2013

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED, DECEMBER 31, 2013

Employees' Retirement Fund of the City of Dallas

2013 AT - A - GLANCE

(unaudited)

(dollars in thousands)

Active Members		6,993
Benefit Recipients		6,447
Inactive Members		1,052
Fund Net Position	$	3,332,360
Benefits Paids	$	216,988
Refunds	$	4,405
Member Contributions	$	41,730
City Contributions	$	37,823
Investment Rate of Return		16.90%

2013

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED, DECEMBER 31, 2013

Prepared by the Staff of The Employees' Retirement Fund

CHERYL D. ALSTON
EXECUTIVE DIRECTOR

Employees' Retirement Fund of the City of Dallas
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Phone 214.580.7700 | Fax 214.580.3515
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INTRODUCTORY SECTION

Marriot Southland Tower Observation Deck & Today's view from the Ballroom

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Employees' Retirement Fund of the City of DALLAS

LETTER OF TRANSMITTAL

September 9, 2014

Board of Trustees
Employees' Retirement Fund
600 North Pearl St., Suite 2450
Dallas, Texas 75201

Dear Board Members:

The comprehensive annual financial report (CAFR) of the Employees' Retirement Fund (ERF) for the fiscal year ended December 31, 2013 is submitted herewith. Our mission is to provide retirement benefits and superior service to advance the financial security of our members. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation rests with me and the staff of ERF.

Report Contents

This CAFR is divided into five sections:

Section One – Introductory Section, contains the administrative organization, a letter of transmittal, and the Plan Summary.
Section Two - Financial Section contains the report of the Independent Auditors, the financial statements of ERF and certain required supplementary information.
Section Three - Investment Section contains a report on investment activity, investment policies, investment results, and various investment schedules.
Section Four - Actuarial Section which contains an Actuary's Certification Letter and the results of the annual actuarial valuation.
Section Five - Statistical Section includes significant data pertaining to ERF.

I trust that you and the members of ERF will find this CAFR helpful in understanding your retirement plan.

Plan Overview

ERF was established by ordinance in November 1943 and became effective in January 1944 after ratification by the voters of the City of Dallas. ERF is a single-employer defined benefit pension plan sponsored by the City of Dallas (the "City"), and it provides retirement, disability and death benefits to its members. All employees of the City are members except police officers, fire fighters, elected officers, non-salaried appointee members of administrative boards or commissions, part-time employees working less than one-half time, temporary employees, individuals working under contract, and individuals whose salaries are paid in part by another government agency. Members are entitled to retirement benefits at the date of eligibility for retirement after five years of service or to survivor benefits after two years of service.

Investments

The Board of Trustees oversees ERF's portfolio, managers, and performance. It also reviews and approves potential investment opportunities, with input from the investment consultant and staff. The Board follows the "prudent person rule" which states that fiduciaries shall discharge their duties solely in the interest of ERF and its participants and beneficiaries with the degree of diligence, care and skill which prudent men and women would ordinarily exercise under similar circumstances in a like position.

2013 was a positive year for ERF with a total fund return of 16.9%. The total return compares to 14.3% in 2012 and .88% in 2011. The Fund expects and assumes an investment rate of 8.25% over the long term, which encompasses many years in the future.

An integral part of the overall investment policy is the strategic asset allocation policy. This policy is designed to provide an optimal diversification to reduce risk and maximize total rate of return relative to risk. This emphasizes a maximum diversification of the portfolio that protects ERF from declines that a particular asset class may experience in a given period.

Additions To Plan Net Assets

The collection of employer and member contributions, as well as income from investments, is intended to provide the reserves needed to finance retirement benefits. Contribution and investment income, including unrealized gains and losses, for 2013 totaled $573,677,000. City and member contributions for the fiscal year were $79,553,000, an increase of approximately $13,538,000 from prior year. This increase is attributed to the change in the contribution rates. The city contribution rate changed from 20.21% to 22.23% of which 9.29% is the Pension Obligation Bond Credit Rate. The City contribution to ERF increased from 10.48% to 12.94% and the member rate changed from 11.87% to 13.06%. City contributions received in 2013 were $37,823,000 and member contributions were $41,730,000.

Deductions To Plan Net Assets

The principal purpose for which ERF was established is to provide retirement benefits, survivor benefits, and total and permanent disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, refund of contributions to terminated employees, and the cost of administering ERF.

Deductions for fiscal year 2013 totaled $224,988,000, an increase of 3.7% over 2012. This increase is primarily due to an increase in the number of benefit recipients. Administrative expenses, which are controlled by a budget approved by the Board of Trustees, increased from the prior year. 2013 reflected an increase of $149,000, when compared to fiscal year 2012 expenses.

Accounting System And Internal Controls

This CAFR was prepared to conform with the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board (GASB) in Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," as well as generally accepted accounting principles that apply to government accounting for fiduciary funds. The accompanying financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized in the period in which employee services are performed. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

The Governmental Accounting Standards Board issued Statement No. 44. Economic Condition Reporting: The Statistical Section—an amendment of NCGA Statement 1. This Statement amends the portions of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles, that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. The statistical section is a required part of a comprehensive annual financial report (CAFR) and applies to any statistical section that accompanies a government's basic financial statements.

In developing and evaluating ERP's accounting system, it was determined that internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Funding

A pension fund is well funded when it is receiving enough money to meet all expected future obligations to participants. ERF's funding objective is to meet long-term benefit payments through contributions that remain approximately level as a percent of member payroll. The actuarial accrued liability and actuarial value of assets of ERF as of December 31, 2013 amounted to $3.611 billion and $3.074 billion, respectively. A detailed discussion of funding is provided in the Actuarial Section of this report.

Professional Services

Consultants are appointed by the Board of Trustees to perform professional services that are essential to the effective and efficient operation of ERF. An opinion from the certified public accounting firm of Grant Thornton LLP and the actuarial firm of Gabriel, Roeder, Smith & Company are included in this report. The consultants appointed by the Board are listed in this Introductory Section.

Acknowledgments

The compilation of this report reflects the combined effort of the staff under the leadership of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the funds of ERF.

The report is available to all members of ERF.

I would like to express my gratitude to the staff, the advisors, and others who have worked so diligently to assure the successful operation of ERF.

Respectfully submitted,

Cheryl D. Alston
Executive Director

BOARD OF TRUSTEES

As of December 31, 2013

ADMINISTRATIVE STAFF

Cheryl D. Alston
Executive Director

Newton Bruce
Deputy Director

David Etheridge
Deputy Director

Natalie Jenkins Sorrell
Investment Officer

Judith Greene
Senior Pension Specialist

Susan Oakey
Senior Pension Specialist

Deirdre Taylor
Senior Pension Specialist

Sheila Willis
Senior Pension Specialist

Duc Lam
Database Analyst

Jason Thompson
Senior Information Analyst

Re'Gine Green
Senior Pension Specialist

Patricia Jack
Senior Pension Specialist

Al Perez
Pension Benefits Specialist

Melissa Harris
Communications Specialist

Kate Althoff
Communications Specialist

C. Kay Watson
Office Manager

Lisa Larry
Senior Office Assistant

Jessica Leija
Administrative Specialist II

Margaret Lara
Administrative Specialist II

Micaela Galicia
Office Assistant II

Yvonne Garcia
Office Assistant II

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PROFESSIONAL SERVICE PROVIDERS

Master Custodian

The Northern Trust Company

Consulting Actuary

Gabriel, Roeder, Smith & Company

Investment Consultant

Wilshire Associates, Inc.

Investment Accounting Firm

Financial Control Systems, Inc.

Auditor

Grant Thornton, LLP

Legal Advisors

Strasburger & Price, LLP
Foster Pepper, PLLC

PLAN SUMMARY

Summary of Key Provisions

Employees' Retirement Fund of the City of Dallas
As of December 31, 2013

Membership	An employee becomes a member upon permanent employment and contributes to the Retirement Fund.
Contributions	The contribution rate is determined each year by the actuarial valuation. The total contribution is split 37% members and 63% City. At December 31, 2013 the members contributed 13.06% of pay and the City contributed 22.23% of pay of which 12.94% is received by the Fund and 9.29% is the used for the pension obligation bonds debt service.
Definitions	Final Average Salary: Average monthly salary over the member's highest three years of service. Credited Service: Length of time as an employee of the City of Dallas and while making contributions to the Fund. Part-time employees receive proportional credited service only.
Retirement Pension	Eligibility: a. Attainment of age 60; or b. Attainment of age 55 (if credited service began before May 9, 1972); or c. Completion of 30 years of credited service; or d. At any age after completion of 30 years of credited service with a reduced benefit before age 50; or e. Attainment of age 50, if the sum of an active member's age and credited service is at least 78.
Retirement Benefits	The retirement benefit equals 2-3/4% multiplied by average monthly earnings multiplied by credited service limited to a maximum of 36.3636 years plus $125 health supplement (prorated for service less than 5 years).
Form of Payment	An unreduced pension under a joint and one half survivor option or a ten-year certain and life option. An actuarially equivalent joint and full survivor option is also available.
Deferred Retirement	Eligibility: Deferred retirement pension commencing at age 60 or at age 55, if employment commenced prior to May 9, 1972, with at least five years of credited service, and accumulated contributions are left on deposit with the Fund. Monthly Benefit: The deferred retirement is equal to the retirement pension based on earnings and credited service at the time of termination.

Disability Retirement Pension	Non-Service Disability: 1. Eligibility: Five years of service and totally and permanently incapacitated from procuring and retaining any type of employment for compensation. 2. Monthly Benefit: Computed based on average monthly earnings and credited service at time of disability but not less than 10 times the percentage multiplier multiplied by the average monthly earnings. Service Disability: 1. Eligibility: Totally and permanently incapacitated as a result of injury while in the course of employment for the City. 2. Monthly Benefit: Calculated as a non-service disability pension but not less than $500 per month.
Death Benefits	Form: Benefit paid in accordance with the option on file, or the eligible option, or if no eligible beneficiary, a lump sum equivalent of 10 years of benefit payments to the member's estate. If less than 2 years of service, contributions are refunded. Monthly Benefit: Based on average monthly earnings and credited service at death but not less than 10 times the percentage multiplier multiplied by the average monthly earnings. Minimum Service Death Benefit: Not less than $500 per month if death resulted from a service related injury.
Return of Accumulated Contributions	A member at the time of termination is entitled to be paid their accumulated contributions without interest.
Cost-of-Living Adjustments	A cost-of-living adjustment to the base pension shall be made based on the greater of: The percentage of change in the price index for October of the current year over October of the previous year up to 5%, or The percentage of the annual average change of the price index for the latest 12 months available up to 5%.

