DALLAS POLICE AND FIRE PENSION SYSTEM

Financial Statements
and
Required Supplemental Information

December 31, 2007 and 2006

(With Independent Auditors' Report Thereon)

DALLAS POLICE AND FIRE PENSION SYSTEM

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	2
Basic Financial Statements:	
Statements of Plan Net Assets - December 31, 2007 and 2006	5
Statements of Changes in Plan Net Assets - Years Ended December 31, 2007 and 2006	6
Notes to Basic Financial Statements	7
Required Supplemental Information:	
Schedule 1 - Schedule of Funding Progress (Unaudited)	27
Schedule 2 - Schedule of Employer Contributions (Unaudited)	28
Note to Required Supplemental Schedules (Unaudited)	29

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of plan net assets of the Dallas Police and Fire Pension System (the System) as of December 31, 2007 and 2006, and the related statements of changes in plan net assets for the years then ended. These basic financial statements are the responsibility of the System'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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial status of the System as of December 31, 2007 and 2006, 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.

Management's discussion and analysis (MD&A) and the required supplemental information (schedules 1 and 2), are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD&A and required supplemental information. However, we did not audit such information and do not express an opinion it.

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October 22, 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

The Management's Discussion and Analysis (MD&A) of the Dallas Police and Fire Pension System's (the System) financial position and performance provides an overview of the System's financial activities for the fiscal years ended December 31, 2007 and 2006. The System is a defined benefit pension plan under Section 401(a) of the Internal Revenue Code. 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 financial statements and required supplementary information.

FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the System's financial statements which consist of (1) Basic Financial Statements and (2) Notes to Basic Financial Statements, including supplemental information.

The *Statement of Plan Net Assets* reflects the System's assets and liabilities and plan net assets held in trust as of the end of the year for the payment of pension benefits. The *Statement of Changes in Plan Net Assets* summarizes additions to and deductions from System 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 System's financial position and the change in this measure over time is an indication of whether the System'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 employer contributions and notes to required supplemental information.

The System presents its financial statements solely on the accounts of the System. The accrual basis of accounting is used by the System, 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.

CONDENSED FINANCIAL INFORMATION
(in thousands)

	2007	2006	2005
Assets	$ 3,354,793	3,131,495	3,281,804
Liabilities	1,453	230	546,070
Net Assets Available for Benefits	3,353,340	3,131,265	2,735,734
Contributions	115,677	109,595	105,122
Investment and Other Income	245,028	413,041	252,204
Benefit Payments	131,626	122,120	111,331
Withdrawals and Refunds of Contributions	914	728	1,070
Administrative Expenses and Professional Fees	6,091	4,265	2,995

FINANCIAL HIGHLIGHTS

- The System's plan net assets increased $222.1 million in 2007 and by $395.5 million in 2006. Plan net assets totaled $3.35 billion in 2007 and $3.13 billion in 2006. The increase reflects a continued strong financial market and that income from employee and employer contributions and earnings on investments exceeded benefit payments and administrative expenses.

- The rate of return on System investments during 2007 was 10.3%, net of fees, compared to a rate of return of 16.8% for 2006. The investment return reflects a positive financial market and the success of the System's asset allocation. Performance numbers are provided by the System's general investment consultant. The actuarial expected rate of return for both years was 8.5%.

- Liabilities totaled $1.45 million as of December 31, 2007. Liabilities in 2006 totaled $229.4 thousand. The increase in 2007 was due to timing of payments at year end between 2007 and 2006.

- The System received employee contributions of $17.9 million in 2007 and $17.9 million in 2006 and received employer contributions from the City of Dallas in the amounts of $97.8 million and $91.6 million in 2007 and 2006, respectively. The employee contributions are 8.5% of computation pay (base pay rate plus education and longevity pays). The employer contributions represent 27.5% of total salary and wages of covered employees.

- The System paid $131.6 million in service retirement, disability retirement, survivor benefits and DROP disbursements during 2007, compared to payments of $122.1 million benefits in 2006. The System refunded approximately $913.5 thousand and $728.3 thousand in contributions to former Members in 2007 and 2006, respectively. No changes to benefit provisions were implemented in 2007. The increase in benefit payments resulted both from an increase in the number of benefit recipients and annual adjustment increases to base benefits.

- The cost of administering the benefit programs of the System, including administrative costs and professional fees, was $6.09 million in 2007 compared to $4.3 million in 2006. The increase in 2007 reflects a change in classification of certain custodial and other expenses from investment fees and other expenses.

FUNDING PROGRESS

The System contracted with Buck Consultants to conduct an actuarial valuation to determine the actuarial position of the System as of January 1, 2008. The Actuarial Valuation Report indicated that the overall funding of the System remains sound and the current contribution rates are sufficient to keep the System actuarially sound. In preparing the valuation, the actuary uses a smoothing process over a rolling five-year period of investment data to remove year-to-year volatility in asset returns.

- The Actuarial Valuation Report shows that the market value of assets increased $259.7 million during 2007 to $3.39 billion as of January 1, 2008. The market value of assets as of January 1, 2007 was $3.13 billion. During the same period, the actuarial value of the assets (AVA) increased $296.1 million to a total of $3.26 billion as of January 1, 2008. The actuarial value of the assets as of January 1, 2007 was $2.96 billion.

