

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

**Financial Statements
and
Required Supplemental Information**

December 31, 2007 and 2006
(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 (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)	24
Schedule 2 - Schedule of Employer Contributions (Unaudited)	25
Note to Required Supplemental Information (Unaudited)	26

INDEPENDENT AUDITORS' REPORT

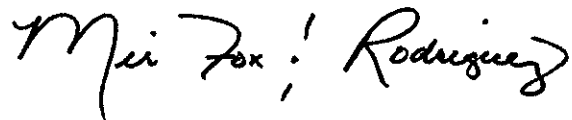
To the Board of Trustees
Supplemental Police and Fire Pension
Plan of the City of Dallas:

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, 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 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 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 Supplemental Plan's internal control over financial reporting. Accordingly, we express no such opinion. 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, 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.

The management's discussion and analysis (MD&A), the schedule of funding progress and the schedule of employer contributions, 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 consisted 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.



October 22, 2008

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's (the Supplemental Plan) financial position and performance provides an overview of the Supplemental Plan's financial activities for the fiscal years ended December 31, 2007 and 2006. The Supplemental Plan 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 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 Supplemental 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>2007</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 23,752,976	21,169,910	19,960,276
Liabilities	44,023	-	207,969
Net Assets Available for Benefits	23,708,953	21,169,910	19,752,779
Contributions	1,377,700	1,333,399	1,229,869
Investment and Other Income	2,519,340	1,402,176	1,080,964
Benefit Payments	1,314,911	1,251,364	1,232,776
Administrative Expenses and Professional Fees	43,086	67,080	45,432

FINANCIAL HIGHLIGHTS

- The Supplemental Plan's net assets increased by \$2.5 million in 2007 to \$23.7 million. Net assets increased by \$1.4 million in 2006 \$21.2 million.
- The rate of return on Supplemental Plan investments was 10.3% for the year, compared to an expected return (actuarial assumed investment rate of return) of 8.5%. The rate of return for 2006 was 16.8%.
- The Plan had \$44,023 in liabilities as of December 31, 2007. The Plan had no non-investment liabilities as of December 31, 2006. The difference in liabilities between the two years primarily is a result of a change in the methodology of recording assets under unitization. Under the Group Trust, investment liabilities are incorporated into the Group Trust and are reflected in total investments.
- The Supplemental Plan received employee contributions of \$37,286 in 2007 and \$33,399 in 2006. The Supplemental Plan received employer contributions from the City of Dallas in the amount \$1.34 million in 2007 and \$1.3 million in 2006.
- The Supplemental Plan paid \$1,314,911 in service retirement, disability retirement and survivor benefits during 2007, compared to \$1,251,364 in 2006. No changes to benefit provisions were implemented in 2007.
- The cost of administering the benefit programs of the Supplemental Plan, including administrative costs and professional fees, was \$43,086 compared to \$67,080 for 2006. A pro rata share of the total expenses of the System are allocated to the Supplemental Plan according to the ratio of Supplemental Plan assets to the total assets of the Group Trust, plus any expenses specific to the Supplemental Plan.
- The active membership of the Supplemental Plan decreased by one to 40 members as of the end of 2007. There were 41 active members in 2006. The number of retired, terminated vested and beneficiaries was 111 as of December 31, 2007 and 109 as of December 31, 2006.

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. to conduct an actuarial valuation to determine the actuarial position of the Supplemental Plan as of January 1, 2008.

The ratio of a plan's actuarial value of assets (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 increased to 83.9% in 2007 compared to 81.3% in 2006.

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 Supplemental Plan's UAAL was \$4,843,565, a decrease of \$505,094 from a UAAL of \$5,348,659 as of January 1, 2007.

