



2010

Comprehensive Annual Financial Report

For fiscal year ended September 30, 2010

A Pension Trust Fund of the City of Fort Worth, Texas

FORT WORTH EMPLOYEES' RETIREMENT FUND

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

**RUTH RYERSON
EXECUTIVE DIRECTOR**

**Fort Worth Employees' Retirement Fund
3801 Hulen St, Ste 101
Fort Worth, Texas 76107
817-632-8900
WWW.FWRETIREMENT.ORG**

**A Pension Trust Fund for the City of Fort Worth, Texas
Prepared by the Staff of the Fort Worth Employees' Retirement Fund**

2010 AT-A-GLANCE
(Unaudited)

Active Members	6,277
Benefit Recipients	3,449
Inactive Members	290
Fund Net Assets	\$ 1,658,047,549
Benefits Paid	\$ 119,519,849
Refunds	\$ 3,641,236
Member Contributions	\$ 31,634,673
Employer Contributions	\$ 65,798,933
Investment Rate of Return	9.58%

The Fort Worth Employees' Retirement Fund is dedicated to providing promised retirement benefits and exceptional services while sustaining our members' trust.

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INTRODUCTORY SECTION



LETTER OF TRANSMITTAL

February 11, 2011

Board of Trustees
Fort Worth Employees' Retirement Fund
3801 Hulen Steet, Ste 101
Fort Worth, Texas 76107

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of the Fort Worth Employees' Retirement Fund (The Fund) for the fiscal year ended September 30, 2010 is submitted herewith. Our mission is to provide promised retirement benefits and exceptional services while sustaining our members' trust. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation rests with me and the staff of The Fund. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Fund.

Report Contents

This CAFR is divided into the following five sections:

Section One – Introductory Section contains a letter of transmittal, the administrative organization, professional consultants, investment managers, and the Plan Summary.

Section Two – Financial Section contains the report of the Independent Auditors, the MD&A, the financial statements of the Fund including the notes to the financial statements and 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 the Fund.

I trust that you and the members of the Fort Worth Employees Retirement fund will find the CAFR helpful in understanding your retirement plan.

Accounting and Internal Controls

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) and presented in accordance with the Governmental Accounting Standards Board (GASB). 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 Fund's independent auditors have audited the financial statements and issued an unqualified opinion as to September 30, 2010 and 2009. The purpose for the audit is to give reasonable assurance to users of those financial statements, the Board, and participants of the Fund, that the financial statements present fairly, in all material respects, information regarding the Fund's net assets held in trust for pension benefits and in conformity with Generally Accepted Accounting Principles (GAAP).

A significant responsibility of the staff is to ensure that the Fund has in place an adequate system of internal controls. A system of internal controls is defined as systematic measures instituted by an organization to achieve the following objectives:

1. Conduct its business in an efficient manner.
2. Safeguard its assets and resources.
3. Deter and detect errors, fraud, and theft.
4. Ensure accuracy and completeness of its accounting data.
5. Produce reliable and timely financial and management information.
6. Promote adherence to management's policies and procedures.

These controls include design of business systems, appropriate segregation of duties and responsibilities, sound practices, and capable personnel. We believe the Fund's internal controls are adequate and are working as designed.

Financial Information

An overview of the fiscal operations of the Fund is presented in the Management's Discussion and Analysis (MD&A) preceding the financial statements in the Financial Section. It provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A compliments this letter of transmittal and should be read in conjunction with it.

Fund Overview

The Fort Worth Employees' Retirement Fund is a multi-employer defined benefit pension plan. The Fund covers employees of the City of Fort Worth ("City Plan") and the employees of the Fort Worth Employees' Retirement Fund ("Staff Plan"). The City Plan was established by City Ordinance in 1945 and the Staff Plan was established through Administrative Rules in 2007. The fund provides retirement, disability, and death benefits to its members. All employees of the City and the Fund are members except elected officers and non-salaried appointed members of administrative boards and commissions, part-time, temporary and contract employees, and employees paid in part by another governmental agency. The two plans are comingled for investment purposes ("The Fund"), and are both administered by the 13 member

Retirement Fund Board of Directors. Each plan has a separate actuarial valuation completed each year, and its own funded status based on current and projected assets and liabilities.

The Retirement Fund Board of Directors is comprised of four active members of the Fund, three retired members of the Fund, and 6 trustees appointed by City Council. All Board members serve a two year term commencing on September 1st and annually select a chairperson and a vice-chairperson.

Investments

The Fund's overall objective is to achieve the highest level of investment performance that is compatible with its risk tolerance and prudent investment practices. Because of the long-term nature of the Fund's pension liabilities, the Trustees maintain a long-term perspective in formulating and implementing the Fund's investment policies, and in evaluating its investment performance. Based on general beliefs about long-term investment returns available from a well diversified portfolio, the Board adopted the following investment objectives:

- Within the frame work of prudent risk limitations, the minimum investment objective is to achieve an average long-term rate which satisfies the actuarial assumed rate of return. The actuarial rate of return is set at 8.5%.
- The Fund shall also strive to achieve investment performance that exceeds the rate of inflation over time thereby providing a real rate of return.
- The Fund's assets earn a sufficient total rate of return over time to meet all benefit and expense obligations.

In April 2009 the Board voted to change investment consultants to RV Kuhns & Associates. The decision was made to go with a consulting group with a larger manager research, portfolio construction and client service team. The Board worked with RV Kuhns to develop a new asset allocation that would reduce overall portfolio volatility and increase the expected probability of meeting the Funds' target return.

Actuarial Funding Status

Pursuant to the provisions of the Fund, the Board engages an independent actuarial firm to perform annual actuarial valuations. The actuarial valuations on the fund are separate for the City and Staff Plans and the results are reported separately. Both Plans are funded by member and employer contributions and investment earnings on those contributions. The Fund'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 the City and Staff Plan respectively as of January 1, 2010 are listed below (in \$000's):

	<u>Actuarial Value Assets</u>	<u>Actuarial Value Liabilities</u>
Plan Name		
City	\$1,868,805.6	\$ 2,300,542.6
Staff	\$ 545.7	\$ 973.8

During 2010 the Fort Worth City Council increased their contribution an additional 4% of total payroll and made a onetime \$7 million dollar contribution to facilitate the funding of the Plan. The City Council and the Board continue to monitor the health of the Fund and are considering a number of changes, but at this point the outcome cannot be predicted. A more detailed discussion of the actuarial valuation and funding status can be found in the actuarial section of the CAFR.

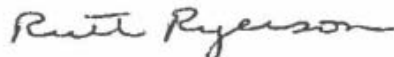
Professional Services

Consultants are appointed by the Board of Trustees to perform professional services that are essential to the effective and efficient operation of the Fund. An opinion from the Certified Public Accounting Firm of Weaver and Tidwell, LLP is included in the financial section of this report. A certification letter from the Actuarial Firm of Gabriel, Roeder, Smith & Company is included in the actuarial section of this report. The complete list of consultants appointed by the Board is listed in the Introductory Section of this report.

Acknowledgments

The preparation of the Comprehensive Annual Financial Report in a timely manner is made possible by the dedicated teamwork of the Fort Worth Retirement Fund staff under the leadership, dedication and support of the Board. I am sincerely grateful to the Board and staff, as well as to all of our professional service providers, who perform so diligently to ensure the successful operation and financial soundness of the Fort Worth Employees' Retirement Fund.

Respectfully submitted,



Ruth Ryerson
Executive Director



Robert Hulme
Deputy Director
Investments and Operations

BOARD OF TRUSTEES

Billy Samuel, Chair
Retired Police Officer
(Elected Member)

Elected:

Matt Anderson
Active Police Officer

Todd Cox
Active Firefighter

Bryan Beck, Vice Chair
Active General Employees Group C

Scott Hanlan
Active General Employees Group D

Lance Usrey
Retired Firefighter

Billy Samuel
Retired Police Officer

Sue Winter
Retired General Employee

Appointed:

Jesús Payán
Council Appointee

Jim Hille
Council Appointee

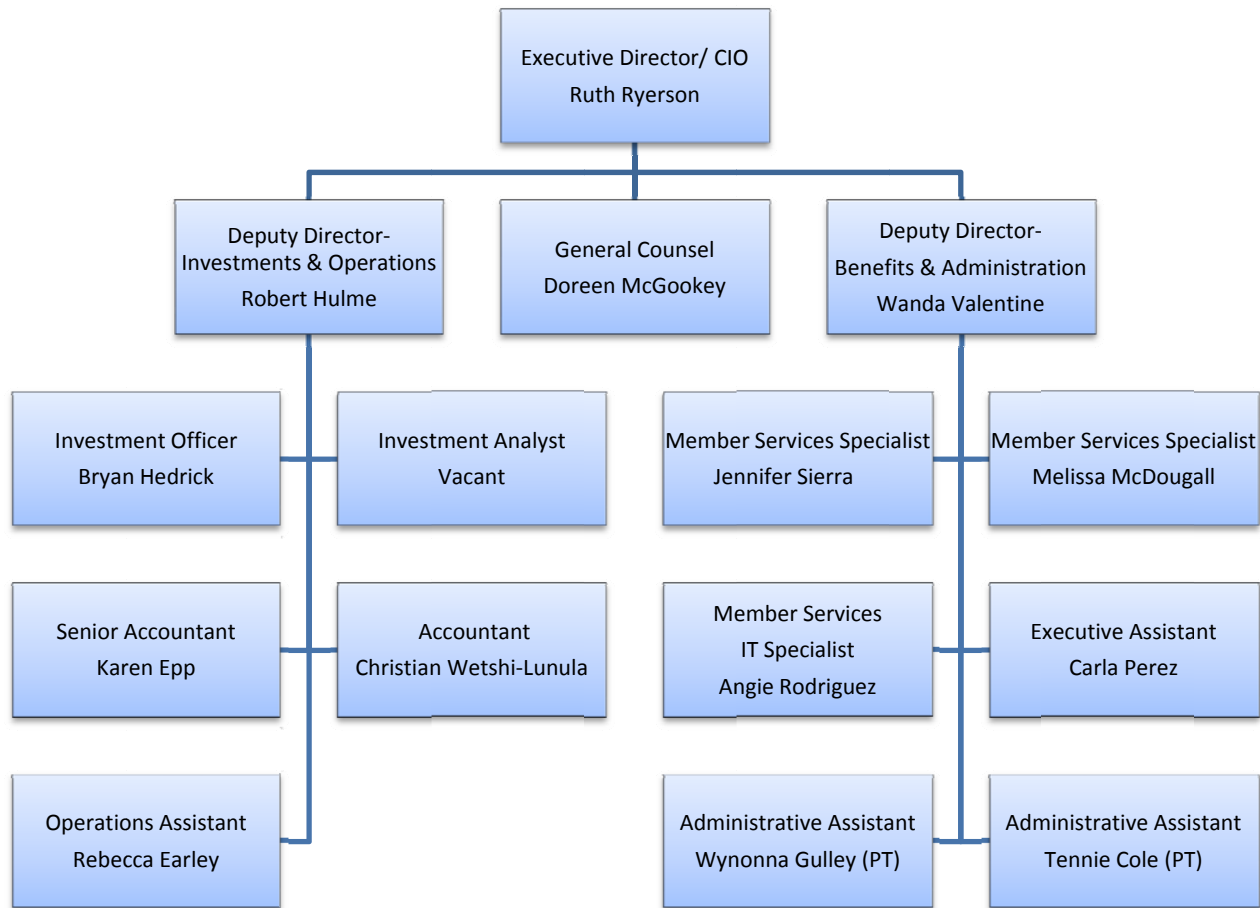
Bill Gordon
Council Appointee

Kimberly Britton
Council Appointee

Mike Bickley
Council Appointee

Lena Ellis
Finance Director

ADMINISTRATIVE ORGANIZATION



PROFESSIONAL SERVICE PROVIDERS

Actuary:

- Gabriel, Roeder, Smith & Co.

Auditors:

- Weaver and Tidwell, L.L.P.