- As of January 1, 2008, the actuarial accrued liability (AAL), or actuarial value of liabilities, increased during 2007 by $273.2 million to $3.64 billion.

- The ratio of a plan's AVA to 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 System's AAL ratio improved to 89.4% during 2007. The ratio as of January 1, 2007 was 87.9%.

- 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, 2008, the System's UAAL was $385 million, an improvement of $24 million from a UAAL of $408 million as of January 1, 2007.

- Another measure of funding status is funding period. This is the length of time in years needed to amortize the current unfunded actuarial accrued liability (UAAL) based on the current contribution rate. As of January 1, 2008, the employer contribution rate of 27.5% covers the normal cost and the amortization of the UAAL over 14 years, compared to 15 years to fund as of the January 1, 2007 valuation. This decrease of 1 year in the number of years to fully fund the System further demonstrates the improvement in the System's funding status due primarily to excess investment return. To more conservatively reflect mortality of System members, the Board of Trustees adopted a change in the System's actuarial assumption to provide a one year set back for males and females effective with the January 1, 2008 actuarial valuation. This change in the mortality assumption increased the years to fund by 2 years and is reflected in the number above. Without the change, the years to fully fund would have been 12 years.

CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT

This Financial Section is designed to provide our members and other users with a general overview of the System'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.

DALLAS POLICE AND FIRE PENSION SYSTEM

Statements of Plan Net Assets
December 31, 2007 and 2006

Assets	2007	2006
Plan interest in Group Master Trust, at fair value (notes 2, 3, 4, 6 and 7)	3,352,843,319	3,129,921,814
Receivables:		
Employer contributions (note 5)	1,653,009	1,330,581
Member contributions (note 5)	296,754	242,187
Total receivables	1,949,763	1,572,768
Total assets	3,354,793,082	3,131,494,582
Liabilities and Net Assets		
Administrative expense payable	1,453,313	229,360
Total liabilities	1,453,313	229,360
Net assets held in trust for pension benefits (a schedule of funding progress is included on page 27)	$ 3,353,339,769	3,131,265,222

See accompanying notes to basic financial statements.

DALLAS POLICE AND FIRE PENSION SYSTEM

Statements of Changes in Plan Net Assets
Years Ended December 31, 2007 and 2006

	2007	2006
Additions to plan net assets:		
Investment income -		
net investment gain from the Group Master Trust	$ 245,027,585	413,041,327
Contributions:		
Employer	97,762,335	91,652,586
Employee	17,914,832	17,942,807
Total contributions	115,677,167	109,595,393
Total net additions to plan net assets	360,704,752	522,636,720
Deductions from plan net assets:		
Benefit payments	131,626,059	122,120,302
Withdrawal payments and refunds of contributions	913,522	728,338
Administrative expenses and professional fees	6,090,624	4,256,715
Total deductions from plan net assets	138,630,205	127,105,355
Net increase in plan net assets	222,074,547	395,531,365
Plan net assets held in trust for pension benefits:		
Beginning of year	3,131,265,222	2,735,733,857
End of year	$ 3,353,339,769	3,131,265,222

See accompanying notes to basic financial statements.

1. Description of Plan and Summary of Significant Accounting Policies

General

The Dallas Police and Fire Pension System (the System) is a single-employer pension and retirement fund for police officers and firefighters employed by the City of Dallas, Texas (the City or Employer). The general terms "police officers" and "firefighters" also include fire and rescue operators, fire alarm operators, fire inspectors, apprentice police officers, and apprentice firefighters. The System is comprised of a single defined benefit pension plan, called the "Combined Pension Plan," designed to provide retirement, death, and disability benefits for firefighters and police officers (members). The System was originally established under former Article 6243a of the Revised Civil Statutes of Texas, and since 1989, derives its authority to continue in operation under the provisions of Article 6243a-1 of the Revised Civil Statutes of Texas. All active police officers and firefighters (as defined above) employed by the City are required to participate. As of December 31, 2007 and 2006, the System's membership consisted of:

	2007	2006
Non-active members:		
Pensioners and qualified survivors currently receiving benefits and terminated employees entitled to benefits but not yet receiving them:		
Firefighters	1,423	1,384
Police officers	1,870	1,814
Terminated vested members not yet receiving benefits	183	158
Total non-active members	3,476	3,356
Current employees:		
Vested:		
Firefighters	1,417	1,420
Police officers	2,435	2,390
Total vested current employees	3,852	3,810
Nonvested:		
Firefighters	274	263
Police officers	783	666
Total non-vested current employees	1,057	929
Total current employees	4,909	4,739

Continued

Pension benefits

Members hired by the City before March 1, 1973 were eligible to be Group A members, all other members hired on or after March 1, 1973 became Group B members.

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 the base pay as defined as the maximum monthly civil service pay established by the City for a police officer or firefighter at the time of retirement plus 50% of the Longevity Pay the member was receiving 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 according to changes in 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 the 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 1/24 of any City Service Incentive Pay the member was receiving 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 in the same manner as under Group B (described below). Members who meet the service prerequisite may elect to take early retirement at age 50 with reduced pension benefits.