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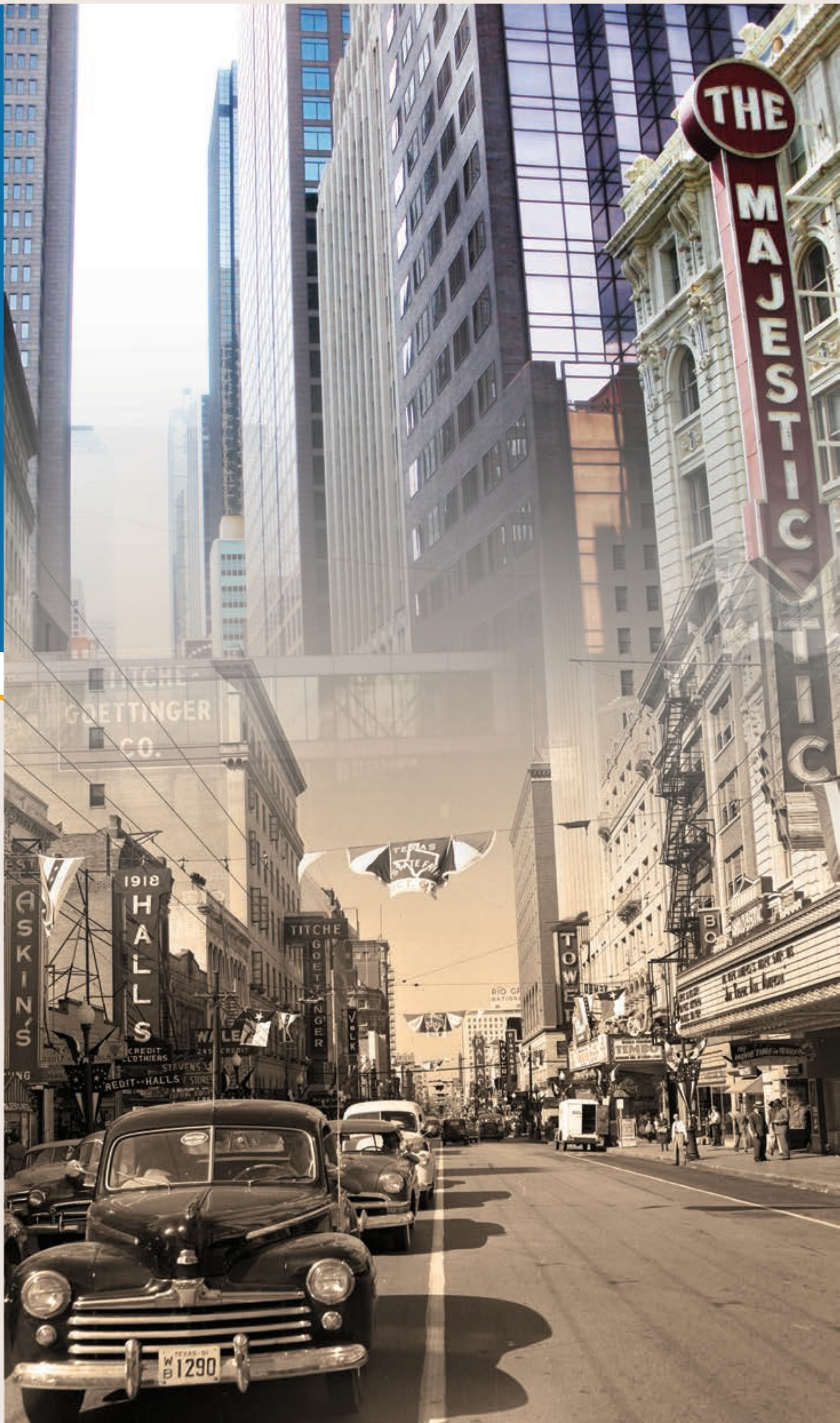
FINANCIAL SECTION

Elm Street on opening day of the State Fair of Texas 1941 & Elm Street Today



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EMPLOYEES' RETIREMENT FUND OF THE CITY OF DALLAS

FINANCIAL STATEMENTS

As Of December 31, 2013 and 2012

With Independent Certified Public Accountant's Report Thereon

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GrantThornton

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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The Board of Trustees
Employees' Retirement Fund of the City of Dallas

We have audited the accompanying financial statements of Employees' Retirement Fund of the City of Dallas (the "Plan"), which comprise the statements of plan net position as of December 31, 2013 and 2012 and the related statements of changes in plan net position for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

GrantThornton

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding Employees' Retirement Fund of the City of Dallas' net position as of December 31, 2013 and 2012 and changes therein for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary information

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

Other information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The introductory, investment, actuarial, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Grant Thornton LLP

Dallas, TX
July 8, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The management's discussion and analysis of the Employees' Retirement Fund of the City of Dallas (the Plan) financial performance provides an overview of the financial activities and funding conditions for the fiscal years ended December 31, 2013, 2012, and 2011. The intent of this discussion and analysis is to give a narrative overview and analysis of the Plan's financial performance as a whole. For more detailed information regarding performance, readers should also review the financial statements, notes to the financial statements, and required supplementary information in order to enhance their understanding of the Plan's financial performance.

FINANCIAL STATEMENTS

The Plan is a defined benefit plan that provides retirement, disability, and death benefits to full time and permanent part-time civilian employees of the City of Dallas (the City). The Plan has two basic financial statements:

- a statement of plan net position that provides information about the fair value and composition of plan assets, plan liabilities, and plan net position; and

- a statement of changes in plan net position that provides information about the year-to-year changes in plan net position.

There are also notes to the financial statements that include a brief plan description, a summary of significant accounting policies, and information about contributions, legally required reserves, and investment concentrations. The report also contains required supplemental information in addition to the basic financial statements. Collectively, this information presents the net position available for pension benefits and summarizes the changes in net position for those benefits.

FINANCIAL HIGHLIGHTS

Fiscal year 2013 experienced an appreciation of investments for the Plan year. This was the fifth consecutive year of positive returns for the Plan. Financial highlights for the Plan at fiscal year ended December 31, 2013 are as follows:

- The Plan had a positive return of 16.9% for the year, exceeding the 14.3% return earned in 2012.
- The net position of the Plan held in trust to pay pension benefits was $3.3 billion as of December 31, 2013. This amount reflects an increase of $348 million from last year. This increase is primarily the result of the increase in net appreciation in fair value of investments.
- Total contributions for fiscal year 2013 were $80 million, an increase of approximately $14.0 million from last fiscal year. This is attributed to an increase in the contribution rates and an increase in the number of active employees.
- Pension benefits paid to retirees and beneficiaries increased $7.9 million bringing the total benefit payments to $217 million. Refunds of contributions paid to former members upon termination of employment were $4.4 million for 2013 and 2012.
- Net investment income (net appreciation in the fair value of investments, plus interest and dividend income, less investment expenses) increased $108 million compared to last fiscal year.
- Administrative expenses of $3.6 million in 2013 were approximately $149 thousand more than 2012.

CONDENSED FINANCIAL INFORMATION

	2013 (in thousands)	2012 (in thousands)	2011 (in thousands)
Assets	$3,946,994	$3,627,902	$3,255,952
Liabilities	614,634	644,231	507,491
Net Position Held in Trust for Pension Benefits	3,332,360	2,983,671	2,748,461
Contributions	79,553	66,015	59,050
Investment & other income, net	494,124	386,107	24,959
Benefit payments	216,988	209,097	195,270
Refund of contributions	4,405	4,369	4,982
Administrative expenses	3,595	3,446	3,492
Change in Net Position Held in Trust for Pension Benefits	348,689	235,210	(119,735)

FINANCIAL POSITION AND RESULTS OF OPERATIONS

The Plan's total return for fiscal year 2013 was 16.9%, as compared to 14.3% in 2012 and .88% in 2011. The top performing asset classes were public real assets, domestic equity, global equity and international equity with returns of 36.89%, 33.30%, 21.45%, and 20.52% respectively for the year. The Plan's investment portfolio increased from $2.9 billion to $3.2 billion in fiscal year 2013, an increase of approximately $307 million. The fiscal year 2012 portfolio, compared to fiscal year 2011, showed an increase of $259 million over fiscal year 2011 market value of $2.7 billion.

Additions to Plan Net Position consist of employer and employee contributions, investment income, and net realized and unrealized gain on investments. For fiscal year 2013, additions to plan net position reflect an increase of $122 million, in comparison to 2012. This increase is primarily a result of the increase in fair value of investments. As experienced in 2011 and 2012, both City and employee contributions showed increases as a result of increased contribution rates. City and employee contributions for fiscal year 2013 were approximately $38 million and $42 million, respectively. Collection levels for total contributions for 2013 were $80 million compared to $66 million in 2012 and $59 million in 2011.

Net investment income / (loss) is presented net of investment expenses and is comprised of interest, dividend income, gains / (losses) from the sale of investments, net unrealized appreciation / (depreciation) in the fair value of investments, and net income from securities lending activities. For fiscal year 2013, the Plan had net investment income of $494 million (which does not include non-investment income of $626 thousand). Fiscal year 2012 net investment income was $386 million as compared to fiscal year 2011 investment income of $25 million.

Fiscal year 2013 liabilities of $615 million showed a decrease of -4.17% over fiscal year 2012 liabilities of $644 million. Liabilities for 2012 had an increase of 26.94% over the $507 million of liabilities for fiscal year 2011. The decrease in 2013 was primarily due to 2013 decreases in currency contracts and securities purchased at year end which decreased by $34 million and $18 million respectively. Year end balances for currency contracts were $254 million in 2013, $288 million in 2012 and $171 million in 2011. Pending securities purchases at year end were $15 million in 2013, $33 million in 2012 and $22 million in 2011. The differences were due to investment managers' portfolio management.

Deductions from Plan Net Position are largely benefit payments. During fiscal year 2013, benefits paid were $217 million, an increase of $8 million over payments made in 2012. Benefits paid in fiscal year 2012 were $209 million, an increase of $14 million over payments made in 2011. The major cause of the 2013 increase is attributable to new retirements with higher base benefits, as was the increase between 2012 and 2011.

New retirements were 264, 223, and 342 respectively for fiscal years 2013, 2012 and 2011. Cost-of-living-adjustments (which are effective on January 1 of the succeeding year) paid in each of the respective years were 2.4% in 2013 and 3.9% in 2012. A cost of living adjustment (COLA) is granted if there is an increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) either from October of the prior year to October of the current year or if the monthly changes average is greater than zero. During fiscal year 2013 refunds of contributions amounted to $4.4 million (364 refunds), compared to 2012 refunds of contributions amounted to $4.4 million (367 refunds) and $5.0 million refunded (432 refunds) during 2011. The fiscal year 2013 refund amount reflects a decrease in the number of members requesting refunds as compared to fiscal year 2012. Administrative expenses of approximately $3.6 million represent less than 2.0% of total deductions for the year.

CURRENT ENVIRONMENT

Plan membership for active members increased during fiscal year 2013. Active membership increased from 6,864 to 6,993 members, an increase of 1.88%. For 2013 the number of new retirements was 264 compared to 223 in 2012. The trend of benefit payments continues to increase. Similar to most mature plans, benefit payments exceed the level of contribution revenue received, and cash generated from investments is needed in order to meet benefit payments.

An actuarial valuation of the Plan's assets and benefit obligations is performed annually. For 2013, the actuarial funded ratio, which is a standard measure of a plan's funded status representing the ratio of the actuarial value of assets to the actuarial accrued liability, was 85%, up by 4% over 2012. This increase is due to the return on investment market value of 16.9%, lower than projected COLA of 1.4%, and fewer retirements than expected. The ratio for 2012 was 81%, down by 5% from the 2011 ratio of 86%.

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EMPLOYEES' RETIREMENT FUND OF THE CITY OF DALLAS

Statements of Plan Net Position

As of December 31, 2013 and 2012
(In thousands)

	2013	2012
ASSETS:		
Cash and short-term investments	$ 97,778	$ 87,644
Collateral on loaned securities	336,590	314,504
	434,368	402,148
Receivables:		
Currency contracts	154,013	288,389
Currency gains	-	1,539
Accrued dividends	4,779	2,208
Accrued interest	10,817	9,971
Accrued securities lending	152	114
Accrued real estate dividend income	845	753
Securities sold	13,949	8,713
Employer contributions	834	529
Employee contributions	851	681
Total receivables	186,240	312,897
Investments, at fair value:		
Commingled index funds	80,973	74,337
Domestic equities	1,023,549	867,788
United States and foreign government fixed income securities	188,397	187,518
Domestic corporate fixed-income securities	692,360	698,086
International equities	929,064	829,243
Investments, at estimated fair value:		
Private equities	93,939	64,320
Real estate	318,110	191,565
Total investments	3,326,386	2,912,857
Total assets	3,946,994	3,627,902
LIABILITIES:		
Accounts payable	4,782	4,715
Payable for securities purchased	15,403	33,456
Investment fees payable	3,537	3,267
Currency losses	309	-
Currency contracts	154,013	288,389
Securities lending collateral	336,590	314,504
Total liabilities	514,634	644,331
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	$3,432,360	$2,983,571

(A Schedule of Funding Progress is presented on page 43)

The accompanying notes are an integral part of these financial statements.

