

**EMPLOYEES' RETIREMENT FUND OF THE CITY OF  
FORT WORTH, TEXAS**

**FINANCIAL REPORT**

**SEPTEMBER 30, 2009**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
Employees' Retirement Plan of the  
City of Fort Worth, Texas

We have audited the accompanying Statements of Plan Net Assets of the Employees' Retirement Plan of the City of Fort Worth, Texas (the Plan) as of September 30, 2009 and 2008, and the related Statement of Changes in Plan Net Assets for the years then ended. These financial statements are the responsibility of the Plan's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets at September 30, 2009 and 2008, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4 to the financial statements, the financial statements include securities valued at approximately \$491 million and \$520 million (approximately 31.9% and 32.7% of the value of the Plan's net assets at September 30, 2009 and 2008, respectively) whose values have been estimated by the trustee in the absence of readily ascertainable market values. We have reviewed the procedures used by the Plan's management in arriving at its estimate of the value of such investments and have inspected underlying documentation and, in the circumstances, we believe the procedures are reasonable and the documentation appropriate. However, because of the inherent uncertainty of the valuation, the estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

To the Board of Directors of the  
Employees' Retirement Plan of the  
City of Fort Worth, Texas

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Management's Discussion and Analysis, the Schedule of Funding Progress and the Schedule of Employer Contributions are not required parts of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Plan's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and we do not express an opinion on it.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas  
January 18, 2010

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## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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The Management Discussion and Analysis (MD&A) of The Employees' Retirement Plan of the City of Fort Worth, Texas' (the Plan) financial statements provides an overview and analysis of the financial activities of the Plan for the years ended September 30, 2009 and 2008. We encourage readers to consider the information presented here in conjunction with the financial statements that follow.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Plan's basic financial statements. The Plan's financial statements are composed of financial statements, notes to the financial statements and required supplementary information.

**Financial statements.** The financial statements are designed to provide readers with an overview of the Plan's finances.

The statements of net assets available for benefits present information on all of the Plan's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Plan is improving or deteriorating.

The statements of changes in net assets available for benefits present information showing how the Plan's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows, except for benefit payments.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Required supplementary information.** The required supplementary information consists of the schedule of funding progress, schedule of employer contributions and notes to required supplemental information.

### FINANCIAL ANALYSIS

The Plan's assets include investments reported at fair value as of September 30, 2009. These assets are held in trust for pension benefits.

The Plan's net assets decreased by \$54,959,709 in 2009 compared to a decrease of \$351,532,241 in 2008. The net appreciation in fair value of assets for 2009 was a loss of \$73,051,032 compared to a loss of 362,296,783 for 2008. The depreciation was the result of the Plan's investment return for 2009 (2.29%) compared to (17.0%) for 2008. Net assets declined as a result of the global market decline that occurred during 2008 and into the first quarter of 2009. The Plan's returns were in line with capital market returns over the same period. While the Plan's investments are more broadly diversified, the broad US equity index, the Russell 3000, posted returns of (6.42%) for 2009 compared to (21.5%) for 2008.

The global equity index MSCI EAFE was up 3.8% for the Plan's fiscal year 2009, compared to 2008 returns of (30.1%). The following table shows a summary of plan net assets.

Early in fiscal year 2009 the Plan made significant allocations to increase its fixed income investments. During fiscal 2009 the Plan approved a new asset allocation and is working to implement the new asset allocation.

**Net Assets Available for Plan Benefits**  
**September 30, 2009 and 2008**

	2009	2008
<b>Assets</b>		
Cash	\$ 94,867	\$ 8,795
Receivables from assets sold	64,727,751	98,678,789
Other Receivables	13,916,725	13,506,036
Investments	1,515,794,507	1,605,969,993
Fixed Assets	3,937,185	-
Total Assets	<u>1,598,471,035</u>	<u>1,718,163,613</u>
<b>Liabilities</b>		
Liabilities for securities purchased	58,390,155	123,004,942
Other Liabilities	2,969,405	3,087,487
Total Liabilities	<u>61,359,560</u>	<u>126,092,429</u>
Net Assets available for benefits	<u>\$ 1,537,111,475</u>	<u>\$ 1,592,071,184</u>

**Changes in Net Assets Available for Plan Benefits**  
**Years Ended September 30, 2009 and 2008**

	2009	2008
<b>Additions</b>		
Contributions	\$ 91,354,770	\$ 88,013,868
Investment income (loss), net	(29,921,103)	(333,096,236)
Total Additions	<u>61,433,667</u>	<u>(245,082,368)</u>
<b>Deductions</b>		
Benefit payments	111,018,821	100,571,464
Refund of Contributions	2,991,943	3,648,236
Administrative expenses	2,310,925	2,230,173
Depreciation	71,687	0
Total Deductions	<u>116,393,376</u>	<u>106,449,873</u>
Change in Net Assets	(54,959,709)	(351,532,241)
Plan Net Assets - Beginning of year	<u>\$ 1,592,071,184</u>	<u>\$ 1,943,603,425</u>
Plan Net Assets - End of year	<u>\$ 1,537,111,475</u>	<u>\$ 1,592,071,184</u>