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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>Assets</u>		
Plan interest in Group Master Trust, at fair value (note 3, 4, 6, 7 and 8)	\$ 23,752,524	19,869,445
Total investments	23,752,524	19,869,445
Accrued employee contributions receivable (note 5)	452	1,300,465
Total assets	23,752,976	21,169,910
<u>Liabilities and Plan Net Assets</u>		
Administrative and benefit expenses payable	44,023	-
Plan net assets held in trust for pension benefits (a schedule of funding progress is presented on page 24)	\$ 23,708,953	21,169,910

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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Additions:		
Net investment income -		
net investment gain from the Group Master Trust	\$ <u>2,519,340</u>	<u>1,402,176</u>
Total net investment income	<u>2,519,340</u>	<u>1,402,176</u>
Contributions:		
Employer	1,340,414	1,300,000
Member	<u>37,286</u>	<u>33,399</u>
Total contributions	<u>1,377,700</u>	<u>1,333,399</u>
Total net additions to plan net assets	<u>3,897,040</u>	<u>2,735,575</u>
Deductions:		
Benefit payments	1,314,911	1,251,364
Administrative and professional fees	<u>43,086</u>	<u>67,080</u>
Total deductions from plan net assets	<u>1,357,997</u>	<u>1,318,444</u>
Net increase in plan net assets	2,539,043	1,417,131
Plan net assets held in trust for pension benefits:		
Beginning of year	<u>21,169,910</u>	<u>19,752,779</u>
End of year	\$ <u><u>23,708,953</u></u>	<u><u>21,169,910</u></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, 2007 and 2006**

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, 2007 and 2006, the Supplemental Plan membership consisted of:

	<u>2007</u>	<u>2006</u>
Non-active members - pensioners and qualified survivors currently receiving benefits:		
Firefighters	46	45
Police officers	<u>65</u>	<u>64</u>
Total non-active members	<u>111</u>	<u>109</u>
 Current employees - vested:		
Firefighters	16	17
Police officers	<u>24</u>	<u>24</u>
Total members	<u>40</u>	<u>41</u>

In 1992, an amendment to Article 6243a-1 was approved by the Members of the Combined Pension 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 Pension 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 \$5,519,457 and \$4,677,345 for December 31, 2007 and 2006, respectively.

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

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 Pension Plan may, at termination of employment, leave their contributions or deposit with the Supplemental Plan 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 Supplemental Plan, 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.

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

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

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.

Plan interest in Group Trust

Beginning January 1, 2006, the Supplemental Plan's investments during 2006 were held in the Group Master Trust (Group Trust). JP Morgan Chase served as custodian for the years ended December 31, 2007 and 2006. The fair value of the Supplemental Plan's interests in the Group Trust is based on the unitized interests that the Supplemental Plan has in the Group Trust. The Supplemental Plan's interest in the Group Trust was approximately 0.7025% and 0.6309%, at December 31, 2007 and 2006, respectively. The allocation of income and administrative expenses 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.

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 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 Supplemental Plan's interest in the Group Master Trust is based on the fair value of the unitized interest held by the Supplemental Plan. 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, investment are based on independent appraisals and recent financial results, or if not 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.

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

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

Benefits

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

Administrative expenses

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

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.

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 Supplemental Plan'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

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

Notes to Basic Financial Statements, 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:

	<u>2007</u>	<u>2006</u>
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	<u>943,189,733</u>	<u>767,991,320</u>
Total investments	<u>3,896,231,284</u>	<u>3,605,695,236</u>
Receivables:		
Accrued interest and dividends	11,956,730	13,467,610
Forward currency contracts (note 6)	166,741,241	79,787,702
Securities sold	<u>32,273,311</u>	<u>51,559,052</u>
Total receivables	<u>210,971,282</u>	<u>144,814,364</u>
Total assets	<u>4,107,202,566</u>	<u>3,750,509,600</u>
<u>Liabilities and Net Assets</u>		
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)	<u>276,850,000</u>	<u>204,460,000</u>
Total liabilities	<u>730,606,723</u>	<u>600,718,341</u>
Net assets in the Group Trust	<u>\$ 3,376,595,843</u>	<u>3,149,791,259</u>

Continued

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

Notes to Basic Financial Statements, Continued

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

	<u>2007</u>	<u>2006</u>
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	<u>(17,533,373)</u>	<u>(17,363,973)</u>
Total investment income in Group Trust	<u>247,546,925</u>	<u>414,443,504</u>
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	<u>(20,742,341)</u>	<u>(18,909,455)</u>
End of year	\$ <u>3,376,595,843</u>	<u>3,149,791,259</u>

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	<u>23,752,524</u>	<u>19,869,445</u>
Total nets assets of Group Trust	\$ <u>3,376,595,843</u>	<u>3,149,791,259</u>

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:

	<u>2007</u>	<u>2006</u>
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	85,990,352	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	<u>943,189,733</u>	<u>767,991,320</u>
Total investments	\$ <u>3,896,231,284</u>	<u>3,605,695,236</u>

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

The System's 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 System's 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:

	<u>2007</u>	<u>2006</u>
	<u>Fair value</u>	<u>Fair value</u>
Investments greater than 5% of net assets, at quoted market value:		
Securities lending -		
Global Securities Lending		
JP Morgan	\$ <u>218,371,133</u>	<u>221,286,049</u>
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	<u>943,189,733</u>	<u>767,991,320</u>
Total investments	\$ <u>3,896,231,284</u>	<u>3,605,695,236</u>

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

SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

Concentration of credit risk

The allocations of assets among various asset classes are set by the System 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 System 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 System 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 System 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 System Board's approval. The manager shall have discretion to manage the portfolio consistent with the style presented to the System 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 System 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 System Board.
 - d. Transactions shall be executed at competitive costs, or within the parameters established for directed brokerage transactions by the System Board.
 - e. Managers shall maintain cash levels consistent with their style as presented to the System 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 System 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 System 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 System Board, System Administrator, General Counsel, and the investment manager execute this document.

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

2. In case of conflict between the specific manager guidelines and the general guidelines, the specific guidelines, as approved by the System 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 System Board's approval. The manager shall have discretion to manage the portfolio consistent with the style presented to the System Board at the time of selection and further subject to the restrictions established by the policy herein.
 - b. The Chair of the System Board may execute amendments and consents if the resulting changes or allowances are provided for in the governing documents as previously accepted by the System Board. Otherwise, such changes are to be approved by the System Board. The System Board will be notified on a quarterly basis of all executed amendments.
3. The System 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 System 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.

Continued

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

Notes to Basic Financial Statements, Continued

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.

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

SUPPLEMENTAL POLICE AND FIRE PENSION
PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, 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:

<u>Type</u>	<u>Moody Rating</u>	<u>Amount</u>	<u>Percentage of Holdings</u>	<u>Moody Rating</u>	<u>Amount</u>	<u>Percentage of Holdings</u>
Corporate securities:						
Convertible bonds:						
	Ba2	\$ 1,116,344	0.18%	Mortgage bonds	Aaa	\$ 3,460,198
	NR	<u>3,276,638</u>	0.52%	Total mortgage bonds		<u>3,460,198</u>
Total convertible bonds		<u>4,392,982</u>	0.70%			
Investment fund						
				Total investment fund	NR	<u>126,584</u>
						0.02%
Corporate bonds:						
	A1	3,330,236	0.53%	Total corporate securities		<u>305,716,924</u>
	A2	412,091	0.07%			48.70%
	Aa2	1,516,334	0.24%	Government sponsored enterprises:		
	B1	45,365,493	7.23%		Aaa	5,741,577
	B2	15,505,658	2.47%		NR	<u>14,754,888</u>
	B3	27,097,825	4.32%			<u>20,496,465</u>
	B3e	1,168,000	0.19%	Foreign government securities:		
	Ba1	4,106,925	0.65%		A1	38,261,854
	Ba2	21,136,022	3.37%		A2	20,318,082
	Ba3	20,621,319	3.28%		A3	9,574,089
	Baa1	2,185,451	0.35%		Aa1	3,478,428
	Baa2	5,645,323	0.90%		Aa2	901,033
	Baa3	3,004,471	0.48%		Aa3	4,027,659
	Ca	342,950	0.05%		Aaa	86,645,270
	Caa1	28,685,667	4.57%		Ba1	3,724,045
	Caa2	12,865,916	2.05%		Baa1	16,386,215
	Caa3	3,169,363	0.50%		Baa2	2,047,850
	NR	<u>101,578,116</u>	16.18%		Ca	499,044
Total corporate bonds		<u>297,737,160</u>	47.43%		NR	12,179,032
					WR	<u>5,971,652</u>
				Total foreign government securities:		<u>204,014,263</u>
						32.50%
				United States government securities:		
				Treasury note	Aaa	<u>10,879,556</u>
				Total U.S. government securities		<u>10,879,556</u>
						1.73%
				Municipal bonds	Baa2	<u>740,000</u>
						0.12%
				Commingled		
				Total credit risk debt securities	NR	<u>85,940,352</u>
						13.69%
					\$	<u>627,787,550</u>
						100.00%

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

4. **Securities Lending**

The System 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.