EMPLOYEES' RETIREMENT FUND OF
THE CITY OF DALLAS

Statements of Changes in Plan Net Position

For the Years Ended December 31, 2013 and 2012
(In thousands)

	2013	2012
ADDITIONS:		
Contributions:		
Employer	$ 37,815	$ 30,371
Employee	41,738	35,644
Total contributions	79,553	66,015
Net investment income:		
Dividends	47,532	38,241
Interest	48,103	50,210
Real estate dividend income	7,275	7,321
Net appreciation in fair value of investments	405,055	303,844
Securities lending rebates paid by borrowers	736	693
Securities lending income	1,083	1,223
Total investment income	509,784	401,532
Less investment expenses:		
Investment management fees	(15,446)	(14,995)
Custody fees	(150)	(150)
Consultant fees	(332)	(326)
Securities lending management fees	(358)	(383)
Total investment expenses	(16,286)	(15,854)
Net investment income	493,498	385,678
Other income	626	429
Total increases	573,677	452,122
DEDUCTIONS:		
Benefit payments	216,988	209,097
Refund of contributions	4,405	4,369
Administrative expenses	3,595	3,446
Total deductions	224,988	216,912
Net increase in net position held in trust for pension benefits	348,689	235,210
NET POSITION HELD IN TRUST FOR PENSION BENEFITS		
Beginning of year	2,983,671	2,748,461
End of year	$3,332,360	$2,983,671

EMPLOYEES' RETIREMENT FUND OF
THE CITY OF DALLAS

Notes to the Financial Statements

December 31, 2013 and 2012

1 Description of the Plan

(a) General

The Employees' Retirement Fund of the City of Dallas (the "Plan") is a single-employer defined benefit pension plan that provides retirement, disability, and death benefits to its members, and is sponsored by the City of Dallas (the "City"). All employees of the City are members in the Plan, except police officers, firefighters, elected officers, non-salaried appointee members of administrative boards or commissions, part-time employees working less than one-half time, temporary employees, individuals working under contract, and individuals whose salaries are paid in part by another government agency. Members are entitled to retirement benefits after five years of service and to survivor benefits after two years of service or at the date of eligibility for retirement. The Plan was established and derives its authority to continue in operation from Chapter 40A of the Dallas City Code. The description of the Plan provisions in this report is for financial disclosure only. It is not intended to create or reduce legal rights. The rights and responsibilities of the Board of Trustees, the Plan, the members and the retirees are governed by the Plan as set forth in Chapter 40A. As of December 31, 2013 and 2012, the Plan's membership consisted of:

	2013	2012
Retirees and beneficiaries currently receiving benefits and inactive members entitled to benefits but not yet receiving them	7,499	7,363
Current members:		
Vested	4,939	4,843
Non-vested	2,054	2,021
Total current members	6,993	6,864
Total membership	14,492	14,227

(b) Pension Benefits

Effective November 7, 1989, members of the Plan are entitled to pension benefits equal to 2.75% of the average monthly earnings of the member for each year of credited service. Average monthly earnings are determined based on the member's earnings for the three highest years. Normal retirement age is 60. Members of the Plan employed prior to May 9, 1972 are entitled to pension benefits at age 55, determined as described in this note.

A member who has completed 30 years of credited service may elect retirement at age 50 and is entitled to full pension benefits. A member who has completed 30 years of service and elects retirement before age 50 is entitled to pension benefits at a percentage of normal retirement benefits ranging from 67.0% to 93.3%, depending upon the age of the member. Effective May 1993, active members may elect to retire after the attainment of age 50 once a combination of their age and years of service equal at least 78 ("Rule of 78"). They are then entitled to full pension benefits. The Rule of 78 has been incorporated into the actuarial calculations reflected in these notes to the financial statements.

Cost-of-living adjustments for retirees are made each year on the first of January by adjusting the pension base by the percentage change of the Consumer Price Index, not to exceed 5%. The cost-of-living adjustment effective January 2013 was 2.4% and 3.9% in January 2012.

EMPLOYEES' RETIREMENT FUND OF
THE CITY OF DALLAS

Notes to the Financial Statements

December 31, 2013 and 2012

In addition, the Plan provides retirees who have five or more years of service a flat taxable amount of $125 per month as a health premium subsidy. Payment of the health supplement will be prorated for each partial year of credited service for less than five years of credited service.

(c) Disability and Death Benefits

Members that become totally and permanently disabled may qualify for a service-connected disability with no minimum service requirement, or a non-service connected disability with five or more years of credited service. Non-service connected benefits are based on actual credited service or a minimum of 10 years. Service-connected benefits are equal to normal retirement benefits or a minimum of $500.

Upon the death of an active married member with less than 15 years of service, the joint and one-half survivor option is the automatic death benefit.

If an active member has at least 15 years of service or is eligible to retire, the member may elect the joint and full survivor option. Under this option, the member receives a reduced base pension payment which is actuarially computed based on the member's age, average monthly earnings, years of credited service at retirement, and the relative age of the spouse. Upon the death of the member, this option pays the full amount of the member's pension payment to the surviving spouse for life.

Upon the death of a member before retirement, death benefits equal to the normal retirement benefit will be paid to a qualified recipient: surviving spouse, minor child under age 18, a disabled child who became disabled before age 18, or a dependent parent. Death benefits vary depending on the beneficiary. The surviving spouse, the disabled child, or the dependent parent will receive a lifetime benefit unless the ten-year option is taken. The minor child under age 18 will receive the normal retirement benefit for ten years or until reaching age 18. If the member has less than two years of credited service, the member's contributions will be refunded.

Upon the death of a retired member, a death benefit is paid in accordance with the option selected by the member at retirement. If there are no qualified recipients at the time of death and benefits have not been paid for ten years, death benefits are paid to the designee (an estate, a person or an entity) named by the member. The designee will receive a lump-sum payment based on ten years of benefit payments when the member's death occurs before retirement. If death occurs after retirement, the designee will receive a commuted lump-sum payment representing the balance of a guaranteed ten-year period starting from the date of retirement.

If a member does not have an eligible beneficiary, death benefits will be paid to the designee or member's estate in one commuted value payment. Benefit payments will vary depending on whether death occurred before or after retirement. Upon the death of a member before retirement, the designee or member's estate will receive a lump-sum payment based on ten years of benefit payments. Upon the death of a retired member, the designee or estate will receive a commuted value lump-sum payment representing the balance of a guaranteed ten-year period starting from the date of retirement.

(d) Contributions

If employment ends before attaining five years of service and before attaining eligibility for retirement, the member's contributions will be refunded upon written request to the Plan.

If a member's employment is terminated after five years of service, the member may elect a refund of contributions upon a written request, or the member may elect to receive pension benefits at normal retirement age equal to the amount accrued to the date of termination.

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Based on the authorization in the Plan, the annual actuarial valuation will establish any new contribution rates for employees and the City. The new rates which become effective October 1, 2013 are 13.06% for employees and a combined rate of 22.23% of pay for the City. The City's 22.23% is divided into 12.94% cash to the Plan and 9.29% for debt service payments on the pension obligation bonds. The former rates, effective October 1, 2012, were 11.87% of pay for employees and a combined rate of 20.21% of pay for the City. The City's 20.21% was divided into 10.48% cash to the Plan and 9.73% for debt service payments.

The percent contributed may vary from the legally required rate as the 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 Plan or the actuarial assumptions used, may significantly affect the identification of trends in the amounts reported in the Schedule of Funding Progress located in the Required Supplemental Information section.

(e) Plan Administration

The Plan is governed by seven members, consisting of three members appointed by the City Council who may be Council members, three employee members of the Plan (elected by the membership) and the City Auditor (serving ex officio). The Board has general powers and duties to administer the Plan, including appointing an administrator to carry out the business of the Board, investing the assets of the Plan, making expenditures from the Plan, and determining members' eligibility for benefits.

Based on a Plan amendment passed by the voters of the City of Dallas in November 2004, the Board annually increases or decreases contribution rates in a ratio where the City pays 63% and the employee pays 37% of the contribution rate as determined by the actuarial valuation. The Plan requires notice to the City of the contribution rates and provides procedures by which the City may review and challenge those rates; codifying the Board's policies and procedures relating to the Plan's actuarial process and the City's participation in the selection of an actuarial firm to perform a peer review/audit; increasing the Board from five members to seven by adding another employee elected representative and another council appointed representative effective March 1, 2005; increasing from three to four the number of board members required to constitute a quorum; increasing the terms of the employee elected representatives from two to three years; requiring Council approval before the Board may grant temporary or permanent discretionary adjustments to retirement benefits over and above the regular cost-of-living increases; correcting section references to the term "qualified recipient"; and authorizing either the Council or the Board to propose amendments to Chapter 40A, subject to approval by the Board, the Council, and the voters of the City.

The Plan may be terminated only by ordinance recommended by the Board, adopted by the City Council, and approved by a majority of the voters of the City voting in a general or special election. The Plan does not address allocation of the net position in the event of termination.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements are prepared on the economic resources measurement focus and accrual basis of accounting. Accordingly, interest earned but not received and dividends declared but not received as of the Plan's fiscal year end are recorded as accrued interest and dividends receivable, respectively. Contributions owed but not received as of the Plan's fiscal year end are recorded as contributions receivable. Benefits and refunds are recorded when paid.

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In addition, unsettled investment purchases and sales are accrued.

(b) Administrative Expenses

Administrative expenses are paid from the Plan's contributions. The contribution rates calculated by the actuary take into consideration the expected administrative expenses.

(c) Use of Estimates

The preparation of financial statements requires Plan management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(d) Investments and Investment Income

The Plan's investment policy requires that investments comply at all times with applicable local, state and federal regulations. The Plan's investment policy is based upon an asset allocation study that considers the current and expected condition of the Plan, the expected long-term capital market outlook and the Plan's risk tolerance. Unless specifically permitted in the investment manager guidelines or other governing document, the investment policy prohibits the purchase of non-negotiable securities, short sales, selling on margin, puts, calls, straddles, options, or "letter" (restricted) stock. Also, unless specifically authorized in a manager's individual guidelines, the investment policy prohibits the use of derivatives (See derivatives disclosure in footnote 3).

Marketable securities are valued at fair value based on quoted market prices, where available. Purchases and sales of securities and any resulting gain or loss are recorded on a trade-date basis. Net (depreciation)/appreciation include the Plan's gains and losses on investments bought and sold as well as held during the year.

(e) Private Equity

To enhance the potential for earning higher rates of return relative to its other asset classes and to provide for broader portfolio diversification, the Plan, in 2009, allocated 5% of its total Plan portfolio to private equity. Recognizing that private equity investments have higher risk levels, this target of 5.0% is to be allocated within an acceptable range of 0.0% to 7.0% of private equity-oriented investments. Funding of committed capital in the private equity portfolio can occur over an extended time period and may take several years before the total allocation is fully invested. In order to reach the allocation target, a "committed" allocation up to 1.5 times the allocation is authorized. The Plan has 2 private equity managers.