## FINANCIAL HIGHLIGHTS

- The Plan's total investment income in 2009 was a loss of \$29,921,103, an increase of \$303,175,133 from 2008 to 2009 compared to a decrease of \$333,096,236 from 2007 to 2008.
- The Plan's total net assets decreased by \$54,959,709 in 2009 compared to a decrease of \$351,532,241 in 2008.
- The Plan's employer contributions were \$59,753,832 in 2009 compared to \$57,602,630 in 2008. Employee contributions, net of refunded contributions, were \$28,608,995 for 2009 compared to \$26,763,002 for 2008. The increase of \$2,151,202 in employer contributions and the increase of \$1,845,993 in employee contributions is a result of an increase in payroll.
- Benefit payments increased by \$10,447,357 in 2009 compared to an increase of \$8,357,947 in 2008. This increase is a result of increased lump sum distributions, annual cost of living adjustments and additions to the benefit payroll occurring at higher benefit levels than those leaving the benefit payroll.
- Administrative expenses increased by \$80,752 in 2009 compared to an increase of \$244,431 in 2008.
- During the fiscal year 2009 the Plan hired a new investment consultant, R.V. Kuhns. Once hired, R.V. Kuhns worked with the staff and Board to establish a new long term asset allocation. Because of the amount of changes necessary to accomplish the new target allocation, the Board also approved an interim target allocation. The new asset allocation introduced a new asset class, Real Return, to the Plan. The Plan's asset allocation as of September 30, 2009, along with the interim and long term targets are presented below.

### Employees' Retirement Fund of The City of Fort Worth, Texas

Asset Class	9/30/2009 Mkt Value %	Interim Target %	Long-Term Target %
Broad US Equity	18	17	15
Broad International Equity	8	15	15
Fixed Income	39	27	22
Real Estate	8	8	12
Absolute Return	12	18	18
Private Equity	3	4	8
Real Return	5	10	10
Cash Equivalents	7	1	0
Total	<u>100</u>	<u>100</u>	<u>100</u>

(The Plan's asset allocation valuation and targets are based on investment manager stated management styles. At various times of measurement actual manager holdings may vary from stated strategy.)

## FUNDING PROGRESS

The Plan has a contract with Gabriel, Roeder, Smith & Company to perform an annual actuarial valuation for the City and Staff plan as of January 1<sup>st</sup>. The following are highlights from the January 1, 2009 valuation.

- For the City Plan the actuarial valuation shows the market value of assets decreased by \$568.2 million to \$1.3 billion as of January 1, 2009. The market value of assets as of January 1, 2008 was 1.9 billion.
- When preparing the annual report the actuary typically uses a five year smoothing process to reduce the year-to-year volatility of asset returns. However a corridor is placed on the value of the assets to ensure that the actuarial value of assets and the market value of assets cannot diverge by more than 20%. As of January 1, 2009, the market value of assets had fallen below the 20% corridor of the calculated actuarial value of assets (AVA). As a result the AVA was reduced to be within 20% of the market value of assets. At January 1, 2009, the AVA for the City Plan was \$1.6 billion, a decrease of \$225.3 million compared to the January 1, 2008 actuarial value of \$1.8 billion.
- The actuarial accrued liability (AAL) as of January 1, 2009, increased by \$132.9 million to \$2.2 billion from \$2.1 billion as of January 1, 2008.
- The ratio of the Plan's AVA to AAL, expressed as a percentage, is an indicator of the Plan's funding status. Generally, the larger the percentage, the stronger the financial health of the Plan. The Plan's funding ratio as of January 1, 2009, was 72.8% compared to a funding ratio of 88.5% as of January 1, 2008.
- If a plan's actuarial liabilities exceed the actuarial value of assets the plan is said to have an unfunded actuarial accrued liability (UAAL). As of January 1, 2009, the Plan had a UAAL of \$595.7 million, an increase of \$358.2 million compared to a UAAL of \$237.5 million as of January 1, 2008.
- When a plan has an UAAL, an additional measure of financial health is funding period. The funding period is the length of time in years needed to amortize the current UAAL based on the current contribution rate. As of January 1, 2009, the Plan had an infinite funding period, which means that at the current contribution levels the Plan will not be able to pay off its unfunded liabilities. As of January 1, 2008, the funding period was 13.8 years.
- The above changes demonstrate the impact the economic downturn had on the City Plan. The Board and City continue to monitor the health of the plan and are discussing options to return the plan to good financial health. No action was taken during 2009 because of the volatility of the financial markets and the unknown magnitude of changes that would need to be taken.
- As a result of the Staff Plan being new and having a low level of assets, the impact of the economic downturn was minimal. The Staff Plan currently is not paying any benefits so all contributions stay with the plan, and rising markets during 2009 have improved the financial health of the plan. As of January 1, 2009, the Staff Plan had an actuarial value of assets of \$257,381, with an actuarial accrued liability of \$745,190 leaving a UAAL of \$487,809. This leaves the Staff Plan with a 34.5% funded ratio, that can be amortized over 7.1 years.

**Requests for information:** This financial report is designed to provide a general overview of the Plan's finances. Questions concerning any of the information provided should be addressed to the Employees' Retirement Plan of the City of Fort Worth, 3801 Hulen St., Suite 101, Fort Worth, TX 76107.

