



D A L L A S
POLICE & FIRE
P E N S I O N S Y S T E M



2301 North Akard Street, Suite 200
Dallas, Texas 75201

*“Serving Those Who Protect
the Dallas Community”*

**Condensed
Annual Report
for the Supplemental
Pension Fund**

Supplemental Pension Fund Condensed Annual Report

The Board of Trustees is pleased to inform the Supplemental Fund membership that funding progress is on schedule and the overall performance of the fund is excellent.

Overview: Condensed report highlights key points

The *Condensed Annual Report for the Dallas Police and Fire Supplemental Pension Fund* has been derived from the audited financial statements of the Fund and the actuarial valuation for the year ended December 31, 2001. Its purpose is to highlight key points from the full report. For the complete audit report and actuarial valuation, see the *2001 Annual Report*.

Fund Description: Supplemental Fund

The Supplemental Fund was established on March 1, 1973, by the City Council. Contributing Group B Members who hold a permanent rank higher than the highest Civil Service rank held as a result of a competitive examination are allowed to join the Supplemental Fund within 60 days of attaining such higher rank.

Membership: Serving 130 Members and survivors

The number of active Members decreased by four compared to the previous year.

Membership Data		
Valuation Date	Active Members	Retired Members
1/1/96	37	78
1/1/97	39	78
1/1/98	40	77
1/1/99	38	81
1/1/00	47	82
1/1/01	40	89
1/1/02	36	94

Supplemental Pension Plan Participants

As of December 31, 2001

Active Participants	36
Pensioners/Survivors	94
Total	130

Supplemental Pension Benefits Paid

Year Ending December 31, 2001

Pensioners, Survivors, and Disabilities	\$947,282
Average Current Annual Benefit.....	\$11,507

The average years of pension service of an active Supplemental Fund Member was 21.86, and the average age was 46.23 years as of January 1, 2002.

Investments: Diversified investments provide stability and long-term growth

The Board of Trustees has contracted with investment managers to manage the Fund's investment portfolio, subject to the policies and guidelines established by the Board. The Board has a custody agreement with State Street Bank and Trust Company of Boston under which they assume responsibility for the safekeeping of certain investments, handling of transactions based on the instructions of investment managers, and accounting for the investment transactions. The chart on page 5 shows the asset allocation for these different types of investments. The investment return for the total portfolio for 2001 was -5.61%.

Fair Market Value of Investments

As of December 31, 2000 and 2001

	Market Value 2000	Market Value 2001
Domestic equities		
State Street S&P 500 Index Fund	\$6,576,446	\$6,537,348
Domestic fixed income		
State Street Bond Index Fund	\$6,770,300	\$5,931,196
International equities		
State Street International Index Fund	\$3,291,095	\$2,874,526
Cash equivalents		
State Street Short-Term Investment Fund	\$8,290	\$175,704
Grand total	\$16,646,131	\$15,518,774

The chart above lists the assets held by the Supplemental Fund. The assets are invested in “pooled” or “commingled” funds at the Supplemental Fund’s custodian bank. As of December 31, 2001, the total value of assets was \$15,518,774.

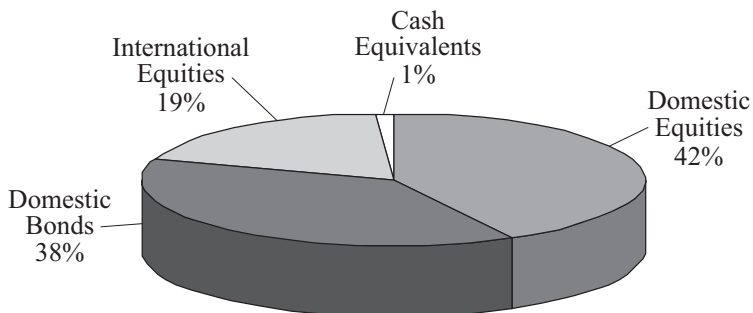
Domestic fixed income was the best performing asset class with a return of 8.17%, and cash and equivalents delivered a 4.16% return. Other asset classes had negative returns for the year because of declining financial markets. Overall, the Supplemental Fund had an investment return of -5.61% for 2001. The rate of return for each investment category is shown in the chart “Investment Performance Calendar 2001” on the following page.

Investment Performance Calendar 2001

<u>Investment category</u>	<u>Fund's rate of return</u>	<u>Benchmark comparison</u>
Domestic equities	-12.18%	-11.88% (S&P 500 Index)
Domestic bonds	8.17%	8.43% (Lehman Aggregate Bond Index)
International equities	<u>-20.48%</u>	<u>-21.45%</u> (Morgan Stanley EAFE Index)
Cash and equivalents	4.16%	4.42% (91-day T-bill rate)
Total portfolio	-5.61%	1.55% (CPI)

The chart above compares the rate of return for each investment category to our benchmark index.

Asset Allocation as of December 31, 2001



Pension System assets were diversified into the categories shown above as of December 31, 2001.

Actuarial Information: Determines City contributions to maintain proper funding

The primary purpose of the actuarial valuation is to determine the City’s contribution rate, to describe the current financial condition of the Plan, and to analyze changes in the Plan’s condition. In addition, the report provides information required by the City of Dallas in connection with Governmental Accounting Standards Board (GASB) Statements Number 5, Number 25, and Number 27. Details of the valuation results are in the chart “Actuarial Valuation Results.”

Actuarial Valuation Results		
	1/1/01 Valuation	1/1/02 Valuation
City Contribution	\$800,000	\$900,000
Unfunded Actuarial Accrued Liability (UAAL)	\$2,939,717	\$5,718,423
Actuarial Value of Assets	\$16,626,033	\$15,495,548
GASB No. 25 Funded Ratio	85.0%	73.0%

For contribution purposes, the City’s contribution is intended to cover the normal cost and the amortization of the UAAL over five years. After 1998, in no event will the City’s contribution differ from the previous year’s contribution by more than \$100,000.

Basis for Funding and Funding Progress: Funding remains on track

The member contribution rate of 8.5% is established by City ordinance. The City's contribution is calculated each year to amortize the unfunded actuarial accrued liability over five years, including the normal cost. The required contribution is limited to be within \$100,000 of the previous year's contribution. However, in no event will the City's contribution be less than the amount necessary to satisfy GASB 27. For 2001, the contribution was \$800,000. For 2002, the contribution will be \$900,000.

Professional Service Providers: The System retains leading professionals to assist with investments and operations

Actuary	Buck Consultants, Inc.
Auditor	KPMG, LLP
Custodial Bank	State Street Bank and Trust Co.
Investment Consultants	Russell Real Estate Advisors The Townsend Group Wilshire Associates
Legal Advisors	City Attorney's Office Lawson, Fields, McCue, Lee & Campbell, P.C.
Performance Measurement Consultant	Financial Control Systems, Inc.

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Pension System Contact Information

For further information concerning the Dallas Police and Fire Supplemental Pension Plan, please contact the Pension System office.

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