Investments in these funds as a limited partner are carried at estimated fair value. Estimated fair values of investments in private limited partnerships are determined by the fund managers or general partner based on the latest investee information available, including financial statements and other similar data necessary to the valuation process. The private equity value at December 31, 2013 and December 31, 2012 was $93.9 million and $64.2 million respectively.

(f) Real Estate

The Plan allocates 5% of its portfolio to private real estate. The Plan has two managers that manage core real estate funds for a value of $218 million at December 31, 2013 and $191 million at December 31, 2012.

Estimated fair values of investments in these funds are determined by the fund managers based on their best estimates using fair value estimation techniques substantiated, in part, by their audited financial

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statements and supported by the due diligence of the Plan investment staff.

(g) Foreign Currency Transactions

The Plan may enter into forward foreign currency exchange contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date as a hedge against specific transactions or portfolio position to protect the Plan against adverse currency movements. Entering into these arrangements involves the risk of dealing with counter parties and their ability to meet the terms of the contracts. These contracts are valued at fair value at the financial statement date, and any realized and unrealized gains and losses are recorded when they are incurred.

Investments denominated in foreign currencies at December 31, 2013 and 2012 were converted to U.S. dollars at the foreign exchange rates quoted at December 31, 2013 and 2012. These foreign exchange gains and losses are included in net (depreciation) / appreciation in fair value of investments in the accompanying Statements of Changes in Plan Net Position.

(h) Securities Lending

The Board has authorized the Plan to enter into an agreement with The Northern Trust Company ("Northern") for the lending of certain of the Plan'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.

In 2009, the Board capped the securities lending exposure at $538.2 million.

(3) Derivatives

Derivatives are generally defined as contracts whose values depend on, or are derived from, the value of an underlying asset, reference rate, or index. The Plan has classified the following as derivatives:

(a) Currency Forward 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. No such losses occurred during fiscal years 2013 and 2012. Currency 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. Currency 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 Plan records the unrealized currency translation gain or loss based on the applicable forward exchange rates.

The Plan recognized a net realized gain on forward contracts of $4.8 million as of December 31, 2013 and a net realized gain of $805 thousand as of December 31, 2012. As of December 31, 2013, the Plan had a net unrealized loss on forward contracts of $298 thousand and a net unrealized gain of $1.6 million at December 31, 2012. These gains and losses are included in net (depreciation) / appreciation in fair value of investments in the accompanying Statements of Changes in Plan Net Position.
Currency forward contracts outstanding at December 31, 2013 and 2012 were approximately $254 million and $288 million, respectively.

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Currency	2013 Currency Forward Contracts Outstanding (in thousands)	2012 Currency Forward Contracts Outstanding (in thousands)
Australian Dollar	$ 220	$ 9,526
Brazilian Real	9,178	1,976
Canadian Dollar	6,438	12,176
Chile Peso	8,379	972
Czech Koruna	1,236	216
Denmark Krone	1,608	24
Euro	31,784	6,881
Hong Kong Dollars	309	324
Hungary Forint	3,040	2,738
Indonesia-Rupiah	260	851
Indian Rupee	3,199	2,723
Israel Shekel	-	53
Japanese Yen	9,444	6,828
Korean Won	11,624	7,819
Malaysia Ringgit	2,048	4,796
Mexican Peso	1,823	3,229
New Zealand Dollar	6,337	3,286
Norwegian Krone	2,734	14,940
PEI	7	46
Poland Zloty	7,044	4,168
Russia Ruble	1,824	4,213
Singapore Dollar	-	2,435
Swedish Krona	1,166	14,331
Switzerland Franc	-	5,871
Thailand Baht	341	429
Turkey Lira	4,387	5,272
Taiwan New Dollar	3,260	1,418
UK Pound	8,644	3,682
US Dollar	135,017	161,397
South Africa Rand	-	1,245
Total	$254,013	$288,289

(b) Swaps

A swap is an agreement between two or more parties to exchange a sequence of cash flows over a period of time in the future. No principal is exchanged at the beginning of the swap. The cash flows that the counterparties exchange are tied to a "notional" amount. The agreements provide, at predetermined future dates, the Plan pays interest based upon a notional principal amount and receives a return based upon the underlying index. Notional amounts represent the volume of outstanding transactions and do not represent the potential gain or loss associated with market risk or credit risk of such instruments. Risk associated with swaps includes adverse movements in the underlying index.

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The Plan has one investment manager authorized to enter into swaps. The Plan held no open swap contracts at December 31, 2013 and December 31, 2012.

(c) Futures

Financial futures are agreements to purchase or sell a specific amount of an asset at a specified delivery or maturity date for an agreed upon price. These derivative securities are used to improve yield, adjust the duration of the fixed income portfolio, circumvent changes in interest rates, or to replicate an index. Futures contracts are standardized and traded on organized exchanges, thereby minimizing the Plan's risk. There were no outstanding futures contracts at December 31, 2013 and December 31, 2012.

(4) Deposit and Investment Risk Disclosures

Deposits and investments of state and local governments are exposed to risks that have the potential to result in losses. The common deposit and investment risks include custodial credit risk, credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The required disclosures related to these risks and the Plan's exposures to these risks are disclosed in the following sections.

Custodial Credit Risk

Custodial credit risk is the risk, in event of the failure of the counter party, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Plan's custodial credit risk policy is set forth in Chapter 40A of the Dallas City Code and in the master custody agreement which includes the securities lending program. All investments are registered in the name of Employees' Retirement Fund of the City of Dallas or in the name of the Plan's custodian established through a master trust custodial agreement. The securities are held by the custodian in the name of the Plan.

As of December 31, 2013 the Plan had $2.7 million or .08% of its approximate $3.3 billion total investments (excluding short term investments) exposed to custodial credit risk. The risk exposure at December 31, 2012 was $3.3 million or .11% of total investments (excluding short term investments) of approximately $2.9 billion. These exposures were uninsured and uncollateralized deposits held by custodian banks outside of the United States. The Plan has experienced no such losses on these deposits during the year.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. A concentration of investments in any one single issuer of debt securities presents a greater risk for loss in the event that the issuer fails on its obligations.

The Board has contracted with third party investment managers to manage the investment portfolio of the Plan, subject to the policies and guidelines established by the Board. As the Plan's custodian bank, Northern has responsibility for the safekeeping of certain investments, handling of transactions based on the instructions of investment managers, and recordkeeping for the investment transactions.

Investments that individually represent 5% or more of the net position available for Plan benefits and the total of investments that individually represent less than 5% of the net position available for Plan benefits at December 31, 2013 and December 31, 2012 are as shown below (in thousands except per share amounts). There were no individual investments that met these criteria for fiscal years 2013 and 2012. The Plan's concentration of credit risk policy is communicated to individual managers in their guidelines through limitations or restrictions to securities, sectors, debt ratings, and other factors that may be applicable to a particular manager.

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	2013		2012	
	Number of Shares/Units	Fair Value	Number of Shares/Units	Fair Value
Investments greater than 5% of net position, at fair value:	-	$ -	-	$ -
Investments less than 5% of net position:				
At fair value		3,348,703		3,036,400
At estimated fair value		312,049		275,783
Total cash and investments		$3,660,752		$ 3,312,183

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality ratings for the Plan's investments in fixed income securities as of December 31, 2013 and 2012 are included in the schedule below. Securities are rated using Standard and Poor's quality ratings as presented below in the rating scale.

The Plan's strategic fixed income investment policy allocates 30% of the total assets to fixed income. The policy provides for investment of up to 15% of the fixed income assets in investment grade assets and up to 15% of the fixed income assets in high yield (below investment grade) assets. The investment grade allocation also allows selected managers to invest in non-US dollar issues on an opportunistic basis up to 20% of their portfolio assets. Long term bond ratings as of December 31, 2013 and 2012 are as follows (in thousands):

	2013		2012	
Quality Rating	Fair Value	Percentage of Bond Portfolio	Fair Value	Percentage of Bond Portfolio
AAA	$114,032	12.94	$ 153,187	17.38
AA+	14,117	1.60	15,047	1.69
AA	7,002	.80	10,891	1.23
AA-	12,449	1.41	9,429	1.06
A+	3,975	.45	12,628	1.43
A	26,054	2.96	16,017	1.81
A-	47,948	5.44	27,965	3.19
A-1+	-	-	2,727	.31
BBB+	25,208	2.86	37,584	4.24
BBB	20,802	2.36	34,908	3.94
BBB-	18,355	2.09	22,194	2.50
BB+	33,616	3.82	37,920	4.28
BB	49,455	5.62	39,857	4.50
BB-	79,946	9.07	71,944	8.13
B+	68,770	7.81	9,225	1.04
B	74,347	8.44	87,351	9.86
B-	63,860	7.25	4,450	.50
CCC+	63,852	7.25	313	.03
CCC	7,759	.89	76,141	8.60
CCC-	2,165	.24	-	-
CC	1,475	.16	55,618	6.28
C	-	-	32,388	3.66
DDD	538	.06	15,915	1.80
D	431	.05	1,777	.20
Not rated (NR)*	70,500	8.01	50,359	5.68
U. S. Government fixed income				

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securities (NR)**	74,116	8.42	59,386	6.69
	$880,752	100.00%	$885,604	100.00

* NR-Investments that are not rated.

**NR-U. S. Treasury Bonds and Notes are obligations of the U. S government or explicitly guaranteed by the U. S. government and therefore are not considered to have a credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Plan's foreign currency risk policy is communicated to those managers who are authorized to hedge currencies in their guidelines and sets specific parameters for each manager individually.

The Plan's investment policies limit the aggregate amount that can be invested in each class of investments. The equity investment policy sets an allocation of 22.5% of assets to international equity, and 5% of assets to global equity. The fixed income policy permits up to 20% of the global manager's portfolio to be invested in global investment grade fixed income bonds.

The Plan's positions in international equity securities, directly and through commingled funds, were 28.86% and 27.80% of invested assets at December 31, 2013 and 2012 respectively. The Plan's positions in global fixed income assets were 5.85% and 6.40% of invested assets at December 31, 2013 and 2012 respectively.

