*	*14.1*	*9.2*	*-*
OFI Global Institutional	125,111,718	3.7	2.3	16.7	11.1	-
MSCI World			*4.9*	*15.5*	*10.2*	*-*
RREEF Global REIT	61,805,385	1.8	16.4	15.9	12.8	5.8
FTSE EPRA/NAREIT Global			*15.2*	*15.7*	*11.9*	*6.8*
BankCap Distributions Eagle Asset Management	664,730	0.0	-	-	-	-
GLOBAL NATURAL RESOURCES	**400,406,341**	**12**	**0.9**	**6.7**	**-**	**-**
CUSTOM WEIGHTED ALLOCATION INDEX[1]			**6.6**	**12.0**	**-**	**-**
Energy Opportunities Capital Management	27,564,405	0.8	(19.3)	(0.4)	3.0	-
50% PHLX Oil Service Index/50% S&P Energy Select Sector			*(16.3)*	*3.3*	*5.7*	*-*
Mitchell Group	32,347,359	1.0	(13.0)	1.5	4.5	11.0
Dow Jones Equal Wtd. Oil & Gas			*(21.6)*	*0.4*	*0.1*	*2.7*
Allianz Global (EcoTrends)	26,573,926	0.8	(7.0)	11.8	2.9	-
FTSE Environmental Technology 50			*(1.1)*	*14.8*	*0.7*	*-*
Sustainable Asset Management	42,163,074	1.3	2.8	17.9	8.4	-
MSCI World			*4.9*	*15.5*	*10.2*	*-*
Hudson Clean Energy Partners*	17,795,111	0.5	2.5	(10.8)	(0.4)	-
S&P 500 + 2%			*15.9*	*22.8*	*17.7*	*9.8*

	Net Asset Value	% of Portfolio	2014 Return (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
GLOBAL NATURAL RESOURCES (Continued)						
Hancock Agricultural*	122,561,810	3.7	11.8	18.8	14.5	19.0
NCREIF Farmland: Single-Use Perm/Mature Crops All			*23.8*	*23.0*	*16.8*	*20.4*
Forest Investment Associates*	42,509,462	1.3	5.4	3.5	(0.9)	6.6
BTG Pactual Asset Management*	88,891,194	2.7	0.0	(6.1)	(3.1)	-
NCREIF Timberland: South			*8.8*	*4.8*	*1.4*	*-*
GLOBAL FIXED INCOME	**503,458,626**	**15.1**	**2.2**	**7.8**	**9.3**	**-**
CUSTOM WEIGHTED ALLOCATION INDEX[1]			**2.3**	**4.4**	**4.9**	**-**
Ashmore Emerging Markets Debt Fund	41,958,473	1.3	(1.3)	2.9	6.0	-
JPM Emerging Market Bond Global Index - Total Return			*5.5*	*5.3*	*7.3*	*-*
Ashmore EM Local Currency	19,890,873	0.6	(6.2)	(0.4)	-	-
JPM Government Bond Index - EM Global Diversified			*(5.7)*	*0.1*	*-*	*-*
Brandywine	64,059,297	1.9	5.0	4.8	7.1	6.0
Mondrian Investment Partners	54,602,083	1.6	0.8	0.8	2.7	4.3
Barclays Global Aggregate Index			*0.6*	*0.7*	*2.6*	*3.6*
Loomis Sayles	135,329,100	4.0	3.7	10.9	10.3	9.2
70% ML High Yield Cash Pay, 30% JPM EMBI GI Comp			*3.6*	*7.3*	*8.4*	*7.7*
Loomis Sayles Sr Floating Rate and Fixed Income	51,295,757	1.5	2.3	-	-	-
S&P/LSTA Leveraged Loan (All Loans Index Levels)			*1.6*	*-*	*-*	*-*
W.R. Huff High Yield	84,095,417	2.5	(2.8)	5.8	11.8	7.0
Citi US High Yield Market Index			*1.8*	*7.9*	*8.7*	*7.3*
Highland Capital Management, LP	18,647,806	0.6	2.6	26.4	18.2	-
Highland Crusader Fund	9,191,112	0.3	(2.1)	9.2	15.8	(1.1)
OCM Opportunities Fund IV*	122,913	0.0	(11.0)	7.3	14.1	16.2
Oaktree Loan Fund 2x*	2,557,482	0.1	6.4	9.1	6.1	-
Lone Star Fund VII*	6,840,297	0.2	22.6	45.9	-	-
Lone Star Fund VIII*	14,868,016	0.4	30.9	-	-	-
S&P 500 + 2%			*15.9*	*22.8*	*17.7*	*9.8*
GLOBAL ASSET ALLOCATION	**399,518,872**	**11.9**	**5.1**	**6.0**	**7.3**	**-**
CUSTOM WEIGHTED ALLOCATION INDEX[1]			**5.6**	**10.4**	**8.4**	**-**
Bridgewater	132,648,624	4.0	8.6	6.4	11.6	-
91 Day T-Bill + 6%			*6.0*	*6.1*	*6.1*	*-*
Putnam	62,315,161	1.9	2.4	6.0	7.2	-
AQR	36,243,010	1.1	6.6	-	-	-
Panagora	38,827,498	1.2	16.4	-	-	-
GMO	129,484,579	3.9	2.4	7.6	6.4	-
CPI + 5% (Seasonally Adjusted)			*5.7*	*6.4*	*6.8*	*-*
GLOBAL INFRASTRUCTURE*	**189,637,301**	**5.7**	**2.2**	**-**	**-**	**-**
CPI + 5% (SEASONALLY ADJUSTED)			**5.7**	**-**	**-**	**-**
GLOBAL PRIVATE EQUITY*	**684,777,526**	**20.5**	**6.0**	**5.4**	**5.1**	**-**
S&P 500 + 2%			**5.7**	**-**	**-**	**-**
GLOBAL REAL ESTATE *	**553,073,077**	**16.5**	**3.6**	**(1.4)**	**(0.9)**	**3.8**
NFI ODCE VALUE WEIGHTED + 75 BPS			**12.2**	**12.1**	**13.6**	**6.9**
CASH & SHORT-TERM INVESTMENTS	**29,430,676**	**0.9**	**2.6**	**-**	**-**	**-**

* The market values and returns for Private Investments and benchmarks are lagged by one quarter and adjusted for cash flows as discussed above.

[1] Custom weighted asset class benchmarks are calculated based on the weighted average monthly return of each investment and corresponding benchmark that compose the asset class.

INVESTMENT GOALS

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

1. The overall goal of DPFP is to provide benefits, as provided under the pension plan, to its participants and their beneficiaries through a carefully planned and executed investment program.
2. DPFP seeks to produce the highest return on investment that is consistent with levels of liquidity and investment risk that are prudent and reasonable, given prevailing economic conditions. While the importance of the preservation of capital is recognized, the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with compensating returns is also considered.
3. DPFP's investment program shall at all times comply with applicable state and federal regulations.

DPFP's portfolio strategy is implemented primarily through the use of external investment managers. Each investment manager operates under a set of guidelines specific to the strategic role its portfolio is intended to fulfill in the overall investment portfolio. As part of the due diligence process, DPFP negotiates fees with these external managers to the lowest reasonable cost to administer the investments without sacrificing quality of service.

DPFP's investment staff serves as the primary liaison between the Investment Advisory Committee and Board, investment consultants, investment managers, and the custodian bank. The investment staff's responsibilities include, but are not limited to, managing assets within the scope of our policies, implementing Board decisions regarding asset allocation, investment structure, investment manager selection, and portfolio rebalancing, monitoring investments, managing liquidity, conducting due diligence, and coordinating manager searches and selection processes.

INVESTMENT POLICIES

STRATEGIC INVESTMENT POLICY

The Strategic Investment Policy provides the framework for management of DPFP's assets and serves as DPFP's principal source for developing an appropriate investment strategy. The policy outlines the basis for the performance evaluation of DPFP and its investment managers. It has been designed to allow flexibility in the management process to capture investment opportunities as they may occur, yet provide reasonable parameters to ensure prudence and care in the execution of the investment program.

The Strategic Investment Policy is based on analysis of the current and expected condition of DPFP, the expected long-term returns for asset classes and DPFP's risk tolerance. DPFP's analysis includes the potential impact on pension costs of varying asset allocation policies considering differing levels of diversification in terms of risk and return. In addition, DPFP's actuarial liabilities are taken into consideration in order to address the immediate and long-term liquidity needs of the portfolio.

INVESTMENT IMPLEMENTATION POLICY

The Investment Implementation Policy provides a framework for investing in approved asset classes as outlined in the Strategic Investment Policy. The Investment Implementation Policy states the asset allocation target and ranges for each asset class. Minimum and maximum allocations are set, allowing for changes in market conditions, liquidity, cash flow, and other factors. The Board and DPFP staff review the actual allocation of the investment portfolio compared to asset class targets and ranges on a monthly basis. The Board may direct DPFP staff to rebalance the portfolio as administratively feasible and without sacrificing value. The Board recognizes that asset class targets will be met over a period of time as market conditions, liquidity, cash flow, and other factors affect the rebalancing of the portfolio.

DPFP’s Strategic Investment Policy is published on DPFP’s website at www.dpfp.org.