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 System 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 System 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 System 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 System Board could not determine. On December 31, 2007, 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 of the Group Trust information as of December 31, 2007 and 2006.

5. **Contributions Required and Contributions Made**

Funding policy

The City is required by ordinance to contribute amounts, as determined by an actuary, necessary to maintain the Supplemental Plan. The City's contribution rate is intended to be sufficient to amortize the unfunded actuarial liability over five years as of January 1, 2008 and 2007. The contribution is also limited to be within \$100,000 of the previous year's contribution.

Continued

SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

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.

The required contribution rate of the City, pursuant to an actuarial study effective January 1, 2008, consists of 132.57% of covered members' salaries, increased by 10.46% of covered members' salaries of 154.79% as of January 1, 2007.

The required contribution rate of the City, pursuant to an actuarial study effective January 1, 2007, consists of 154.79% of covered members' salaries, increased by 10.46% of covered members' salaries of 140.13% as of January 1, 2006.

Historical trend information

Historical trend information is provided as supplemental information on pages 24 through 26. This information is intended to demonstrate progress the Supplemental Plan has made in accumulating sufficient assets to pay benefits when due and the related actuarial assumptions used in determining the actuarially determined amounts.

The Supplemental Plan'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 and the basic financial statements of approximately \$5,941,188 and \$2,068,373, respectively.

Continued

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

Notes to Basic Financial Statements, Continued

7. Obligation Under Reverse Repurchase Agreements

State statutes permit the Supplemental Plan 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 Supplemental Plan's 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 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.

10. Administrative Expenses

The Supplemental Plan's plan 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. The Supplemental Plan reimbursed the City for \$43,086 and \$67,080 related to the Supplemental Plan'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 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, 2007 and 2006, aggregate contributions from active members of the Supplemental Plan with less than five years of service were \$23,610 and \$8,650, 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

SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS

Notes to Basic Financial Statements, Continued

12. 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 Supplemental Plan contribution rates and the actuarial information included in the schedule of contributions, page 25, and schedule of funding progress, page 24, 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 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 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 Supplemental Plan's basic financial statements as of December 31, 2007 and 2006.

13. 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 Supplemental Plan's management is assessing the likely impact on future investment returns and developing risk mitigation strategies.

REQUIRED SUPPLEMENTAL INFORMATION

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

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

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

Schedule of Funding Progress						
Actuarial valuation date	Actuarial value of assets (AVA) (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)
1/1/1999	\$ 15,506	\$ 17,106	\$ 1,600	91%	\$ 851	188%
1/1/2000	17,628	18,146	518	975%	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%
1/1/2006	19,961	26,320	6,409	76%	928	691%
1/1/2007	23,314	28,663	5,349	81%	866	618%
1/1/2008	25,254	30,098	4,844	84%	938	516%

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.

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

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

**Schedule of Employer Contributions
(Unaudited)**

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

Schedule of Contributions

<u>Year ended December 31,</u>	<u>Annual required contribution</u>	<u>Percentage contributed</u>
1998	\$1,030,687	100 %
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 %
2005	1,200,000	100 %
2006	1,300,000	100 %
2007	1,340,414	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 Supplemental Plan 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 independent auditors' report.
See accompanying note to required supplemental schedules.

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

**Note to Required Supplemental Schedules
(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, 2008 and 2007 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
Actuarial cost method	Entry age normal
Post retirement benefit increases	4% per annum of original pension amount
Asset valuation	Fair market value
Amortization method	Open level fixed %
Remaining amortization period	5 years in 2008 and 2007
DROP account returns	9% per annum
Post retirement mortality	1994 Group Annuity Mortality Table

- * Includes inflation rate of 4% and a real rate of return of 4.5%. DROP balances are assumed to earn 9% per annum. Total payroll is assumed to increase 4% per year. Overtime is assumed to be 11% of base pay per the 2008 actuary report and 11% of base pay per the 2007 actuary report.

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 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 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 Supplemental Plan's actuaries to determine the Supplemental Plan's obligations only, and are not used to calculate the actual Supplemental Plan benefits. Plan benefits are fully described in the Supplemental Plan's document.