

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

**Financial Statements  
and  
Required Supplemental Information**

**December 31, 2004 and 2003**  
*(With Independent Auditors' Report Thereon)*

SUPPLEMENTAL POLICE AND FIRE PENSION  
PLAN OF THE CITY OF DALLAS

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2
Basic Financial Statements:	
Statements of Plan Net Assets - December 31, 2004 and 2003	4
Statements of Changes in Plan Net Assets - Years Ended December 31, 2004 and 2003	5
Notes to Basic Financial Statements	6
Required Supplemental Information:	
Schedule 1 - Schedule of Funding Progress (Unaudited)	14
Schedule 2 - Schedule of Employer Contributions (Unaudited)	15
Note to Required Supplemental Information	16

INDEPENDENT AUDITORS' REPORT

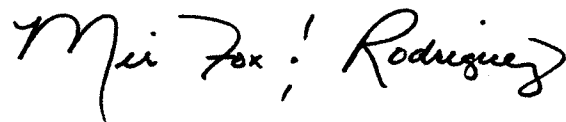
To the Board of Trustees  
Supplemental Police and Fire Pension  
Plan of the City of Dallas:

We have audited the accompanying statements of plan net assets of the Supplemental Police and Fire Pension Plan of the City of Dallas (the Supplemental Plan) as of December 31, 2004 and 2003, and the related statement of changes in plan net assets for the years then ended. These basic financial statements are the responsibility of the Supplemental Plan's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial status of the Supplemental Plan as of December 31, 2004 and 2003, and the changes in its financial status for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (MD&A), the schedule of employer contributions, and the schedule of funding progress, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This information is the responsibility of the Supplemental Plan's management. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the MD&A and supplementary information. However, we did not audit such information and do not express an opinion on it.



August 1, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERVIEW

The Management's Discussion and Analysis (MD&A) of the Supplemental Police and Fire Pension Plan of the City of Dallas (the Supplemental Plan) financial position and performance provides an overview of the Supplemental Plan's financial activities for the fiscal year ended December 31, 2004 and 2003. The Supplemental Plan is a defined benefit pension plan.

Certain comparative Information between the current year and the prior year is required to be presented in the MD&A. The analysis should be read in conjunction with the Introductory Section of the annual report, the basic financial statements, notes to the basic financial statements and required supplemental information.

### FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Supplemental Plan's financial statements which consist of (1) Basic Financial Statements and (2) Notes to Basic Financial Statements, and (3) Required Supplementary Information.

The Statement of Plan Net Assets presents the Supplemental Plan's assets and liabilities and plan net assets held in trust for the payment of pension benefits. The Statement of Changes in Plan Net Assets summarizes additions to and deductions from Supplemental Plan assets, providing plan net assets held in trust at the end of the year for pension benefits. The difference between assets and liabilities is one measure of the Supplemental Plan's financial position and the change in this measure over time is an indication of whether the Supplemental Plan's financial health is improving or deteriorating.

The Notes to Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the Basic Financial Statements.

The Required Supplemental Information consists of schedules of funding progress and required employer contributions and notes to required supplemental information.

### CONDENSED FINANCIAL INFORMATION

	<u>2004</u>	<u>2003</u>
Assets	\$ 18,883,128	16,966,660
Liabilities	162,974	16,656
Net Assets Available for Benefits	18,720,154	16,950,004
Contributions	1,130,145	1,035,251
Investment & Other Income (loss)	1,743,013	2,847,718
Benefit Payments	1,046,124	963,978
Administrative Expenses & Professional Fees	56,884	50,143

## **FINANCIAL HIGHLIGHTS**

The Supplemental Plan's net assets increased by \$1.7 million in 2004 to \$18.7 million. Net assets were \$17 billion in 2003.

The rate of return on Supplemental Plan investments was 10.2% for the year, compared to an expected return (actuarial assumed investment rate of return) of 8.5%. The rate of return for 2003 was 20.45%.

Liabilities totaled \$162,900 as of December 31, 2004, compared to \$16,700 as of December 31, 2003.

The Supplemental Plan received employee contributions of \$30,145 in 2004 and \$35,300 in 2003. The Supplemental Plan received employer contributions from the City of Dallas in the amounts \$1.1 million and \$1.0 million in 2004 and 2003, respectively.