Custodian:

- Northern Trust

Legal Counsel:

- Klausner & Kaufman, PA
- Strasburger & Price, LLP

Investment Consultants:

- Albourne America LLC
- Hamilton Lane
- RV Kuhns & Associates

PLAN SUMMARY

SUMMARY OF KEY PROVISIONS

Fort Worth Employees' Retirement Fund As of September 30, 2010

Membership	An employee becomes a member upon permanent employment with the City and contributes to the Fund.
Contributions	Employer and member <ul style="list-style-type: none">• The City contributes 15.74% for General and Fire employees and 16.46% for Police of their annual salary each year.• General and Fire employees contribute 8.25% and Police employees contribute 8.73% of their annual salary each year.
Definitions	Key Terms <ul style="list-style-type: none">• Final average salary: average monthly salary over the members' highest three calendar years of service.• Credited service: length of time employed by the City of Fort Worth and making contributions to the fund.
Retirement Pension	Eligibility <ul style="list-style-type: none">• A member's age and years of service equal 80 points.• Attainment of age 65 with 5 or more years of service.• Attainment of age 50 with 5 or more years of service may elect an early retirement and receive a reduced pension.• Police officers may retire after completing 25 years of service regardless of age. Payment Options <ul style="list-style-type: none">• Under normal or special retirement a member may elect to receive between 5% and 25% of the actuarial value of their retirement benefit in a lump sum and receive a reduced monthly pension benefit.
Deferred Retirement	A member who has attained the normal or special retirement date may elect to remain in active service with the City and defer retirement by participating in DROP. <ul style="list-style-type: none">• DROP allows a member to accrue a monthly amount in their DROP account equal to what they would have received if they had retired.• The member will receive the balance of that account at actual separation from service date.• If a member remains in DROP for more than sixty months there will no longer be accruals made to their DROP account.

PLAN SUMMARY

SUMMARY OF KEY PROVISIONS

Fort Worth Employees' Retirement Fund As of September 30, 2010

Disability Retirement Pension When a member is injured on or off the job they have the option to apply for the disability benefit. Disability benefits are subject to Board approval.

Vested Termination Pension A member with at least (5) years of credited service (vested) who separates from service may choose to leave their contributions with the Fund and receive a vested termination pension benefit at a later date. Members who take a vested termination pension are not eligible to take an actuarial equivalent lump sum.

Death Benefits

Death before retirement

- If a member dies in the line of duty the surviving spouse will receive a monthly pension of 75% of the member's accrued pension, projected forward to the member's normal retirement date.
- If the death is not in the line of duty, but occurs after a member is vested, the surviving spouse will receive a monthly pension of 75% of the accrued unreduced pension based on actual years of credited service.
- If the death is not in the line of duty and occurs before the member is vested, the surviving spouse will receive a refund of the member's contributions plus interest.

Death after retirement

- If a member dies after retiring, provided that member and the surviving spouse have been married for at least one year prior to member's retirement date, the surviving spouse will receive 75% of the member's current pension.

Cost of Living Adjustments In 2007 all vested employees (as of December 31, 2007) and all retirees were given the opportunity to choose which type of Cost of Living Adjustment (COLA) they wanted to receive upon retirement. Employees who were not vested and all employees hired thereafter will receive the Ad-Hoc COLA upon retirement.

- **Guaranteed COLA** – The annual 2% fixed increase is awarded January 1st of every year. The 2% is calculated on the original base and will not change.
- **Ad-Hoc COLA** – The annual increase is awarded on January 1st and may vary each year from 0% to 4%. The COLA amount is based on the funding status of the plan and will be compounded.

FINANCIAL SECTION



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 Fund of the City of Fort Worth, Texas (the Plan) as of September 30, 2010 and 2009, and the related Statements 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, 2010 and 2009, 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 \$649 million and \$491 million (approximately 39.1% and 31.9% of the value of the Plan's net assets at September 30, 2010 and 2009, 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.

Management's Discussion and Analysis, the Schedule of Funding Progress and the Schedule of Employer Contributions on pages 3 through 7 and 29 through 31, respectively are not required parts of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the Plan's management. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we do not express an opinion on it.

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

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Our audit was conducted for the purpose of forming an opinion on the Plan's basic financial statements taken as a whole. The summary 2010 At-A-Glance information prior to the table of contents, supplementary information on pages 32 through 35, introductory section, investment section, actuarial section and statistical section as listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information on pages 32 through 35 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole. This summary 2010 At-A-Glance information prior to the table of contents, introductory, investment, actuarial and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
February 8, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The Board of Trustees (The Board) of the Employees' Retirement Fund of the City of Fort Worth, Texas (the Fund) is pleased to provide this overview and analysis of the financial performance and activities of the Fund for the fiscal years ended September 30, 2010 and 2009. We encourage readers to consider the information presented here in conjunction with the financial statements that follow.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis is intended to serve as an introduction to the Fund's basic financial statements. The Fund's financial statements are composed of financial statements and notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Financial Statements

There are two basic financial statements presented within this annual report. The Statements of Plan Net Assets as of September 30, 2010 and 2009 indicate the net assets available to pay future payments and give a snapshot of the financial position of the Fund at a particular point in time. The Statement of Changes in Plan Net Assets for the fiscal years ended September 30, 2010 and 2009 provide a view of the fiscal year's additions to and deductions from the Fund.

Notes to Financial Statements

The notes are an integral part of the basic financial statements and provide additional background information that is essential to gain a complete understanding of the data provided within the Fund's financial statements.

Required Supplementary Information

The required supplemental information consists of the Schedule of Funding Progress, the Schedule of Employer Contributions and notes to required supplemental information.

FINANCIAL ANALYSIS

The Fund's assets include investments reported at fair value as of September 30, 2010. These assets are held in trust for pension benefits.

The Fund's net assets increased by \$120,936,074 in 2010 compared to a decrease of \$54,959,709 in 2009. The net appreciation in fair value of assets for 2010 was a gain of \$116,143,231 compared to a loss of \$73,051,032 for 2009. The appreciation was the result of the Fund's investment return for 2010 of 9.58% compared to (2.29%) for 2009. Net assets increased as the markets rebounded during 2010 from the global market decline that occurred during 2008 and into the first quarter of 2009. The Fund's returns were in line with capital market returns over the same period. While the Fund's investments are more broadly diversified, the broad US equity index the Russell 3000 posted returns of 10.96% for 2010 compared to (6.42%) for 2009. The global equity index MSCI EAFE was up 3.71% for the Fund's fiscal year 2010, compared to 2009 returns of 3.8%. During fiscal 2009 the Board approved a new asset allocation. The Fund continues to implement the new allocation through the hiring of new investment managers and rebalancing between current managers. The following table shows a summary of Fund net assets.

Net Assets Held in Trust for Pension Benefits
September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash	\$ 151,932	\$ 94,867
Receivables from assets sold	83,695,177	64,727,751
Other receivables	12,122,710	13,916,725
Investments	1,838,279,679	1,697,313,134
Fixed assets	<u>3,864,648</u>	<u>3,937,185</u>
Total assets	<u>\$ 1,938,114,146</u>	<u>\$ 1,779,989,662</u>
Liabilities		
Liabilities for securities purchased	\$ 93,483,655	\$ 58,390,155
Obligations under securities lending	186,499,629	184,448,529
Other liabilities	<u>83,313</u>	<u>39,503</u>
Total liabilities	<u>280,066,597</u>	<u>242,878,187</u>
Net assets held in trust for pension benefits	<u>\$ 1,658,047,549</u>	<u>\$ 1,537,111,475</u>

Changes in Plan Net Assets
Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Additions		
Contributions	\$ 97,433,606	\$ 91,354,770
Investment income (loss), net	<u>149,366,916</u>	<u>(29,921,103)</u>
Total additions	246,800,522	61,433,667
Deductions		
Benefit payments	119,519,849	111,018,821
Refund of contributions	3,641,236	2,991,943
Administrative expenses	2,589,783	2,310,925
Depreciation	<u>113,580</u>	<u>71,687</u>
Total deductions	<u>125,864,448</u>	<u>116,393,376</u>
Change in net assets	120,936,074	(54,959,709)
Plan net assets, beginning of year	<u>1,537,111,475</u>	<u>1,592,071,184</u>
Plan net assets, end of year	<u>\$ 1,658,047,549</u>	<u>\$ 1,537,111,475</u>

FINANCIAL HIGHLIGHTS

- The Fund's total investment income in 2010 was a gain of \$149,366,916, an increase of \$179,288,019 from 2009 to 2010 compared to an increase of \$303,175,133 from 2008 to 2009. The increase is tied to net appreciation in fair value of assets for 2010 which was a gain of \$116,143,231 compared to a loss of \$73,051,032 for 2009. The appreciation was the result of the Fund's investment return for 2010 of 9.58% compared to (2.29%) for 2009 caused by a rebound of the markets during 2010.
- The Fund's total net assets increased by \$120,936,074 in 2010 compared to a decrease of \$54,959,709 in 2009. Net assets increased as the markets rebounded during 2010 from the global market decline that occurred during 2008 and into the first quarter of 2009.
- The Fund's employer contributions were \$65,798,933 in 2010 compared to \$59,753,832 in 2009. Employee contributions, net of refunded contributions, were \$27,993,437 for 2010 compared to \$28,608,995 for 2009. The increase of \$6,045,101 in employer contributions is a result of a one-time \$7,000,000 contribution to the Fund by the City of Fort Worth, while payroll decreased as a result of furlough days being instituted for employees. The decrease of \$615,558 in employee contributions is a result of lower payroll as a result of the furlough days.
- Benefit payments increased by \$8,501,028 in 2010 compared to an increase of \$10,447,357 in 2009. This increase is a result of 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 \$278,858 in 2010 compared to an increase of \$80,751 in 2009.
- During the fiscal year 2009 the Fund 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. During 2010, staff and the Board worked to move the Fund's asset allocation to the interim targets. The Fund's asset allocation as of September 30, 2010 along with the interim and long term targets are presented below.

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

Asset Class	9/30/2010 Mkt Value %	Interim Target %	Long-Term Target %
Broad US equity	17%	17%	15%
Broad international equity	12%	15%	15%
Fixed income	32%	27%	22%
Real estate	7%	8%	12%
Absolute return	17%	18%	18%
Private equity	4%	4%	8%
Real return	10%	10%	10%
Cash equivalents	1%	1%	0%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

(The Fund'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 Fund has a contract with Gabriel, Roeder, Smith & Company to perform an annual actuarial valuation for the City and Staff Plan as of January 1st. The following are highlights from the January 1, 2010 valuation.

- For the City Plan, the actuarial valuation shows the market value of assets increased by \$253.6 million to \$1.58 billion as of January 1, 2010. The market value of assets as of January 1, 2009 was 1.33 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. As of January 1, 2010 the market value of assets returned to a level to be within the 20% corridor, thus no adjustment to the AVA was made. At January 1, 2010 the AVA for the City Plan was \$1.87 billion, an increase of \$272.4 million compared to the January 1, 2009 actuarial value of \$1.6 billion.
- The actuarial accrued liability (AAL) for the City Plan as of January 1, 2010 increased by \$108.4 million to \$2.3 billion from \$2.19 billion as of January 1, 2009.
- The ratio of the City 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 Fund. The Fund's funding ratio as of January 1, 2010 was 81.2% compared to a funding ratio of 72.8% as of January 1, 2009.
- 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, 2010 the City Plan had a UAAL of \$431.74 million, a decrease of \$164.0 million compared to a UAAL of \$595.74 million as of January 1, 2009.
- 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, 2010 the funding period was 40.5 years for the City Plan. As of January 1, 2009 the City Plan had an infinite funding period, which means that at the contribution levels in place at the time of the valuation the Plan will not be able to pay off its unfunded liabilities.
- 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. During 2010 the City Council approved an increase in the employer contribution rate of 4% of payroll. These contributions begin with the first payroll occurring after October 1, 2010.