Group B Benefit - Members with five or more years of pension service are entitled to 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. Computation Pay, for purposes of this calculation, includes Civil Service pay for the highest rank attained by competitive exam and any educational incentive, longevity or City Service Incentive Pay. Certain members who meet the service prerequisite may elect to take early retirement with reduced benefits starting at age 45. A Group B member who has accrued 20 or more years of Pension Service and who has been on Active Service at any time on or after January 1, 1999 may take a pension benefit regardless of age. The pension benefit calculation would be the same except the percent multiplier would be based on the member's age at the time of applying for the pension. In addition, Group B benefits are increased by 4% of the initial benefit amount each October 1.

Additional benefits available under the System:

- 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).

- Disability benefits are available for members who become disabled during the performance of their duties from the first day of employment. Reduced disability benefits are also available for non duty-related disabilities as are survivor benefits for qualified survivors.

Continued

- Members who are eligible to retire are allowed to enter the DROP program. DROP members have their contribution discontinued but the City's portion of the total contribution continues. The member's monthly benefit remains in the System in a DROP Account and accumulates interest. Upon retirement from the City, the Member is able to withdraw from their DROP Account along with the normal benefits. DROP members' balances are $597,764,805 and $507,453,306 for December 31, 2007 and 2006, 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 System's plan document. The minimum benefit is prorated for members who retire with less than 20 years of service credit and $1,200 monthly for Qualified Surviving Spouse, if there are no Qualified Surviving Children receiving benefits. The minimum benefit is $1,100 monthly for Qualified Surviving Children and Qualified Surviving Spouse, if qualified surviving children are receiving benefits.

Contributions

As a condition of participation, Group A members contribute to the System 6.5% of their base pay, as defined in the System's plan document. However, during 2007 and 2006, no member elected contribution under Group A. Group B members are required to contribute to the System 8.5% of their Computation Pay, as defined in the System'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 System's plan document, in accordance with schedules contained in the plan document.

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

Members of Group B are immediately vested in their member contributions and, with five years of pension service may, at termination of employment, leave their contribution on deposit with the System and receive a monthly benefit at normal retirement age. If a member's employment is terminated and is not eligible for a future benefit or the member elects not to receive present or future pension benefits, the member's contributions to the System are returned, without interest, upon written application. If application for refund is not made within three years, the member who is not eligible for a future benefit 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. 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 the System has not expressed any intent to do so, in the event the System is terminated or upon complete discontinuance of contributions, the members and their beneficiaries shall be entitled to the benefits accrued to the date of such termination or discontinuance, to the extent then funded.

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System administration

The System 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.

Effective January 1, 2006, the System's Board elected to establish a Group Master Trust (Group Trust) for investment unitization of the System's investment and those of the Supplemental Police and Fire Pension Plan of the City of Dallas (Supplemental Plan). The System's Board has investment oversight for the investment activities of the Group Trust.

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 System, 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.

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 System. 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 System records contributions according to System requirements and State statute. Benefits paid to members and contribution refunds are recognized when due and payable in accordance with the terms of the System. Accrued income, when deemed uncollectible, is charged to operations.

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

Reporting entity

The System 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.

Continued

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 basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The System 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.

Plan interest in Group Master Trust

Beginning January 1, 2006, the System's investments are held in the Group Master Trust (Group Trust). The fair value of the System interests in the Group Trust is based on the unitized interests that it has in the Group Trust. The System's interest in the Group Trust was approximately 99.2975% and 99.3691% at December 31, 2007 and 2006, respectively. The allocation of investment income and administrative expense between the System and the Supplemental Plan is based on the number of units owned of the Group Trust. Benefits and contributions are allocated to each plan directly.

Investment valuation and income recognition

Statutes of the State of Texas authorize the System 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 System. The investment policy is based upon an asset allocation study that considers the current and expected condition of the System, the expected long-term capital market outlook and the System's risk tolerance.

Investments are 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 and are valued based on current market rates. The fair value of limited partnerships, real estate trusts, and real estate loans is based on independent appraisals and recent financial results. Investments that do not have an established market are reported at their estimated fair values. The System's interest in the Group Master Trust is based on the fair value of the unitized interest held by the System. The underlying investments included in the Group Master Trust are reported at fair value based on quoted market prices, when quoted market prices are not available, investments are based on independent appraisals and recent financial results, or if no established market then they 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.

Continued

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

Benefits

Benefits and refunds of contributions are recorded in these basic financial statements when they are paid to participants.

Foreign currency transactions

The Group Trust is party to certain financial arrangements, utilizing forward contracts, options and futures only 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 - United States dollars) are recorded by the Group Trust based on changes in market values and are combined with similar transactions in the accompanying statements of changes in plan net assets and are included in net investment income. The Group Trust structures foreign exchange contracts and enters into certain transactions to substantially mitigate the Group Trust's exposure to fluctuations in foreign exchange rates.

Investments and broker accounts denominated in foreign currencies outstanding at December 31, 2007 and 2006 were converted to the Group Trust's functional currency (United States dollars) at the foreign exchange rates quoted at December 31, 2007 and 2006. These foreign exchange gains and losses are included in net appreciation in fair value of investments in the accompanying statements of changes in plan net assets.

Administrative expenses

The cost of administering the System is paid by the System from current earnings pursuant to an annual fiscal budget approved by the Board.