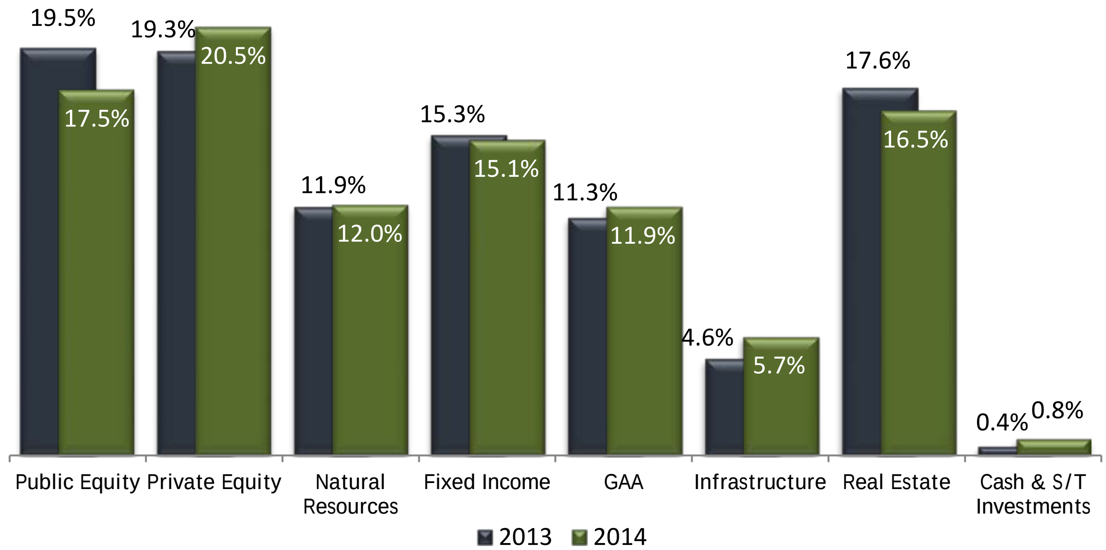
STRATEGIC ASSET ALLOCATION

The asset allocation as of December 31, 2014, along with targets and ranges, is as follows:

	Current Allocation	Target Allocation	Minimum Allocation	Maximum Allocation
Global Public Equity	17.5%	15.0%	12.0%	18.0%
Global Private Equity	20.5%	15.0%	10.0%	20.0%
Global Natural Resources	12.0%	10.0%	8.0%	12.0%
Global Fixed Income	15.1%	15.0%	13.0%	17.0%
Global Asset Allocation	11.9%	20.0%	18.0%	22.0%
Global Infrastructure	5.7%	10.0%	8.0%	12.0%
Global Real Estate	16.5%	15.0%	10.0%	20.0%
Cash & Short-Term Investments	0.8%	-	-	-

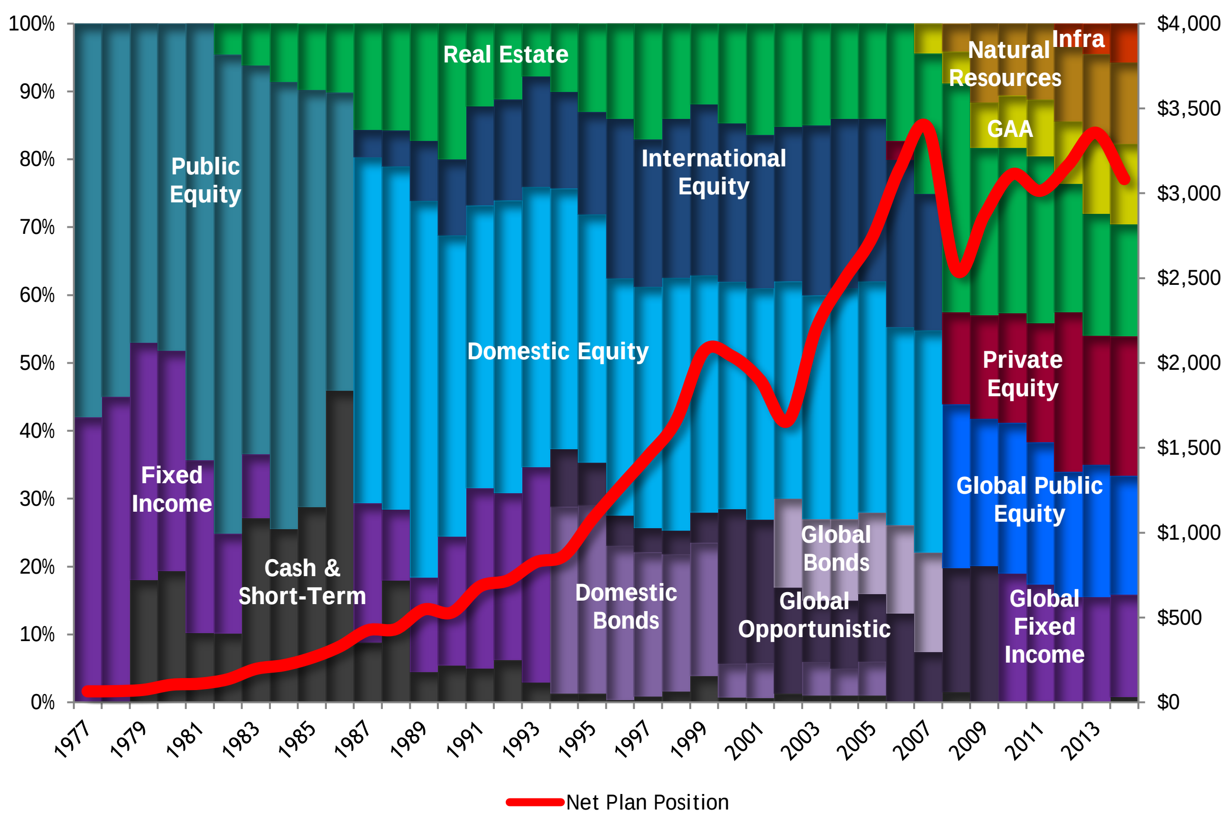
Global Public and Private Equities ended the year slightly overweight. The underweights to Global Asset Allocation and Infrastructure have been by design, based on NEPC’s recommendation for DPFP to moderately increase exposure to these asset classes over time. As previously noted, DPFP plans to complete a strategic asset allocation in late 2015 or in early 2016. The following graph shows the actual portfolio asset allocations at December 31, 2014 and 2013:

Asset Allocation



Over time, DPFP has made efforts to add asset classes and strategies to improve the diversification of the portfolio. The below graph shows the asset classes and allocation of the DPFP portfolio from 1977-2015, charted against the net plan position (in millions) of DPFP:

Asset Allocation Evolution & Historic Net Plan Position



INVESTMENT MANAGEMENT FEES AND BROKERAGE COMMISSIONS

Per GASB No. 25 guidance, the investment management fees included in the Administrative, Investment and Professional Expenses supplementary schedule in the Financial section represent only those paid directly from the Group Master Trust (Group Trust). In addition to the fees paid directly, DPFP incurs investment management fees which are charged by general partners or investment managers at the fund level. Fees that are charged at the fund level are typically seen in private equity, private debt, infrastructure and global asset allocation funds. All fees in the below table are net of any rebates or discounts received.

Asset Class	Management Fees Paid from the Group Trust	Management Fees Paid at Fund Level	Total Investment Management Fees	2014 Average Market Value	Total Management Fees as a % of Market Value
Global Public Equity	$ 2,776,970	$ -	$ 2,776,970	$ 602,886,832	0.46%
Global Fixed Income	1,523,156	1,282,538	2,805,694	525,121,367	0.53%
Global Natural Resources	1,023,710	2,954,420	3,978,130	423,249,334	0.94%
Global Asset Allocation	(10,686)	5,001,217	4,990,531	394,620,920	1.26%
Global Private Equity	1,332,633	9,444,823	10,777,456	669,486,548	1.61%
Global Infrastructure	4,796	1,735,882	1,740,678	177,730,136	0.98%
Global Real Estate	3,619,866	2,051,113	5,670,979	575,942,270	0.98%
Total	**$ 10,270,445**	**$ 22,469,993**	**$ 32,740,438**		**0.97%**

During 2014, DPFP incurred $799,124 in brokerage fees and commissions paid through our equity managers to trade a total of approximately 49 million shares across 302 firms. This represents an average cost of $0.016 per share traded.

Brokerage Firm	# of Shares Traded	Total Fees and Commissions	Fees and Commissions per Share
Bloomberg Tradebook LLC	1,524,491	$ 30,585	$ 0.020
UBS AG Stamford,CT	1,095,371	28,378	0.026
J.P. Morgan Securities Limited	1,064,176	27,246	0.026
Sanford C. Bernstein & Co.Inc.	1,185,652	24,034	0.020
Merrill Lynch International,Ldn.	1,306,040	21,892	0.017
Citigroup Global Markets Limited	1,905,613	21,520	0.011
Sterne Agee & Leach Inc	651,348	20,094	0.031
Bank Of New York(BONY)/Goldman	880,166	17,127	0.019
JPMorgan Clearing Corp NY	648,557	16,870	0.026
UBS AG (London Equities)	1,327,099	16,111	0.012
All other firms	38,013,639	575,267	0.015
Total	**49,602,152**	**$ 799,124**	**$ 0.016**

LARGEST PUBLIC EQUITY AND FIXED INCOME HOLDINGS

The below tables contain lists of the ten largest public equity and fixed income securities owned by DPFP at December 31, 2014. A full list of securities owned by DPFP is available upon written request.

Public Fixed Income Holdings	Maturity	Interest Rate	Market Value
Alcatel-Lucent USA Inc Note	3/15/2029	6.45%	$ 5,374,740
Republic Of Italy Bond	8/1/2039	5.00%	4,128,546
Hexion Inc Bond	2/15/2023	7.88%	3,788,100
United States Treasury Note	7/31/2016	-	3,594,928
Gilt Treasury	1/22/2015	2.75%	3,536,292
United Mexican States Bond	11/13/2042	7.75%	3,411,587
HJ Heinz Co TL B2 1L	6/5/2020	-	3,405,725
APL Ltd Bond	1/15/2024	8.00%	3,327,750
Portuguese Republic Note	10/15/2024	5.13%	3,240,848
United States Treasury Note	6/15/2016	0.50%	3,087,406

Public Equity Holdings	Market Value
Adobe Systems Inc	$ 6,011,708
Schlumberger Ltd	5,642,953
Colgate-Palmolive Co	5,382,152
Roche Holding	5,380,616
EOG Resources Inc	5,319,068
Nestle	5,291,325
Inditex	4,706,251
Johnson & Johnson	4,632,451
Keyence Corp	4,532,975
Microsoft Corp	4,157,275

INVESTMENT MANAGERS AND CONSULTANTS
(As of December 31, 2014)

INVESTMENT MANAGERS

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

INVESTMENT CONSULTANTS

NEPC, LLC
The Townsend Group

Actuarial Section

David Kent,
FSA, EA, MAAA
Director, Retirement Wealth Practice

Buck Consultants, LLC
A Xerox Company
14911 Quorum Drive
Suite 200
Dallas, TX 75254

P: 972.628.6828
F: 972.628.6801

david.kent@xerox.com,
www.xerox.com\hrconsulting

August 21, 2015

Ms. Kelly Gottschalk
Executive Director
Dallas Police & Fire Pension System
4100 Harry Hines Blvd., Suite 100
Dallas, TX 75219

Dear Ms. Gottschalk:

The Actuarial Valuation Reports dated July 31, 2015 describe the results of the actuarial valuations of the Dallas Police and Fire Pension System (the System) and the System's Supplemental Plan as of January 1, 2015. The System retained Buck Consultants to perform these actuarial valuations for the purposes of determining the funded status as of the valuation date and adequacy of current funding for the plan year January 1, 2015 through December 31, 2015.