Non-US Dollar denominated investments at December 31, 2013 and 2012 were as follows (in thousands):

	2013 U. S. Dollars Balance of Investments (in thousands)			2012 U. S. Dollars Balance of Investments (in thousands)		
Currency	Equities	Fixed	Currency Forward	Equities	Fixed	Currency Forward
Australian Dollar	$ 14,983	$ 8,710	$ 228	$ 13,925	$ 13,106	39,336
Austrian Schilling	1,708	-	-	-	-	-
Belgian Franc	3,649	-	-	-	-	-
Brazil Real	8,699	8,292	5,178	3,947	9,346	1,976
British Pound Sterling	82,636	-	-	77,414	-	-
Canadian Dollar	41,690	-	6,438	30,732	8,736	12,178
Chile Peso	-	-	8,579	-	-	972
Colombia Peso	-	-	-	193	-	-
Czech Republic-Koruna	-	-	1,256	-	-	216
Denmark Krone	1,318	-	1,608	2,693	-	34
Dutch Guilder	10,160	-	-	-	-	-
Euro	13,147	-	31,784	88,340	2,235	6,801
Finland Markka	2,417	-	-	-	-	-
French Franc	32,782	-	-	-	-	-
German Marks	23,639	-	-	-	-	-
Hong Kong Dollars	36,801	-	309	30,827	-	334
Hungary-Forint	120	-	3,040	129	-	2,738
Indian Rupee	-	-	5,199	-	-	2,723
Indonesia-Rupiah	2,841	-	280	5,310	-	851
Israel Shekel	863	-	-	1,143	-	53
Italian Lira	10,311	-	-	-	-	-
Japanese Yen	105,054	-	9,444	80,573	-	6,030
Korean Won	22,456	-	11,824	24,561	-	7,819
Malaysia Ringgit	7,459	-	2,046	8,731	-	4,756
Mexican Peso	2,774	8,600	1,825	6,610	7,834	3,329
New Zealand Dollar	-	-	6,357	-	-	3,286
Norwegian Krone	20,802	-	2,734	10,006	-	14,840
Philippines-Peso	289	-	-	1,179	-	-
PEI	-	-	7	-	-	46
Poland-Zloty	3,882	-	7,844	4,046	-	4,168

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Portuguese Escudo	1,276	-	-	-	-	-
Russian Ruble	-	-	1,004	-	-	4,313
Singapore Dollar	3,080	-	-	8,467	-	2,425
South Africa Rand	6,983	-	-	4,396	-	1,345
Spanish Peseta	7,608	-	-	-	-	-
Swedish Krona	7,088	-	1,166	9,550	-	14,331
Swiss Franc	29,187	-	-	30,623	-	5,871
Taiwan New Dollar	-	-	3,280	-	-	1,418
Thailand Baht	4,985	-	341	7,589	-	429
Turkish Lira	4,733	-	4,367	11,980	-	3,272
UK Pound	-	-	8,644	-	-	[illegible]
Total	$319,271	$21,927	$115,996	$463,010	$41,477	[illegible]

As of December 31, 2013 and 2012 open currency forward contracts are as follows:

Derivative Type	Total Notional Value 12/31/2013 (in thousands)	Total Fair Value 12/31/2013 (in thousands)	Total Notional Value 12/31/2012 (in thousands)	Total Fair Value 12/31/2012 (in thousands)
Currency Forward Contracts	[illegible]	$251,013	$1,307	[illegible]
Total	[illegible]	$251,013	$1,307	[illegible]

Interest Rate Risk

Interest rate risk is the risk that future changes in prevailing market rates of interest will have an adverse effect on the fair value of debt investments. The fair values of securities with long terms to maturity may be highly sensitive to interest rate changes.

As of December 31, 2013 and 2012 the weighted-average maturity of the bonds by bond type are as follows:

Bond Category	Fair Value 12/31/2013 (in thousands)	Weighted Average Maturity (years) at 12/31/2013	Fair Value 12/31/2012 (in thousands)	Weighted Average Maturity (years) at 12/31/2012
Asset Backed Securities	$ 19,309	3.89	$ 23,678	5.29
Bank Loans	32,772	5.50	25,236	4.57
Commercial Mortgage-Backed	25,315	29.80	31,104	29.38
Corporate Bonds	378,679	7.36	356,989	7.81
Government Agencies	12,230	4.60	13,483	3.91
Government Bonds	72,487	9.27	76,768	8.99
Government Mortgage-Backed Securities	104,367	28.73	106,539	25.43
Government issued Commercial Mortgage-Backed Securities	2,012	6.37	2,082	7.57
Index Linked Government Bonds	730	28.15	6,672	3.26
Municipal/ Provincial Bonds	18,289	15.97	17,133	16.11
Non-Government Backed CMOs	14,722	22.59	17,534	22.72
Total	$880,732		[illegible]	
Portfolio weighted Average maturity		10.78		11.14

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Government Mortgage Backed Securities are most sensitive to changes in interest rates as their prepayments can vary significantly with interest rate changes. This change in prepayments will generally cause the duration, or interest rate risk, of these securities to increase when interest rates rise and decrease when interest rates fall. These securities represent 12% of the total fixed income portfolio for 2013 and 2012. Their fair values at year end 2013 and 2012 were $104.3 million and $106.5 million respectively. The Plan's interest rate risk policy is communicated to the fixed income managers through the Fixed Income Asset Policy and each manager's guidelines.

(5) Appreciation or Depreciation of Investments

In 2013 and 2012, the Plan's investments, including investments bought, sold, and held during the year, appreciated (depreciated) in value as follows (in thousands):

	2013	2012
Investments, at fair value:		
Commingled index funds	$ 13,539	$ (5,273)
Domestic equities	105,393	32,068
United States and foreign government fixed income securities	(5,701)	1,492
Domestic corporate fixed-income securities	(17,672)	43,234
International equities	277,283	191,090
Short-term investments	85	188
Currency contracts	2,922	2,230
	375,849	283,064
Investments, at estimated fair value:		
Real estate	21,173	10,601
Private equity and venture capital funds	8,033	8,179
	$ 405,055	$ 301,844

(6) Securities Lending

During the year Northern lent, on behalf of the Plan, securities held by Northern as Plan custodian and received cash, United States government securities, agency securities, and irrevocable bank letters of credit as collateral. Northern did not have the ability to pledge or sell collateral securities absent a borrower default. Northern Trust's Core USA Collateral Section establishes requirements for participation, collateralization levels, cash and non-cash collateral guidelines, and investment guidelines for the collateral received from borrowers. Borrowers were required to put up collateral for each loan equal to: (i) in the case of loaned securities, the collateral for which is all denominated in the same currency as the loaned securities, 102% of the fair market value of the loaned securities plus any accrued but unpaid distributions thereon, and (ii) in the case of loaned securities denominated in a different currency from the loaned securities, 105% of the fair market value of the loaned securities plus any accrued but unpaid distributions thereon. Additionally, the guidelines set maturity/liquidity requirements for the collateral received from borrowers. The following table shows for open loans at December 31, 2013 and 2012, the type of collateral held, the market value of the securities on loan, and the market value of the collateral held (in thousands except percentages).

Collateral Type	Fair Value 12/31/2013	Collateral Market Value 12/31/2013	Collateral Percentage	Fair Value 12/31/2012	Collateral Market Value 12/31/2012	Collateral Percentage
Cash	$ 328,516	$ 336,590	102%	$ 306,238	$ 311,684	102%
Non-cash	-	-	0%	2,703	2,820	105%
Total	$ 328,516	$ 336,590		$ 308,941	$ 314,504	

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The following represents the balances relating to the securities lending transactions as of December 31, 2013 and 2012 (in thousands):

Securities Lent	Underlying Securities 12/31/2013	Securities Collateral Value 12/31/2013	Cash Collateral Investment Value 12/31/2013	Underlying Securities 12/31/2012	Securities Collateral Value 12/31/2012	Cash Collateral Investment Value 12/31/2012
Lent for cash collateral:						
Domestic equities	$ 152,504	$ -	$ 155,378	$ 142,238	$ -	$ 143,997
Domestic corporate fixed income	103,139	-	105,446	105,226	-	107,031
International equities	25,145	-	26,333	18,687	-	19,710
US government, agency & foreign securities	47,530	-	49,233	40,107	-	40,946
Subtotal	328,318	-	336,390	306,258	-	311,684
Lent for securities collateral:						
Domestic equities	-	-	-	794	804	-
International equities	-	-	-	1,780	1,884	-
US government, agency & foreign securities	-	-	-	129	132	-
Subtotal	-	-	-	2,703	2,820	-
Total	$ 328,318	$ -	$ 336,390	$ 308,961	$ 2,820	$ 311,684

Disclosure of securities lending income is shown gross with the associated reductions for investment expenses on the Statements of Changes in Plan Net Position, and the cash collateral and associated securities lending payable is shown on the Statements of Plan Net Position for December 31, 2013 and 2012. The net income from securities lending in 2013 and 2012 was $1.5 million for both years.

(7) Federal Income Tax Status

The Internal Revenue Service issued a determination letter dated May 24, 2012, stating that the Plan was designed in accordance with applicable Internal Revenue Code requirements as of that date. The Plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, the Plan was qualified and the related trust was tax-exempt as of the financial statement dates.

(8) Funded Status and Funding Progress

The funded status of the Plan as December 31, 2013, the most recent actuarial valuation date, is as follows (dollars in millions):

EMPLOYEES' RETIREMENT FUND OF
THE CITY OF DALLAS

Notes to the Financial Statements

December 31, 2013 and 2012

Actuarial Valuation Date	Actuarial Value of Assets ($) (a)	Actuarial Accrued Liability ($) (AAL) – Entry Age (b)	Unfunded AAL (UAAL) ($) (b-a)	Funded Ratio (a/b)	Covered Payroll ($) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/13	3,074	3,611	537	85.1%	352	152.7%

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Significant assumptions as of the latest actuarial valuation is as follows:

Valuation date	December 31, 2013
Actuarial cost method	Entry Age Normal
Asset valuation method	5-year smoothed market
Amortization method	Level percent open, the remaining period is 30 years
Investment rate of return	8.25% compounded annually
Salary increases	3.00% - 7.00%
Payroll growth factor	3.00% per year
Includes inflation at	3.00% per year
Cost-of- Living Adjustment	3.00% per year

REQUIRED SUPPLEMENTARY INFORMATION
(unaudited)

Schedule of City Contributions

The information presented in the required supplementary schedules was determined as part of the actuarial valuation for each year presented. The following table shows information related to City contributions (in thousands):

Years Ended December 31	Annual Actuarially Required Contribution	Percentage Contributed
2004	71,382	49.38
2005	27,894	2,027.29
2006	14,380	159.94
2007	9,387	249.42
2008	10,798	210.41
2009	39,386	64.06
2010	41,099	66.48
2011	41,049	66.51
2012	50,293	60.39
2013	61,672	61.33

Schedule of Funding Progress

The following table shows the Plan's funding progress (dollars in millions):

Actuarial Valuation Date	Actuarial Value of Assets ($) (a)	Actuarial Accrued Liability ($) (AAL) – Entry Age (b)	Unfunded AAL (UAAL) ($) (b-a)	Funded Ratio (a/b)	Covered Payroll ($) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/04	2,482	2,488	6	99%	331	2%
12/31/05	2,739	2,606	(133)	106%	332	-40%
12/31/06	2,998	2,761	(237)	109%	345	-69%
12/31/07	3,183	2,915	(268)	110%	370	-73%
12/31/08	2,958	3,075	117	97%	389	30%
12/31/09	3,032	3,192	160	95%	375	43%
12/31/10	3,027	3,282	255	93%	332	77%
12/31/11	2,917	3,392	475	86%	319	149%
12/31/12	2,846	3,518	672	81%	340	198%
12/31/13	3,074	3,611	537	85%	352	152%

The actuarial information presented is determined by an actuarial valuation that results from applying various assumptions (see note 6 of notes to the financial statements) termination, disability, retirement, mortality, and the time value of money to the accumulated plan benefits.

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

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SCHEDULE OF ADMINISTRATIVE EXPENSES

As Of December 31, 2013

(dollars in thousands)

Personal Services:

Salaries	1,620
Retirement	195
Insurance	109
Total Personal Services	1,924

Professional Services:

Actuary Service	79
Accounting & Audit Fees	97
Attorney fees	475
Communication	-
Medical	11
Total Professional Services	662

Operating Services:

Data Processing	134
Election	10
Parking	29
Printing	45
Rent	231
Supplies and Services	99
Telephone	22
Travel and Training	130
Indirect and Other Costs	288
Total Operating Services	998

Furniture & Fixtures:

Furniture	21
Other	-
Total Furniture & Fixtures	21

Total Administrative Expenses	$3,595

SCHEDULE OF INVESTMENT EXPENSES

As Of December 31, 2013
(dollars in thousands)

Manager Fees	$15,441
Custodian Fees	150
Securities Lending Fees*	364
Investment Consultant Fees	331
Total Investment Expenses	$16,286

*Securities lending fees include broker rebates and the lending agent's fees.