The Supplemental Plan paid \$1,046,124 in service retirement, disability retirement and survivor benefits during 2004, compared to \$963,978 in 2003, an increase of 8.5%. No refunds of contributions to former Members were made in 2004. No changes to benefit provisions were implemented.

The cost of administering the benefit programs of the Supplemental Plan, including administrative costs and professional fees, was \$56,884 compared to \$50,143 for 2003.

The active membership of the Supplemental Plan increased to 41 members as of the end of 2004, compared to 31 members in 2003.

The Supplemental Plan presents its financial statements solely on the accounts of the Supplemental Plan. The accrual basis of accounting is used by the Supplemental Plan, whereby revenues are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the liability has been incurred. Investments are reported at fair value.

## **FUNDING PROGRESS**

The Supplemental Plan contracted with Buck Consultants, Inc. (Mellon Consultants, Inc.), to conduct an actuarial valuation to determine the actuarial position of the Supplemental Plan as of January 1, 2005.

The ratio of a plan's AVA to the actuarial accrued liability (AAL), expressed as a percentage, is an indicator of the plan's funding status. Generally, the larger the percentage, the stronger the financial health of the plan. The Supplemental Plan's AAL ratio improved to 76.4% in 2004, compared to 72.7% for 2003.

When a plan's total liabilities exceed the assets available to pay benefits on an actuarial basis, the plan is said to have an unfunded actuarial accrued liability (UAAL). As of January 1, 2005, the Supplemental Plan's UAAL was \$5.8 million, a decrease of \$0.8 million from a UAAL of \$6.4 million as of January 1, 2004.

## **CONTACTING THE SUPPLEMENTAL PLAN'S FINANCIAL MANAGEMENT**

This financial section is designed to provide our members and other users with a general overview of the Supplemental Plan's financial activities. If you have questions about this report or need additional financial information, contact the Administrator of the Dallas Police and Fire Pension System at 2301 N. Akard Road, Suite 200, Dallas, TX 75201.

SUPPLEMENTAL POLICE AND FIRE PENSION  
PLAN OF THE CITY OF DALLAS

Statements of Plan Net Assets  
December 31, 2004 and 2003

<u>Assets</u>	<u>2004</u>	<u>2003</u>
Investments, at fair value (notes 2 and 3):		
Short-term investments	\$ 153,896	77,471
Bank commingled trust funds	<u>18,729,071</u>	<u>16,887,981</u>
Total investments	18,882,967	16,965,452
Accrued interest, dividends and employee contributions receivable	<u>161</u>	<u>1,208</u>
Total assets	18,883,128	16,966,660
 <u>Liabilities and net assets</u>		
Administrative and professional fees payable	<u>162,974</u>	<u>16,656</u>
Net assets held in trust for pension benefits (a schedule of funding progress is presented on page 14)	\$ <u><u>18,720,154</u></u>	<u><u>16,950,004</u></u>

See accompanying notes to basic financial statements.

SUPPLEMENTAL POLICE AND FIRE PENSION  
PLAN OF THE CITY OF DALLAS

Statements of Changes in Plan Net Assets  
Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Additions to plan net assets:		
Investment income:		
Interest and dividends	\$ 4,914	6,623
Net appreciation in fair value of investments	<u>1,738,099</u>	<u>2,841,095</u>
Total net investment income	<u>1,743,013</u>	<u>2,847,718</u>
Contributions:		
Employer	1,100,000	1,000,000
Member	<u>30,145</u>	<u>35,251</u>
Total contributions	<u>1,130,145</u>	<u>1,035,251</u>
Total net additions to plan net assets	<u>2,873,158</u>	<u>3,882,969</u>
Deductions from plan net assets:		
Benefit payments	1,046,124	963,978
Administrative and professional fees	<u>56,884</u>	<u>50,143</u>
Total deductions from plan net assets	<u>1,103,008</u>	<u>1,014,121</u>
Net increase in plan net assets	1,770,150	2,868,848
Plan net assets held in trust for pension benefits:		
Beginning of year	<u>16,950,004</u>	<u>14,081,156</u>
End of year	<u>\$ 18,720,154</u>	<u>16,950,004</u>

See accompanying notes to basic financial statements.