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF FORT WORTH, TEXAS  
STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS  
SEPTEMBER 30, 2009 AND 2008**

	City Plan 2009	Staff Plan 2009	Combined Totals 2009	Combined Totals 2008
<b>ASSETS</b>				
Trustee Investments, at fair value				
US government agencies	\$ 87,543,381	\$ 26,433	\$ 87,569,814	\$ 114,915,085
Short-term marketable securities	138,540,333	41,831	138,582,164	129,715,238
Corporate and other bonds	336,558,064	101,621	336,659,685	220,136,617
Corporate stocks	461,767,643	139,428	461,907,071	620,641,206
Comingled funds	254,322,433	76,791	254,399,224	301,635,853
Alternative investments	236,605,108	71,441	236,676,549	218,925,994
<b>Total investments</b>	1,515,336,962	457,545	1,515,794,507	1,605,969,993
Receivables				
Employee contributions	1,672,313	-	1,672,313	1,435,636
Employer contributions	3,190,898	-	3,190,898	3,010,148
Accrued income	9,050,781	2,733	9,053,514	9,060,252
Due from broker securities sold	64,708,213	19,538	64,727,751	98,678,789
<b>Total receivables</b>	78,622,205	22,271	78,644,476	112,184,825
Cash in Bank	94,839	28	94,867	8,795
Fixed assets				
Building	3,424,136	1,034	3,425,170	-
Land	404,878	122	405,000	-
Furniture & equipment	139,712	42	139,754	-
Software in progress	38,936	12	38,948	-
Total fixed assets	4,007,662	1,210	4,008,872	-
Accumulated depreciation	(71,666)	(21)	(71,687)	-
<b>Net fixed assets</b>	3,935,996	1,189	3,937,185	-
<b>Total assets</b>	1,597,990,002	481,033	1,598,471,035	1,718,163,613
<b>LIABILITIES</b>				
Due to broker securities purchased	58,372,530	17,625	58,390,155	123,004,942
Other	2,968,509	896	2,969,405	3,087,487
<b>Total liabilities</b>	61,341,039	18,521	61,359,560	126,092,429
<b>Net assets available for plan benefits</b>	<b>\$ 1,536,648,963</b>	<b>\$ 462,512</b>	<b>\$ 1,537,111,475</b>	<b>\$ 1,592,071,184</b>

The Notes to Financial Statements are an integral part of these statements.

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF FORT WORTH, TEXAS  
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS  
YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

	<u>City Plan 2009</u>	<u>Staff Plan 2009</u>	<u>Combined Totals 2009</u>	<u>Combined Totals 2008</u>
Investment income:				
Net appreciation (depreciation) in fair value	\$ (73,069,164)	\$ 18,132	\$ (73,051,032)	\$ (362,296,783)
Interest and dividend Income	49,618,561	11,042	49,629,603	43,811,366
Less: Investment management fees	(6,498,344)	(1,330)	(6,499,674)	(10,868,446)
Less: Interest expense	-	-	-	(3,742,373)
<b>Net investment income (loss)</b>	<b>(29,948,947)</b>	<b>27,844</b>	<b>(29,921,103)</b>	<b>(333,096,236)</b>
Employee contributions	31,317,560	80,011	31,397,571	30,411,238
Employer contributions	59,601,180	152,652	59,753,832	57,602,630
Purchase future service	203,367	-	203,367	-
<b>Total contributions</b>	<b>91,122,107</b>	<b>232,663</b>	<b>91,354,770</b>	<b>88,013,868</b>
<b>Total additions</b>	<b>61,173,160</b>	<b>260,507</b>	<b>61,433,667</b>	<b>(245,082,368)</b>
Benefit payments:				
Retirement	80,402,567	-	80,402,567	74,728,442
Disability	5,428,316	-	5,428,316	5,433,102
Surviving spouse	13,341,000	-	13,341,000	11,924,270
Children	161,643	-	161,643	114,021
Actuarial equivalent	2,255,842	-	2,255,842	1,758,108
DROP payouts	9,429,453	-	9,429,453	6,613,521
<b>Total benefit payments</b>	<b>111,018,821</b>	<b>-</b>	<b>111,018,821</b>	<b>100,571,464</b>
Refunds/terminations	2,991,943	-	2,991,943	3,648,236
Depreciation	71,666	22	71,687	-
Administrative expenses	2,310,429	495	2,310,925	2,230,173
<b>Total operating expenses</b>	<b>5,374,038</b>	<b>517</b>	<b>5,374,555</b>	<b>5,878,409</b>
<b>Total deductions</b>	<b>116,392,859</b>	<b>517</b>	<b>116,393,376</b>	<b>106,449,873</b>
Decrease in net assets available for plan benefits	(55,219,699)	259,990	(54,959,709)	(351,532,241)
<b>Net assets available for plan benefits, beginning of year</b>	<b>1,591,868,662</b>	<b>202,522</b>	<b>1,592,071,184</b>	<b>1,943,603,425</b>
<b>Net assets available for plan benefits, end of year</b>	<b>\$ 1,536,648,963</b>	<b>\$ 462,512</b>	<b>\$ 1,537,111,475</b>	<b>\$ 1,592,071,184</b>

The Notes to Financial Statements are an integral part of these statements.

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF FORT WORTH, TEXAS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. PLAN DESCRIPTION**

The following description of the Employees' Retirement Plan of the City of Fort Worth, Texas (the "Plan"), is provided for general information purposes only. Participants (or members) should refer to the Summary Plan Description for more information.

**General**

The Plan is a multi-employer cost sharing defined benefit plan, covering all regular full-time employees of the City of Fort Worth ("City Plan"), plus all of the employees of the Fort Worth Employees' Retirement Plan ("Staff Plan"). The City Retirement Plan was established by City Ordinance in 1945, and the Staff Plan was established through Administrative Rules in 2007.

The two plans are commingled for investment purposes, and are both administered by the Retirement Plan's Board of Directors. Each plan has its own separate actuarial valuation completed each year, and its own funded status based on current and projected assets and liabilities.

The Retirement Staff Plan is a carve-out plan, with contributions and benefits identical to those of the General City employees. At the time the plan was established in August of 2007, there were three Plan employees who were vested in the City Retirement Plan. At retirement, those employees will receive part of their retirement from the City Plan and the rest from the Retirement Staff Plan. The remaining Plan employees will receive any retirement benefits due to them from the Retirement Staff Plan only. The first actuarial valuation for the Staff Plan was completed as of January 1, 2008.