SCHEDULE OF PAYMENTS FOR PROFESSIONAL SERVICES

As Of December 31, 2013
(dollars in thousands)

Accounting and Audit:	
Financial Control Systems	$ 56
Grant Thornton	41
Acturial:	
Gabriel, Roeder, Smith & Company	79
Legal:	
Foster Pepper PLLC	142
Strasburger & Price, LLP	333
Medical:	
Various	11
Investments:	
Wilshire Associates, Inc	331
Total Professional Services Payments	$993

INVESTMENT SECTION

White Rock Lake Today & White Rock Lake in the 1940's

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Wilshire

Andrew Junkin, CFA, CAIA
Managing Director & Principal

July 28, 2014

Ms. Cheryl Alston
Administrator
City of Dallas Employees' Retirement Fund
600 North Pearl Street #2450
Dallas, TX 75201

Re: 2013 Performance Results

Dear Cheryl:

The purpose of this letter is to review the 2013 investment performance results of the Dallas Employees' Retirement Fund ("ERF", "the Fund").

ERF maintains a well-diversified investment portfolio that consists of domestic, international, and global equities, fixed income, real estate (including public REITS and private core real estate), private equity, and real assets. During 2013, the Fund generated a net-of-fee return of 16.9%[1], outperforming relative to its asset allocation policy benchmark's return of 15.7%, and ahead of its actuarial rate of return of 8.25%.

Throughout 2013, the U.S. economy continued to improve at a rapid clip and now appears once again on solid footing. Many indicators point to signs of robust growth, including a brightening employment picture. The unemployment rate touched 7.0% during November, marking its lowest level in 5 years. Further buoying consumer confidence is continued home price appreciation, which is having a modest positive effect on household wealth. Real GDP growth is encouraging, clocking in at rates above long-run norms (including an impressive 4.1% annual rate during the third quarter). The U.S. stock market, as measured by the Wilshire 5000 Total Market Index, surged 33.1% for the year, marking its best annual return since 1995.

Despite the strong growth in the domestic economy, inflation remains very weak and muted; in fact, consumer prices fell during the second half of the year with consumers paying less for

[1] Performance calculations are consistent with the computations and methodologies approved by the CFA Institute.

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www.wilshire.com

Wilshire

food and energy. With regard to the bond markets, the steepening yield curve foreshadows the potential for somewhat higher inflation in the future. As a result of the strength and endurance of the recovery to date, on December 18th the Federal Open Market Committee (FOMC) announced plans to begin tapering its $85 billion monthly bond purchasing program by $10 billion per month, starting in January 2014.

Accommodative central bank policies propped up developed markets outside of the U.S., despite the appearance of sluggish growth in some (predominantly European) countries. Leading the pacific region, Japan was a particularly strong performer (+27.2% return for the year) in part due to a weaker yen which made Japanese exports relatively cheaper for the country's trading partners. The narrative diverges when turning the focus to emerging markets, which suffered throughout 2013 due to regional and local economic slowdowns and political uncertainties.

Fueled by the strength of the domestic stock market, the Fund's U.S. equity investments soared 33.3% for the year. While unable to match the performance of their domestic counterparts, the Fund's non-U.S. equity investments still managed to deliver strong gains, returning 20.5%. As bond yields rose across all maturities during the year, the Fund's global fixed income asset class was down modestly, declining -1.6%. Although yields rose throughout the year, they still remain too low to meet the income needs of many investors. Therefore, in the search for higher yielding securities, investors rotated into non-investment-grade fixed income (high yield) during the year, and this demand drove prices higher. The Fund's high yield investments gained 6.9% for the year. Led by the strong performance of its private direct core investments, the Fund's real estate segment gained 8.44% for the year. The Fund's private equity investments gained 12.5%, which again trailed the public asset classes but will likely continue to improve as valuations are increased. Much like in 2012, public real assets were once again the Fund's best performing assets in 2013, increasing by 36.9%.

When compared to other public funds in the Wilshire Cooperative Total Fund Universe, ERF ranked in the first quartile during 2013, as well as over the three, five and ten-year time periods. Overall, ERF's diversified asset allocation and discipline have served it well during the year of 2013 and over the longer term time horizon.

The ERF Board of Trustees added an allocation to global equity, which has just completed its first full year of performance within the Fund. This allocation will allow the selected investment managers to allocate opportunistically across regions, capitalizing on the improving economic conditions around the globe. Additionally, the public real assets portfolio consists of investments in Master Limited Partnerships (MLPs) which have continued

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to accrue very positively to the portfolio. As the Trustees look to pro-actively diversify its investments across asset classes, the Fund will continue to examine potential investments in private equity, private real estate and inflation-linked assets such as commodities. The approved allocations as of the end of 2013 were:

Asset Class	Allocation
Domestic Equity	22.5%
International Equity	22.5%
Global Equity	5.0%
Fixed Income	15%
High Yield	15%
Public REITS	5%
Private Core Real Estate	5%
Public Real Assets	5%
Private Equity	5%

As always, we thank you for the opportunity to be of service to ERF.

Sincerely,

Best regards,

Wilshire Associates
370 Interlocken Boulevard Suite 420 Broomfield, CO 80021 TEL 303.626.7444 FAX 303.466.1537
www.wilshire.com

INVESTMENT POLICIES SUMMARY

Statement of Goals

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

1. The overall goal of the Fund is to provide benefits, as anticipated under the Plan document, Dallas City Code, Chapter 40A, to its participants and their beneficiaries through a carefully planned and executed investment program.
2. The Fund seeks to produce the highest return on investment which is consistent with sufficient liquidity and investment risk that are prudent and reasonable, given prevailing capital market conditions. While the importance of the preservation of capital is recognized, the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with compensating returns is also recognized. Consequently, prudent risk taking is reasonable and necessary.
3. The Fund investment program shall at all times comply with existing and applicable local, state and federal regulations.

Investment Philosophy

The Fund is long term in nature, and the selection of investments is regulated by: the investment time horizon; the limits of acceptable risk; and the objective of optimizing the total rate of return. Each investment manager is authorized to execute investment transactions on behalf of the Board.

Investment decisions are made under the framework of the goal established for the rate of return, limits of acceptable risk, and Fund objectives. The goal is to optimize the return of the portfolio, as opposed to maximizing the rate of return.

The optimal portfolio mix is one that carefully equates expected rate of return with expected risk of all investment categories utilized in the portfolio. In setting the optimal mix of assets for the portfolio, the Board has developed a strategic asset allocation policy which incorporates a diversified asset mix. The strategic asset allocation is designed to provide an optimal diversification to reduce risk and maximize total rate of return relative to risk and the existing and projected liability structure.

The Board bases its investment strategy and goals on advice obtained from the investment consultant, the staff, and the external investment managers. The Board uses the annual external audit and annual actuarial valuation in its evaluation of the Fund's performance each year.

Corporate Governance

Article XVI, Section 67 of the Texas Constitution and Chapter 40A of the Dallas City Code, give complete responsibility for the management and investment actions of the Employees' Retirement Fund to the Board of Trustees. The Board is held to the standard of conduct of fiduciaries in discharging their responsibilities. According to Chapter 40A the Trustees, as fiduciaries, must carry out their functions solely in the interest of the members and beneficiaries.

The Board considers the active voting of proxies an integral part of the investment process. Proxy voting may be delegated to the discretion of investment managers retained by the Board. The managers shall be required to establish a proxy voting policy and maintain records of proxy votes, and shall make these records available quarterly to the Board or its designee. The Board may at its discretion establish an overall policy of voting proxies in which case the managers' proxy voting policy shall be in accordance with that of the Board's. The Board recognizes that in certain non-U.S. markets, investment managers may, balancing the costs and benefits, not exercise proxy voting.

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INVESTMENT RESULTS

Investment Summary

The investment managers and the returns by investment category are shown in the following tables.

Investment Category	2013 Rate Of Return
Domestic Equities	33.30%
International Equities	20.52%
Global Equities	21.45%
Fixed Income	-1.58%
High Yield Bonds	6.91%
Real Estate Securities (REITS)	8.44%
Cash Equivalents	0.10%
Private Equity	12.49%
Private Real Estate	13.67%
Public Real Assets (MLPS)	36.89%
Total Portfolio	16.90%

INVESTMENT MANAGERS

Domestic Equities, REITs, Master Limited Partnerships, & Commingled Index Funds

Adelante Capital Management, LLC
Intech
Northern Trust Global Investments
Security Capital Research & Management, Inc.
SIT Investment Associates, INC
Systematic Financial Management, LP
T. Rowe Price Associates, Inc.
Harvest Fund Advisors
Channing Capital
INVESCO

International Equities

Acadian Asset Management Inc.
AQR Capital Management, LLC
Baring International Investment Limited

Global Equities

Aberdeen Asset Management
Wellington Management

Fixed Income

Advantus Capital Management, Inc.
Aberdeen
Black Rock Financial Management
Oaktree Capital Management, LLC
Garcia Hamilton

Cash Equivalents

The Northern Trust Company

Private Equity

Credit Suisse CFIG
Hamilton Lane

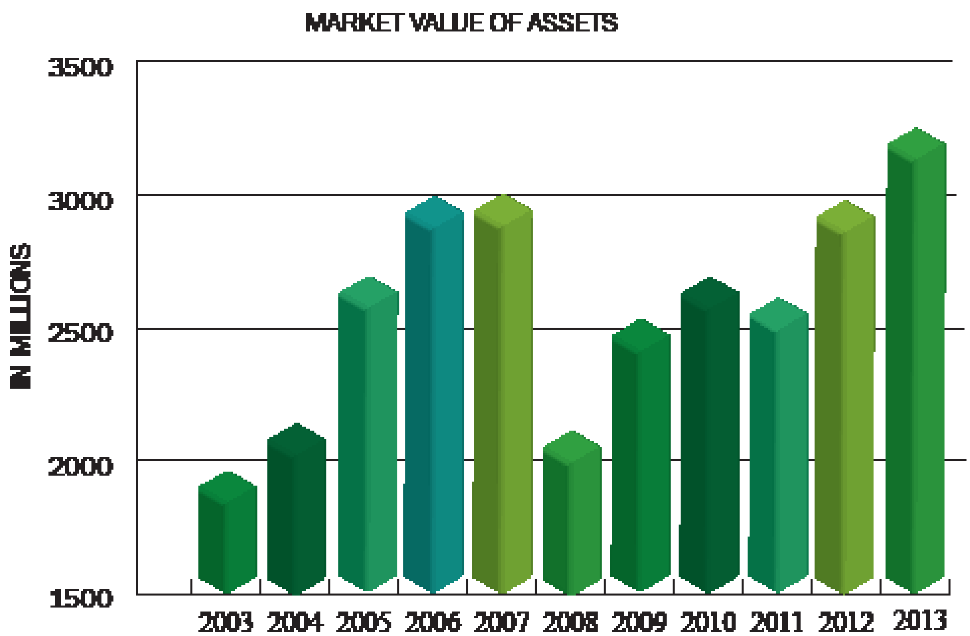
Real Estate

Heitman Real Estate Investment Management
INVESCO Real Estate

TOTAL PLAN RESULTS

Fiscal year 2013 was up 16.9%. The world equity markets as measured by various indices were mixed for 2013 with the MSCI All World ex-US Index down 15.29% and the Dow Jones Wilshire 5000 returning 33.07%. The Barclays Aggregate Bond Index was down 2.02%. The Citigroup High Yield Cash Pay Index was down 7.12% for the year.

At December 31, 2013, the net asset value of the Plan was $3.3 billion. This value represents an 11.7% or $349 million increase over last year's value. The Net Assets of the Plan graph below provides a pictorial history of the Plan's growth over the past 10 years.