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

**Notes to Basic Financial Statements  
December 31, 2004 and 2003**

**1. Description of the Plan and Summary of Significant Accounting Policies**

General

The Supplemental Police and Fire Pension Plan of the City of Dallas (the Supplemental Plan) is a single-employer, defined benefit pension plan for police officers and firefighters employed by the City of Dallas, Texas (the City or Employer) and was created in 1973 to supplement the Dallas Police and Fire Pension System's (the System) Plan B Defined Benefit Pension Plan (Plan B). The Plan B benefit structure was consolidated into the System's Combined Pension Plan in 1992. Former Plan B members are now denominated as "Group B" members of the Combined Pension Plan. The intent of the Supplemental Plan is to provide additional retirement benefits (as discussed below) to those members of the Supplemental Plan (Members) holding a rank higher than the highest corresponding Civil Service rank as provided in the Combined Pension Plan. Members receive a supplemental pension based upon the difference between compensation for the Civil Service position held before entrance in the Supplemental Plan and Compensation while in the Supplemental Plan. The Supplemental Plan was established and derives its authority from a non-codified City ordinance. As of December 31, 2004 and 2003, the Supplemental Plan membership consisted of:

	<u>2004</u>	<u>2003</u>
Non-active members		
Pensioners and qualified survivors currently receiving benefits:		
Firefighters	44	44
Police officers	<u>62</u>	<u>60</u>
Total non-active members	<u>106</u>	<u>104</u>
Current employees - vested:		
Firefighters	18	15
Police officers	<u>23</u>	<u>16</u>
Total members	<u>41</u>	<u>31</u>

In 1992, an amendment to Article 6243a-1 was approved by the Members of the Combined Plan allowing for a Deferred Retirement Option Plan (DROP). The amendment automatically modified the Supplemental Plan so members that enter the DROP program in the Combined Plan also enter the DROP program in the Supplemental Plan. DROP Members have their contribution discontinued but the City's portion of the total contribution continues. The Member's monthly benefit remains in the Plan and accumulates interest. Upon retirement from the City, the Member is able to withdraw from their DROP Account along with the Member's normal benefits. Amounts included in these basic financial statements related to DROP members are \$2,956,417 and \$2,231,609 for December 31, 2004 and 2003, respectively.

Continued

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

## Notes to Basic Financial Statements, Continued

### Pension 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 Plan benefits are capped by the Combined 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 Plan shall be deemed to be application for benefits under the Supplemental Plan and no additional application need be filed.

### Contributions

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.

Members are immediately vested in their contributions and with five years of service in the Supplemental Plan or the Combined Plan may, at termination of employment, leave their contributions or deposit with the System and receive a monthly benefit at normal retirement age. If a Member's employment is terminated and the Member elects not to retire or not to have vested rights, the Member's contributions are returned, without interest, upon written application. If application for refund is not made within three years, the Member forfeits the right to a refund of his or her contributions; however, a procedure does exist whereby the Member's right to the contributions can be reinstated.

### Termination

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

### Supplemental Plan administration

The Supplemental Plan is administered by a twelve-member Board of Trustees (the Board) consisting of four City Council members appointed by the City Council, three police officers and three firefighters, all elected by employees of their respective departments, who are members of the System, and one pensioner who has retired from the Police Department and one pensioner who has retired from the Fire Department and each are elected by pensioners from their respective departments.

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

## Notes to Basic Financial Statements, Continued

### Basis of presentation

The accompanying basic financial statements are presented in accordance with generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), which designates accounting principles and financial reporting standards applicable to State and local governmental units. The accompanying basic financial statements include solely the accounts of the Supplemental Plan, which include all programs, activities and functions relating to the accumulation and investment of the net assets and related income necessary to provide the service, disability and death benefits required under the terms of the governing statutes and amendments thereto.

### Recent accounting pronouncement

The GASB has issued Statement No. 40, *Deposit and Investment Risk Disclosures*, which amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*. GASB Statement No. 40 requires disclosure information related to common risks inherent in deposit and investment transactions. The statement is effective for financial statements for periods beginning after June 15, 2004 and accordingly, will be implemented by the Supplemental Plan in fiscal year 2005.

### Basis of accounting

The basis of accounting is the method by which revenues and expenses are recognized in the accounts and reported in the basic financial statements. The accrual basis of accounting is used by the Supplemental Plan. Under the accrual basis of accounting, revenues, which include contributions and investment income, are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the liability is incurred. Member and Employer contributions are recognized as revenue in the period in which the compensation is earned. In addition, the Supplemental Plan records contributions according to Supplemental Plan requirements and State statute. Benefits paid to Members and contribution refunds are recognized when due and payable in accordance with the terms of the Supplemental Plan. Accrued income, when deemed uncollectible, is charged to operations.