- 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 2010 and 2009 have improved the financial health of the Plan. As of January 1, 2010 the Staff Plan had an actuarial value of assets of \$545,682 compared to \$257,381 at January 1, 2009. The Staff Plan had an actuarial accrued liability of \$973,794 as of January 1, 2010 compared to \$745,190 at January 1, 2009. The UAAL decreased by \$59,697 moving from \$487,809 to \$428,112. The Staff Plan's funded ratio as of January 1, 2010 was 56% compared to 34.5% at January 1, 2009. The UAAL can be amortized over 5.2 years compared to 7.1 years for 2009.

Requests for information: This financial report is designed to provide a general overview of the Fund's finances. Questions concerning any of the information provided should be addressed to the Employees' Retirement Fund 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 PLAN NET ASSETS
SEPTEMBER 30, 2010 AND 2009**

	<u>City Plan 2010</u>	<u>Staff Plan 2010</u>	<u>Combined Totals 2010</u>	<u>Combined Totals 2009</u>
ASSETS				
Trustee investments, at fair value				
US government agencies	\$ 95,327,514	\$ 45,228	\$ 95,372,742	\$ 87,569,814
Short-term marketable securities	46,369,270	21,993	46,391,263	138,582,164
Corporate and other bonds	351,022,657	166,481	351,189,138	336,659,685
Corporate stocks	509,329,126	241,596	509,570,722	461,907,071
Comingled funds	297,930,074	141,313	298,071,387	254,399,224
Alternative investments	351,018,309	166,489	351,184,798	236,676,549
Securities lending collateral	186,411,497	88,132	186,499,629	181,518,627
Total investments	1,837,408,447	871,232	1,838,279,679	1,697,313,134
Receivables				
Employee contributions	1,774,631	-	1,774,631	1,672,313
Employer contributions	3,601,529	-	3,601,529	3,190,898
Accrued income	6,743,363	3,187	6,746,550	9,053,514
Due from broker securities sold	83,655,626	39,551	83,695,177	64,727,751
Total receivables	95,775,149	42,738	95,817,887	78,644,476
Cash in bank	151,860	72	151,932	94,867
Fixed assets				
Building	3,423,551	1,619	3,425,170	3,425,170
Land	404,809	191	405,000	405,000
Furniture and equipment	144,261	68	144,329	139,754
Software in progress	75,381	36	75,417	38,948
Total fixed assets	4,048,002	1,914	4,049,916	4,008,872
Accumulated depreciation	(185,180)	(88)	(185,268)	(71,687)
Net fixed assets	3,862,822	1,826	3,864,648	3,937,185
TOTAL ASSETS	1,937,198,278	915,868	1,938,114,146	1,779,989,662
LIABILITIES				
Due to broker securities purchased	93,439,479	44,176	93,483,655	58,390,155
Obligations under securities lending	186,411,497	88,132	186,499,629	184,448,529
Other	83,274	39	83,313	39,503
TOTAL LIABILITIES	279,934,250	132,347	280,066,597	242,878,187
Net assets held in trust for pension benefits	\$ 1,657,264,028	\$ 783,521	\$ 1,658,047,549	\$ 1,537,111,475

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 PLAN NET ASSETS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<u>City Plan 2010</u>	<u>Staff Plan 2010</u>	<u>Combined Totals 2010</u>	<u>Combined Totals 2009</u>
Investment income (loss)				
Net appreciation (depreciation) in fair value	\$ 116,095,993	\$ 47,238	\$ 116,143,231	\$ (73,051,032)
Interest and dividend income	40,633,540	16,047	40,649,587	49,629,603
Less investment management fees	<u>(7,423,028)</u>	<u>(2,874)</u>	<u>(7,425,902)</u>	<u>(6,499,674)</u>
Net investment income (loss)	149,306,505	60,411	149,366,916	(29,921,103)
Employee contributions	30,705,731	90,057	30,795,788	31,397,571
Employer contributions	65,627,115	171,818	65,798,933	59,753,832
Purchase future service	<u>838,885</u>	<u>-</u>	<u>838,885</u>	<u>203,367</u>
Total contributions	<u>97,171,731</u>	<u>261,875</u>	<u>97,433,606</u>	<u>91,354,770</u>
Total additions	246,478,236	322,286	246,800,522	61,433,667
Benefit payments				
Retirement	87,567,730	-	87,567,730	80,402,567
Disability	5,663,538	-	5,663,538	5,428,316
Surviving spouse	13,671,327	-	13,671,327	13,341,000
Children	156,081	-	156,081	161,643
Actuarial equivalent	1,778,068	-	1,778,068	2,255,842
DROP payouts	<u>10,683,105</u>	<u>-</u>	<u>10,683,105</u>	<u>9,429,453</u>
Total benefit payments	119,519,849	-	119,519,849	111,018,821
Refunds/terminations	3,641,006	230	3,641,236	2,991,943
Depreciation	113,526	54	113,580	71,687
Administrative expenses	<u>2,588,790</u>	<u>993</u>	<u>2,589,783</u>	<u>2,310,925</u>
Total operating expenses	<u>6,343,322</u>	<u>1,277</u>	<u>6,344,599</u>	<u>5,374,555</u>
Total deductions	<u>125,863,171</u>	<u>1,277</u>	<u>125,864,448</u>	<u>116,393,376</u>
Increase (decrease) in net assets available for plan benefits	120,615,065	321,009	120,936,074	(54,959,709)
Net assets held in trust for pension benefits, beginning of year	<u>1,536,648,963</u>	<u>462,512</u>	<u>1,537,111,475</u>	<u>1,592,071,184</u>
Net assets held in trust for pension benefits, end of year	<u>\$ 1,657,264,028</u>	<u>\$ 783,521</u>	<u>\$ 1,658,047,549</u>	<u>\$ 1,537,111,475</u>

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 Fund of the City of Fort Worth, Texas (the Plan or the Fund), is provided for general information purposes only. Participants (or members) should refer to the Summary Plan Description for more information.

General

The Fund 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 City Plan is included in Financial Statements of the City of Fort Worth.

The two plans are commingled for investment purposes, and are both administered by the Retirement Fund's Board of Directors (the Board). 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 Fund 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 Fund Staff Plan. The remaining Fund employees will receive any retirement benefits due to them from the Retirement Fund 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, 2010 and 2009 was approximately \$350 million and total payroll was approximately \$363 million, respectively.

Effective June 15, 2007, article 6243i of the Texas Revised Civil Statutes (Article 6243i), a new state law governing the Fund changed the structure of the Board and how benefits could be changed by the Fund sponsor. Article 6243i also permitted the Board to create administrative rules that govern the administration and benefits of the Fund. The Board may change the administrative operation of the Fund 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 Fund 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, 2010, (date of most recent actuarial valuation), the City Plan's membership consisted of the following members:

	<u>January 1, 2010</u>	<u>January 1, 2009</u>
Retirees currently receiving benefits	2,631	2,476
Beneficiaries currently receiving benefits	818	828
Terminated employees entitled to benefits but not yet receiving them	<u>290</u>	<u>240</u>
	<u>3,739</u>	<u>3,544</u>
Current employees		
Vested	4,115	4,142
Nonvested	<u>2,162</u>	<u>2,237</u>
	<u>6,277</u>	<u>6,379</u>

Vesting

Members vest in the Fund 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 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

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

NOTE 1. PLAN DESCRIPTION – CONTINUED

Pension Benefits – Continued

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 Fund 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, 2011 and 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 Fund 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 Fund. Members that elect this option are credited the same earnings as the Fund on a monthly basis, and are subject to losses if the Plan incurs negative earnings on Fund 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 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 however, by doing so shall forfeit all rights under the Fund and thereafter be entitled to no further benefits.

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

NOTE 1. PLAN DESCRIPTION – CONTINUED

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 Fund

Effective the first payroll of fiscal year 2008, the City shall contribute to the Fund 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 Fund. This contribution rate was an increase of 5% from the previous year's rate of 10.74% (11.46% for sworn police officers). During 2010 the City made an additional contribution to the Fund in the amount of \$7 million. No additional contributions were made during 2009. Employees of the City, as a condition of employment, commencing on the effective date of their membership in the Fund, shall contribute 8.25% (8.73% for sworn police officers) of their salary to the Fund 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 Fund.

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, 2010, valuation shows that the unfunded accrued actuarial liability of the City Plan decreased by approximately \$164 million dollars from the valuation prepared as of January 1, 2009. The funded ratio of the City Plan increased from 72.8% to 81.2%, with a funding period of 40.5 years compared to an infinite funding period as of January 1, 2009. As of January 1, 2010 the funded ratio of the Staff Plan is 56.0%, an increase from the January 1, 2009 ratio of 34.5%. Contributions are adequate to fund the Plan over 5.21 years, an improvement of 1.9 years. The Staff Plan experienced positive investment returns and improved actuarial statistics because of the Staff Plan's young age. The Staff Plan's assets were small at the

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

NOTE 2. FUNDING STATUS – CONTINUED

time of the economic downturn, thus the impact during this time was small. As the markets began to rebound during 2010 and 2009, the Staff Plan's assets were growing because there are currently no outflows from the plan and contributions increased assets while the financial markets were rising.

A 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, 2010 (\$000's)

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Liability (AAL) (b)	Unfunded Actuarial Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
City Plan						
January 1, 2010	1,868,805.6	2,300,542.6	431,737.0	81.2%	368,334.5	117.2%
Staff Plan						
January 1, 2010	545.7	973.8	428.1	56.0%	1,132	37.8%

Actuarial Methods and Assumptions

The following are the significant actuarial assumptions used for the January 1, 2010 actuarial valuation:

	City Plan	Staff Plan
Valuation date	January 1, 2010	January 1, 2010
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent Pay—open	Level Percent Pay—open
Payroll growth rate for amortization	3.50%	3.50%
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%	4.75-8.0%
*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.

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

The Fund'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 Fund provides for depreciation on the straight-line method over the estimated useful lives of the assets.

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. When available, 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 and adjustments for cash receipts, cash disbursements and securities distributions through September 30, 2010. Purchases and sales of investments are recorded on a trade-date basis.

The Fund's investments in limited partnerships are valued at estimated fair value based on the Fund's proportionate share of the partnerships' fair value as recorded by the partnership. The Fund uses information provided by the limited partnership, such as audited financial statements, periodic information on the holdings and activities and periodic statements of fair value of the limited partnership to estimate fair value. 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 Fund'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 Fund'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 expenses. Investment expense includes custodian and management fees, securities lending expense and all other significant investment-related costs.

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 2010 represents trades pending settlement and amounts due to foreign currency contracts.

Foreign Currency Transactions

The Fund is a party to financial instruments with off-balance-sheet risk, primarily foreign currency 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 Fund's functional currency—U.S. dollars) are recorded by the Fund 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 Fund structures its foreign exchange contracts and enters into certain transactions to substantially mitigate the Fund's exposure to fluctuations in foreign exchange rates.

Investments and broker accounts denominated in foreign currencies outstanding at September 30, 2010 were converted to the Fund's functional currency at the foreign exchange rates quoted at September 30, 2010. These foreign exchange gains and losses are included in net appreciation in fair value of investments in the accompanying statements of changes in plan net assets.

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.

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Expenses

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

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 Fund. Required supplemental information is also presented for each plan separately.

Reclassifications

Certain items in 2009 have been reclassified to conform with the 2010 presentation. These reclassifications had no effect on plan net assets.

NOTE 4. INVESTMENTS

Substantially all of the Fund'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 Fund 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, 2010, all investments are registered in the name of the Employees' Retirement Fund of the City of Fort Worth or in the name of the Fund's custodian, established through a master trust custodial agreement, with the exception of investments in Alternative Investments and Commingled Funds.