ASSET ALLOCATION

The Plan's long-term strategic asset allocation policy sets the following targets: 70% total equity is comprised of domestic equity (22.5%) including real estate securities (5.0%) private equity (5.0%); Master Limited Partnerships (MLP's) (5.0%); 27.5% in international and 5% global equity; 15% in global fixed income; and 15% in high yield fixed income. Although no specific allocation to cash and equivalents is targeted, cash must be available for the payment of benefits and other expenses of the Plan. To accommodate constantly changing market values, the Board has approved ranges for each of the asset classes.

ASSET ALLOCATION

As Of December 31, 2013

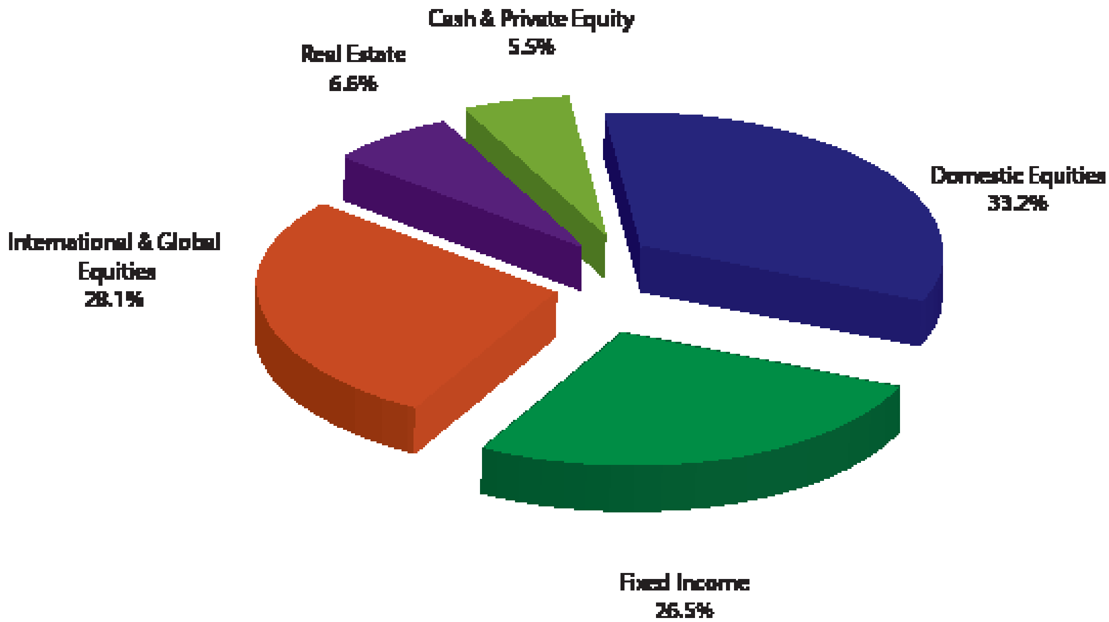
US Equity:	
Domestic Equity	22.5%
Real Estate	5.0%
REITs	5.0%
Private Equity	5.0%
MLPs	5.0%
	42.5%
Non US Equity:	
International	22.5%
Global	5.0%
	27.5%
Total Equity	70.0%
Fixed Income:	
Investment Grade	15.0%
High Yield	15.0%
Total Fixed Income	30.0%
Total Fund	100.0%

DOMESTIC, INTERNATIONAL AND GLOBAL EQUITY

The Plan's allocation to US domestic equity both securities and equity funds, is targeted at 42.5% of the Plan's total assets including 5% allocated to real estate securities, 5% to private equity, and 5% to MLP's. Passively managed index funds totaled 8.0% of domestic equity assets at year end, and actively managed portfolios represented the remaining 22.7% of domestic equity investments. Total US equity returned 33.30% for the year while the benchmark Wilshire 5000 Index had a return of 33.1%. The S&P 500 Index returned 32.4% for the year.

Non US equity has a target allocation of 27.5%, and it is split between international equity (22.5%)and global equity (5.0%). The Plan's international equity composite return was 20.52% while the MSCI All World ex-US Index reported a return of 15.3% for the year, and the MSCI EAFE Index reported 22.8%. The global equity funds allocation reported a return of 21.5%.

ASSET ALLOCATION



GLOBAL FIXED INCOME

Global fixed income has a target of 15% of total assets. This allocation is allocated to three investment managers. During the year the global fixed income returned -1.6% while the Barclays Aggregate Bond Index returned -2.0%.

HIGH YIELD FIXED INCOME

High yield fixed income has a target of 15%. This allocation is evenly split between two investment managers. The high yield return for 2013 was 6.99% and the Citigroup High Yield Cash Pay Index returned 7.1%.

PRIVATE EQUITY

Private equity has a target allocation of 5%. This allocation is split between two investment managers. At year end the market value was approximately 2.9%. The rate of return for the year was 12.5%.

REAL ESTATE

Real estate is comprised of real estate securities (REITs) and private real estate. REITs and private real estate both have a 5% allocation for a total real estate allocation of 10%. REITs had a return of 1.8% against the Wilshire RE Securities Index of 2.2% , and the private real estate returned 13.7% against the NCREIF Property Index returned 2.2%.

PUBLIC REAL ASSETS (MLPS)

Public real assets have a target allocation of 5%. The allocation is split between two investment managers. Public real assets returned 36.9% against the Alerian MLP Index of 27.6%.

ANNUALIZED RATE OF RETURN

As Of December 31, 2013

	2013	3-Year	5-Year
Total Fund	16.93%	10.47%	15.35
Domestic Equity	33.30	15.81	18.40
S&P 500 Index	32.41	16.18	17.94
Dow Jones Wilshire 5000 Index	33.06	15.96	18.58
International Equity	20.52	7.62	15.51
MSCI ACWI ex US Index	15.82	5.12	13.46
MSCI EAFE Index	22.78	8.16	12.43
Global Fixed Income	-1.58	4.41	6.52
Barclays Aggregate Bond Index	-2.02	3.26	4.44
High Yield Fixed Income	6.91	9.03	15.65
Citigroup High Yield Cash Pay	7.12	9.18	17.89
Cash Equivalents	0.10	0.11	0.13
T-Bills	0.00	0.00	0.00
Public REITS	36.89	0.00	0.00
Wilshire RE Securities Index	0.02	0.09	0.17
Private Equity	12.49	10.12	-
S&P 500 Index	32.41	16.18	17.94
Public Real Assets	36.89	-	-
Aleriam MLP Index	27.58	-	-

INVESTMENT MANAGEMENT FEES

As Of December 31, 2013
(dollars in thousands)

Investment*		Assets Under Management	Fees	Basis Points
Domestic Equity		$937,083	$2,886	30.8
International Equity		736,598	3,207	43.5
Global Equity		192,466	1,264	65.7
Global Fixed Income		349,870	530	15.1
High Yield Fixed Income		530,882	2,232	42.0
Real Estate		218,110	2,825	129.5
Master Limited Partnerships		167,438	1,131	67.5
Private Equity		93,939	1,336	142.2
Cash Equivalents		97,065	30	3.1
	Subtotal	$3,323,451	$15,441	46.6

Other Investment Services			Fees	
Investment Consultant			331	
Custodian			150	
	Subtotal		845	
Total Investment Management Fees			$16,286	

* Securities lending fees include broker rebates and the lending agent's fees.

TEN LARGEST HOLDINGS

As of December 31, 2013

Equity	Shares	Fair Value
CF INVESCO Core RE Fund	826.57	$109,793,293
CF Heitman America Real Estate	114,895.49	108,316,275
MFB NTGI - QM COLTV Daily S & P 500	13,937.63	80,972,459
MSCI Finl Indx - ZVM7	2,948,552.32	40,996,671
Japan MSCI Index - JP12	3,745,701.94	39,850,523
Credit Suisse Dallas ERF Partner	33,302,203.60	36,270,134
UK MSCI Index - UK12	304,046.09	25,557,507
MLP Enterprise Prods Partners	377,720.00	25,042,836
MSCI Industrials - ZVM3	1,122,523.85	21,845,437
Simon PPTY Group Inc New	125,353.00	19,073,712

Fixed Income	Par Value	Fair Value
United States Treasury NT 1.25% due 11/30/2018	12,170,000	$11,909,440
USA Treasury Bonds 2.750% due 08/15/2042	8,395,000	6,651,694
Caesars Entertainment Resort 0.000% due 09/17/2020	6,480,000	6,431,400
United States Treasury NTS 0.625% due 10/15/2016	5,920,000	5,908,930
Mexico (UTD Mex ST) 10.000% due 12/05/2024	596,300	5,813,692
FHLB Sub NT 5.625% due 06/13/2016	4,230,000	4,718,988
US Treasury Bonds 3.625% due 08/15/2043	4,870,000	4,599,131
HD Supply 8.125% due 04/15/2019	4,007,000	4,462,796
Ally Finl (GMAC) 8.000% due 11/01/2031	3,721,000	4,451,246
USA Treasury Notes 0.625% due 09/30/2017	4,450,000	4,357,529

INVESTMENT HOLDINGS SUMMARY

As of December 31, 2013
(dollars in thousands)

Fixed Income		Market Value	Percentage of Market Value
Government Bonds		$188,392	5.67%
Corporate Bonds		692,360	20.83%
	Total Fixed Income	880,752	26.50%
Equity			
Common Stock		1,952,613	58.74%
Index & Commingled		80,972	2.44%
	Total Equity	2,033,585	61.18%
Real Estate			
Real Estate		218,110	6.56%
	Total Real Estate	218,110	6.56%
Alternative Investments			
Private Equity		93,939	2.83%
	Total Alternative Investments	93,939	2.83%
Cash and Equivalents			
Cash		712	0.02%
Cash Equivalents		97,065	2.92%
	Total Fund*	$3,324,163	100.00%

*Does not include security lending collateral or receivables.

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ACTUARIAL SECTION

The Midway at the State Fair of Texas as it is Today and as it was in the 1940's

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The Report of the December 31, 2013 Actuarial Valuation of the Employees' Retirement Fund of the City of Dallas

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GRS
Gabriel Roeder Smith & Company
Consultants & Actuaries
5605 N. MacArthur Blvd.
Suite 870
Irving, TX 75038-2631
469.524.0000 phone
469.524.0003 fax
www.gabrielroeder.com

May 13, 2014

Board of Trustees
Employees' Retirement Fund of the City of Dallas, Texas
600 North Pearl Street
Suite 2450
Dallas, Texas 75201

Dear Members of the Board:

We are pleased to present our report of the actuarial valuation of the Employees' Retirement Fund of the City of Dallas, Texas ("ERF" or the "Fund") as of December 31, 2013.

This valuation provides information on the funding status of ERF. It includes a determination of the actuarially calculated contribution rates for the 2014 calendar year. In addition, it also contains the information necessary to determine the current total obligation rate and the current adjusted total obligation rate for the fiscal year beginning October 1, 2014 per City Ordinance. This rate is a function of the previous year's adjusted total obligation rate, this year's actuarially calculated contribution rate, and the rate necessary to make the debt service payment on the previously issued pension obligation bonds for fiscal year 2015.

This valuation is based on the provisions of ERF in effect as of the valuation date, data on the ERF membership and information on the asset values of the Fund as of December 31, 2013. The member, annuitant and asset data used in the valuation were all prepared and furnished by ERF staff. While certain checks for reasonableness were performed, the data used was not audited.

There were no changes in the actuarial assumptions or methods since the prior valuation. All actuarial assumptions and methods are described under Section O of this report and meet the parameters of Governmental Accounting Standards Board Statement No. 25. We believe the actuarial assumptions individually and collectively represent reasonable expectations of experience over the long-term future.