The City has received a favorable letter of determination from the Internal Revenue Service ("IRS") that its Plan is qualified under Section 401(a) of the Internal Revenue Code. The authority to define or amend employer and employee contribution rates or benefits is given to the Fort Worth City Council (the "City Council"). The City Plan is considered part of the City's financial reporting entity and is included in the City's basic financial statements as a pension trust fund. The City's payroll for employees covered by the City Plan for the years ended September 30, 2009 and 2008, was approximately \$371 million and \$362 million, and total payroll was approximately \$384 million and \$376 million, respectively.

Effective June 15, 2007, article 6243i of the Texas Revised Civil Statutes ("Article 6243i"), a new state law governing the Plan changed the structure of the Board and how benefits could be changed by the plan sponsor. Article 6243i also permitted the Board to create administrative rules that govern the Plan. The administrative rules govern the administration and benefits of the plan. The Board may change the administrative operation of the Plan without the City's approval, while any increases to the benefit structure must be approved by the City, following an actuarial assessment. A reduction in benefits must be proposed by the City, and the City must notify the Board 90 days in advance of such benefit reduction.

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF FORT WORTH, TEXAS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. PLAN DESCRIPTION – CONTINUED**

**General – Continued**

During 2006 the Plan moved its actuarial valuation from a fiscal year end to calendar year end to more closely match how the membership's benefits are calculated. As of January 1, 2009, (date of most recent actuarial valuation), the City Plan's membership consisted of the following members:

	January 1, 2009	January 1, 2008
Retirees currently receiving benefits	2,377	2,341
Beneficiaries currently receiving benefits	827	818
Terminated employees entitled to benefits but not yet receiving	249	199
	3,453	3,358
 Current employees		
Vested	4,154	4,003
Nonvested	2,245	1,904
	6,399	5,907

**Vesting**

Members vest in the Plan after five years of credited service. Vested members are eligible for normal retirement on the last day of the month in which the earlier of the following occurs: the member's age plus years of credited service equals 80 ("Rule of 80"), or the member reaches age 65. Vested members may elect early retirement at age 50 at a reduced pension. The City has adopted a 25-year-and-out program for police officers, which allows for full retirement after 25 years of service, regardless of age. Members terminating employment prior to vesting are entitled to receive their contributions plus interest (currently 5.25% annually). Members who are vested have the option of receiving their contributions plus interest or leaving their contributions in the fund and receiving retirement benefits as described above.

**Pension Benefits**

A member's annual pension at normal or subsequent retirement date equals 3% of compensation base multiplied by total credited years of service with the City. A member's normal retirement date is determined using the Rule of 80. Police officers who retire after

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF FORT WORTH, TEXAS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. PLAN DESCRIPTION – CONTINUED**

**Pension Benefits – Continued**

completing 25 years of service receive 3% of compensation base multiplied by total credited years of service with the City. For early retirements or vested terminations, the benefit formula is 2.75% of compensation base multiplied by total years of credited service with the City; however, vested terminations who wait to receive benefits until what would have been their normal retirement date receive a 3% multiplier. Beginning April 1, 1999, compensation base is computed as the employee's highest three calendar years of average annual compensation. Prior to April 1, 1999, compensation base was computed using the employee's highest five calendar years of average annual compensation. Any terminated vested member will have his or her benefits calculated using the method in effect at the time of his or her termination. Members who elect early retirement shall have their benefits reduced by 5/12% for each month that early retirement precedes normal retirement.

During 2007 the City of Fort Worth passed a new ad-hoc Cost of Living Adjustment (COLA) program effective January 1, 2008. All non-vested members as of December 31, 2007 are enrolled in the ad-hoc COLA program. All vested members and retired members were given the opportunity to select if they wanted to change their current guaranteed 2% COLA to participate in the ad-hoc COLA. Members that did not make a selection were treated as if they chose the current 2% COLA. Members that selected the ad-hoc COLA and non-vested members will have their COLAs determined based upon the funding status of the Plan as determined by the previous year's actuarial valuation. These COLAs are compounded based on the benefit received the previous calendar year and could be 0%, 2%, 3% or 4%. Participants that selected the ad-hoc COLA option did not receive a COLA on January 1, 2010 but received a 4% COLA on January 1, 2009.

If a member continues to work after the normal retirement date, the member is required to make contributions to the Plan until the date of actual retirement. Members continue to accrue credited service until they retire.

In September 2007, the Board voted to allow members that have entered the Deferred Retirement Option Program (DROP) to leave a part or all of their DROP balance with the Plan. Members that elect this option are credited the same earnings as the Plan on a monthly basis, and are subject to losses if the Plan incurs negative earnings on Plan assets.

If any member terminates employment with the City prior to vesting, the member shall be entitled to receive the amount of his or her contributions plus interest at 5.25% compounded annually. If a member terminates employment after vesting, the member shall be entitled to receive full pension benefits at normal retirement or a reduced benefit

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF FORT WORTH, TEXAS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. PLAN DESCRIPTION – CONTINUED**

**Pension Benefits – Continued**

as early as age 50. Any vested terminating member may elect to receive a refund of contributions, plus interest, in lieu of retirement benefits either at date of termination or at any time thereafter prior to commencement of retirement benefits, but by doing so shall forfeit all rights under the Plan and thereafter be entitled to no further benefits.