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

NOTE 4. INVESTMENTS – CONTINUED

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 Fund'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. Following are the Fund's investments as of September 30, 2010 and 2009:

<u>Investment Type</u>	<u>S&P Rating</u>	<u>2010 Fair Value</u>	<u>2009 Fair Value</u>
Asset and mortgage backed obligations	AAA	\$ 22,727,614	\$ 21,844,107
Asset and mortgage backed obligations	AA	2,300,354	1,203,852
Asset and mortgage backed obligations	A	5,807,016	2,813,519
Asset and mortgage backed obligations	BBB	3,394,798	1,231,649
Asset and mortgage backed obligations	BB	2,127,783	1,875,605
Asset and mortgage backed obligations	B	4,606,181	3,068,346
Asset and mortgage backed obligations	CCC	5,975,646	8,707,828
Asset and mortgage backed obligations	CC	3,277,546	1,981,900
Asset and mortgage backed obligations	C	1,142,388	605,513
Asset and mortgage backed obligations	D	717,161	180,362
Asset and mortgage backed obligations	NR	635,686	40,616
Total asset and mortgage backed obligation		52,712,173	43,553,297
Corporate obligations	AAA	1,079,016	626,321
Corporate obligations	AA	9,440,830	9,786,533
Corporate obligations	A	51,868,986	56,229,693
Corporate obligations	BBB	71,044,184	66,626,394
Corporate obligations	BB	16,094,731	66,478,426
Corporate obligations	B	32,923,162	14,677,816
Corporate obligations	CCC	12,575,896	6,149,812
Corporate obligations	CC	109,000	1,899,460
Corporate obligations	D	3,752,115	1,587,223
Corporate obligations	NR	8,192,517	13,163,275
Total corporate obligations		207,080,437	237,224,953

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

NOTE 4. INVESTMENTS – CONTINUED

Credit Risk of Debt Securities – Continued

<u>Investment Type</u>	<u>S&P Rating</u>	<u>2010 Fair Value</u>	<u>2009 Fair Value</u>
Government agency obligations	AAA	45,383,425	68,908,275
Government agency obligations	AA	1,314,767	310,680
Government agency obligations	A	3,148,754	2,079,430
Government agency obligations	BBB	114,431	149,285
Government agency obligations	NR	303,102	-
Total government obligations		<u>50,264,479</u>	<u>71,447,670</u>
International obligations	AAA	32,445,912	18,169,323
International obligations	AA	4,974,780	2,894,934
International obligations	A	27,686,720	17,181,610
International obligations	BBB	22,856,567	15,277,783
International obligations	BB	3,209,799	1,674,267
International obligations	B	-	457,594
International obligations	CCC	222,750	225,922
Total international obligations		<u>91,396,528</u>	<u>55,881,433</u>
Securities lending collateral	AAA	46,887,109	35,021,889
Securities lending collateral	AA	6,325,647	9,118,829
Securities lending collateral	A	113,481,197	100,770,061
Securities lending collateral	BBB	533,691	1,756,546
Securities lending collateral	BB	16,350	-
Securities lending collateral	B	124,224	229,570
Securities lending collateral	CCC	8,629	770,469
Securities lending collateral	NR	19,122,782	25,210,536
Total securities lending collateral		<u>186,499,629</u>	<u>172,877,900</u>
Total fixed income subject to credit risk		587,953,246	580,985,253
US Treasuries (no credit risk)		45,108,263	24,762,873
Short term mutual fund investments		46,391,263	138,582,164
Corporate stock		509,570,722	461,907,071
Alternative investments		351,184,798	236,676,549
Commingled funds		298,071,387	254,399,224
Total investments		<u>\$ 1,838,279,679</u>	<u>\$ 1,697,313,134</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 Fund's investment policy addresses concentration limits on a manager basis. As of September 30, 2010, the Fund did not have any investments in commingled funds, where the underlying assets were not registered in the Fund's name that totaled more than 5% of assets of the Fund.

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 Fund 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. The maturities of investments subject to interest rate risk are as follows:

Investment Type	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years	Total Fair Value
Asset and mortgage backed obligations	\$ 220,635	\$ 3,049,940	\$ 762,177	\$ 48,679,421	\$ 52,712,173
Corporate obligations	1,188,959	91,667,244	70,549,868	43,674,366	207,080,437
Government agency obligations	-	3,137,424	4,201,765	42,925,290	50,264,479
International obligations	4,612,811	43,078,024	23,148,264	20,557,429	91,396,528
Securities lending collateral	<u>186,499,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>186,499,629</u>
Total interest rate risk debt securities	<u>\$ 192,522,034</u>	<u>\$ 140,932,632</u>	<u>\$ 98,662,074</u>	<u>\$ 155,836,506</u>	<u>\$ 587,953,246</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 Fund's exposure to foreign currency risk at September 30, 2010 is presented below.

<u>Currency</u>	<u>Debt</u>	<u>Equity</u>	<u>Total</u>
Australian Dollar	\$ 6,461,645	\$ 8,259,470	\$ 14,721,115
Brazilian Real	2,926,167	4,715,706	7,641,873
British Pound Sterling	4,931,946	24,267,396	29,199,342
Canadian Dollar	6,754,095	10,924,646	17,678,741
Chinese Yuan Renminbi	3,676,228	-	3,676,228
Danish Krone	-	2,606,670	2,606,670
Euro Currency Unit	333,155	53,895,439	54,228,594
Hong Kong Dollar	-	14,822,172	14,822,172
Hungarian Forint	777,131	-	777,131
Indian Rupee	1,277,979	-	1,277,979
Indonesian Rupiah	2,393,089	-	2,393,089
Japanese Yen	(263,945)	15,339,540	15,075,595
Mexican New Peso	3,764,582	1,358,632	5,123,214
Malaysian Ringgit	2,097,427	-	2,097,427
New Taiwan Dollar	694,155	-	694,155
New Zealand Dollar	2,607,030	-	2,607,030
Norwegian Krone	1,557,337	96,322	1,653,659
Philippine Peso	-	577,034	577,034
Polish Zloty	2,273,777	-	2,273,777
Singapore Dollar	154,798	2,356,719	2,511,517
South African Rand	523,151	-	523,151
South Korean Won	2,727,318	1,963,322	4,690,640
Swedish Krona	1,864,149	1,959,342	3,823,491
Swiss Franc	-	13,767,642	13,767,642
Thai Baht	-	1,039,369	1,039,369
Turkish Lira	1,391,197	-	1,391,197
	<u> </u>	<u> </u>	<u> </u>
Total securities subject to foreign currency risk	<u>\$ 48,922,411</u>	<u>\$ 157,949,421</u>	<u>\$ 206,871,832</u>

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

NOTE 5. DERIVATIVE FINANCIAL INSTRUMENTS

The Fund's investment managers are permitted to invest in derivatives subject to guidelines established by the Board. Derivatives are financial instruments that derive their value, usefulness, and marketability from an underlying instrument which represents direct ownership of an asset or an obligation of an issuer. The Fund's derivative positions are marked to market daily and managers may only trade with counterparties with a credit rating of A-/A3 as defined by Standard & Poor's (S&P) and Moody's respectively. Substitution and risk control are the only strategies permitted; speculation is strictly prohibited. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Fair value is determined based on quoted market prices, if available, or based on differences in cash flows between the fixed and variable rates in each contract as of the measurement date. Gains and losses from derivatives are included in net investment income. For financial reporting purposes, all Fund derivatives are classified as investment derivatives. The Fund was in possession of the following types of derivatives at September 30, 2010:

Futures Contracts

A futures contract represents an agreement to buy (long position) or sell (short position) an underlying asset at a specified future date for a specified price. Payment for the transaction is delayed until a future date, which is referred to as the settlement or expiration date. Futures contracts are standardized contracts traded on organized exchanges.

Forward Contracts

A forward contract represents an agreement to buy or sell an underlying asset at a specified date in the future at a specified price. Payment for the transaction is delayed until the settlement or expiration date. A forward contract is a non-standardized contract that is tailored to each specific transaction. Forward contracts are privately negotiated and are intended to be held until the settlement date. Currency forward contracts are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions.

Swap Agreements

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 based on an underlying asset. No principal is exchanged at the beginning of the swap. The cash flows the counterparties exchange are tied to a "notional" amount. A swap agreement specifies the time period over which the periodic payments will be exchanged. The fair value represents the gains or losses as of the prior marking-to-market.

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

NOTE 5. DERIVATIVE FINANCIAL INSTRUMENTS – CONTINUED

Swap Agreements – Continued

The Investment Derivatives schedule listed below reports the fair value and changes in fair value and notional amounts of derivatives outstanding as of September 30, 2010, classified by type:

Derivative Type	Changes in Fair Value		Fair Value	
	Classification	Amount	Amount	Notional
Fiduciary funds				
Investment derivatives				
Futures contracts	Investment income	\$ -	\$ -	\$ 150,000,000
Forward contracts	Investment income	(1,154,454)	(764,702)	194,449,472
Swap agreements	Investment income	70,501	595,766	(86,159,526)
Rights and warrants	Investment income	(28,772)	-	-
	Totals	<u>\$ (1,112,725)</u>	<u>\$ (168,936)</u>	<u>\$ 258,289,946</u>

Credit Risk

The Fund is exposed to credit risk on investment derivatives that are traded over the counter and reported in asset positions. Derivatives exposed to credit risk include currency forward contracts and swap agreements. To minimize credit risk exposure the Fund's managers monitor the credit ratings of the counterparties. Should there be a counterparty failure, the Fund would be exposed to the loss of the fair value of derivatives that are in the asset positions and any collateral provided to the counterparty, net of the effect of applicable netting arrangements. Netting arrangements provide the Fund with a right of setoff in the event of bankruptcy or default by the counterparty. The Fund would be exposed to loss of collateral provided to the counterparty. Collateral provided by the counterparty reduces the Fund's credit risk exposure.

The following Credit Risk Analysis schedule discloses the counterparty credit ratings of the Fund's investment derivatives by type, as of September 30, 2010. These amounts represent the maximum loss that would be recognized if all counterparties fail to perform as contracted, without respect to any collateral or other security or netting arrangement. The schedule displays the fair value of the investments by credit rating in increasing magnitude of risk. Investments are classified by S&P rating. If the investment does not have an S&P rating, the Moody's rating that corresponds to the S&P rating is used. As of September 30, 2010 the Fund has a net exposure to credit risk of \$168,936.

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

NOTE 5. DERIVATIVE FINANCIAL INSTRUMENTS – CONTINUED

Credit Risk – Continued

<u>Derivative Type</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Total Fair Value</u>
Forwards contracts	\$ (24,903)	\$ (627,230)	\$ (112,570)	\$ (764,702)
Swap agreements	-	684,667	(88,901)	595,766
Total	<u>\$ (24,903)</u>	<u>\$ 57,438</u>	<u>\$ (201,471)</u>	<u>\$ (168,936)</u>

Interest Rate Risk

The interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Interest rate swaps are an example of an investment that has a fair value that is highly sensitive to interest rate changes. These investments, as of September 30, 2010, are disclosed on the following table.

<u>Derivative Type</u>	<u>Notional Amount</u>	<u>Total Fair Value</u>
Interest rate swaps	\$ 32,200,000	\$ 746,427
Swaptions	<u>(127,700,000)</u>	<u>(249,845)</u>
Total	<u>\$ (95,500,000)</u>	<u>\$ 496,582</u>

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

NOTE 5. DERIVATIVE FINANCIAL INSTRUMENTS – CONTINUED

Foreign Currency Risk

For those forward contracts and swap agreements that are securities issued by foreign countries and foreign businesses there is an exposure to foreign currency risk. Currency forward contracts represent foreign exchange contracts that are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions. The net exposure column of the schedule below indicates the Fund's net foreign currency risk related to derivatives as of September 30, 2010.

Currency	Forward Contracts	Swap Agreements	Net Exposure
Australian Dollar	\$ (309,439)	\$ 92,757	\$ (216,682)
Brazilian Real	(173,330)	248,538	75,208
British Pound Sterling	(99,439)	-	(99,439)
Canadian Dollar	(62,379)	-	(62,379)
Chinese Yuan Renminbi	5,506	-	5,506
Euro Currency Unit	(346,134)	24,945	(321,188)
Hungarian Forint	102,073	-	102,073
Japanese Yen	(132)	-	(132)
Mexican Peso	(81,566)	50,045	(31,522)
New Zealand Dollar	30,533	-	30,533
Norwegian Krone	47,898	-	47,898
Polish Zloty	(100,660)	-	(100,660)
South Korean Won	20,522	-	20,522
Swedish Krona	9,910	-	9,910
Swiss Franc	(251)	-	(251)
Taiwan Dollar	1,725	-	1,725
Turkish Lira	190,461	-	190,461
Totals	<u>\$ (764,702)</u>	<u>\$ 416,285</u>	<u>\$ (348,417)</u>

The values shown are for the positions that the Fund holds directly. The Fund may also have an indirect exposure to derivatives via its commingled funds. The Fund owns units of the commingled fund and the commingled fund holds the actual positions. Indirect exposures via these types of investments are not shown here.