Continued

New accounting pronouncements

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.*

This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, also can expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009.

GASB Statement No. 50, *Pension Disclosures* – an Amendment of GASB Statement No. 25 and No. 27.

This statement enhances information discussed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No, 27, *Accounting for Pensions by Statement and Local Governmental Employers.*

In general, the GASB Statement No. 50 requires the financial statements to disclose the funded status of the plan as of the most recent actuarial valuation in the notes to financial statements instead of in the notes to the RSI. It also requires the notes to include a reference linking the funded status disclosure in the notes to financial statements to the required schedule of funding progress in the RSI. The statement is effective for periods beginning after June 15, 2007 and will be adopted with the System's 2008 financial statements.

2. Cash and Cash Equivalents

For cash deposits and cash equivalents, custodial credit risk is the risk that in the event of a bank failure, the Group Trust's deposits may not be returned to it. The Group Trust's deposits are held by the Custodian, JP Morgan Chase. As of December 31, 2007 and 2006, the Group Trust had bank balances of $5,840,577 and $1,082,459, respectively, that are in demand deposit accounts subject to coverage by Federal deposit insurance, but not collateralized. The Group Trust does not have a deposit policy for custodial credit risk; however, the System's management believes that the Group Trust's credit risk exposure is mitigated by the financial strength of the banking institution in which the deposits are held.

Continued

3. **Investments and Plan Interest in Group Master Trust**

The following disclosures on investments and plan interest in Group Master Trust are made for the Group Master Trust as of and for the years ended December 31, 2007 and 2006.

The following summarizes the Group Trust as of December 31:

	2007	2006
Investments, at fair value (notes 2, 3 and 4):		
Cash and cash equivalents	$ 288,681,823	270,728,342
United States government securities	10,879,556	58,045,060
United States government sponsored enterprises	20,496,465	8,980,840
Foreign government securities	204,014,254	194,261,708
Commingled funds	85,940,352	86,465,708
Domestic equities	1,045,749,584	1,103,204,010
International equities	990,822,594	741,591,982
Corporate securities	306,456,923	374,426,266
Investments, at appraised value - real estate equity funds	943,189,733	767,991,320
Total investments	3,896,231,284	3,605,695,236
Receivables:		
Accrued interest and dividends	11,956,730	13,467,610
Forward currency contracts (note 6)	166,741,241	79,787,702
Securities sold	32,273,311	51,559,052
Total receivables	210,971,282	144,814,364
Total assets	4,107,202,566	3,750,509,600
Liabilities and Net Assets		
Repurchase loan agreement (note 7)	32,572,000	35,710,000
Payable for securities purchased	31,691,181	56,554,065
Professional fees payable	4,769,636	2,920,525
Forward currency contracts (note 6)	166,352,773	79,787,702
Securities lending collateral (note 4)	218,371,133	221,286,049
Line of credit (note 8)	276,850,000	204,460,000
Total liabilities	730,606,723	600,718,341
Net assets in the Group Trust	$ 3,376,595,843	3,149,791,259

Continued

The following summarizes the net change in the Group Trust for the years ended December 31:

	2007	2006
Investment income:		
Interest	$ 36,676,719	28,451,894
Dividends	35,347,457	30,426,918
Real estate income	44,149,704	19,095,242
Net appreciation in fair value of investments	148,254,082	353,315,991
Securities lending income	922,183	937,538
Less investment expenses:		
Custody fees	(269,847)	(420,106)
Investment services	(17,533,373)	(17,363,973)
Total investment income in Group Trust	247,546,925	414,443,504
Plan net assets held in trust for pension benefits:		
Beginning of year	3,149,791,259	2,754,257,210
Benefits payments in excess of contributions received for Combined and Supplemental Plan	(20,742,341)	(18,909,455)
End of year	$ 3,376,595,843	3,149,791,259

The following is a break out of interest held in the Group Trust:

Group Trust interest held by the System	$ 3,352,843,319	3,129,921,814
Group Trust interest held by the Supplement Plan	23,752,524	19,869,445
Total nets assets of Group Trust	$ 3,376,595,843	3,149,791,259

Portions of the Group Trust's investments are classified as security investments. A security is a transferable financial instrument that evidences ownership or creditorship. Investments in commingled funds, limited partnerships, real estate trusts, and loans and mortgages are investments that are evidenced by contracts rather than securities.

The fair values of the Group Trust's investments at December 31, 2007 and 2006 are presented by type, as follows:

	2007	2006
Cash and cash equivalents	$ 288,681,823	270,728,342
United States government securities	10,879,556	58,045,060
U.S. government sponsored enterprises	20,496,465	8,980,840
Foreign government securities	204,014,254	194,261,708
Commingled funds	85,940,352	86,465,708
Domestic equities	1,045,749,584	1,103,204,010
International equities	990,822,594	741,591,982
Corporate securities	306,456,923	374,426,266
Investments, at appraised value - real estate equity funds	943,189,733	767,991,320
Total investments	$ 3,896,231,284	3,605,695,236

Continued

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 custody agreements with JP Morgan Chase and under such agreements JP Morgan Chase assumes responsibility for the safekeeping of certain investments, handling of transactions based on the instructions of investment managers, and accounting for the investment transactions.