The member and City contribution rates are established by statute for the Dallas Police and Fire Pension System. The City's and the members' contributions, when combined with present assets and future investment return, are intended to be sufficient to pay the normal cost and to amortize the System's unfunded actuarial accrued liability. However, based on the January 1, 2015 valuation, this goal will not be achieved under the current structure. The member contribution rates are established by statute for the Supplemental Plan. The City makes a contribution each year large enough to pay for the annual normal cost of the Supplemental Plan, plus enough to amortize the unfunded actuarial accrued liability of the Supplemental Plan over ten years.

Actuarial valuations are performed annually, with the most recent valuations performed as of January 1, 2015. According to this valuation, the plan is 63.8% funded – that is, current assets cover 63.8% of the benefits accrued to date by active and retired members and beneficiaries. This is lower than the 75.6% funded ratio in the January 1, 2014 valuation.

The Supplemental Plan is 51.2% funded – that is, current assets cover 51.2% of the benefits accrued to date by active and retired members and beneficiaries. This is lower than the 62.0% funded ratio in the January 1, 2014 valuation.

The actuarial assumptions and methods used in this valuation were selected by the Board of Trustees. The Board has sole authority to determine the actuarial assumptions. The assumptions are reviewed at each valuation date based on the prior five years' worth of experience. The date that each assumption was last revised is noted below:

Terminations – January 1, 2012
Disability – January 1, 1999
Retirement – January 1, 2005
Mortality – January 1, 2012
Inflation – January 1, 2015
Salary Increases – January 1, 2007
Long-Term Asset Return – January 1, 2015
Age at DROP – January 1, 1993

xerox

Ms. Kelly Gottschalk
August 21, 2015

In our opinion, the actuarial assumptions and methods used are appropriate for purposes of the valuation and, in the aggregate, are reasonably related to the experience of the System and to reasonable expectations of its future experience. We believe that they satisfy the requirements of Governmental Accounting Standards Board Statement No. 67, are suitable for use in the funding of the System, and meet the parameters set by applicable Actuarial Standards of Practice.

Since the population of the Supplemental Plan is a subset of the population of the System, and the size of the population in the Supplemental Plan is too small to have credible experience, the valuation of the Supplemental Plan uses the same assumptions as those used for the System

In preparing the actuarial results, we have relied upon information provided by the staff of the System regarding plan provisions, plan participants, plan assets and other matters. While the scope of our engagement did not call for us to perform an audit or independent verification of this information, we have reviewed this information for reasonableness but have not audited it. The accuracy of the results presented in the reports is dependent upon the accuracy and completeness of the underlying information.

The System's staff, with the assistance of Buck Consultants, prepared the supporting schedules in the actuarial section of the Comprehensive Annual Financial Report and the trend tables in the financial section based on information supplied in prior actuarial valuation reports, the January 1, 2015 Actuarial Valuation Reports, and additional schedules of data provided by Buck Consultants. As you know, for the period ending December 31, 2014, separate reports providing information required under GASB Statement No. 67 have been issued.

The consulting actuaries are members of the American Academy of Actuaries and meet their "General Qualification Standard for Prescribed Statements of Actuarial Opinions" relating to pension plans.

The actuarial assumptions, methods, plan provisions, and census data used to determine the January 1, 2015 valuation results are summarized in the Actuarial Valuation Reports dated July 31, 2015. The results were prepared under the supervision of David Driscoll and David Kent, Fellows of the Society of Actuaries, who meet the Academy's Qualification Standards to issue this Statement of Actuarial Opinion. David Driscoll and David Kent are available to answer questions about the report.

Sincerely,

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

David B. Kent, FSA, EA, MAAA
Director, Consulting Actuary

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INTRODUCTION

DPFP's Combined Pension Plan and Supplemental Plan are single-employer defined benefit plans. The Combined Pension Plan requires an annual actuarial valuation to determine the adequacy of the current contribution rate of the City, to describe the current financial condition of DPFP, and to analyze changes in DPFP's financial condition. The Supplemental Plan requires an actuarial valuation to determine the amount of the City's annual contribution as required by City ordinance.

FUNDING

Defined benefit plans represent a commitment to pay specific benefits to employees and their survivors. The benefit to employees and their survivors is usually much more than the combined contributions of the employee and the employer. Determining adequate funding requires making a variety of assumptions to assure full payments can be made from the plan.

There are a number of actuarial assumptions required in order to estimate the amount of funding required to provide future benefits. Once required assumptions have been determined, the actuary must select a cost method to assure adequate funding so the committed benefits may be provided for.

The January 1, 2015 valuation indicates that current contribution rates are not sufficient to fund the Combined Pension Plan over a finite time period, based on the current membership data, financial data, benefit provisions, and the actuarial assumptions and methods used to determine the liabilities and costs. The funding period of the Combined Pension Plan has increased to an infinite period since the prior valuation. This increase was primarily due to returns on the actuarial value of assets in 2014 that were below the long-term expectations, as well as a change to the assumed rate of return from 8.50% to 7.25%.

The funding period of the Supplemental Plan remains at 10 years, which is the amortization period used in determining the annual employer contribution. The funding period of 10 years is based on the assumption that the annual actuarially determined contribution is received from the City each year.

COST METHOD

Using an actuarial cost method requires estimating the ultimate cost of the plan. The ultimate cost of a plan includes all specific benefits that are committed to be paid, plus all administrative expenses, less any investment earnings realized over the life of the plan. As the exact ultimate cost of the plan cannot be determined until the last retired member of a plan dies, it must be actuarially estimated by forecasting the plan's expenses and investment return.

Assumptions must be made for all the years the plan is in existence, including the number of active members and beneficiaries who will retire, terminate service, or become disabled, the duration of retirement and disability payments, mortality rates, salary increases, age at entry into DROP, inflation, and long-term asset rate of return. Administrative expenses must also be estimated.

ACTUARY'S REPORT

The actuarial information that follows was determined using specific actuarial methods, which have been described in general above. Such methods were applied to census data related to active members, retirees and beneficiaries of DPFP as of January 1, 2015. Content throughout the Actuarial section has been obtained from reports provided by Buck for the periods noted. The Actuary's Report at page 77 is a summary from Buck regarding the January 1, 2015 valuations.

ACTUARIAL ASSUMPTIONS AND METHODS

The actuarial assumptions and methods used in the January 1, 2015 actuarial valuations are presented below. The Board voted on July 9, 2015 to lower the investment rate of return assumption from 8.50% to 7.25%. In addition, due to the change to DROP interest crediting rates as a result of the 2014 plan amendment which took effect January 1, 2015, the assumption for the future interest rates credited to DROP accounts was changed from 8.5% to the revised rates as noted below. Other than the investment rate of return, the DROP interest rate, and the calculation of the years to fund, the January 1, 2015 valuation is based on the same assumptions and methods adopted by the Board as the previous valuation.

The assumptions and methods used in the valuation were selected by the Board and are considered to be individually reasonable and reasonable in the aggregate. The comparison of actual experience and actuarial expectations as presented below compares the assumptions to the recent experience and describes the adequacy of the assumptions and rationale for the demographic and economic assumptions.

The Combined Pension Plan's funding rate is set by statute, currently 8.5% for employees and 27.5% for the employer. There is no direct policy to fund the unfunded liability in a certain number of years. GASB No. 27 uses a cost to fund the unfunded liability over 30 years and this is now required by the Texas Pension Review Board. This rate is currently 42.01% of payroll compared with the City's actual contribution rate of 27.5% of payroll and the 30-year funding cost in 2014 of 29.03% of payroll. For 2015, the actual expense for the employer's financial disclosure purposes will be determined in accordance with GASB No.68.

The Supplemental Plan member's contribution rates are established by statute. The City makes a contribution each year sufficient to pay for the annual normal cost of the Supplemental Plan, plus enough to amortize the unfunded actuarial accrued liability of the Supplemental Plan over ten years.

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Investment Return: 7.25% per annum, compounded annually, net of all expenses including administrative expenses. This rate reflects an underlying inflation rate of 2.75% and a real rate of return of 4.50%.

DROP balances are assumed to earn 8.0% at October 1, 2014, 7.0% at October, 1, 2015, 6.0% at October 1, 2016, and 5.0% at October 1, 2017 and later, per annum.

Separations Before Normal Retirement: Representative values of the assumed annual rates of withdrawal, death, and disability are as follows (annual rate per 1,000 members):

	Withdrawal		Disability*	
Age	Police	Fire	Police	Fire
20	70	23	.35	.70
25	70	23	.37	.75
30	70	18	.42	.84
35	40	18	.48	.96
40	30	18	.57	1.15
45	20	18	.79	1.58

*All disabilities are assumed to be service related.