**Death and Disability Benefits**

Upon the death of a retired member, the surviving spouse shall receive a monthly pension equal to 75% of the amount being paid to the retired member. If a vested member dies before retirement, the surviving spouse shall receive a monthly pension equal to 75% of the member's accrued pension, subject to certain minimum benefits. Active employees who become totally disabled while in the line of duty receive annual disability benefits that are equal to normal retirement benefits that would have accrued had the member worked to the normal retirement date. Vested members who become totally disabled while not in the line of duty receive disability benefits that are equal to retirement benefits that have accumulated as of the time they become disabled. Nonvested members who become totally disabled receive a refund of contributions, plus interest.

**Obligation to Contribute to the Plan**

Effective the first payroll of fiscal year 2008 the City shall contribute to the Plan an amount equal to 15.74% (16.46% for sworn police officers) of the salaries of members. The City Council, through its budget appropriation, has the right to contribute an additional amount over and above the members' contributions, in accordance with state law, plus the cost of administration of the Plan. This contribution rate was an increase of 5% from the previous year's rate of 10.74% (11.46% for sworn police officers). No additional contributions were made during 2009 or 2008. Employees of the City, as a condition of employment, commencing on the effective date of their membership in the Plan, shall contribute 8.25% (8.73% for sworn police officers) of their salary to the Plan until the date of their actual retirement or earlier termination of employment. The employer and employee contribution rates are not used when the actuary determines the annual required contributions to the Plan.

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF FORT WORTH, TEXAS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2. FUNDING STATUS**

The Plans' actuary conducts an annual valuation for each plan to determine the adequacy of the current employer contribution rates, to describe the current financial condition of the Plans, and to analyze changes in the Plans' condition. The January 1, 2009, valuation shows that the unfunded accrued actuarial liability of the City Plan increased by approximately \$358.2 million dollars from the valuation prepared as of January 1, 2008. The funded ratio of the City Plan decreased from 88.5% to 72.8%, with an infinite funding period compared to a funding period of 13.8 years as of January 1, 2008. The Staff Plan's first actuarial valuation was as of January 1, 2008. As of January 1, 2009, the funded ratio of the Staff Plan is 34.5%, an increase from the January 1, 2008, ratio of 20.1%. Contributions are adequate to fund the Plan over 7.1 years, an improvement of 2 years. The Staff Plan experienced positive investment returns and improved actuarial statistics because of the Staff Plan's young age. The Staff Plan assets were small at the time of the economic downturn, thus the impact during this time was small. As the markets began to rebound during 2009 Staff Plan assets were growing because there are currently no outflows from the plan and contributions increased assets while the financial markets were rising. An historical schedule of funding progress can be found following the financial statement notes in the required supplementary information to be used to determine trend information about the funding status of the Plan.

*Actuarial Funded Status of the Plan as of January 1, 2009 (\$000's)*

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b>City Plan</b>						
January 1, 2009	1,596,392.6	2,192,128.2	595,735.6	72.8%	372,942.4	159.7%
<b>Staff Plan</b>						
January 1, 2009	257.4	745.2	487.8	34.5%	955.9	51.0%

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF FORT WORTH, TEXAS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2. FUNDING STATUS – CONTINUED**

**Actuarial Methods and Assumptions**

The following are the significant actuarial assumptions used for the January 1, 2009 actuarial valuation:

	City Plan	Staff Plan
Valuation date	January 1, 2009	January 1, 2009
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent Pay—open	Level Percent Pay—open
Payroll growth rate for amortization	3.75%	3.75%
Remaining amortization period	30 Years	30 Years
Assets valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions		
Investment rate return*	8.5%	8.5%
Projected salary increases	5.25%–29.75%	5.25-8.5%
*Includes inflation	3%	3%
Cost-of-living adjustments	2%	None

+ - A 2% cost of living adjustment (COLA) is assumed for members receiving the guaranteed COLA. Members in the ad hoc COLA program have no future COLA's assumed.

**NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following are the significant accounting policies followed by the Plan:

**Basis of Accounting**

The Plan's financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as additions in the period in which employee services are performed. Benefits are recognized when paid.

**Property and Equipment**

Property and equipment is reported on the basis of cost. The Plan provides for depreciation on the straight-line method over the estimated useful lives of the assets.

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF FORT WORTH, TEXAS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Property and Equipment – Continued**

Improvements that extend the life of and improve the asset are capitalized. All others are recorded in other operating expenses. The following estimated useful lives are used in providing for depreciation:

Buildings	40 years
Furniture and Equipment	5 - 7 years

**Valuation of Investments**

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Quoted market prices are used to value investments. Investments that do not have quoted market prices are priced from information received from the external manager. This information includes audited financial statements, quarterly valuation statements, adjustments for cash receipts, cash disbursements and securities distributions through September 30, 2009. Purchases and sales of investments are recorded on a trade-date basis.

The Plan's investment in limited partnerships are valued at estimated fair value based on the Plan's proportionate share of the partnerships' fair value as recorded in the partnerships' audited financial statements and quarterly statements. The limited partnerships allocate gains, losses and expenses to the partners based on the ownership percentage as described in the partnership agreements. Estimates are used by management in determining the fair value of the Plan's investments in limited partnerships. The amount received upon sale of the investments may differ significantly from the recorded amount.

There are certain market risks, credit risks, foreign exchange currency risks, or events that may subject the Plan's investment portfolio to economic changes occurring in certain industries, sectors, or geographies.

Net investment income includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, securities lending income, and investment expense. Investment expense includes custodian and management fees, securities lending expense and all other significant investment-related costs.