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

NOTE 6. SECURITIES LENDING

The Fund is authorized to contractually lend securities to borrowers in accordance with the policy established by the Board of Directors. The Fund is currently contracted with Northern Trust to establish, manage and administer a securities lending program. Northern Trust facilitates lending the Fund'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 Fund 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 at September 30, 2010.

The Fund 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 Fund is liable for the loss. The cash collateral received on each loan was invested in the collateral pool at Northern Trust. Because the loans are terminable at will, their duration generally did not match the duration of the investments made with cash collateral. In addition, the Plan had no credit risk exposure to borrowers. As of September 30, 2010 and 2009, the value of the collateral held was \$188,296,874 and \$181,518,627, and the value of securities out on loan at September 30, 2010 and 2009, was \$183,418,906 and \$176,703,873. The Fund earned \$544,037 (prior to payment for collateral losses discussed below) and \$874,798 on its securities lending activity for the fiscal years ended September 30, 2010 and 2009, 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 Fund's liability as a result of this deficiency is \$2,929,902. If the Fund chooses to remove itself from the collateral pool then this liability will have had to have been paid. However, if the Fund 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 Fund paid \$438,719 for realized losses associated with the collateral pool. In March 2010, the remaining liability of \$572,972 was removed and no additional losses were recognized from the 2008 event.

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

NOTE 7. FOREIGN CURRENCY EXCHANGE TRANSACTIONS

To manage the foreign currency exchange risks associated with foreign investments, the Fund enters into forward currency contracts. The Fund had net foreign currency contracts with fair value of approximately \$765,000 and \$2,400,000 million at September 30, 2010 and 2009, respectively, which contractually obligates the Fund to deliver currencies at a specified date. The Fund 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, 2010 and 2009, the fair value of these contracts is included in due to/from broker.

NOTE 8. TAX STATUS

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

NOTE 9. PLAN TERMINATION

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

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

NOTE 10. SUBSEQUENT EVENTS

The Fund continues to implement the new target asset allocation approved by the Board in July 2009. At the October 27, 2010 meeting the Board voted to hire The Segal Company as the Fund's new actuary. Segal will perform the January 1, 2011 valuation for the City and Staff Plans. During November and December 2010 the Fort Worth City Council approved several resolutions notifying the Board of their intention to modify the Fund. The specifics of the changes have not been identified so the potential impact to the Fund cannot be determined. There have been no material events that change the value of assets or liabilities of the Fund.

REQUIRED SUPPLEMENTARY INFORMATION

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

Valuation Date City Plan (Dollars in millions)	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)
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	355.83	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
January 1, 2010	1,868.80	2,300.50	431.70	81.2	368.30	117.2
Staff Plan (Dollars in thousands)						
January 1, 2008	103.40	514.40	411.00	20.1	718.00	57.2
January 1, 2009	257.38	745.19	487.81	34.5	955.94	51.0
January 1, 2010	545.68	973.79	428.11	56.0	1,132.06	37.8

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Unaudited)**

<u>Plan Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
City Plan		
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
September 30, 2009	50,304,451	118
Staff Plan		
September 30, 2007	8,272	100
September 30, 2008	111,143	100
September 30, 2009	111,240	137

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

City Plan

Valuation date	January 1, 2010	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	3.5%	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, 2010	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	3.5%	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	4.75%–8.0%	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.

ADDITIONAL SUPPLEMENTARY INFORMATION
(unaudited)

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
SCHEDULE OF ADMINISTRATIVE EXPENSES
(Unaudited)
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ADMINISTRATIVE OFFICE		
Staff and benefits	\$ 1,284,709	\$ 1,148,571
Contributions to Retirement Fund	165,237	152,652
Due diligence	58,861	25,800
Medical reviews	21,025	16,668
Insurance	101,000	100,583
Office rent	-	71,485
Office expense	91,264	179,583
Conferences and training	64,614	52,795
Equipment and supplies	83,009	70,903
	<hr/>	<hr/>
TOTAL ADMINISTRATIVE OFFICE	1,869,719	1,819,041
 PROFESSIONAL SERVICES		
Actuarial services	82,188	34,948
Accounting and auditing	67,500	126,000
Consulting	195,072	78,988
Legal services	58,011	126,131
Other consulting	317,293	125,817
	<hr/>	<hr/>
TOTAL PROFESSIONAL SERVICES	720,064	491,884
	<hr/>	<hr/>
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 2,589,783</u>	<u>\$ 2,310,925</u>

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
SCHEDULE OF INVESTMENT EXPENSES
(Unaudited)
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	2010	2009
Domestic Fixed Income		
Aladdin Capital	\$ 20,689	\$ 122,112
Artio Global	143,757	-
Barrow Hanley	145,399	37,126
Columbia Management	271,719	243,065
Commonwealth Advisors	224,823	234,469
Pacific Investment Management	438,042	405,688
SMH Capital Advisors	516,006	307,325
Total Domestic Fixed Income	1,760,435	1,349,784
International Fixed Income		
Brandywine	283,135	284,896
Loomis Sayles	251,752	250,036
Total International Fixed Income	534,886	534,932
Real Estate		
Cornerstone	52,272	-
Crow Holdings	19,679	36,007
Heitman Value Partners	186,517	103,060
Liquid Reality	536,553	301,154
New Boston	-	190,809
	795,021	631,031
Domestic Equities		
Artisan Partners	575,032	469,965
Barclays	90,627	160,821
Frontier Capital	94,438	-
Cooke & Bieler	188,277	180,671
INTECH	122,909	165,871
Lord Abbett	198,830	206,644
NFJ Investment Group	46,996	68,190
WCM Investments	95,862	124,745
Westfield	53,467	-
Total Domestic Equities	1,466,438	1,376,907

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
SCHEDULE OF INVESTMENT EXPENSES
(Unaudited)
YEARS ENDED SEPTEMBER 30, 2010 AND 2009
(CONTINUED)**

	<u>2010</u>	<u>2009</u>
International Equities		
Invesco Global Asset Mgmt	-	1,925
Manning & Napier	414,871	440,479
Northern Trust	135,000	170,357
Thronburg Investments	427,068	426,609
	<hr/>	<hr/>
Total International Equities	976,940	1,039,369
Real Return		
Energy Opportunites	307,966	290,646
Sustainable Asst Mg	428,498	232,942
	<hr/>	<hr/>
Total Real Return	736,464	523,588
REITS		
Citigroup REITS	32,510	176,666
	<hr/>	<hr/>
Total REITS	32,510	176,666
Alternative		
Albourne America	377,549	667,375
Credit Suisse	167,500	200,022
Aldus	25,942	-
Hamilton Lane	552,216	-
	<hr/>	<hr/>
Total Alternative	1,123,207	867,397
	<hr/>	<hr/>
TOTAL INVESTMENT EXPENSES	<u>\$ 7,425,902</u>	<u>\$ 6,499,674</u>

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
SCHEDULE OF PAYMENTS FOR PROFESSIONAL SERVICES
(Unaudited)
YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
PROFESSIONAL FEES		
McLagan Partners, Inc.	\$ 28,241	\$ 78,988
Addetti Communications Corporation	109,677	-
R V Kuhns & Associates, Inc.	293,573	-
The Eppstein Group	72,000	85,914
Ennis Knupp	-	39,903
Forshey Prostok	475	-
Gabriel, Roeder, Smith & Co, Actuary	82,188	34,948
Higgins & Schurtz, Attorneys	2,925	17,575
Klausner & Kaufman, Attorneys	300	108,556
Susan K Medina - Communications	8,400	-
Strasburger & Price, LLP	54,785	-
Weaver & Tidwell LLP (Audit)	67,500	126,000
TOTAL PROFESSIONAL FEES	<u>\$ 720,064</u>	<u>\$ 491,884</u>

INVESTMENT SECTION
(unaudited)

February 4, 2011

Board of Trustees
City of Fort Worth Employees' Retirement Fund

Dear Trustees:

The trailing year through September 30, 2010, was marked by mixed performance of the U.S. economy along with turbulent investment markets and subdued price inflation. U.S. Real Gross Domestic Product grew in each of the last four quarters as the economy expanded by 2.6% since September 30, 2009.¹ However, unemployment continued to lag economic growth and only declined slightly from 9.8% to 9.6% over the past year.² On a seasonally adjusted basis, over the trailing year, employment increased by approximately 623,000 jobs, which only marginally exceeded the addition of 231,000 people to the work force.³ Inflation, as measured by the Consumer Price Index, rose 1.1% over the trailing 12 months. The Federal Reserve kept target short-term interest rates at a range of 0.00 – 0.25% over the course of the fiscal year, and Treasury yields declined across all maturities.

The market value of the City of Fort Worth Employees' Retirement Fund ("Fund") assets increased from \$1.525 billion to \$1.647 billion in the year ended September 30, 2010. Three years ago, at the onset of the global financial crisis, the fund was valued at \$1.940 billion.

Virtually all asset classes performed well over the trailing year. U.S. equities, as measured by the Russell 3000 Index, returned 10.96%. Developed international equity markets, as measured by the MSCI EAFE Index, returned 3.71%, and were hampered by sovereign debt concerns in Europe. Emerging markets equities, as measured by the MSCI Emerging Markets Index, continued to provide exceptional performance, returning 20.54% over the trailing year. Fixed income continued to benefit from a substantial downward shift in the yield curve, with the Barclays Aggregate Bond Index returning 8.16% over the trailing year.

The Fund's overall investment return over the past year was 9.58%, the Fund's three-year annualized return was -3.82%, and the Fund's five-year annualized return was 2.81%.⁴ The ten-year annualized return was 3.65% and the annualized return since inception in 1983 was 9.03%.⁵ Both intermediate- and long-term results were negatively impacted by the global financial crisis that began in mid-2007 and ended in early 2009. We are hopeful that, with improved investment results since that time, the long-term returns will show corresponding improvement. The Fund's current actuarial assumed rate of return is 8.5%, which represents the Fund's long-term return goal.

¹ Based on data provided by the U.S. Department of Commerce, Bureau of Economic Analysis.

² Based on data provided by the U.S. Department of Labor.

³ Ibid.

⁴ Total Fund performance is net of fees and is provided by Northern Trust.

⁵ Ibid.

The Fund's current investments are well diversified both across and within asset classes. Equity investments are distributed across U.S., developed international, and emerging markets; fixed income investments include strategies such as core, core plus, high yield, and emerging markets debt; and alternative investments include a mix of real estate, real return, absolute return, and private equity strategies. As of September 30, 2010, 17.26% of the Fund's investments were invested in U.S. equities, 11.69% in international equities, 31.90% in fixed income, 10.26% in real return strategies, 7.03% in real estate, 17.06% in absolute return strategies, 4.24% in private equity, and 0.57% in cash equivalents.⁶ This investment allocation falls within tolerance ranges established in the investment policy.

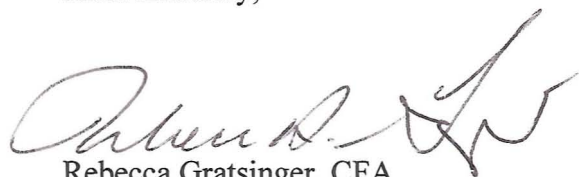
We believe that the recent course undertaken by the Board to further diversify the Fund's investments into new sub-asset classes, such as commodities, will enhance future portfolio returns while reducing risk or volatility in returns. In addition, the continuous scrutiny of manager performance which has resulted in several searches to replace underperforming managers and add complementary managers will improve expected returns. We are confident that the Board's decisions in this respect will preserve and enhance the Fund's ability to meet its long-term goals.

The Fund's investment policies, goals, and objectives, as well as the performance of its assets and transaction costs are regularly monitored by the Board and by R.V. Kuhns & Associates, Inc. These evaluations include analysis of the investment management firms and the custodial bank that serve the Fund.