Salary Increases: Representative values of the assumed annual rates of future salary increase attributable to seniority and promotion as of January 1, 2015 are as follows:

Years of Service	Annual Rate of Salary Increase
0	9.6%
5	9.2%
10	8.1%
15	6.2%
20	4.7%
25	4.1%
30	4.0%

Total payroll is assumed to increase 4.0% per year. New hires are assumed to replace terminations. Combined Pension Plan overtime and other non-computation pay are assumed to be 11% of base pay. The City contributes on total pay including non-computation pay. This assumption is based on the revised compensation package adopted by the City Council in 2013.

Retirements: The percentage of the population assumed to have retired at various ages is as follows:

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

Rates are applied when a member is eligible to retire.

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

DROP Election: Members are assumed to elect DROP at age 50 with five years for Plan B if hired on or before February 28, 2011, age 55 with 10 years for Plan B if hired after February 28, 2011, age 55 with 20 years for Plan A, and age 50 with 10 years for Old Plan. Any active members who satisfy these criteria and have not entered DROP are assumed to never join DROP. Active members who retire with a DROP account are assumed to receive their account over a 10-year period.

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.

Retiree Payment Form Assumption: All married members are assumed to elect a joint and survivor annuity.

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

Assumed Postretirement Cost of Living: Plan A and Plan B: 4% of original pension annually for members hired prior to December 31, 2006. Members hired after December 31, 2006 are assumed to receive no cost of living adjustments.

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

Future Expenses: All expenses, investment and administrative, are paid from the plans. The 7.25% assumed rate of return is net of these expenses.

Valuation Method: The method used to determine normal cost and accrued actuarial liability (AAL) is the entry age normal cost method. Under the entry age normal cost method, the present value of future normal cost is determined for all active members, 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 the present value of future compensation for all active members. The AAL 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 AAL over the assets of the plans.

The normal cost and AAL are derived by making certain assumptions as to the rates of interest, mortality, and turnover, among others, 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 plans. 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 Combined Pension Plan actuarial value of assets is calculated based on the following formula:

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

where:

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

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

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

The Supplemental Plan actuarial value of assets is equal to the market value of assets.

COMPARISON OF ACTUAL EXPERIENCE AND ACTUARIAL EXPECTATIONS

Demographic Assumptions

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

Terminations Prior to Retirement: This assumption was changed as of January 1, 2012 in order to better reflect the actual experience of DPFP and to better anticipate future expectations. The ratio of actual terminations prior to retirement to the expected terminations prior to retirement for the period January 1, 2012 through December 31, 2014 shows that during this period there have been approximately 9% fewer terminations than expected.

	Actual	Expected	Actual/Expected
Terminations prior to retirement	344	376	91%

Disability: This assumption was last changed as of January 1, 1999 to better reflect the actual experience of DPFP and to better anticipate future expectations. The ratio of actual disability retirements to the expected disability retirements for the period January 1, 2010 through December 31, 2014 shows that during this period there have been about 67% fewer disability retirements than expected. However, due to the small number of disablements, the experience for this assumption will be variable.

	Actual	Expected	Actual / Expected
Disability retirements	4	12	33%

Retirement (leaving active service): This assumption was changed as of January 1, 2005 to better reflect the actual experience of DPFP and to better anticipate future expectations. The ratio of actual retirements to the expected retirements using the new retirement rates for the period January 1, 2010 through December 31, 2014 shows that during this period there have been about 13% fewer retirements than expected. Due to the changes in DROP interest rates and member contributions during the DROP period, it was determined by Buck that no change is needed at this time due to the expectation that these changes will create an increase in retirement rates from their recent levels.

	Actual	Expected	Actual / Expected
Retirements	759	875	87%

Death: This assumption was changed as of January 1, 2012 in order to reflect strengthened actuarial standards and to take into account mortality improvement. It is updated each year to project mortality improvements to ten years beyond the valuation date. The ratio of actual inactive deaths to the expected inactive deaths using the mortality rates for the period January 1, 2012 through December 31, 2014 shows that during this period there have been about 15% more deaths than expected.

	Actual	Expected	Actual / Expected
Deaths	303	263	115%

Age at entry into DROP: This assumption has not changed since the implementation of DROP in 1993. The average actual age at entry into DROP is virtually the same as the assumed age of 50.

	Actual	Expected	Actual / Expected
Age at entry into DROP (from January 1, 1996)	49.8	50.0	99.6%
Age at entry into DROP (from January 1, 2010)	49.6	50.0	99.2%

Economic Assumptions

The economic assumptions selected for valuing the liabilities of DPFP are used to estimate the amount and cost of the benefit payments. 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 on plan assets, 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 DPFP consist of inflation rate, salary increase rate, long-term rate of return on plan assets and DROP interest rate. A discussion of these assumptions follows.

Inflation: The inflation assumption used to value the liabilities of DPFP was changed from 4% to 2.75% as of January 1, 2015. The average annual inflation rate (as measured by CPI-U) over the 60 years ending December 31, 2014 has been 3.68%. The history of inflation rates has been higher than 2.75%, however, based on current rates and expectations of the future, a 2.75% inflation rate assumption is reasonable.

	Actual	Expected	Actual/Expected
Inflation	3.68%	2.75%	134%

Salary Increases: The assumed rates of salary increase used to value the liabilities of DPFP vary by the service of the member. This assumption was last changed as of January 1, 2007 to reflect the expected change in future pay increases. Based on expectations of future promotional and merit salary increases and the assumed rate of inflation, Buck has determined that the current assumed salary increase rates are reasonable. A summary of the actual valuation compensation to the expected valuation compensation over the period January 1, 2010 through December 31, 2014 follows.

	Actual	Expected	Actual/Expected
Valuation compensation	$1,777,735,765	$1,844,890,510	96%

Long-term Rate of Return on Plan Assets: The long-term rate of return on plan assets used to value the liabilities of DPFP is 7.25%. This assumption was last changed as of January 1, 2015 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 investment and administrative expenses of DPFP, Buck concluded that a 7.25% long-term rate of return is reasonable. A summary of the nominal rates of return over the period October 1, 1988 through December 31, 2014 follows.

	Period		Annualized Rate of Return
10/1/1988	through	9/30/1989	25.40%
10/1/1989	through	9/30/1990	-6.53%
10/1/1990	through	12/31/1991	20.73%
1/1/1992	through	12/31/1992	2.94%
1/1/1993	through	12/31/1993	14.06%
1/1/1994	through	12/31/1994	2.78%
1/1/1995	through	12/31/1995	24.33%
1/1/1996	through	12/31/1996	16.69%
1/1/1997	through	12/31/1997	13.84%
1/1/1998	through	12/31/1998	13.68%
1/1/1999	through	12/31/1999	24.39%
1/1/2000	through	12/31/2000	-1.52%
1/1/2001	through	12/31/2001	-7.76%
1/1/2002	through	12/31/2002	-12.26%
1/1/2003	through	12/31/2003	31.65%
1/1/2004	through	12/31/2004	13.96%
1/1/2005	through	12/31/2005	10.81%
1/1/2006	through	12/31/2006	14.64%
1/1/2007	through	12/31/2007	8.85%
1/1/2008	through	12/31/2008	-24.80%
1/1/2009	through	12/31/2009	13.78%
1/1/2010	through	12/31/2010	10.72%
1/1/2011	through	12/31/2011	-1.78%
1/1/2012	through	12/31/2012	9.92%
1/1/2013	through	12/31/2013	7.70%
1/1/2014	through	12/31/2014	-5.35%

DROP Interest Rate: The DROP interest rate will be 7.0% effective October 1, 2015, 6.0% effective October 1, 2016, and 5.0% effective October 1, 2017. Effective October 1, 2018, the DROP interest rate can be changed based on the funded status of the Combined Pension Plan and the cumulative loss on DROP accounts. The cumulative loss on DROP accounts is approximately $486 million as of January 1, 2015.

ANALYSIS OF FINANCIAL EXPERIENCE

COMBINED PENSION PLAN (IN THOUSANDS)

1. UAAL as of January 1, 2014	$1,251,875
2. Changes due to:	
a. Expected increase/(amortization)	33,520
d. Actual contributions (greater)/less than expected	15,583
3. Expected UAAL as of January 1, 2015 before changes	1,300,978
b. Assumption change	616,430
c. Plan amendment	(184,979)
4. Expected UAAL as of January 1, 2015 after changes	1,732,429
5. UAAL as of January 1, 2015	2,096,942
6. Gain/(loss) (4) - (5)	(364,513)
7. Actuarial accrued liability at beginning of year	5,129,196
8. Gain/(loss) as a percentage of actuarial accrued liability at beginning of year (6)/(7)	-7.1%

SUPPLEMENTAL PLAN (IN THOUSANDS)

1. UAAL as of January 1, 2014	$14,740
2. Changes due to:	
a. Expected increase/(amortization)	(668)
d. Actual contributions (greater)/less than expected	77
3. Expected UAAL as of January 1, 2015 before changes	14,149
b. Assumption change	3,565
c. Plan amendment	(426)
4. Expected UAAL as of January 1, 2015 after changes	17,288
5. UAAL as of January 1, 2015	20,471
6. Gain/(loss) (4) - (5)	(3,183)
7. Actuarial accrued liability at beginning of year	38,777
8. Gain/(loss) as a percentage of actuarial accrued liability at start of year (6)/(7)	-8.2%

SHORT-TERM SOLVENCY TEST

A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's valuation assets are compared with: 1) active member contributions on deposit; 2) the liabilities for future benefits to present retired lives; and 3) the liabilities for service already rendered by active members. In a system that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability 3) will be partially covered by the remainder of present assets. Liability 3 being fully funded is very rare. Solvency test results for the plans for the last 10 years are as follows:

COMBINED PENSION PLAN (DOLLARS IN THOUSANDS)