Accordingly, interest earned but not received and dividends declared but not received as of the Supplemental Plan's fiscal year-end are recorded as accrued interest and dividends receivable, respectively. In addition, unsettled investment purchases and sales are accrued.

### Reporting entity

The Supplemental Plan is a component unit of the City and its basic financial statements and required supplemental information are included in the City's Comprehensive Annual Financial Report.

### Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

## Notes to Basic Financial Statements, Continued

### Cash and cash equivalents

The Supplemental Plan 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.

### Investments valuation and income recognition

Statutes of the State of Texas authorize the Supplemental Plan to invest surplus funds in the manner provided by the Government Code, Title 8, Subtitle A, Subchapter C. This subchapter provides for the investment of surplus assets in any investment or investments that are deemed "prudent" by the Board. The investment policy of the Board does not restrict the types of investments authorized to be made on behalf of the Supplemental Plan. The investment policy is based upon an asset allocation study that considers the current and expected condition of the Supplemental Plan, the expected long-term capital market outlook and the Supplemental Plan's risk tolerance.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Short-term investments are government and corporate bonds with a maturity of less than one year valued at quoted market rates. The fair value of limited partnerships and real estate is based on independent appraisals and recent financial results. Investments that do not have an established market are reported at their estimated fair values.

Unrealized gains and losses are presented as net appreciation in fair value of investments on the statement of changes in plan net assets along with gains and losses realized on sales of investments. Purchases and sales of investments and forward foreign exchange contracts are recorded on the trade date. Gains or losses on forward foreign exchange contracts are recognized when the contract is complete.

Dividend income is recorded on the ex-dividend date. Interest and income from other investments are recorded as earned.

### Benefits

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

### Administrative expenses

The cost of administering the Supplemental Plan is paid by the Supplemental Plan from current earnings pursuant to an annual fiscal budget adjusted by the Board.

Continued

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

**Notes to Basic Financial Statements, Continued**

**2. Cash and Investments**

The following shows investments reported at fair value at December 31:

	<u>2004</u>	<u>2003</u>
Short-term investment fund	\$ 153,896	77,471
Commingled index funds	<u>18,729,071</u>	<u>16,887,981</u>
Total	<u>\$ 18,882,967</u>	<u>16,965,452</u>

Amounts invested in the above funds are categorized in accordance with GASB No. 3, as category 1 for custodial credit risk, which are insured or registered or for which the investments are held by the Supplemental Plan or its agent in the Supplemental Plan's name.

**3. Investments**

The Board has contracted with investment managers to manage the investment portfolio of the Supplemental Plan, subject to the policies and guidelines established by the Board. The Board has custody agreement with JP Morgan Chase Bank (JP Morgan). Under the agreement JP Morgan assumes responsibility for the safekeeping of certain investments, handling of transactions based on the instructions of investment managers and accounting for the investment transactions.

The Supplemental Plan's investments at December 31, 2004 and 2003 consisted of the following:

	2004		2003	
	<u>Number of shares/units</u>	<u>Fair value</u>	<u>Number of shares/units</u>	<u>Fair value</u>
Investments greater than 5% of net assets, at quoted market value:				
S&P 500 Index Commingled Equity Trust Fund State Street Global Advisors	34,740	\$ 7,675,713	33,963	\$ 6,766,600
Commingled Bond Index Trust Fund State Street Global Advisors	303,567	7,154,461	293,410	6,609,064
Commingled EAFE Provisional Index Trust Fund State Street Global Advisors	78,144	3,898,897	84,801	3,512,317
State Street Short-term Investment Fund (not greater than 5%)	153,896	<u>153,896</u>	77,471	<u>77,471</u>
Total investments		<u>\$18,882,967</u>		<u>\$16,965,452</u>

Continued

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

**Notes to Basic Financial Statements, Continued**

For the years ended December 31, 2004 and 2003, the Supplemental Plan's investments, including investments bought, sold, as well as held during the year, appreciated in value as follows:

	<u>2004</u>	<u>2003</u>
Investments, at quoted market value:		
S&P 500 Index Commingled Equity Trust Fund	\$ 748,909	1,551,587
Commingled Bond Index Trust Fund	305,397	236,817
Commingled EAFE Provisional Index Trust Fund	<u>683,793</u>	<u>1,052,691</u>
	<u>\$ 1,738,099</u>	<u>2,841,095</u>

**4. Federal Income Tax Status**

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

**5. Administrative Expenses**

The Supplemental Plan's document authorizes the Board to pay administrative costs from the Supplemental Plan, provided that the Supplemental Plan's actuary has determined that the Supplemental Plan has sufficient income to pay such costs. Of the Supplemental Plan's total administrative costs, \$56,884 and \$50,143 was reimbursed to the System by the Supplemental Plan during the years ended December 31, 2004 and 2003, respectively.