To the best of our knowledge, this report is complete and accurate and was conducted in accordance with the Actuarial Standards of Practice as set forth by the Actuarial Standards Board and in compliance with the provisions of the City Ordinance. The undersigned are independent actuaries and consultants. Mr. Randall is an Enrolled Actuary and a Member of the American Academy of Actuaries and he meets the Qualification Standards of the American Academy of Actuaries. Both Mr. Randall and Mr. Ward have significant experience in performing valuations for large public retirement systems.

Respectfully submitted,

Lewis Ward

Mark R. Randall

Lewis Ward
Consultant

Mark R. Randall, MAAA, FCA, EA
Executive Vice President & Senior Consultant

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SUMMARY OF THE VALUATION

(This summary is an excerpt of the 2013 Actuarial Valuation Report.
Sections referenced in this summary are available in the full report.)

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FUNDING PROCESS

Based on the previous work of the Employees' Retirement Fund Study Committee, which was ratified by both the City Council and the voters of Dallas, a new funding process commenced October 1, 2005. From this date forward, a new "current adjusted total obligation rate" will be contributed jointly by the City (63%) and the Membership (37%). This current adjusted total obligation rate will cover both the debt service tied to the pension obligation bonds issued in 2005 and the contributions to the ERF. In subsequent years, the contribution rate changes only if the actuarial valuation develops a "current total obligation rate" which differs from the "prior adjusted total obligation rate" by more than 3.00%.

As shown in Table 3 (under Section M) and discussed later in this report, the "current total obligation rate" (Item 4 in Table 3) differs from the "prior adjusted total obligation rate" (Item 1 in Table 3) by less than 3.00% as of December 31, 2013. This means that the "current adjusted total obligation rate" will remain the same at 35.29% of active member payroll for the fiscal year beginning October 1, 2014.

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EXPERIENCE DURING 2013

An Actuarial (Gain)/Loss Analysis [(G)/L] reviews the effects of the actual experience that differs from the assumed experience based on the actual results for the year. If any difference increases assets or reduces liabilities, we have an actuarial gain. The reverse is an actuarial loss.

On a market value return basis, the Fund gained approximately 16.75% (calculated on a dollar-weighted basis, net of investment expenses). Given this outstanding return, the actual investment income was more than the expected investment income on the actuarial value of assets; therefore, an investment income gain is being partially recognized this year (1/5) and partially deferred into the near future (4/5). After recognizing prior years' deferred investment gains and losses (years 2012 - 2009), there was an overall actuarial gain of $145 million on the actuarial value of assets as of December 31, 2013. The rate of return on the actuarial value of assets for 2013 was 13.48% (calculated on a dollar-weighted basis, net of investment expenses). This result was greater than the current investment return assumption of 8.25%.

During 2013 there was an aggregate actuarial gain of about -$19.7 million derived from demographic assumptions and non-investment economic assumptions (cost-of-living-adjustment). As seen below, ERF experienced an overall actuarial gain in calendar year 2013. This year's overall actuarial experience gain amounted to approximately -$164.7 million.

The total (G)/L for the prior 4 years is broken down as follows ($ in millions):

	2010	2011	2012	2013
1) Actuarial (Gain)/Loss on Assets	$146.94	$117.40	$209.96	($144.95)
2) Actuarial (Gain)/Loss on Liabilities	(23.70)	(101.31)	(6.04)	(19.70)
3) Total Actuarial (Gain) or Loss (1+2)	123.24	16.09	203.92	(164.65)

The unfunded actuarial accrued liability (UAAL) also increased $19.1 million due to the difference between the calculated contribution rate and the actual contributions during 2013.

FUNDED STATUS

The funded status of ERF is measured by the Funded Ratio and the Unfunded Actuarial Accrued Liability (UAAL). The Funded Ratio is the ratio of the actuarial value of assets available for benefits to the actuarial accrued liability (AAL) of the Fund on the valuation date. Therefore, it reflects the portion of the AAL that is covered by ERF assets. The UAAL is the difference between these two amounts.

A Funded Ratio of 100% means that the funding of ERF is precisely on schedule as of the particular valuation date. In addition, an increasing funded ratio from year-to-year may also mean that the funding of ERF is on schedule. By monitoring changes in the Funding Ratio each year we can determine whether or not funding progress is being made.

Based on the actuarial value of assets, the Funded Ratio of ERF increased significantly from 80.9% as of December 31, 2012 to 85.1% as of December 31, 2013.

In turn, the UAAL dramatically decreased from $672.2 million as of December 31, 2012 to $536.6 million as of December 31, 2013. Since the UAAL is positive, this implies the actuarial accrued liabilities exceed the actuarial assets of the Fund as of December 31, 2013.

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STATISTICAL SECTION

DART at Dallas Union Station and a passenger train at the station in the 1940's

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SCHEDULE OF REVENUE BY SOURCE

(dollars in thousands)

Year Ending	Member Contributions	Employer Contributions	% of Annual Covered P/R	Investment Income	Total
2004	20,896	35,251	10.6	289,947	346,094
2005	23,392	565,569	170.1	208,288	797,249
2006	30,123	23,000	6.7	464,629	517,752
2007	31,806	23,493	6.3	110,659	165,958
2008	31,839	22,720	5.8	-975,641	-921,082
2009	32,229	25,265	6.7	619,177	676,671
2010	31,666	27,323	8.2	398,713	457,702
2011	31,748	27,302	8.6	24,554	83,604
2012	35,644	30,371	9.6	385,678	451,693
2013	41,730	37,823	11.0	493,498	573,051

SCHEDULE OF EXPENSES BY TYPE

(dollars in thousands)

Year Ending	Benefit Payments	Administrative Expenses	Refunds	Investment Professional Expenses	Total
2004	116,675	2,075	2,976	10,003	131,729
2005	127,578	2,737	3,049	18,891	152,255
2006	139,206	2,416	3,451	35,921	180,994
2007	146,810	2,675	3,056	39,855	192,396
2008	156,575	3,255	2,742	20,926	183,498
2009	172,493	3,315	4,273	9,637	189,718
2010	182,883	3,235	4,476	11,173	201,767
2011	195,270	3,492	4,982	14,026	217,770
2012	209,097	3,446	4,369	15,854	232,766
2013	216,988	3,595	4,405	16,286	241,274

SCHEDULE OF BENEFIT EXPENSES BY TYPE

(dollars in thousands)

Year Ending	Retiree	Beneficiary	Disability	Supplement	Total
2004	101,284	5,076	3,128	7,187	116,675
2005	110,761	6,054	3,376	7,387	127,578
2006	121,085	6,897	3,628	7,597	139,207
2007	129,326	5,897	3,806	7,781	146,810
2008	138,695	5,959	3,979	7,942	156,575
2009	150,843	9,340	4,149	8,161	172,493
2010	162,042	7,984	4,322	8,535	182,883
2011	176,028	5,767	4,536	8,939	195,270
2012	187,712	7,561	4,677	9,147	209,097
2013	196,525	6,470	4.656	9,337	216,988

AVERAGE BENEFIT PAYMENT

As of December 31, 2013

Retirement Effective Dates	Years of Credited Service						
	0 - 5	5 - 10	10 - 15	15 - 20	20 - 25	25 - 30	30+
Period 01/01/2013 to 12/31/2013							
Average monthly benefit	$302.03	$577.63	$1,688.96	$2,012.42	$2,909.37	$3,823.04	$4,639.47
Average final average salary	$3,891.55	$3,100.14	$4,953.89	$4,223.11	$4,763.82	$5,259.98	$5,389.69
Number of retired members	8	29	33	33	49	62	44
Period 01/01/2012 to 12/31/2012							
Average monthly benefit	$325.10	$845.25	$1,590.56	$2,009.64	$2,829.45	$3,963.86	$4,516.58
Average final average salary	$2,932.66	$4,442.19	$4,632.86	$4,117.88	$4,570.14	$5,396.80	$5,268.80
Number of retired members	12	39	32	26	39	61	32
Period 01/01/2011 to 12/31/2011							
Average monthly benefit	$323.02	$787.06	$1,259.41	$2,027.33	$3,098.78	$3,753.60	$4,262.55
Average final average salary	$3,797.67	$3,757.08	$3,701.60	$4,260.84	$5,052.09	$5,105.35	$4,990.11
Number of retired members	15	33	41	48	58	105	61
Period 01/01/2010 to 12/31/2010							
Average monthly benefit	$223.93	$734.08	$1,302.73	$1,830.30	$2,995.36	$3,710.91	$4,116.13
Average final average salary	$2,594.83	$3,678.95	$4,364.32	$4,784.05	$4,903.64	$5,039.60	$4,771.62
Number of retired members	8	36	49	44	70	133	91
Period 01/01/2009 to 12/31/2009							
Average monthly benefit	$301.96	$784.21	$1,294.02	$2,149.66	$2,949.94	$3,576.69	$4,305.35
Average final average salary	$3,287.00	$3,605.72	$3,878.74	$4,396.37	$4,788.12	$4,881.66	$4,969.17
Number of retired members	27	25	36	37	65	110	79
Period 01/01/2008 to 12/31/2008							
Average monthly benefit	$256.93	$992.79	$1,160.28	$2,059.59	$2,717.68	$3,490.12	$4,168.44
Average final average salary	$3,816.62	$4,347.54	$3,472.80	$4,301.64	$4,446.61	$4,739.25	$4,930.47
Number of retired members	8	33	26	18	68	73	38
Period 01/01/2007 to 12/31/2007							
Average monthly benefit	$330.49	$760.80	$1,251.93	$2,168.34	$2,565.23	$3,226.37	$4,030.12
Average final average salary	$3,350.81	$3,387.56	$3,787.73	$2,941.32	$4,272.21	$4,516.64	$4,476.76
Number of retired members	12	29	36	26	69	52	27

RETIRED MEMBERS BY TYPE OF BENEFIT

As of December 31, 2013

Amount of Monthly Benefits	Type of Retirement[a] 1	2	3	4	5	6	7	Option Selected[b] #1	#2	#3
$1 - 250	79	0	33	8	0	1	0	22	36	63
$251 - 500	204	9	100	78	0	5	38	58	203	173
$501 - 750	298	16	115	43	29	17	19	82	229	226
$751 - 1,000	298	20	93	29	9	21	12	114	183	185
$1,001 - 1,250	247	27	84	24	9	25	5	119	135	167
$1,251 - 1,500	280	42	73	16	2	12	4	130	131	168
$1,501 - 1,750	292	38	44	16	2	9	5	131	142	133
$1,751 - 2,000	301	20	32	8	3	6	0	110	138	122
over 2,000	2,968	77	115	38	7	29	13	869	1,320	1,058
Total	4,967	249	689	260	61	125	96	1,635	2,517	2,295

Type of Retirement[a]

1 Normal retirement for age, service or Rule of 78
2 Early retirement
3 Beneficiary payment, normal or early retirement
4 Beneficiary payment, service connected death
5 Service connected disability retirement
6 Non-Service connected disability retirement
7 Beneficiary payment, disability retirement

Option Selected[b]

1 Joint & 100% - beneficiary receives 100% of member's benefit
2 Joint & 50% - beneficiary receives 50% of member's benefit
3 10 Year Certain - beneficiary receives member's unused benefit

AVERAGE AGE AND PENSION AT RETIREMENT

As of December 31, 2013

Status	Average Age	Average Pension	Average Age at Retirement
Members Only	67.9	$2,443.68	56.52
Members and Survivors	68.7	$2,235.96	N/A
Survivors Only	72.8	$1,162.14	N/A

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