	Aggregate Accrued Liabilities for					Portion of Accrued Liabilities Covered by Assets		
	(1)	(2)	(3)					
Jan. 1 Valuation Date	Active Member Contributions	Retirees, Beneficiaries, and Vested Terminations	Active Members (Employer Financed Portion)	Total Actuarial Accrued Liability	Actuarial Value of Assets	(1)	(2)	(3)*
2006	$227,032	$1,430,558	$1,624,630	$3,282,220	$2,700,136	100%	100%	64.2%
2007	235,895	1,536,522	1,598,151	3,370,568	2,962,488	100%	100%	74.5%
2008	242,636	1,709,964	1,691,119	3,643,719	3,258,627	100%	100%	77.2%
2009	252,850	1,831,395	1,793,852	3,878,097	3,039,667	100%	100%	53.3%
2010	262,567	1,987,186	1,883,535	4,133,288	3,382,908	100%	100%	60.2%
2011	270,978	2,134,212	1,911,159	4,316,349	3,430,819	100%	100%	53.7%
2012	274,302	2,376,907	1,917,642	4,568,851	3,378,481	100%	100%	37.9%
2013	278,391	2,570,327	2,009,488	4,858,206	3,795,025	100%	100%	47.1%
2014	281,440	2,810,346	2,037,410	5,129,196	3,877,321	100%	100%	38.6%
2015	286,637	3,282,406	2,223,173	5,792,216	3,695,274	100%	100%	5.7%

SHORT-TERM SOLVENCY TEST (CONTINUED)

SUPPLEMENTAL PLAN (DOLLARS IN THOUSANDS)

	Aggregate Accrued Liabilities for							
	(1)	(2)	(3)					
Jan. 1 Valuation Date	Active Member Contributions	Retirees, Beneficiaries, and Vested Terminations	Active Members (Employer Financed Portion)	Total Actuarial Accrued Liability	Actuarial Value of Assets	Portion of Accrued Liabilities Covered by Assets (1)	(2)	(3)*
2006	$283	$19,381	$6,706	$26,370	$19,961	100%	100%	4.4%
2007	228	21,547	6,888	28,663	23,314	100%	100%	22.4%
2008	251	22,265	7,582	30,098	25,254	100%	100%	36.1%
2009	248	24,830	6,975	32,053	18,140	100%	72.1%	0.0%
2010	270	25,736	7,444	33,450	20,681	100%	79.3%	0.0%
2011	265	27,394	6,649	34,308	21,119	100%	76.1%	0.0%
2012	226	28,001	8,102	36,329	20,823	100%	73.6%	0.0%
2013	138	31,871	5,256	37,265	21,563	100%	67.2%	0.0%
2014	122	33,660	4,995	38,777	24,037	100%	71.0%	0.0%
2015	134	35,739	6,038	41,911	21,439	100%	59.6%	0.0%

* The portion of accrued liabilities for active members (employer financed portion) is calculated as follows: [Actuarial value of assets – ((1)+(2))] / Liability 3.

ACTIVE MEMBER VALUATION DATA

COMBINED PENSION PLAN (DOLLARS IN THOUSANDS)

Jan. 1 Valuation Date	Active Members	Annual Payroll	Annual Average Pay	% Change in Annual Average Pay
2006	4,648	$294,986	$63	3.6%
2007	4,739	305,611	64	1.6%
2008	4,909	321,492	65	1.6%
2009	5,235	348,107	66	1.5%
2010	5,476	366,720	67	0.7%
2011	5,482	365,126	67	-0.5%
2012	5,376	349,495	65	-2.4%
2013	5,400	361,044	67	2.8%
2014	5,397	377,943	70	4.7%
2015	5,487	383,006	70	-0.3%

SUPPLEMENTAL PLAN (DOLLARS IN THOUSANDS)

Jan. 1 Valuation Date	Active Members	Annual Payroll	Annual Average Pay	% Change in Annual Average Pay
2006	42	$928	$22	10.7%
2007	41	866	21	-4.4%
2008	40	938	23	11.0%
2009	41	1,043	25	8.5%
2010	40	1,044	26	2.6%
2011	39	886	23	-13.0%
2012	37	621	17	-26.2%
2013	39	450	12	-31.2%
2014	38	521	14	19.0%
2015	39	557	14	4.0%

RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

CONSOLIDATED PLANS* (DOLLARS IN THOUSANDS)

	Added to Payroll		Removed from Payroll		Total (Includes Deferred Vested)			
Jan. 1 Valuation Date	No.	Average Annual Benefits	No.	Average Annual Benefits	No.	Average Annual Benefits	% Change in Average Annual Benefits	Average Annual Benefit
2006	164	$7,651	77	$2,273	3,227	$107,504	5.9%	$33
2007	153	7,190	74	1,488	3,306	113,098	5.2%	34
2008	162	10,213	64	2,054	3,404	121,096	7.1%	36
2009	142	8,547	59	2,179	3,487	127,270	5.1%	36
2010	138	10,443	63	2,326	3,562	135,232	6.4%	38
2011	149	10,339	63	2,244	3,648	143,173	5.9%	39
2012	211	13,748	77	2,755	3,782	153,973	7.5%	41
2013	203	13,626	82	7,505	3,903	159,932	3.9%	41
2014	187	14,308	80	3,587	4,010	170,546	6.6%	43
2015	251	14,555	70	2,876	4,191	182,128	6.8%	43

* Due to confidentiality issues arising from the small number of members in the Supplemental Plan, data from the Combined Pension Plan and Supplemental Plan are presented on a consolidated basis.

FUNDING PROGRESS

COMBINED PENSION PLAN (DOLLARS IN THOUSANDS)

Jan. 1 Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	AVA as a Percentage of AAL	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Annual Covered Payroll	Funding Period (years)
2006	$2,700,136	$3,282,221	82.3%	$582,085	$294,986	197%	20
2007	2,962,488	3,370,567	87.9%	408,079	305,611	134%	15
2008	3,258,627	3,643,719	89.4%	385,092	321,492	120%	14
2009	3,039,667	3,878,097	78.4%	838,429	348,107	241%	33
2010	3,382,908	4,133,289	81.8%	750,381	366,720	204%	26
2011	3,430,819	4,316,349	79.5%	885,530	365,126	243%	21
2012	3,378,481	4,568,851	73.9%	1,190,370	349,495	341%	30
2013	3,795,025	4,858,206	78.1%	1,063,181	361,044	295%	23
2014	3,877,321	5,129,196	75.6%	1,251,875	377,943	331%	26
2015	3,695,274	5,792,216	63.8%	2,096,942	383,006	548%	Infinite

SUPPLEMENTAL PLAN (DOLLARS IN THOUSANDS)

Jan. 1 Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	AVA as a Percentage of AAL	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Annual Covered Payroll
2006	$19,961	$26,370	75.7%	$6,409	$928	691%
2007	23,314	28,663	81.3%	5,349	866	618%
2008	25,254	30,098	83.9%	4,844	938	516%
2009	18,140	32,053	56.6%	13,913	1,043	1,334%
2010	20,681	33,449	61.8%	12,768	1,044	1,223%
2011	21,119	34,309	61.6%	13,190	886	1,489%
2012	20,823	36,330	57.3%	15,507	621	2,497%
2013	21,563	37,265	57.9%	15,702	450	3,489%
2014	24,037	38,777	62.0%	14,740	521	2,829%
2015	21,439	41,910	51.2%	20,471	557	3,675%

For a schedule of actuarially determined and actual employer contributions for the Supplemental Plan, see the Required Supplementary Information schedule at page 58 in the Financial section.

Statistical Section

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INTRODUCTION

The Statistical section provides additional historical perspective, context, and detail to assist the reader in using the information in the financial statements, notes to the financial statements and required supplemental information to understand and assess the economic condition of DPFP. The schedules within the Statistical section are classified into the following two categories: Financial Trends and Operating Information. All information was derived from our audited annual financial statements and/or our pension administration database.

FINANCIAL TRENDS

Financial trend information is intended to assist users in understanding and assessing the changes in the financial position of DPFP over time.

The Changes in Fiduciary Net Position schedule presents member and employer contributions, as well as the net investment income/loss and administrative expenses to arrive at the net increase/decrease to changes in plan net assets for the 10 years ending December 31, 2014.

The Distributions by Type schedules present the amount of monthly benefit payments, DROP installment payments, and lump sum distributions by type for the 10 years ending December 31, 2014.

The DROP Growth schedule presents the changes in interest credited to DROP accounts, the amounts deferred into and interest credited to DROP accounts, and the change in DROP accounts year over year. In addition, the accumulated DROP balance credit or deficit is presented for the 10 years ending December 31, 2014. A deficit exists when DPFP has credited more interest to the DROP program than has been earned on DROP account assets since inception of the DROP program.

OPERATING INFORMATION

Operating information is intended to provide contextual information about the operations and resources of DPFP to assist readers in understanding and assessing the economic condition of DPFP.

The schedule of Benefit Recipients by Type presents, for given benefit ranges, the total number of benefit recipients by retirement type as of December 31, 2014.

The schedule of Yearly Retirements by Service Years presents, in five-year increments of credited service, the average monthly benefit, the average final average salary and the number of retired members for the 10 years ending December 31, 2014.

The Benefits Payable schedules present the number of members and survivors, by status type, as well as the total annual benefits paid and average annual benefit by type as of December 31, 2014.

The Value of Assets vs. Funded Ratio schedules present the actuarial and market values of assets and the funded ratios for the 10 years ending December 31, 2014.

The Membership Count schedules reflect the number of members, by status type, for the 10 years ending December 31, 2014.

The DROP Member Count schedules reflects a roll forward of the number of DROP participants, by type, and the total number and balance of DROP accounts for the 10 years ending December 31, 2014.

Throughout this Statistical section, certain schedules include a combination of data for both the Combined Pension Plan and the Supplemental Plan, jointly referred to as the “Consolidated Plans”. The combination of the two plans for certain data is necessary due to the small number of Supplemental Plan members and the need to maintain confidentiality of members’ personal data.