**6. Commitments and Contingencies**

As described in note 1, certain members of the Supplemental Plan are entitled to refunds of their accumulated contributions on termination of employment with the City, prior to being eligible for pension benefits. As of December 31, 2004 and 2003, the aggregate contributions from participants of the Supplemental Plan with less than five years of service were approximately \$55,135 and \$38,855, respectively.

**7. Risk and Uncertainties**

The Supplemental Plan invests in various investments securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of plan net assets.

The Supplemental Plan contribution rates and the actuarial information included in the schedule of employer contributions, page 15, and schedule of funding progress, page 14, are based on certain assumptions pertaining to interest rates, inflation rates and participant demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the basic financial statements.

Continued

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

### Notes to Basic Financial Statements, Continued

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

The Supplemental Plan has intervened in the above lawsuits to protect the Supplemental Plan's right to members and City contributions which the Supplemental Plan believes will be due if the 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 City's or the Supplemental Plan's basic financial statements as of December 31, 2004 and 2003.

Required Supplemental Information

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

**Schedule of Funding Progress  
(Unaudited)  
(000's)**

Actuarial valuation date	Actuarial value of assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
1/1/1998	\$ 12,685	\$ 15,278	\$ 2,593	83 %	\$ 852	304 %
1/1/1999	15,506	17,106	1,600	91	851	188
1/1/2000	17,628	18,146	518	97	934	56
1/1/2001	16,626	19,566	2,940	85	655	449
1/1/2002	15,496	21,214	5,718	73	737	776
1/1/2003	14,081	22,398	8,317	63	858	970
1/1/2004	16,950	23,325	6,375	73	730	873
1/1/2005	18,720	24,496	5,776	76	818	706

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

The actuarial information presented is determined by the actuarial firm of Mellon Consultants, Inc. (formerly known as Buck Consultants) for 2004 and results from applying various assumptions with regard to termination, disability, retirement, mortality and the time value of money to the accumulated plan benefits.

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

Actuarial calculations were made by the consulting actuary as of January 1, 2005 and 2004 and are not materially different from what they would have been had they been calculated on December 31, 2004 and 2003, respectively. The following assumptions are used by the Supplemental Plan's actuaries to determine the Supplemental Plan's obligations only, and are not used to calculate the actual Supplemental Plan benefits. The Supplemental Plan benefits are fully described in the Supplemental Plan's document.

See accompanying independent auditors' report.

See accompanying note to required supplemental information.

SUPPLEMENTAL POLICE AND FIRE PENSION  
PLAN OF THE CITY OF DALLAS

Schedule of Employer Contributions  
(Unaudited)

<u>Year Ended December 31,</u>	<u>Annual required contribution</u>	<u>Percentage contributed</u>
1999	\$ 800,000	100 %
2000	700,000	100 %
2001	800,000	100 %
2002	900,000	100 %
2003	1,000,000	100 %
2004	1,100,000	100 %

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

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

See accompanying independent auditors' report.

See accompanying note to required supplemental information.

SUPPLEMENTAL POLICE AND FIRE PENSION  
PLAN OF THE CITY OF DALLAS

Note to Required Supplemental information  
(Unaudited)

The information in the accompanying schedules of required supplemental information were determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation date of January 1, 2005 is as follows:

Actuarially assumed investment rate of return *	8.5% per annum, compounded annually
Mortality, retirement, disability and separation rates	Graduated rates detailed in actuary's report
Projected salary increases *	Range 4.3 to 10%
Actuarial cost method	Entry age normal
Post retirement benefit increases	4% per annum of original pension amount
Asset valuation	Fair market value
Amortization method	Open level fixed %
Remaining amortization period	13 years

\* Includes inflation rate of 4%