The Fund's assets are held in custody at Northern Trust. Market values and returns referenced above are based upon financial statements prepared by Northern Trust. The statements are, to the best of our knowledge, reliable and accurate.

An uncertain market environment demands careful attention and thoughtful treatment of the assets entrusted to the Board's care by the Fund's employee participants. We expect the Board's continued high standard of care for these assets and commitment to diversification to allow the Fund to meet its long-term goals and objectives.

Most sincerely,



Rebecca Gratsinger, CFA
Chief Executive Officer
R.V. Kuhns & Associates, Inc.

⁶ Allocation shown may not sum up to 100% exactly due to rounding.

INVESTMENT MANAGERS

Domestic Fixed Income:

- Aladdin Capital
- Artio Global
- Barrow Hanley
- Columbia Management
- Commonwealth Advisors
- PIMCO
- SMH Capital

International Fixed Income:

- Ashmore Investment Management, LTD
- Brandywine
- Loomis Sayles

Real Estate:

- AEW Real Estate
- Cornerstone
- Crow Holdings
- Heitman Value Partners
- Intercontinental
- Land Baron
- Liquid Reality Partners
- New Boston
- Olympus Fund
- Quadrant
- Rockspring Capital
- Stratford
- Westriver

Domestic Equities:

- Artisan Partners
- Frontier
- Cooke & Bieler
- Lord Abbett
- Vanguard
- Westfield

International Equities:

- Manning & Napier
- Northern Trust
- Thornburg Investments

REITS:

- Heitman Global REITS

Real Return:

- Energy Opportunities
- Research Affiliates
- Sustainable Asset Management (Robeco)
- Vanguard TIPS

INVESTMENT POLICIES SUMMARY

The Board of Trustees (“The Board”) of the Fort Worth Employees Retirement Fund (“The Fund”) has adopted an Investment Policy Statement as a framework for the investment of the Fund’s assets. The authority to amend that statement rests solely with the Board. The following provides a brief outline of that statement. A copy of the Investment Policy Statement can be found on the Fund’s website in its entirety.

Board of Trustees

The Board is responsible for overseeing the investment of the funds supporting the retirement and disability pension plans. Its primary duty is to set the asset allocation by determining the asset classes to be used and allocating a certain percentage of funds to each class. The Board follows the Prudent Investor Act of the Texas law and diversifies investments in order to achieve an optimal rate of return for a reasonable amount of risk. It is also responsible for setting an investment policy detailing the process for hiring, evaluating, and terminating investment managers. The Board has the authority to hire investment consultants, investment managers, and custodian banks to assist in the investment and oversight responsibility.

Investment Committee

The Investment Committee is established by the Board and has been delegated certain powers, duties and functions by the Board. The Investment Committee makes recommendations to the Board on investment actions; however, ultimate responsibility for investment and asset allocation decisions remains with the Board. The Investment Committee meets prior to the regular meeting of the Board to address overall investment activities. Staff and Consultant(s) brief the Committee on any topics or issues pertinent to the Fund’s investment operations, and make recommendations to the Committee for appropriate courses of action.

Funding Philosophy

The Fund’s overall objective is to achieve the highest level of investment performance that is compatible with its risk tolerance and prudent investment practices. Because of the long-term nature of the Fund’s pension liabilities, the Trustees maintain a long-term perspective in formulating and implementing the Fund’s investment policies, and in evaluating its investment performance. Based on general beliefs about the long-term investment returns available from a well-diversified portfolio, the Trustees adopted the following Total Fund Investment Objectives:

- Within the framework of prudent risk limitations, the minimum investment objective is to achieve an average long-term total rate of return which satisfies the actuarial assumed rate of return. The actuarial rate of return is set at 8.5%.
- The Fund shall also strive to achieve investment performance that exceeds the rate of inflation over time thereby providing a real rate of return.
- The fund’s assets shall earn a sufficient total rate of return over time to meet all benefit and expense obligations.

Liquidity Posture

Liquidity considerations are low in the short-term and intermediate-term resulting in an immaterial impact upon investment policy, objectives and guidelines.

Risk

The investment risk philosophy for the Fund is based on the precepts of capital market theory that are generally accepted and followed by institutional investors, who by definition are long-term oriented investors. This philosophy holds that:

- Increasing risk is rewarded with compensating returns over time and, therefore, prudent risk taking is justifiable for long-term investors.
- Risk can be controlled through diversification of asset classes and investment approaches, as well as diversification of individual securities.
- The primary determinant of long-term investment performance is the strategic or long-term allocation of assets among various asset classes
- Relative performance of various asset classes is unpredictable in the short term and attempts to shift tactically between asset classes are unlikely to be rewarded.

Given these principles, the Fund has established a long-term asset allocation policy (specified in the Asset Allocation section of the Policy) that balances the return required to meet the Fund's objectives and the risk level that is appropriate under existing circumstances. In determining its risk posture, the Trustees have properly considered, in accordance with its fiduciary obligations and statutory requirements, the Fund's purpose and characteristics, current and projected financial condition, liquidity needs, sources of contribution, income, and general operating conditions.

Diversification

In order to achieve this real rate of return, the Fund will rely on an investment strategy utilizing an appropriate long-term, diversified asset allocation model. Diversification distributes a portfolio across many investments to avoid excessive exposure to any one source of risk. The Trustees will determine the proper allocation among asset classes and investment managers, based on advice and analysis provided by the External Investment Consultant(s) with assistance from the Staff.

Investment Managers Guidelines

Investment managers are subject to guidelines and objectives incorporated in the investment management agreement entered into by the Board and the respective investment managers. Investment managers are expected to perform their fiduciary duties as prudent experts skilled in such matters and, further, are expected to comply with all applicable state and federal statutes governing the investment of retirement funds. Within the context of the guidelines, the investment managers have full discretion with respect to the purchase and sale of individual securities and concentrations of similar securities. The Board requires that all investment managers seek the best execution for all trades ordered on behalf of the System.

Manager Evaluation

Managers of portfolios are evaluated periodically against predetermined benchmarks such as appropriate market index or comparable peer group. All investment managers are required to make formal reports to the Fund of their activities and performance according to standards set forth in the Statement. In addition, Fund personnel and professional consultants engaged by the Board monitor, pursuant to instructions by the Board, managers' performance and conformity with their guidelines and objectives.

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
SCHEDULE OF ASSET ALLOCATIONS AND RETURNS
(Unaudited)
PERIOD ENDING SEPTEMBER 30, 2010**

Asset Class	Long Term Allocation Target	Interim Allocation Target	Actual Allocation	Investment Performance		
				1 Yr	3 Yr	5 Yr
U.S. Equity	15.0	17.0	17.3	11.2	(7.7)	(0.2)
<i>Russell 3000 Index</i>				11.0	(6.6)	0.9
<i>S&P 500 Index</i>				10.2	(7.2)	0.6
International Equity	14.0	15.0	11.7	4.7	(5.9)	5.6
<i>MSCI ACWI ex US Index</i>				8.0	(7.0)	4.7
Fixed Income	¹ 22.0	27.0	32.0	15.4	7.1	N/A
<i>Barclays US Aggregate Index</i>				8.2	7.4	6.2
<i>Merrill Lynch High Yield Master II Index</i>				18.5	8.6	8.3
<i>Barclays Global Aggregate Index</i>				6.1	7.4	6.7
Absolute Return	² 18.0	18.0	17.0	7.1	1.1	4.6
<i>HFRI Fund of Funds Composite</i>				3.5	(3.0)	2.2
<i>HFRI Fund of Funds Conservative</i>				3.6	(3.0)	1.4
Real Return	³ 10.0	10.0	10.2	11.1	N/A	N/A
<i>MSCI World Index (Gross)</i>				7.3	N/A	N/A
Real Estate	12.0	8.0	7.0	(4.3)	(17.8)	(6.8)
<i>NCREIF Property Index</i>				5.8	(4.6)	3.7
Private Equity	8.0	4.0	4.2	10.2	(4.6)	N/A
<i>Wilshire 5000 Index + 5%</i>				16.6	(1.8)	N/A
Cash	1.0	1.0	0.6			
Total Portfolio	100.0	100.0	100.0	9.6	(3.8)	2.8
<i>Target Allocation Index</i>				9.3	(0.6)	4.9

¹ The Fixed Income composite was created July 1, 2007, fixed income returns were previously calculated as domestic and international. The 5 year domestic composite return was 5.6 and the international composite return was 9.2.

² Absolute Return Benchmark was changed from the HFRI Conservative to HFRI Composite September 20, 2009.

³ The Real Return composite was created August 1, 2009

*The basis for investment return calculations: a time weighted rate of return based on the market rate of return.

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
ASSET ALLOCATION SCHEDULE
(Unaudited)
SEPTEMBER 30, 2010**

	<u>Investments at Market Value</u>	<u>Allocation</u>
Investments		
US government agencies	\$ 95,372,742	5.77%
Short-term marketable securities	46,391,263	2.81%
Corporate and other bonds	351,189,138	21.26%
Corporate stocks	509,570,722	30.85%
Comingled funds	298,071,387	18.05%
Alternative investments	<u>351,184,798</u>	<u>21.26%</u>
 Total investments	 <u><u>\$ 1,651,780,050</u></u>	 <u><u>100.00%</u></u>

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
SCHEDULE OF TOP INVESTMENTS
AS OF SEPTEMBER 30, 2010**

Name of Investment	Fair Market Value	Percent of Portfolio
PIMCO ALL ASSET FUND	\$ 55,386,105	3.35%
ASHMORE EMERGING MARKET DEBT FUND	42,119,761	2.55%
NORTHERN TRUST ACWI EX-US IMI FUND	41,552,767	2.52%
VANGUARD S&P 500 INSTITUTIONAL INDEX	39,755,989	2.41%
VANGUARD TIPS INDEX	25,865,256	1.57%
GREENSPRING GLOBAL PARTNERS III-A, L.P.	19,601,534	1.19%
CONTRARIAN CAPITAL FUND I	18,104,390	1.10%
OCH ZIFF OVERSEAS FUND II	16,920,925	1.02%
O'CONNOR GLOBAL MULTI-STRATEGY ALPHA LTD	16,795,105	1.02%
HBK OFFSHORE FUND, LTD	16,184,860	0.98%

* A complete list of the Fund's holdings is available at the Fund's office by appointment.