CHANGES IN FIDUCIARY NET POSITION

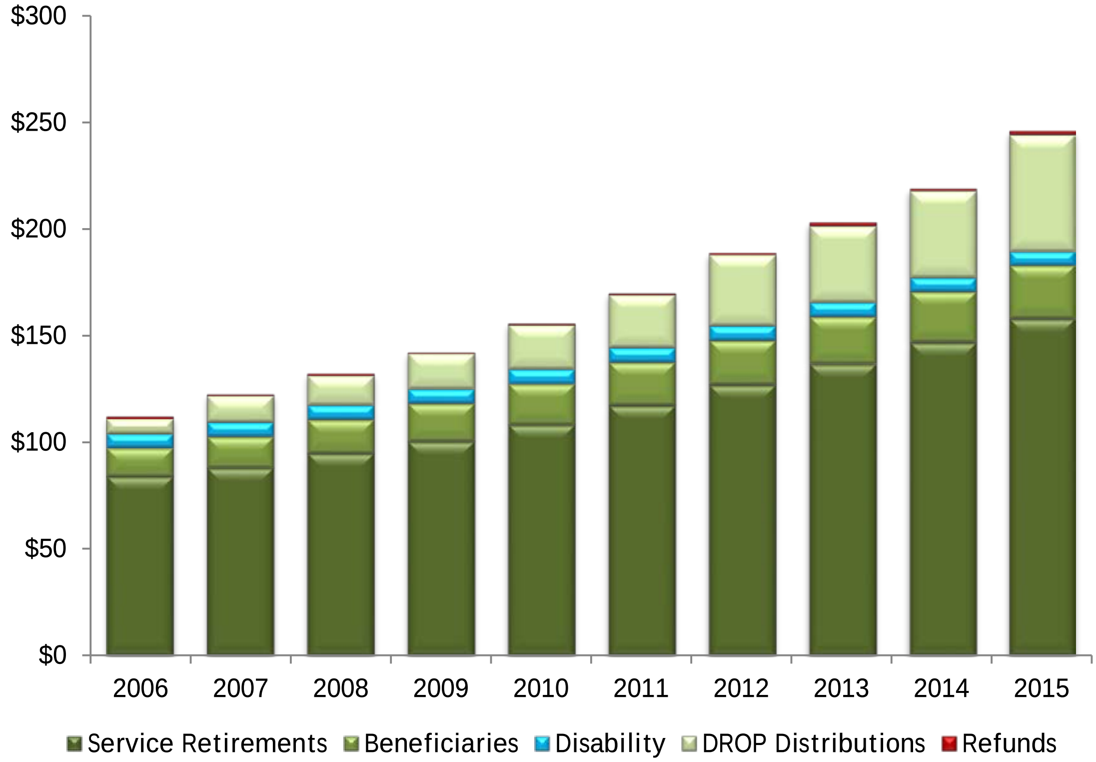
COMBINED PLANS* (IN MILLIONS)

Years ended December 31,	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Contributions										
City	$ 111.6	$ 108.0	$ 105.9	$ 104.0	$ 109.7	$ 109.0	$ 105.6	$ 99.1	$ 92.9	$ 88.6
Members	29.4	26.3	22.8	19.5	19.8	19.6	18.7	17.9	18.0	17.8
Total contributions	141.0	134.3	128.7	123.5	129.5	128.6	124.3	117.0	110.9	106.4
Investment income										
Net appreciation (depreciation) in fair value of investments	(223.2)	94.2	301.5	(44.8)	248.7	318.7	(865.2)	148.2	353.3	187.0
Interest and dividends	94.5	86.5	67.2	59.4	65.8	89.3	92.2	128.4	84.5	86.5
Total gross investment income	(128.7)	180.7	368.7	14.6	314.5	408.0	(773.0)	276.6	437.8	273.5
less: Investment expense	(11.3)	(10.1)	(28.8)	(32.3)	(18.4)	(23.9)	(20.7)	(17.8)	(17.8)	(20.9)
Net investment income (loss)	(140.0)	170.6	339.9	(17.7)	296.1	384.1	(793.7)	258.8	420.0	252.6
Securities lending income										
Securities lending income	0.8	1.1	0.9	0.8	1.0	1.8	6.3	13.6	12.3	2.6
Securities lending expense	(0.2)	(0.3)	(0.2)	(0.2)	(0.4)	(0.6)	(5.0)	(12.7)	(11.4)	(1.5)
Net securities lending income	0.6	0.8	0.7	0.6	0.6	1.2	1.3	0.9	0.9	1.1
Total additions	**1.6**	**305.7**	**469.3**	**106.4**	**426.2**	**513.9**	**(668.1)**	**376.7**	**531.8**	**360.1**
Deductions										
Benefits paid to members	247.6	220.2	203.4	190.2	171.4	156.8	143.4	132.9	123.4	112.6
Refunds to members	1.7	0.9	1.5	0.7	0.8	0.8	0.4	0.9	0.7	1.0
Interest expense	7.4	5.9	6.3	6.7	7.3	3.8	9.5	12.2	6.5	0.5
Professional and administrative expenses	8.1	7.5	6.1	7.0	6.5	6.5	8.0	6.1	4.3	3.0
Total deductions	**264.8**	**234.5**	**217.3**	**204.6**	**186.0**	**167.9**	**161.3**	**152.1**	**134.9**	**117.1**
Net increase (decrease) in net position	**(263.2)**	**71.2**	**252.0**	**(98.2)**	**240.2**	**346.0**	**(829.4)**	**224.6**	**396.9**	**243.0**
Net position										
Beginning of period	3,358.8	3,287.6	3,035.6	3,133.8	2,893.6	2,547.6	3,377.0	3,152.4	2,755.5	2,512.5
End of period	$3,095.6	$3,358.8	$3,287.6	$3,035.6	$3,133.8	$2,893.6	$2,547.6	$3,377.0	$3,152.4	$2,755.5

* Includes both the Combined Pension Plan and the Supplemental Plan.

DISTRIBUTIONS BY TYPE

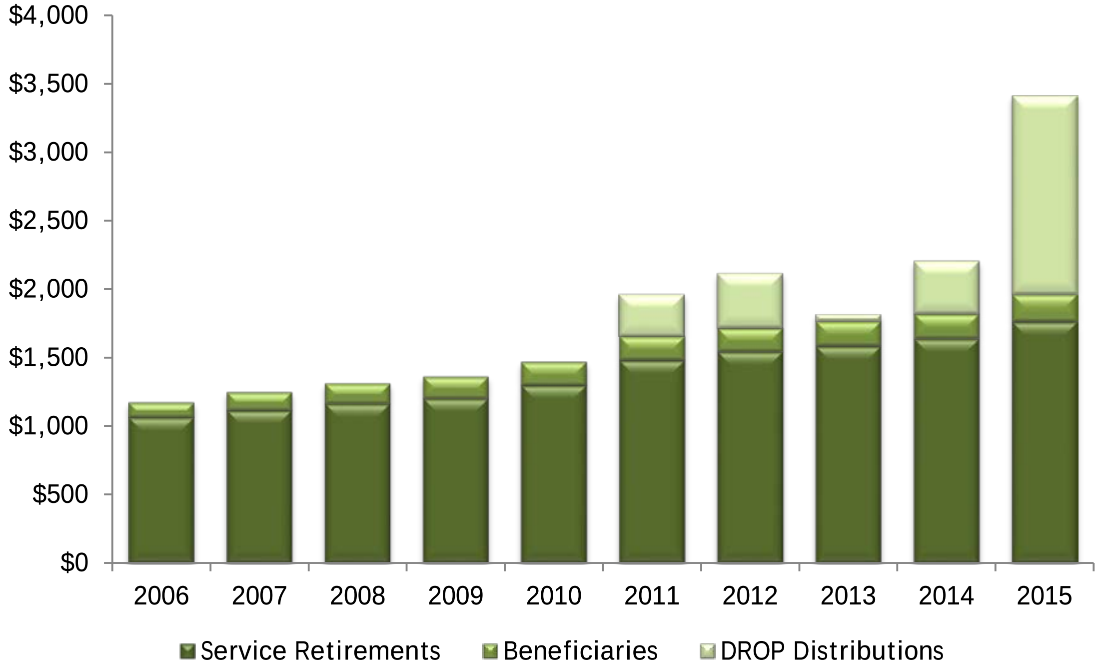
COMBINED PENSION PLAN (IN MILLIONS)



Jan. 1 Valuation Date	Service Retirements	Beneficiaries	Disability	DROP Distributions	Refunds	Total
2006	$84,107	$13,508	$6,753	$7,019	$1,070	$112,457
2007	88,166	14,807	6,793	12,355	728	122,849
2008	95,041	15,817	6,848	13,920	914	132,540
2009	100,666	17,795	6,825	16,789	358	142,433
2010	108,383	19,163	6,933	20,864	771	156,114
2011	117,350	20,369	6,842	24,898	814	170,273
2012	127,048	20,860	6,860	33,325	736	188,829
2013	136,677	22,338	6,724	35,826	1,535	203,100
2014	146,846	23,849	6,543	40,744	900	218,882
2015	157,987	25,104	6,433	54,675	1,733	245,932

DISTRIBUTIONS BY TYPE (CONTINUED)

SUPPLEMENTAL PLAN (IN THOUSANDS)



Jan. 1 Valuation Date	Service Retirements	Beneficiaries	Disability	DROP Distributions	Refunds	Total
2006	$1,063	$114	$-	$-	$-	$1,177
2007	1,114	137	-	-	-	1,251
2008	1,165	150	-	-	-	1,315
2009	1,203	162	-	-	-	1,365
2010	1,300	172	-	-	-	1,472
2011	1,482	174	-	308	-	1,964
2012	1,545	172	-	402	-	2,119
2013	1,584	182	-	53	-	1,819
2014	1,637	182	-	388	-	2,207
2015	1,761	202	-	1,451	-	3,414

DROP GROWTH

CONSOLIDATED PLANS* (DOLLARS IN MILLIONS)

Jan. 1 Valuation Date	Interest Rate Credited	Deferrals	Interest Credited	Withdrawals	Change	Balance	DROP Credit/ (Deficit)
2006	9.50%	$53	$35	($14)	$74	$433	$8
2007	9.75%	57	43	(21)	79	512	31
2008	10.00%	64	52	(25)	91	603	29
2009	9.75%	71	62	(30)	103	707	(186)
2010	9.50%	77	70	(36)	111	818	(183)
2011	9.25%	83	79	(43)	119	937	(192)
2012	8.00%	87	85	(54)	118	1,055	(288)
2013	8.00%	90	85	(58)	117	1,172	(296)
2014	8.78%	96	97	(66)	127	1,299	(325)
2015	8.00%	96	112	(84)	124	1,423	(486)

* Due to confidentiality issues arising from the small number of members in the Supplemental Plan, data from the Combined Pension Plan and Supplemental Plan are presented on a consolidated basis.