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

	2007	2006
	Fair value	Fair value
Investments greater than 5% of net assets, at quoted market value:		
Securities lending -		
Global Securities Lending		
JP Morgan	$ 218,371,133	221,286,049
Total investments greater than 5% of net assets	218,371,133	221,286,049
Investments less than 5% of net assets:		
At quoted market value	2,734,670,418	2,616,417,867
At appraised value	943,189,733	767,991,320
Total investments	$ 3,896,231,284	3,605,695,236

Custodial credit risk

For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the Group Trust 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, and are held by either the counterparty or the counterparty's trust department or agent but not in the Group Trust's name. At December 31, 2007 and 2006, the Group Trust's security investments that were not subject to custodial credit risk were the investments in fixed income and equity investments.

Continued

Concentration of credit risk

The allocations of assets among various asset classes are set by the Board with the objective of optimizing the investment return of the Group Trust within framework of acceptable risk and diversification. For major asset classes (e.g., domestic equities, international equities, fixed income, alternative investments, and real estate), the Group Trust will further diversify by employing investment managers who implement the strategies selected by the Board.

Significant guidelines are as follows:

Public market investments

1. Specific guidelines are developed cooperatively by the System investment staff, legal counsel, and investment manager and shall be incorporated into the Investment Management Services Contract executed by the Chair of the Board, System Administrator, General Counsel, and the investment manager.

2. In case of conflict between the specific manager guidelines and the general guidelines, the specific guidelines, as approved by the Board, shall supersede. The general guidelines are as follows:

    a. Manager investment philosophy, style, and strategy shall remain consistent and shall not change without the Board's approval. The manager shall have discretion to manage the portfolio consistent with the style presented to the Board at the time of selection and further subject to the restrictions established by the policy herein.
    b. The following transactions are prohibited: short sales, selling on margin, put and call options, and the use of derivatives for speculation unless authorized by the Board.
    c. Transactions that involve a broker acting as a principal, where such broker is also affiliated with the manager who is making the transaction are prohibited, unless specifically approved by the Board.
    d. Transactions shall be executed at competitive costs, or within the parameters established for directed brokerage transactions by the Board.
    e. Managers shall maintain cash levels consistent with their style as presented to the Board at the time of selection. Any deviation shall be allowed only after notifying the System Administrator and Assistant Administrator of Investments and should be related to unusual market conditions. The cash level held by each manager will be addressed in the Investment Management Services Contract.

3. The Board with the assistance from the System staff shall monitor each investment manager's performance and adherence to style, strategy, and manager specific guidelines. It is the Board's discretion to take corrective action by replacing an investment manager if they deem it appropriate at any time.

Alternative and real estate investments

1. The investment specific guidelines for each manager will be incorporated in a Limited Partnership Agreement, Limited Liability Company Agreement, or other binding agreement as is appropriate for the investment. The Board, System Administrator, General Counsel, and the investment manager execute this document.

Continued

2. In case of conflict between the specific manager guidelines and the general guidelines, the specific guidelines, as approved by the Board, shall supersede. The general guidelines are as follows:

    a. Manager investment philosophy, style, and strategy shall remain consistent and shall not change without the Board's approval. The manager shall have discretion to manage the portfolio consistent with the style presented to the Board at the time of selection and further subject to the restrictions established by the policy herein.
    b. The Chair of the Board may execute amendments and consents if the resulting changes or allowances are provided for in the governing documents as previously accepted by the Board. Otherwise, such changes are to be approved by the Board. The Board will be notified on a quarterly basis of all executed amendments.

3. The Board with assistance from the System staff shall monitor each Alternative and Real Estate manager's performance and adherence to strategy and manager specific guidelines. It is the Board's discretion to take corrective action by replacing an investment manager if they deem it feasible and appropriate at any time. Alternative and Real Estate investment manager retention is governed in most cases by Limited Partnership Agreements, Limited Liability Company Agreements, or other binding agreements. In these cases, the Board with assistance from the System staff shall identify available options as allowed by the governing documents and determine the impact and consequences of these options.

Interest rate risk and foreign currency risk

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, mortgages, investments in life insurance general accounts and guaranteed investment contracts, with maturities greater than one year, and options/futures. Instruments may have an investment grade or non-investment grade rating. 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 the System's Investment Policy.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the 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 expresses investment time horizons (when the investment come due and payable) in years, weighted to reflect the dollar size of individual investments within the investment type. The System 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 the Investment Management Services Contract.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. International securities investment managers are expected to maintain diversified portfolios by sector and by issuer using the System Investment Policy.