**Interest and Dividends Receivable and Due to/From Broker**

Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date. Recording activity in such a manner results in interest and dividends receivable. The balance due to broker securities purchased and due from broker securities sold in 2009 and 2008 represents trades pending settlement and amounts due to foreign currency contracts.

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF FORT WORTH, TEXAS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Foreign Currency Transactions**

The Plan is a party to financial instruments with off-balance-sheet risk, primarily forward contracts. Forward transactions are contracts or agreements for delayed delivery of commodities, securities, or money market instruments in which the seller agrees to make delivery at a specified future date of a specified commodity or instrument, at a specified price or yield. Entering into these investments involves not only the risk of dealing with counterparties and their ability to meet the terms of the contracts, but also the risk associated with market fluctuations. Notional, face, or contract amounts often are used to express the volume of these transactions, but the amounts potentially subject to credit risk are smaller.

Gains and losses resulting from foreign exchange contracts (transactions denominated in a currency other than the Plan's functional currency—U.S. dollars) are recorded by the Plan based on changes in market values and are combined with similar transactions in the accompanying statements of changes in net assets and are included in net investment income. The Plan structures its foreign exchange contracts and enters into certain transactions to substantially mitigate the Plan's exposure to fluctuations in foreign exchange rates.

Investments and broker accounts denominated in foreign currencies outstanding at September 30, 2009 and 2008 were converted to the Plan's functional currency at the foreign exchange rates quoted at September 30, 2009 and 2008. These foreign exchange gains and losses are included in net appreciation in fair value of investments in the accompanying statements of changes in net assets.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Expenses**

Prior to the Board passing administrative rules that govern the plan in August 2007, personnel expenses necessary for the administration of the Plan were initially paid by the City of Fort Worth General Fund. By Plan ordinance dated November 1984, the Plan was obligated to reimburse the General Fund for these general and administrative expenses. From September 2007 forward the staff of the Plan is responsible for providing or contracting with vendors to provide all administrative functions necessary for operation of the Plan. The Board approves an annual budget for the administration of the Plan and these expenses are paid from current Plan assets.

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF FORT WORTH, TEXAS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Cost Sharing Multiple Employer Plan**

The financial statements are prepared as a cost sharing multiple employer plan. Assets are commingled for investment purposes. Financial statements are then displayed for each plan and commingled for the total plan. Required supplemental information is also presented for each plan separately.

**NOTE 4. INVESTMENTS**

Substantially all of the Plan's investments are held by its trustee/custodian. The Retirement Fund Board of Directors authorizes various portfolio managers to manage investments within certain policies as set forth by the Board. These policies mandate a diversified portfolio, which includes investments, either directly or in commingled accounts, in real estate, fixed income securities, and equity securities.

Governmental Accounting Standards Board Statement No. 40 *Deposit and Investment Risk Disclosures – an amendment to GASB Statement No. 3* (GASB 40), addresses common deposit and investment risks including custodial credit risk, credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Required disclosures related to these risks are presented below:

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of failure of the counterparty, the Plan would not be able to recover the value of its investments. The Fund does not have a formal policy for custodial credit risk. As of September 30, 2009, all investments are registered in the name of the Employees' Retirement Plan of the City of Fort Worth or in the name of the Plan's custodian, established through a master trust custodial agreement, with the exception of investments in Alternative Investments and Commingled Funds.

**Credit Risk of Debt Securities**

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan's investment policy requires that fixed income securities have a weighted average of no less than Investment Grade, as rated by Moody's or Standard & Poor's (S&P). However, the policy does provide for high yield fixed income managers to invest in securities with S&P ratings between BB+ and CCC. The policy limits 25 % of a manager's portfolio to be rated CCC or lower. Unrated securities should be limited to no more than 20% of a manager's portfolio.

GASB 40 does not require disclosure of U.S. government obligations explicitly guaranteed. Below are the Plan's investments as of September 30, 2009 and 2008:

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF FORT WORTH, TEXAS  
NOTES TO FINANCIAL STATEMENTS**

<u>Investment Type</u>	<u>S&amp;P Rating</u>	<u>2009 Fair Value</u>	<u>2008 Fair Value</u>
Asset & mortgage backed obligations	AAA	\$ 21,844,107	\$ 12,365,180
Asset & mortgage backed obligations	AA	1,203,852	1,494,629
Asset & mortgage backed obligations	A	2,813,519	709,947
Asset & mortgage backed obligations	BBB	1,231,649	360,029
Asset & mortgage backed obligations	BB	1,875,605	93,564
Asset & mortgage backed obligations	B	3,068,346	40,887
Asset & mortgage backed obligations	CCC	8,707,828	-
Asset & mortgage backed obligations	CC	1,981,900	-
Asset & mortgage backed obligations	C	605,513	-
Asset & mortgage backed obligations	D	180,362	4,010
Asset & mortgage backed obligations	NR	40,616	52,069
Total asset & mortgage backed obl.		43,553,297	15,120,315
Corporate obligations	AAA	626,321	1,765,906
Corporate obligations	AA	9,786,533	9,067,580
Corporate obligations	A	56,229,693	13,019,572
Corporate obligations	BBB	66,626,394	26,394,897
Corporate obligations	BB	66,478,426	14,251,877
Corporate obligations	B	14,677,816	53,214,365
Corporate obligations	CCC	6,149,812	23,631,854
Corporate obligations	CC	1,899,460	-
Corporate obligations	D	1,587,223	303,720
Corporate obligations	NR	13,163,275	13,941,812
Total corporate obligations		237,224,953	155,591,583
Government agency obligations	AAA	68,908,275	104,431,798
Government agency obligations	AA	310,680	-
Government agency obligations	A	2,079,430	-
Government agency obligations	BBB	149,285	167,783
Total government obligations		71,447,670	104,599,581
International obligations	AAA	18,169,323	21,161,714
International obligations	AA	2,894,934	4,417,994
International obligations	A	17,181,610	16,573,454
International obligations	BBB	15,277,783	3,697,986
International obligations	BB	1,674,267	2,855,143
International obligations	B	457,594	402,375
International obligations	CCC	225,922	-
International obligations	NR	-	316,052
Total international obligations		55,881,433	49,424,718
Total fixed income subject to credit risk		408,107,353	324,736,197
US Treasuries (no credit risk)		16,122,146	10,315,505
Short term mutual fund investments		138,582,164	129,715,238
Corporate stock		461,907,071	620,641,206
Alternative investments		236,676,549	218,925,994
Commingled funds		254,399,224	301,635,853
Total investments		<u>\$ 1,515,794,507</u>	<u>\$ 1,605,969,993</u>