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
SCHEDULE OF BROKER FEES AND COMMISSIONS
AS OF SEPTEMBER 30, 2010**

BROKER NAME	COMMISSIONS PAID	BROKER NAME	COMMISSIONS PAID
GTRADE SERVICES LTD	\$ 93,957	SANFORD C.BERNSTEIN LTD	3,789
ABEL NOSER CORPORATION	51,687	PIPER JAFFREY NEW YORK	3,703
AUTRANET INC NEW YORK DTC 443	47,910	DBS VICKERS (HONG KONG) LIMITED	3,543
CAP INSTITUTIONAL SERVICES INC	34,838	OPPENHEIMER AND COMPANY	3,508
SCOTT & STRINGFELLOW INVESTMENT	33,792	BERNSTEIN, SANFORD C. & CO	3,451
G-TRADE SERVICES, LTD	31,748	AGORA COR DE TITUL E VAL MOB RIO	3,021
CITIGROUP GLOBAL MKTS INC NY	29,496	ADAMS HARKNESS & HILL INC NY	2,941
KAS ASSOCIATES N.V. AMSTERDAM	26,969	DBP DAIWA SECS LTD LONDON	2,860
PERSHING SECURITIES LTD	26,536	RBC DOMINION SECURITIES INC.	2,791
MORGAN STANLEY & CO INC	24,513	ISI GROUP INC.	2,781
INSTINET	21,391	MCDONALD AND COMPANY/KEYBANC	2,555
ROBERT W BAIRD & CO NYK	16,646	FRIEDMAN BILLING AND RAMSEY	2,519
CSFB LONDON	16,386	WACHOVIA CAPITAL MARKETS 46171	2,510
UBS AG, (LONDON EQUITIES)	15,870	STIFEL NICOLAUS & CO NEW YORK	2,398
BEAR STEARNS SECURITIES CORP	14,813	WEDBUSH MORGAN SECURITIES, INC	2,278
JP MORGAN CHASE BANK , N.A.	13,314	CARNEGIE COPENHAGEN	2,136
INVESTMENT TECHNOLOGY GROUP INC	13,066	CIBC MELLON TORONTO	2,070
BARCLAYS CAPITAL INC	12,743	RBC CAPITAL MARKETS CORPORATION	1,891
CREDIT SUISSE FIRST BOSTON CORPORATION	11,386	SUNTRUST ROBINSON HUMPHREY	1,833
LYNCH JONES & RYAN	11,247	SIDOTI & COMPANY LLC	1,814
MERRILL LYNCH & CO. INC	11,040	KEEFE BRUYETTE AND WOOD LIMITED	1,756
MACQUARIE SECURITIES USA INC	11,030	RBC DAIN RAUSCHER	1,745
GOLDMAN SACHS & CO NW YK DTC 005	10,889	DAVENPORT AND CO OF VIRGINIA INC	1,717
JEFFERIES & COMPANY	10,133	BREAN MURRAY FOSTER NEW YORK	1,680
LIQUIDNET INC	9,866	KNIGHT SECURITIES L.P.	1,662
DEUTSCHE BANK SECURITIES INC	9,819	ROSENBLATT SECURITIES LLC 501	1,619
NORTHERN TRUST CO	9,137	(D)INSTINET CROSSING NETWORK N/Y	1,590
CHEUVREUX DE VIRIEU PARIS	8,954	CREDIT LYONNAIS SECS. INC. NEW YORK	1,531
HSBC BROKERAGE (USA) INC	8,510	GUZMAN & COMPANY	1,510
JANNEY MONTGOMERY SCOTT NEW YORK	7,293	LEERINK SWANN & CO./IPO	1,473
NOMURA SECURITIES NEW YORK	6,884	BLAIR, WILLIAM & CO	1,415
UNION BANK OF SWIT NEW YK DTC 642	6,574	J.P. MORGAN - PRIME BROKER	1,406
WUNDERLICH SECURITIES INC	6,093	COWEN LLC	1,380
CANTOR FITZGERALD	5,492	KEYBANC CAPITAL MARKETS INC.	1,318
RENSBURG CLIENT NOMINEES	5,324	MORGAN KEEGAN AND COMPANY	1,268
RAYMOND JAMES	5,280	KELLY & CHRISTENSEN INC	1,164
BLOOMBERG TRADEBOOK LLC	5,051	PENSION FINANCIAL INC	1,077
WEEDEN AND & CO	5,025	LANDESBANK BADEN-WUERTTEMBERG	1,066
CALYON SECURITIES	4,898	OTHER	35,664
SERIES	4,849		
RIDGE CLEARING &OUTSOURCING SOL INC	4,352	Grand Total	<u>\$ 704,801</u>

**ACTUARIAL SECTION
(unaudited)**

February 7, 2011

Board of Trustees
The Employees' Retirement Fund of
The City of Fort Worth
3801 Hulen Street, Suite 101
Fort Worth, TX 76107

Re: Actuarial Valuations as of January 1, 2010

Dear Members of the Board of Trustees:

Our annual actuarial valuations of the Employees' Retirement Fund of the City of Fort Worth (City Plan) and the City of Fort Worth Employees' Retirement Fund Staff Retirement Plan (Staff Plan) were completed as of January 1, 2010.

In addition to the actuarial valuation results, various accounting and statistical tables were also included which compare the results with prior years. Census data and all other information for retirees and beneficiaries, and active and vested terminated members as of December 31, 2009 have been provided by the Retirement Fund's staff. We did not audit this data, but we did apply a number of tests to the data and we concluded that it was reasonable and consistent with the prior year's data. The staff also supplied asset and financial information as of December 31, 2009.

Financing objectives and funding policy

The contribution rates are established by the City for the City Plan and by the Board for the Staff Plan with the following principal objectives:

- To set rates so that any unfunded actuarial accrued liability (UAAL) will be amortized over a reasonable period from the current valuation date
- To set rates so that they remain relatively level over time.

To accomplish this under the City Plan, the Board provides the City the funding period over which the current contribution rate is expected to amortize the UAAL. If this period is greater than 30 years, then the Board provides the City with a recommended employer contribution rate that is at least equal to the sum of the employer normal cost rate (which pays the current year's cost) and an amortization rate which results in the amortization of the UAAL over 30 years in installments that increase at the assumed rate of growth in payroll for the Fund, currently 3.50%. The 30-year amortization period is measured from the current valuation date, January 1, 2010.

Under this policy, the objective of maintaining a relatively level contribution rate over time is achieved in normal conditions such as consistent financial markets.

The Board established the contribution rates for the Staff Plan when it was created in 2007. Under the aforementioned policy, it is expected that the current contribution rates will eliminate the unfunded liabilities of the Staff Plan within six years.

Progress toward realization of financing objectives

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a plan's funded status. In the absence of benefit improvements, it should increase over time, until it reaches at least 100%.

For the City Plan, the funded ratio increased from 72.8% to 81.2%. This increase was primarily due to the positive investment performance in 2009, and the rebound off the actuarial value of asset corridor. Absent future favorable experience, we expect the funded ratio will to decrease for the next three years as the remainder of the 2008 investment loss is recognized in the development of the actuarial value of assets.

For the Staff Plan, the funded ratio increased from 34.5% to 56.0%. This increase was primarily due to the fact that the plan is a relatively new plan and the amount of contributions received during the plan year was the same magnitude as the beginning of the year asset values.

Plan experience

The City Plan experienced actuarial gains during the year both on the asset and liability side of the ledger. The liability gain was approximately \$17.9 million and was primarily related to lower than expected salary increases. In addition, there was a small liability gain, \$6.3 million, due to changes in the actuarial assumptions. The City Plan also experienced a \$165.2 million gain on the actuarial value of assets.

The Staff Plan experienced actuarial gains during the year both on the asset and liability side of the ledger. The overall liability gain was approximately \$4,058 and was comprised of a \$57,232 experience loss and a \$61,290 gain due to changes in the actuarial assumptions. The Staff Plan also experienced a \$13,982 gain on the actuarial value of assets.

Assumptions and Methods

All actuarial assumptions and methods are described under Section B of our Reports. Actuarial assumptions and methods are set by the Board of Trustees, based upon recommendations made by the Fund's actuary. The actuarial assumptions utilized were developed from an actuarial investigation of the experience of the Employees' Retirement Fund over the five-year period ending December 31, 2009. They were adopted in 2010 and were implemented with the January 1, 2010 actuarial valuations. We believe the actuarial assumptions and methods are internally consistent and are reasonable, based upon past and anticipated future estimated experience of the Plans.

The results of the actuarial valuations are dependent on the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions.

Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates and funding periods. The actuarial calculations presented in the Reports are intended to provide information for rational decision making. The actuarial assumptions and methods used in the Reports comply with the parameters for disclosure that appear in the Governmental Accounting Standards Board Statement Number 25 (GASB No. 25). We provided the information used in the supporting schedules in the Actuarial Section as well as portions of the Notes to the Financial Statements and the Required Supplementary Information in the Financial Section of the CAFR.

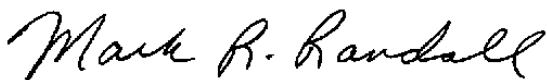
Actuarial Certification

We certify that the information presented in the January 1, 2010 actuarial valuation report of the Employees' Retirement Fund of the City of Fort Worth and the City of Fort Worth Employees' Retirement Fund Staff Retirement Plan is accurate and fairly portrays the actuarial position of the Plans as of January 1, 2010. We prepared the information contained in the Schedule of Employer Contributions, the Schedule of Funding Progress, the Notes to the Required Supplementary Information, as well as the Summary of Actuarial Assumptions and Methods, but the Retirement Fund's staff prepared the other supporting schedules in this section and the trend tables in the financial section based on information supplied in our report.

All of our work conforms with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of Texas state law and, where applicable, the Internal Revenue Code and the Statements of the Governmental Accounting Standards Board. The undersigned are independent actuaries and consultants. Mr. Randall is an Enrolled Actuary and a Member of the American Academy of Actuaries. He meets all of the Qualification Standards of the American Academy of Actuaries, and both Mr. Randall and Mr. Ward are experienced in performing valuations for large public retirement systems.

We would like to thank the Board, the Executive Director, and the Retirement Fund's staff for their assistance and input necessary to complete the actuarial valuations.

Respectfully submitted,
Gabriel, Roeder, Smith & Company



Mark R. Randall, FCA, EA, MAAA
Executive Vice President



Lewis Ward
Consultant

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
EXECUTIVE SUMMARY
AS OF SEPTEMBER 30, 2010**

	City Plan		Staff Plan	
	January 1, 2010	January 1, 2009	January 1, 2010	January 1, 2009
Members				
Actives	6,277	6,379	14	12
Retirees and Beneficiaries	3,449	3,304	-	-
Vested - Terminated	290	240	-	-
Total	<u>10,016</u>	<u>9,923</u>	<u>14</u>	<u>12</u>
Projected Payroll (including overtime)	\$ 368,334,524	\$ 372,942,445	\$ 1,132,034	\$ 955,938
Normal Cost	63,509,745	66,454,970	167,956	147,263
as a % of Payroll	17.77%	17.82%	15.71%	15.41%
Actuarial Accrued Liability (AAL)	2,300,542,572	2,192,128,182	973,794	745,190
Actuarial Value of Assets (AVA)	1,868,805,569	1,596,392,591	545,682	257,381
Market Value of Assets (MVA)	1,583,970,296	1,330,327,159	537,927	214,485
Unfunded Actuarial Accrued Liability (UAAL)	431,737,003	595,735,591	428,112	487,809
Unfunded Actuarial Accrued Liability as % of Covered Payroll	117.21%	159.74%	37.82%	51.03%
Annual Investment Return Assumption	8.50%	8.50%	8.50%	8.50%
Estimated Yield on Assets (Actuarial Value Basis)	18.89%	-11.44%		
Total Current Contribution Rates				
Police Offices (City 16.46%, Member 8.73%)	25.19%	25.19%	0.00%	0.00%
All Others (City 15.74%, Member 8.25%)	23.99%	23.99%	0.00%	0.00%
ERF Staff (ERF 15.74%, Member 8.25%)			23.99%	23.99%
Aggregate Current Contribution Rate	24.37%	24.36%	23.99%	23.99%
Benefit and Refund Payments	117,320,930	106,173,188	-	-
Actuarial Gains/Losses				
Assets	165,209,695	(360,777,379)	13,982	(40,389)
Actuarial Accrued Liability Experience	17,885,440	15,099,902	(57,232)	(56,430)
Ad Hoc COLA Payments	-	(17,702,076)	-	-
Assumption Changes	6,314,298	-	61,290	-
Total 30-Year Level % of Pay Funding Cost as a % of Payroll (City + Member Contributions)	25.20%	27.71%	18.11%	18.56%
Amortization Period of Unfunded AAL Based on Current Contribution Rates	40.5	Infinite	5.2	7.1
Funded Ratios (Assets/AAL)				
Based on Actuarial Value of Assets	81.20%	72.80%	56.00%	34.50%
Based on Market Value of Assets	68.90%	60.70%	55.24%	28.78%

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
ACTUARIAL ASSUMPTIONS AND METHODS
AS OF SEPTEMBER 30, 2010**

A. ACTUARIAL ASSUMPTIONS

1. Investment Return Rate
8.50% per annum, compounded annually composed of an assumed 3.00% inflation rate and a 5.50% real rate of return, net of expenses.
2. Cost-of-Living-Adjustments
For those members with the guaranteed annual 2% Cost-of-Living Adjustment, an annual assumption of a 2% increase in the base pension amount is assumed.

For those members who are participating in the Ad-Hoc Cost-of-Living Adjustment Program, accrued liabilities for any prospective ad-hoc increases that may or may not occur in the future have not been included in the Fund's liabilities since any future increases under this Program are contingent upon the actual funded status of the Fund at future points in time.