Continued

At December 31, 2007, the following tables show the Group Trust's investments by type, time-to-maturity, fair value, and foreign currency fluctuation:

Type of Investment	Less Than 1 Year	1 – 5 Years	6 – 10 Years	More Than 10 Years	Total Fair Value
Fixed maturity domestic:					
U.S. Treasury securities	$	8,851,605		2,027,951	10,879,556
U.S. Gov't agency securities				20,496,465	20,496,465
Municipal bonds				740,000	740,000
Corporate securities:					
Collateralized mortgage obligation				3,460,198	3,460,198
Corporate bonds	4,848,138	30,830,847	104,106,811	151,182,594	290,968,390
Commingled funds				85,940,352	85,940,352
Convertible bonds		3,276,638		1,116,344	4,392,982
Investment interests				126,584	126,584
Total fixed maturity domestic	4,848,138	42,959,090	104,106,811	265,090,488	417,004,527
International government bonds:					
Australian Dollar		4,452,661	10,979,551		15,432,212
Brazil Real		4,008,455		3,724,045	7,732,500
British Pound Sterling		8,757,099	13,258,921	2,579,261	24,595,281
Canadian Dollar		8,091,510			8,091,510
EURO Currency	2,793,430	17,075,802	14,524,189	8,180,965	42,574,386
Japanese Yen	10,757,093	22,509,070	4,556,510		37,822,673
Iceland Krona	1,777,775				1,777,775
Indonesian Rupiah		2,088,472			2,088,472
Malaysian Ringgit	108,728	2,671,942	3,091,258		5,871,928
Mexican New Peso		10,856,060		1,447,431	12,303,491
New Zealand Dollar		6,318,733			6,318,733
Norway Krone		7,597,637			7,597,637
Poland	10,140,790				10,140,790
Singapore Dollar	2,159,237	6,578,734			8,737,971
Swedish Krona	4,051,480	8,877,414			12,928,894
Total international government bonds	31,788,533	109,883,589	46,410,429	15,931,702	204,014,253
International Corporate Bonds:					
Philippines			1,168,000		1,168,000
South African Rand	827,176	4,773,594			5,600,770
Total international corporate bonds	827,176	4,773,594	1,168,000	-	6,768,770
Total international fixed maturity	32,615,709	114,657,183	47,578,429	15,931,702	210,783,023
Total fixed maturity	$ 37,463,847	157,616,273	151,685,240	281,022,190	627,787,550

Continued

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Group Trust does not have a formal policy limiting investment credit risk, but rather mandates such limits within the Investment Management Services Contract. The Group Trust's exposure to investment credit risk in fixed income securities as of December 31, 2007 is as follows:

Type	Moody Rating	Amount	Percentage of Holdings
Corporate securities:			
Convertible bonds:			
	Ba2	$ 1,116,344	0.18%
	NR	3,276,638	0.52%
Total convertible bonds		4,392,982	0.70%
Corporate bonds:			
	A1	3,330,236	0.53%
	A2	412,091	0.07%
	Aa2	1,516,334	0.24%
	B1	45,365,493	7.23%
	B2	15,505,658	2.47%
	B3	27,097,825	4.32%
	B3e	1,168,000	0.19%
	Ba1	4,106,925	0.65%
	Ba2	21,136,022	3.37%
	Ba3	20,621,319	3.28%
	Baa1	2,185,451	0.35%
	Baa2	5,645,323	0.90%
	Baa3	3,004,471	0.48%
	Ca	342,950	0.05%
	Caa1	28,685,667	4.57%
	Caa2	12,865,916	2.05%
	Caa3	3,169,363	0.50%
	NR	101,578,116	16.18%
Total corporate bonds		297,737,160	47.43%
Mortgage bonds	Aaa	$ 3,460,198	0.55%
Total mortgage bonds		3,460,198	0.55%
Investment fund			
	NR	126,584	0.02%
Total investment fund		126,584	0.02%
Total corporate securities		305,716,924	48.70%
Government sponsored enterprises:			
	Aaa	5,741,577	0.91%
	NR	14,754,888	2.35%
		20,496,465	
Foreign government securities:			
	A1	38,261,854	6.09%
	A2	20,318,082	3.24%
	A3	9,574,089	1.53%
	Aa1	3,478,428	0.55%
	Aa2	901,033	0.14%
	Aa3	4,027,659	0.64%
	Aaa	86,645,270	13.80%
	Ba1	3,724,045	0.59%
	Baa1	16,386,215	2.61%
	Baa2	2,047,850	0.33%
	Ca	499,044	0.08%
	NR	12,179,032	1.94%
	WR	5,971,652	0.95%
Total foreign government securities:		204,014,253	32.50%
United States government securities:			
Treasury note	Aaa	10,879,556	1.73%
Total U.S. government securities		10,879,556	1.73%
Municipal bonds	Baa2	740,000	0.12%
Commingled	NR	85,940,352	13.69%
Total credit risk debt securities		$ 627,787,550	100.00%

4. Securities Lending

The Board has authorized the Group Trust to enter into an agreement with JP Morgan Chase (JP Morgan) for the lending of certain of the Group Trust's securities (the Securities Lending Program or program) 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.

Continued

During 2007 and 2006, JP Morgan lent, on behalf of the Group Trust, securities held by JP Morgan as the Group Trust's custodian, and received United States dollar cash and United States Government securities as collateral. JP Morgan did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to put up collateral for each loan equal to: (i) in the case of loaned securities denominated in United States dollars or whose primary trading market was in the United States or sovereign debt issued by foreign governments, 102% of the fair market value of the loaned securities; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not in the United States, 105% of the fair market value of the loaned securities.

The Board did not impose any restrictions during 2007 and 2006 on the amount of the loans that JP Morgan made on its behalf. There were no failures by any borrowers to return the loaned securities or pay distributions thereon during the fiscal years 2007 and 2006. Moreover, there were no losses during the 2007 and 2006 fiscal years resulting from a default of the borrower. JP Morgan indemnifies the Group Trust in respect of any loan related to any non-cash distribution and return of securities.