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF FORT WORTH, TEXAS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4. INVESTMENTS – CONTINUED**

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Plan's investment policy addresses concentration limits on a manager basis. As of September 30, 2009, the Plan had two investments with the investment manager Ashmore Group (\$123 million) which were invested in commingled funds, where the underlying assets were not registered in the Plan's name that totaled more than 5% of assets of the Plan.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

<u>Investment Type</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More Than 10 Years</u>	<u>Total Fair Value</u>
Asset & mortgage	\$ -	\$ 4,681,079	\$ 368,640	\$ 38,503,578	\$ 43,553,297
Corporate obligations	8,555,107	113,466,019	66,594,424	48,609,403	237,224,953
Government agency obligations	100,060	4,486,983	1,657,294	65,203,333	71,447,670
International obligations	325,615	17,989,871	23,516,750	14,049,197	55,881,433
Total interest rate risk debt securities	<u>\$ 8,890,782</u>	<u>\$ 140,623,952</u>	<u>\$ 92,137,108</u>	<u>\$ 166,365,511</u>	<u>\$ 408,107,353</u>

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF FORT WORTH, TEXAS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4. INVESTMENTS – CONTINUED**

**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 exposure to foreign currency risk at September 30, 2009 is presented below.

<u>Currency</u>	<u>Debt</u>	<u>Equity</u>	<u>Total</u>
Australian Dollar	\$ 5,738,766	\$ 6,892,771	\$ 12,631,537
Brazilian Real	2,978,660	5,198,031	8,176,691
British Pound Sterling	7,548,942	15,325,240	22,874,182
Canadian Dollar	4,918,406	9,822,718	14,741,124
Danish Krone	-	3,327,905	3,327,905
Euro Currency Unit	821,552	46,464,838	47,286,390
Hong Kong Dollar	-	10,536,137	10,536,137
Iceland Krona	127,751	-	127,751
Indonesian Rupiah	1,529,767	-	1,529,767
Japanese Yen	-	10,567,230	10,567,230
Malaysian Ringgit	2,406,897	-	2,406,897
Mexican New Peso	2,572,075	(555,254)	2,016,821
New Zealand Dollar	2,877,565	-	2,877,565
Norwegian Krone	1,345,637	87,429	1,433,066
Philippine Peso	-	383,803	383,803
Polish Zloty	2,027,026	-	2,027,026
Singapore Dollar	139,904	2,568,690	2,708,594
South African Rand	716,991	-	716,991
South Korean Won	2,106,735	1,102,171	3,208,906
Swedish Krona	2,667,067	1,560,721	4,227,788
Swiss Franc	-	13,045,333	13,045,333
Thai Baht	-	518,893	518,893
Turkish Lira	1,552,584	-	1,552,584
Total securities subject to foreign currency risk	<u>\$ 42,076,325</u>	<u>\$ 126,846,656</u>	<u>\$ 168,922,981</u>

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF FORT WORTH, TEXAS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5. SECURITIES LENDING**

The Plan is authorized to contractually lend securities to borrowers in accordance with the policy established by the Board of Directors. The Plan is currently contracted with Northern Trust to establish, manage and administer a securities lending program. Northern Trust facilitates lending the Plan's domestic and international equity and fixed income securities in return for collateral consisting of cash, U.S. government securities and irrevocable letters of credit issued by banks independent of the borrower. At a loan's inception, the value of collateral is equal to 102% for securities of United States issuers, and 105% in the case of securities of non-United States issuers, of the market value of any securities to be loaned, plus any accrued interest.

Cash collateral is to be invested in government securities, bank and corporate notes, bank certificates of deposit, time deposits, bankers' acceptances, repurchase agreements, commercial paper and asset backed securities. The contract with Northern Trust specifies guidelines for allowable investments, maturities, and diversification. The Plan does not have the ability to pledge or sell collateral securities without borrower default. The amount of collateral held exceeds the value of the assets on loan.

The Plan earns income from fees paid by the borrowers and interest earned from investing the cash collateral. The contract requires the custodian bank to purchase any loaned securities with collateral provided, however, if the collateral is insufficient to cover the loss, the Plan is liable for the loss. As of September 30, 2009 and 2008, the value of the collateral held was \$181,518,627 and \$234,570,700, and the value of securities out on loan at September 30, 2009 and 2008, was \$176,703,873 and \$231,610,922. The Plan earned \$874,798 and \$1,966,019 on its securities lending activity for the fiscal years ended September 30, 2009 and 2008, respectively.