BENEFIT RECIPIENTS BY TYPE

CONSOLIDATED PLANS* (AS OF DECEMBER 31, 2014)

Monthly Benefit Range	Total Number of Benefits	Service Retirements	Disability	Beneficiaries	Deferred Vested	Active DROP
$0 - $500	113	26	1	51	26	9
$500 - 1,000	252	72	-	82	76	22
$1,000 - 1,500	310	84	1	169	39	17
$1,500 - 2,000	587	93	2	458	11	23
$2,000 - 2,500	263	94	20	116	3	30
$2,500 - 3,000	282	128	20	57	-	77
$3,000 - 3,500	611	448	56	24	1	82
$3,500 - 4,000	435	265	22	18	1	129
$4,000 - 4,500	586	305	17	19	-	245
$4,500 - 5,000	573	330	7	15	-	221
$5,000 - 5,500	516	321	3	15	-	177
$5,500 - 6,000	407	247	3	14	-	143
$6,000 - 6,500	321	223	2	11	-	85
$6,500 - 7,000	248	161	2	5	-	80
$7,000 - 7,500	138	101	-	1	-	36
$7,500 - 8,000	60	42	-	3	-	15
$8,000 - 8,500	30	26	-	-	-	4
Over $9,000	14	10	-	-	-	4
Total	5,746	2,976	156	1,058	157	1,399

* Due to confidentiality issues arising from the small number of members in the Supplemental Plan, data from the Combined Pension Plan and Supplemental Plan are presented on a consolidated basis.

YEARLY RETIREMENTS BY SERVICE YEARS

CONSOLIDATED PLANS* (MONTHLY BENEFIT) (AS OF DECEMBER 31, 2014)

	Years of Service						
	0-5	6-10	11-15	16-20	21-25	26-30	30+
2005							
Number	-	2	7	22	36	29	14
Avg. FAS**	$-	$2,940	$1,664	$2,213	$2,750	$3,128	$1,238
Avg. Benefit	$-	$1,671	$634	$1,467	$1,963	$3,368	$1,541
2006							
Number	-	1	9	16	43	38	13
Avg. FAS	-	4,058	2,607	1,369	2,819	3,590	2,724
Avg. Benefit	-	633	960	932	2,339	3,775	3,311
2007							
Number	-	3	10	13	44	44	16
Avg. FAS	-	2,602	1,818	1,426	2,595	3,444	1,303
Avg. Benefit	-	782	1,020	1,040	2,258	3,625	1,535
2008							
Number	-	-	8	22	49	35	10
Avg. FAS	-	-	3,463	2,126	2,734	3,593	482
Avg. Benefit	-	-	1,716	1,317	2,407	3,700	582
2009							
Number	-	2	5	25	52	43	14
Avg. FAS	-	2,691	3,221	1,134	2,119	3,497	2,988
Avg. Benefit	-	1,803	1,718	592	1,685	3,774	4,128
2010							
Number	1	2	10	24	52	34	15
Avg. FAS	3,597	2,655	2,579	1,718	3,094	3,947	3,466
Avg. Benefit	2,160	740	1,119	1,017	2,659	4,395	4,383
2011							
Number	-	2	10	40	74	66	12
Avg. FAS	-	3,361	2,367	1,299	2,840	4,371	2,910
Avg. Benefit	-	1,068	1,148	1,016	2,462	4,740	3,905
2012							
Number	-	4	10	28	64	48	13
Avg. FAS	-	3,624	1,912	2,045	2,840	3,473	2,149
Avg. Benefit	-	944	968	1,148	2,535	3,674	2,899
2013							
Number	-	2	9	25	63	74	11
Avg. FAS	-	2,775	2,849	1,825	2,930	4,237	957
Avg. Benefit	-	670	1,348	1,167	2,615	4,607	1,359
2014							
Number	-	2	7	16	47	44	5
Avg. FAS	-	3,812	3,478	1,661	3,144	4,628	3,047
Avg. Benefit	-	921	1,672	1,053	2,851	4,870	3,550

* Due to confidentiality issues arising from the small number of members in the Supplemental Plan, data from the Combined Pension Plan and Supplemental Plan are presented on a consolidated basis.

** FAS = Final average salary

BENEFITS PAYABLE

COMBINED PENSION PLAN (DOLLARS IN THOUSANDS) (AS OF DECEMBER 31, 2014)

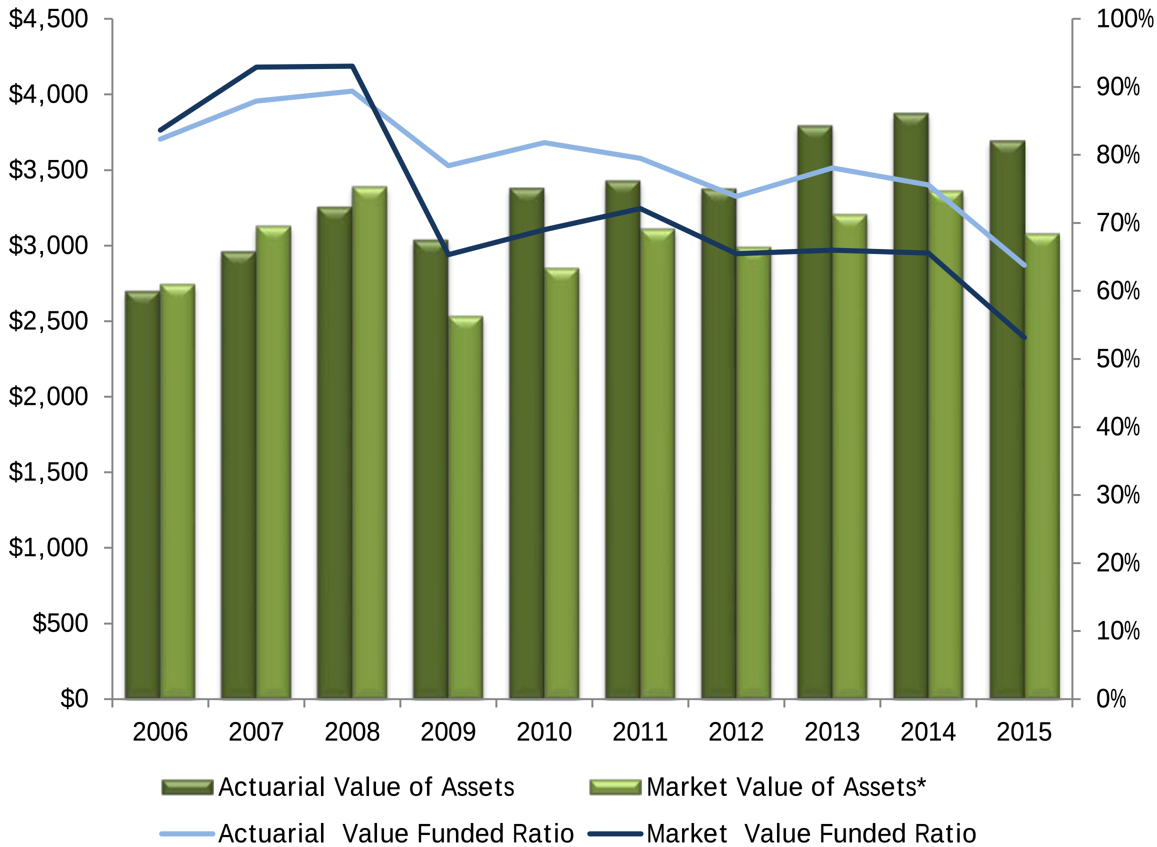
	No.	Annual Benefit	Average Annual Benefit
Retirees			
Service retirements	2,876	$157,986	$55
Disability	156	6,433	41
Total	3,032	164,419	54
Survivors			
Spouses	980	24,263	25
Children	56	841	15
Total	1,036	25,104	24
Total	4,068	$189,523	$47

SUPPLEMENTAL PLAN (DOLLARS IN THOUSANDS) (AS OF DECEMBER 31, 2014)

	No.	Annual Benefit	Average Annual Benefit
Retirees			
Service retirements	100	$1,777	$18
Disability	-	-	-
Total	100	1,777	18
Survivors			
Spouses	22	186	8
Total	22	186	8
Total	122	$1,963	$16

VALUE OF ASSETS VS. FUNDED RATIO

COMBINED PENSION PLAN (IN MILLIONS)