During 2007 and 2006, 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 JP Morgan. The relationship between the average maturities of the investment pool and the Board's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which the Board could not determine. On December 31, 2007 and 2006, the Group Trust had no credit risk exposure to borrowers. The market value of securities on loan and collateral held for the Group Trust were $218,371,133 and $221,286,049 at December 31, 2007 and 2006, respectively.

Disclosure of securities lending revenue is shown gross with the associated reductions for investment expenses on the face of the Group Trust's statements of changes in plan net assets, and the cash collateral and associated securities lending payable is shown on the face of the statements of plan net assets for the Group Trust as of December 31, 2007 and 2006.

5. Contributions Required and Contributions Made

Funding policy

Contribution rates are established to remain level over time as a percentage of members' salaries. The contribution rate has been determined to provide for normal cost plus the level percentage of members' salaries required to amortize the unfunded actuarial accrued liability (or surplus) over 14 years as of January 1, 2008 compared to 15 years as of January 1, 2007.

The required contribution rate of the City, pursuant to an actuarial study effective January 1, 2008, consists of 18.47% of covered members' salaries to pay normal costs, 6.34% of covered members' salaries to amortize its funding deficit over 14 years, and 2.69% of covered members' salaries for an additional amortization requirement resulting in a net contribution rate of 27.5%. The City is required to contribute at a rate that has been actuarially determined and adopted by the Board.

Continued

In 2007 and 2006, combined police officers, firefighters and City contributions represent approximately 8.5 % and 27.5%, respectively of each year's covered payroll. State law requires that the System fund the plan benefits based on an approved actuarial study. The actuary must certify that the contribution commitment by police officers, firefighters and the City provides an adequate financing arrangement. During 2007 and 2006, contributions were made in accordance with the adopted plans of benefits approved by the System's actuary.

Historical trend information

Historical trend information is provided as supplemental information on pages 27 through 29. This information is intended to demonstrate progress the System has made in accumulating sufficient assets to pay benefits when due and the related actuarial assumptions used in determining the actuarially determined amounts.

The System's contribution rates and the actuarial information included in schedules 1 and 2 is 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 financial statements.

6. Forward Contracts

During fiscal years 2007 and 2006, the Group Trust entered into forward foreign exchange contracts. 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 U.S. dollars at the time the contract was opened; however, the likelihood of such loss is remote. Forwards are usually traded over-the-counter. These transactions are entered into 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 favorable or unfavorable 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. Such matching existed at December 31, 2007 and 2006.

During 2007 and 2006, the Group Trust recognized net realized losses on foreign currency forward contracts of $388,468 and $1,964,102, respectively. At December 31, 2007 and 2006, the Group Trust had net unrealized loss on forward currency contracts reflected in the accompanying Group Trust summary information of approximately $5,941,188 and $2,068,373, respectively.

Continued

7. **Obligation Under Reverse Repurchase Agreements**

State statutes permit the System to enter into reverse repurchase agreements. The credit exposure at year end 2007 and 2006 related to these agreements was $32,572,000 and $35,710,000, respectively in the Group Trust. All sales of investments under reverse repurchase agreements are for fixed terms. In investing the proceeds of reverse repurchase agreements, the System policy is for the term to maturity of the investment to be the same as the term of the reverse repurchase agreements. Such matching existed at December 31, 2007 and 2006.

8. **Line of Credit**

The Group Trust has a credit agreement with a commercial bank which provides for a revolving line of credit bearing interest 30 day float at December 31, 2007, payable quarterly and 5.75% at December 31, 2006, payable monthly. At December 31, 2007 and 2006, the Group Trust had borrowed $276,850,000 and $204,460,000, respectively, related to the revolving credit line which provides for a maximum borrowing of $350,000,000 and $234,000,000, respectively. The revolving credit line was opened in November 1, 2006, and expires on September 13, 2008. The interest rate is based on LIBOR plus 40 basis points. The Group Trust also pays a quarterly fee on the unused portion of the line of credit.

9. **Federal Income Tax Status**

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

10. **Administrative Expenses**

The System's plan document authorizes the Board to pay administrative costs from the System, provided that the System's actuary has determined that the System has sufficient income to pay such costs. The System reimbursed the City for $69,310 and $336,027 related to the System's overall administrative costs during the years ended December 31, 2007 and 2006, respectively.

Group Trust investment related expenses for the years ended December 31, 2007 and 2006 also include $17,533,373 and $12,622,475, respectively, in asset management fees for the Group Trust.

11. **Commitments and Contingencies**

As described in note 1, certain members of the System 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, 2007 and 2006, aggregate contributions from active members of the System with less than five years of service were $6,763,187.35 and $7,445,067, respectively,

The Group Trust had outstanding investment commitments to various limited partnerships and international investment advisors of $566,176,827 and $501,151,919 at December 31, 2007 and 2006, respectively.