During September 2008 Northern Trust held Lehman Brothers securities and other longer term debt securities which decreased in value causing the collateral pool investments held at Northern Trust to be valued at less than what was invested. As a result Northern Trust posted a liability to each investor with assets in the collateral pool. The Plan's liability as a result of this deficiency is \$2,929,902. If the Plan chooses to remove itself from the collateral pool then this liability must be paid. However, if the Plan remains invested in the collateral pool and earnings and longer term securities pay off their values at par this liability will be removed without having to be paid. During November 2009 the liability associated with the collateral pool deficiency was reduced by \$1,918,210. In December 2009 the Plan paid \$438,719 for realized losses associated with the collateral pool. As of December 2009, a liability of \$572,972 remains for the decreased value of the collateral pool.

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF FORT WORTH, TEXAS  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 6. FOREIGN CURRENCY EXCHANGE TRANSACTIONS**

To manage the foreign currency exchange risks associated with foreign investments, the Plan enters into forward currency contracts. The Plan had net foreign currency contracts with fair value of approximately \$2.4 million and \$3.4 million at September 30, 2009 and 2008, respectively, which contractually obligates the Plan to deliver currencies at a specified date. The Plan could be exposed to risk of loss if the counterparty is unable to meet the terms of a contract or if the value of currency changes unfavorably. At September 30, 2009 and 2008, the fair value of these contracts is included in other investments of the Plan.

**NOTE 7. TAX STATUS**

The City obtained its latest determination letter on December 20, 1990, in which the IRS stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (the "Code"). The Plan has been amended since receiving the determination letter to comply with changes in the law. Management believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Code.

**NOTE 8. PLAN TERMINATION**

While the City has not expressed any intent to discontinue its contributions, it may terminate the Plan at any time. In the event the Plan terminates, the net assets held in trust for pension benefits by the Plan shall be allocated among the participants and beneficiaries of the Plan as follows:

- First, benefits that former employees or their beneficiaries are receiving or that employees eligible for retirement would have been receiving had they retired
- Next, other vested benefits
- Finally, all other accrued benefits

If assets remain after the above allocations, they shall be distributed to the City.

**NOTE 9. SUBSEQUENT EVENTS**

The Plan continues to implement the new target asset allocation approved by the Board in July 2009. Since the end of the fiscal year the Plan has approved the hiring of a new Core Plus Fixed Income manager, a Global Tactical Asset Allocation manager and a new Private Equity consultant. There have been no material events that change the value of assets or liabilities of the Plan.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF FORT WORTH, TEXAS  
SCHEDULE OF FUNDING PROGRESS (Unaudited)  
JANUARY 1, 2009**

<b>Valuation Date City Plan (Dollars in millions)</b>	<b>Actuarial Value of Assets (AVA) (a)</b>	<b>Actuarial Liability (AAL) (b)</b>	<b>Unfunded Actuarial Liability (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Annual Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
October 1, 2000	\$ 1,299.80	\$ 1,351.50	\$ 51.70	96.2 %	\$ 227.90	22.7 %
October 1, 2001	1,356.30	1,441.60	85.30	94.1	230.30	37.0
October 1, 2002	1,237.00	1,519.40	282.40	81.4	246.80	114.4
October 1, 2003	1,351.20	1,556.90	205.70	86.8	238.50	86.2
October 1, 2004	1,376.34	1,732.17	355.82	79.5	286.70	124.1
October 1, 2005	1,482.90	1,894.30	411.40	78.3	317.10	129.7
January 1, 2007	1,658.20	2,068.80	410.60	80.2	338.50	121.3
January 1, 2008	1,821.70	2,059.20	237.50	88.5	359.30	66.1
January 1, 2009	1,596.40	2,192.10	595.70	72.8	372.90	159.7
<b>Staff Plan (Dollars in thousands)</b>						
January 1, 2008	103.40	514.40	411.00	20.1	718.00	57.2
January 1, 2009	257.40	745.20	487.80	34.5	955.90	51.0

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF FORT WORTH, TEXAS  
SCHEDULE OF EMPLOYER CONTRIBUTIONS (Unaudited)  
YEAR ENDED SEPTEMBER 30, 2009**

<u>Plan Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
September 30, 2000	\$ 24,605,002	100 %
September 30, 2001	26,541,610	100
September 30, 2002	27,208,058	100
September 30, 2003	27,891,674	100
September 30, 2004	40,367,474	72
September 30, 2005	43,276,150	73
September 30, 2006	52,057,475	66
September 30, 2007	60,489,969	62
September 30, 2008	70,524,021	82
<b>Staff Plan</b>		
September 30, 2007	8,272	100
September 30, 2008	111,143	100

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF FORT WORTH, TEXAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)**

**City Plan**

Valuation date	January 1, 2009	January 1, 2008
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent Pay—open	Level Percent Pay—open
Payroll growth rate for amortization	3.75%	3.75%
Remaining amortization period	30 Years	30 Years
Assets valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Investment rate return*	8.5%	8.5%
Projected salary increases	5.25%–29.75%	5.25%–29.75%
*Includes inflation	3%	3%
Cost-of-living adjustments	2%	2%

**Staff Plan**

Valuation date	January 1, 2009	January 1, 2008
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent Pay—open	Level Percent Pay—open
Payroll growth rate for amortization	3.75%	3.75%
Remaining amortization period	30 Years	30 Years
Assets valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Investment rate return*	8.5%	8.5%
Projected salary increases	5.25%–8.5%	5.25%–8.5%
*Includes inflation	3%	3%
Cost-of-living adjustments	None	None

\*\*A 2% cost-of-living adjustment (COLA) is assumed for members receiving the guaranteed COLA. Members in the ad-hoc COLA program have no future COLA assumed.