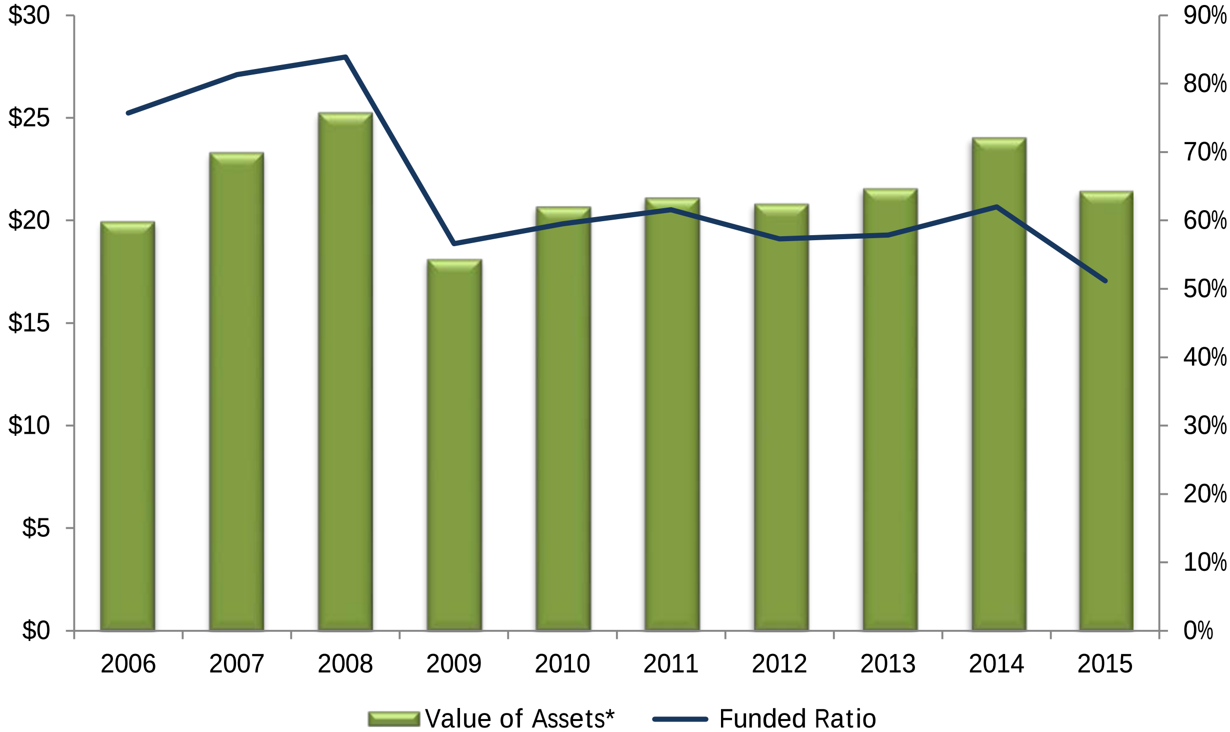


Jan. 1 Valuation Date	Market Value of Assets*	Actuarial Value of Assets	Market Value Funded Ratio	Actuarial Value Funded Ratio
2006	$2,746	$2,700	83.7%	82.3%
2007	3,131	2,962	92.9%	87.9%
2008	3,391	3,259	93.1%	89.4%
2009	2,533	3,040	65.3%	78.4%
2010	2,852	3,383	69.0%	81.8%
2011	3,113	3,431	72.1%	79.5%
2012	2,991	3,378	65.5%	73.9%
2013	3,206	3,795	66.0%	78.1%
2014	3,363	3,877	65.6%	75.6%
2015	3,079	3,695	53.2%	63.8%

* The market value of assets is per the actuarial valuation report as of the valuation date. This value may differ slightly from the final, audited market value for the prior December 31 year end due to timing of adjustments made to valuations after the finalization of the actuarial valuation report, prior to audit completion.

VALUE OF ASSETS VS. FUNDED RATIO (CONTINUED)

SUPPLEMENTAL PLAN (IN MILLIONS)



Jan. 1 Valuation Date	Value of Assets*	Funded Ratio
2006	$20	75.7%
2007	23	81.3%
2008	25	83.9%
2009	18	56.6%
2010	21	59.5%
2011	21	61.6%
2012	21	57.3%
2013	22	57.9%
2014	24	62.0%
2015	21	51.2%

* The value of assets represents both the market value of assets and the actuarial value of assets.

MEMBERSHIP COUNT

COMBINED PENSION PLAN

Jan. 1 Valuation Date	Active (Excluding DROP)	Active DROP	Retirees	Beneficiaries	Terminated Vested	Total
2006	3,592	1,056	2,380	741	141	7,910
2007	3,658	1,081	2,380	818	158	8,095
2008	3,725	1,184	2,458	836	182	8,385
2009	3,983	1,252	2,508	867	151	8,761
2010	4,170	1,306	2,565	885	144	9,070
2011	4,085	1,397	2,644	891	135	9,152
2012	3,995	1,381	2,767	902	128	9,173
2013	3,974	1,426	2,854	929	96	9,279
2014	3,983	1,414	2,956	934	122	9,409
2015	4,107	1,380	3,033	1,036	157	9,713

SUPPLEMENTAL PLAN

Jan. 1 Valuation Date	Active (Excluding DROP)	Active DROP	Retirees/ Beneficiaries	Deferred Vested	Total
2006	19	23	106	-	148
2007	18	23	109	-	150
2008	17	23	111	-	151
2009	15	26	112	-	153
2010	13	27	112	-	152
2011	11	28	113	-	152
2012	9	28	113	-	150
2013	19	20	120	-	159
2014	18	20	120	-	158
2015	21	19	121	-	161

DROP MEMBER COUNT

CONSOLIDATED PLANS* (DOLLARS IN MILLIONS)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Active										
Beginning of year	1,434	1,446	1,409	1,425	1,333	1,278	1,207	1,104	1,079	995
Entrants	107	155	190	176	208	168	191	203	139	166
Withdrawals	(142)	(167)	(153)	(192)	(116)	(113)	(120)	(100)	(114)	(82)
End of year	1,399	1,434	1,446	1,409	1,425	1,333	1,278	1,207	1,104	1,079
DROP balance at Jan. 1	$461	$441	$434	$425	$406	$374	$339	$295	$262	$233
Retirees and Beneficiaries										
Beginning of year	1,912	1,772	1,603	1,449	1,302	1,173	1,060	921	787	668
New accounts	177	196	203	196	162	152	130	152	149	127
Closures	(58)	(56)	(34)	(42)	(15)	(23)	(17)	(13)	(15)	(8)
End of year	2,031	1,912	1,772	1,603	1,449	1,302	1,173	1,060	921	787
DROP balance at Jan. 1	$962	$858	$738	$630	$531	$444	$368	$308	$250	$200
Total number of DROP accounts	3,430	3,346	3,218	3,012	2,874	2,635	2,451	2,267	2,025	1,866

* Due to confidentiality issues arising from the small number of members in the Supplemental Plan, data from the Combined Pension Plan and Supplemental Plan are presented on a consolidated basis.

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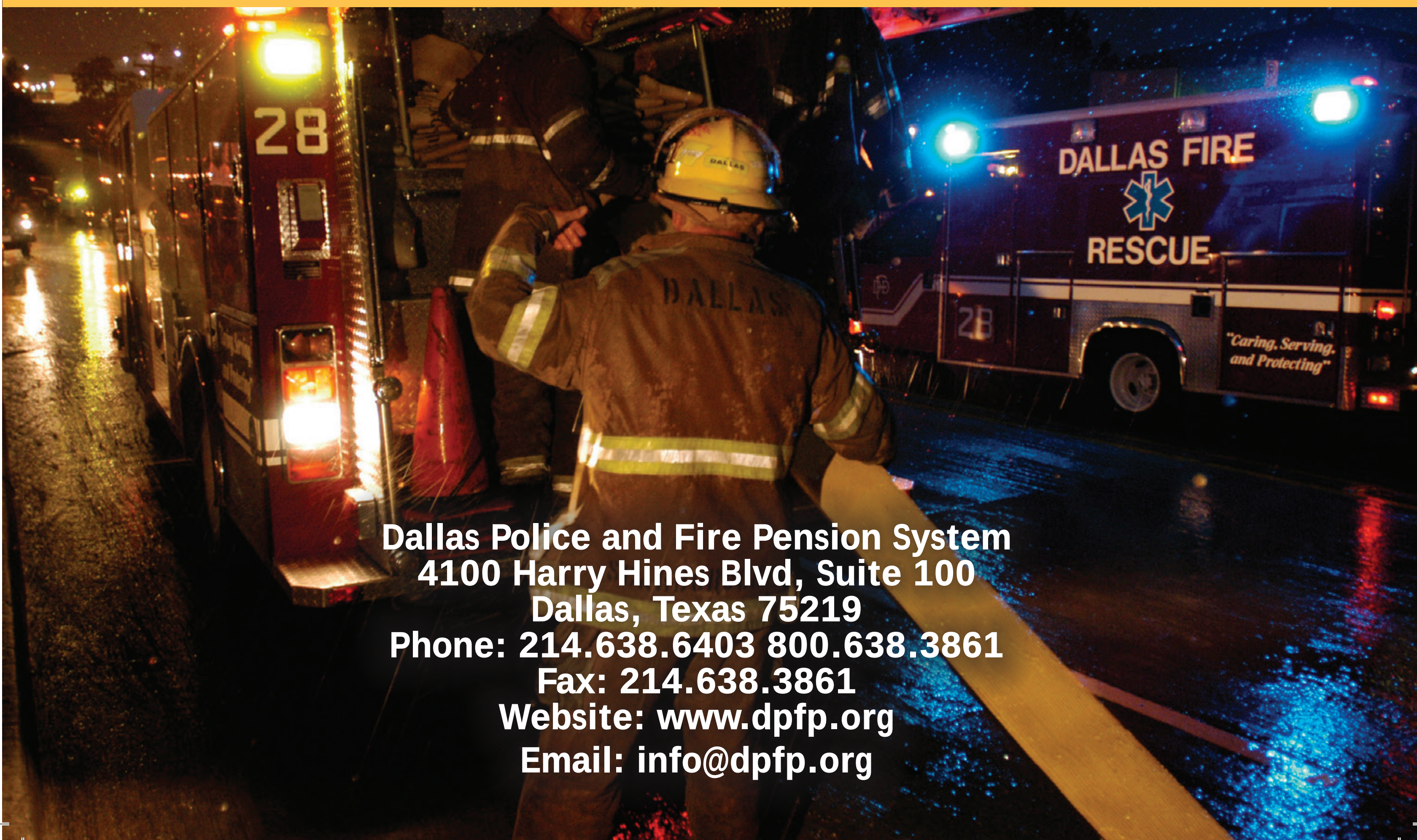
Serving Those Who Protect the Dallas Community

DALLAS POLICE & FIRE PENSION SYSTEM



Dallas Police and Fire Pension System
4100 Harry Hines Blvd, Suite 100
Dallas, Texas 75219
Phone: 214.638.6403 800.638.3861
Fax: 214.638.3861
Website: www.dpfp.org
Email: info@dpfp.org