Continued

12. **Deferred Compensation Plans**

The System offers its employees a deferred compensation plan (the DCP) created in accordance with Internal Revenue Code Section 457. The DCP, available to all employees of the System, permits employees to defer a portion of their salary until future years. Distributions from the DCP are not available to employees until termination, retirement, death or unforeseeable emergency. The DCP has a third party administrator, ING Retirement Services (ING) and the cost of administration and funding are borne by the DCP participants. Amounts deferred are held in trust by ING and since the System had no fiduciary responsibility for the DCP, these amounts are not reflected in the accompanying basic financial statements in accordance with GASB Statement No. 32.

The System also offers its employees a money purchase pension plan (MPP) created in accordance with Internal Revenue code Section 401. The plan is available to employees of the System that are not considered an employee of the City. Participation in the plan is with the performance of one hour of service and termination from the plan is upon employment termination. Employees are allowed to make after tax contributions, not to exceed IRS Code limitations. System contributions equal a percentage of the employee's compensation that is equal to the contributed amount the City makes on behalf of a System participant. During 2007 and 2006, the System contributed $256,281 and $225,638, respectively. The MPP has a third party administrator, ING, Inc., and the cost of administration and funding are borne by the MPP participants. Amounts deferred are held in trust by ING and since the System had no fiduciary responsibility for the MPP, these amounts are not reflected in the accompanying financial statements in accordance with GASB Statement No. 32.

Continued

13. Risks and Uncertainties

The Group Trust 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 System contribution rates and the actuarial information included in the schedule of contributions, page 27, and schedule of funding progress, page 26, 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.

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

The System has intervened in the above lawsuits to protect the System's right to members and City contributions which the System management 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 System's basic financial statements as of December 31, 2007 and 2006.

14. Subsequent Events

Recent events in the financial markets include a devaluation of some assets including certain mortgages and derivative assets. The U.S. banking system and credit markets has required intervention by the Federal Reserve and the U. S. Treasury Department. In addition, the public equity markets have seen large price declines on a year to date basis. As a result, future investment returns could be adversely impacted in certain asset classes. In response to recent events, the System's management is assessing the likely impact on future investment returns and developing risk mitigation strategies.

Continued

REQUIRED SUPPLEMENTAL INFORMATION

Schedule 1

DALLAS POLICE AND FIRE PENSION SYSTEM

Schedule of Funding Progress (Unaudited)
(dollars in millions)

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

Schedule of Funding Progress

Actuarial valuation date	Actuarial value of assets (AVA) (a)	Actuarial accrued liability (AAL) (b)	AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
1/1/1999	$ 1,503	$ 1,958	$ 455	76.8	$ 205	222.0
1/1/2000	1,772	2,094	322	84.6	213	151.2
1/1/2001	2,005	2,328	323	86.1	224	144.2
1/1/2002	2,158	2,554	396	84.5	251	157.8
1/1/2003	1,992	2,738	746	72.8	270	276.3
1/1/2004	2,286	2,889	603	79.1	265	227.5
1/1/2005	2,485	3,074	589	80.8	282	208.9
1/1/2006	2,700	3,282	582	82.3	295	197.3
1/1/2007	2,962	3,371	409	87.9	306	133.7
1/1/2008	3,259	3,644	385	89.4	321	119.9

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.

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker, generally, the greater this percentage, the stronger the plan. Trends in unfunded actuarial accrued liability and covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

See accompanying note to required supplemental schedules.
See accompanying independent auditors' report.

DALLAS POLICE AND FIRE PENSION SYSTEM

Schedule of Employer Contributions (Unaudited)
(dollars in thousands)

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

Schedule of Contributions

Year ended December 31,	Annual required contribution	Percentage contributed
1998	$ 60,843	100%
1999	63,441	100%
2000	66,691	100%
2001	75,592	100%
2002	77,085	100%
2003	78,323	100%
2004	83,291	100%
2005	87,373	100%
2006	91,653	100%
2007	97,762	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 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.

Contributions were made in accordance with actuarially determined contribution requirements as adopted by the Board.

See accompanying note to required supplemental schedules.
See accompanying independent auditors' report.

DALLAS POLICE AND FIRE PENSION SYSTEM

Note to Required Supplemental Schedules (Unaudited)

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. The significant assumptions underlying the actuarial calculations at January 1, 2008 and 2007 are 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% to 9.64% in 2008 actuary report and range 4.3% to 9.64% in 2007 actuary report
Actuarial cost method	Entry age normal cost method
Post retirement benefit increases:	
Group A (former Plan A) and Group B members	4% of original pension annually
Group A (former Old Plan) members	4% compounded annually
Asset valuation	5-year smoothing
Amortization method	Open level percent of payroll
Remaining amortization period	14 years in 2008 actuary report and 15 years in 2007 actuary report
DROP account returns	9% per annum
Post retirement mortality	1994 Group Annuity Mortality Table

The actuarial information presented was determined by the actuarial firm Buck Consultants, Inc. for 2007 and 2006 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 System will continue. Were the System to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Actuarial calculations were made by the consulting actuary Buck Consultants, Inc. as of January 1, 2008 and 2007, and are not materially different from what they would have been had they been calculated on December 31, 2007 and 2006, respectively. The above assumptions are used by the System's actuaries to determine the System's obligations only, and are not used to calculate the actual System benefits. Plan benefits are fully described in the System's document.

* Includes inflation rate of 4% and net of all expenses
** Includes inflation of 4%.