However, the Projection Exhibit, as provided in Table 12 of this Report, illustrates the estimated future cost impact of these potential Cost-of-Living Adjustments, if any, based upon all current actuarial assumptions being met each year into the future.

3. Mortality
 - a. Healthy male annuitants –
RP-2000 Mortality Table for male annuitants set forward one year for Municipal Employees and Police Officers and set back one year for Firefighters.
 - b. Healthy female annuitants –
RP-2000 Mortality Table for female annuitants set forward one year for all employee groups.
 - c. Disabled males and females–
RP-2000 Mortality Table for female disabled lives set forward two years.
 - d. Active male members –
RP-2000 Mortality Table for male employees with no age adjustment for Municipal Employees and Police Officers and set back one year for Firefighters.
 - e. Active female members –
RP-2000 Mortality Table for female employees with no age adjustment.

Note: The percentage of pre-retirement deaths assumed to be ordinary death as opposed to duty death varies by employee group as follows:

Type	Municipal Members		Police Officers	Firefighters
	Males	Females		
Ordinary	90%	95%	75%	90%
Duty	10%	5%	25%	10%

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
ACTUARIAL ASSUMPTIONS AND METHODS
AS OF SEPTEMBER 30, 2010**

A. ACTUARIAL ASSUMPTIONS – CONTINUED

4. Disability Rates

Rates for selected ages are shown below:

Rates of Decrement due to Active Disability		
Age	Male Members	Female Members
20	0.00033	0.00018
25	0.00038	0.00023
30	0.00050	0.00038
35	0.00068	0.00058
40	0.00095	0.00085
45	0.00145	0.00123
50	0.00245	0.00198
55	0.00430	0.00325
60	0.00598	0.00400
65	0.00650	0.00410

Note: The percentage of disabilities assumed to be ordinary disability as opposed to duty disability varies by employee group as follows:

Type	Municipal Members		Police Officers	Firefighters
	Males	Females		
Ordinary	70%	75%	60%	85%
Duty	30%	25%	40%	15%

5. Withdrawal Rates (for causes other than death, disability, or retirement)

The selected basic termination rates are shown below:

Age	Termination Rates - Municipal Males										
	Year of Employment										
	1	2	3	4	5	6	7	8	9	10	11+
20	0.2723	0.2623	0.2447	0.1690	0.1048	0.1027	0.0805	0.0805	0.0644	0.0644	0.0563
25	0.2379	0.2279	0.2127	0.1499	0.1003	0.0983	0.0770	0.0770	0.0616	0.0616	0.0539
30	0.2155	0.2055	0.1811	0.1302	0.0957	0.0938	0.0735	0.0735	0.0588	0.0588	0.0514
35	0.1914	0.1814	0.1503	0.1103	0.0912	0.0893	0.0700	0.0700	0.0560	0.0560	0.0447
40	0.1704	0.1552	0.1208	0.0903	0.0870	0.0853	0.0668	0.0668	0.0534	0.0534	0.0347
45	0.1507	0.1263	0.0939	0.0795	0.0764	0.0749	0.0587	0.0587	0.0469	0.0469	0.0246
50	0.1198	0.0949	0.0707	0.0612	0.0596	0.0194	0.0152	0.0152	0.0152	0.0152	0.0083
55	0.0781	0.0615	0.0521	0.0415	0.0363	0.0119	0.0093	0.0093	0.0093	0.0093	0.0060
60	0.0860	0.0676	0.0572	0.0456	0.0400	0.0130	0.0102	0.0102	0.0102	0.0102	0.0054

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
ACTUARIAL ASSUMPTIONS AND METHODS
AS OF SEPTEMBER 30, 2010**

A. ACTUARIAL ASSUMPTIONS – CONTINUED

5. Withdrawal Rates (continued)

Age	Termination Rates - Municipal Females							
	Year of Employment							
	1	2	3	4	5	6	7	8+
20	0.2354	0.1971	0.1938	0.1627	0.1474	0.1321	0.1168	0.0685
25	0.2264	0.1896	0.1864	0.1564	0.1417	0.1270	0.1123	0.0460
30	0.2254	0.1696	0.1574	0.1372	0.1303	0.1235	0.1166	0.0424
35	0.2170	0.1519	0.1355	0.1227	0.1189	0.1150	0.1111	0.0380
40	0.2001	0.1359	0.1199	0.1127	0.1111	0.1096	0.1080	0.0328
45	0.1741	0.1206	0.1100	0.1068	0.1056	0.1044	0.1032	0.0270
50	0.1389	0.1051	0.1049	0.1044	0.1019	0.0331	0.0323	0.0100
55	0.1250	0.0946	0.0944	0.0939	0.0917	0.0298	0.0290	0.0076
60	0.1375	0.1041	0.1039	0.1034	0.1009	0.0328	0.0319	0.0058

Rates of termination are assumed to be zero once a member is eligible for unreduced retirement

Termination Rates		
Age	Police	Firefighters
20	0.0374	0.0145
25	0.0288	0.0096
30	0.0265	0.0072
35	0.0218	0.0056
40	0.0083	0.0042
45	0.0058	0.0037
50	0.0037	0.0032
55	0.0037	0.0027
60	0.0037	0.0023

Rates of termination are assumed to be zero once a member is eligible for unreduced retirement.

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
ACTUARIAL ASSUMPTIONS AND METHODS
AS OF SEPTEMBER 30, 2010**

A. ACTUARIAL ASSUMPTIONS – CONTINUED

6. Salary Increase Rates

Inflation rate of 3.00% plus productivity component of 1.75% plus step-rate/promotional increase as shown below:

Years of Service	Annual Step-rate/Promotional Component			Annual Total Salary Increase (Including 3.00% inflation and 1.75% Productivity Component)		
	Firefighters	Municipal Employees	Police Officers	Firefighters	Municipal Employees	Police Officers
1	24.50%	3.25%	24.50%	29.25%	8.00%	29.25%
2	7.00%	3.00%	9.75%	11.75%	7.75%	14.50%
3	6.25%	2.75%	3.75%	11.00%	7.50%	8.50%
4	6.00%	2.50%	3.75%	10.75%	7.25%	8.50%
5	6.00%	2.00%	3.50%	10.75%	6.75%	8.25%
6	4.75%	1.25%	1.00%	9.50%	6.00%	5.75%
7	1.25%	1.00%	2.50%	6.00%	5.75%	7.25%
8	0.50%	1.00%	0.00%	5.25%	5.75%	4.75%
9	0.00%	1.00%	2.50%	4.75%	5.75%	7.25%
10	0.00%	0.75%	0.00%	4.75%	5.50%	4.75%
11	0.00%	0.50%	2.50%	4.75%	5.25%	7.25%
12	0.00%	0.25%	0.00%	4.75%	5.00%	4.75%
13	0.00%	0.25%	2.50%	4.75%	5.00%	7.25%
14	0.00%	0.25%	0.00%	4.75%	5.00%	4.75%
15	0.00%	0.00%	2.50%	4.75%	4.75%	7.25%
16	0.00%	0.00%	0.00%	4.75%	4.75%	4.75%
17	0.00%	0.00%	2.50%	4.75%	4.75%	7.25%
18	0.00%	0.00%	0.00%	4.75%	4.75%	4.75%
19	0.00%	0.00%	2.50%	4.75%	4.75%	7.25%
20	0.00%	0.00%	0.00%	4.75%	4.75%	4.75%
21	0.00%	0.00%	2.50%	4.75%	4.75%	7.25%
22+	0.00%	0.00%	0.00%	4.75%	4.75%	4.75%

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
ACTUARIAL ASSUMPTIONS AND METHODS
AS OF SEPTEMBER 30, 2010**

A. ACTUARIAL ASSUMPTIONS – CONTINUED

7. Retirement Rates

Rates of unreduced retirement are shown below:

Rates of Retirement (Unreduced)			
Age	Municipal	Firefighters	Police
45-49	0.25	0.30	0.25
50-54	0.25	0.30	0.20
55-59	0.25	0.30	0.25
60	0.40	0.50	0.25
61	0.40	0.65	0.25
62-64	0.40	0.80	0.25
65-70	0.25	1.00	1.00
70+	1.00	1.00	1.00

Rate for male Municipal Employees at first eligibility for unreduced retirement is 50%, and for female Municipal Employees at first eligibility for unreduced retirement is 40%. Police Officers and Firefighters have zero probability of retiring prior to eligibility for unreduced retirement.

Selected rates of reduced retirement are shown below for Municipal Employees:

Rates of Retirement - Reduced Retirement	
Age	Male & Female
50-54	0.030
55-59	0.025
60-64	0.030

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
ACTUARIAL ASSUMPTIONS AND METHODS
AS OF SEPTEMBER 30, 2010**

A. ACTUARIAL ASSUMPTIONS – CONTINUED

8. Deferred Retirement Option Program Participation

The following table shows the percentage of membership that is assumed to enter DROP.

Firefighters	Municipal Employees	Police Officers
65%	20%	40%

Members are assumed to make a one-time decision regarding DROP participation at first eligibility. If an active member is past first eligibility, it is assumed that the active member will make a one-time decision regarding DROP participation in the upcoming year.

All DROP participants are assumed to participate in DROP for at least two years before retiring.

9. Overtime and Other Pay

A member's valuation pay, upcoming year's gross salary, is determined by applying the "loads" shown in the following table to their base salary rate.

Employee Group	Overtime Load	Other-Pay Load	Total Base Pay Load
Firefighters	12.00%	2.50%	14.50%
Municipal Employees	3.50%	1.25%	4.75%
Police Officers	8.50%	4.50%	13.00%

10. Average Earnings Overtime Load

Due to a potentially higher percentage of overtime worked during the three-year final average earnings period, benefits are increased by the following loads for each of the three member groups.

Employee Group	Benefit Load
Firefighters	5.80%
Municipal Employees	5.50%
Police Officers	0.50%

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
ACTUARIAL ASSUMPTIONS AND METHODS
AS OF SEPTEMBER 30, 2010**

A. ACTUARIAL ASSUMPTIONS – CONTINUED

11. Sick-Leave Service Conversions

Due to sick-leave service conversions, retirement benefits and terminated vested benefits are increased by 2.00%, 3.75% and 2.50%, respectively, for Firefighters, Municipal Employees and Police Officers.

12. Administrative Expense

No provision is made for administrative expense in the normal cost or actuarial accrued liability. The assumed investment return represents the anticipated net rate of return after payment of all investment and administrative expenses.

13. Payroll Growth Rate

3.50% per annum, used to amortize the unfunded actuarial accrued liabilities.

14. Spousal Age Difference

Male members are assumed to be 3 years older than their spouses. Female members are assumed to be 3 years younger than their spouses.

15. Marital Assumption

75% of participants are assumed to be married. This assumption is assumed to cover the cost of the pre-retirement death benefits for spouses and dependent children/parents.

B. ASSET VALUATION METHOD

The actuarial value of assets is based on the market value of assets with a five-year phase-in of actual investment returns in excess of (less than) expected investment income. Expected investment income is determined using the assumed investment return rate and the market value of assets (adjusted for receipts and disbursements during the year). In no event will this amount exceed 120% of market value or be less than 80% of market value.

C. ACTUARIAL COST METHOD

The funding period required to amortize the unfunded actuarial accrued liability (UAAL) is determined using the Individual Entry Age Normal actuarial cost method. This method assigns the Fund's total actuarial present value of future benefits to various periods. The actuarial accrued liability is assigned to years prior to the valuation, and the normal cost is assigned to the year following the valuation. The remaining costs are assigned to future years.

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
ACTUARIAL ASSUMPTIONS AND METHODS
AS OF SEPTEMBER 30, 2010**

C. ACTUARIAL COST METHOD – CONTINUED

The normal cost is determined on an individual basis. The actuarial accrued liability is the difference between the total present value of future benefits and the actuarial present value of future normal costs. The unfunded actuarial accrued liability (UAAL) is the excess of the actuarial accrued liability over the actuarial value of assets.

The balance of the City's contributions -- the remainder after paying its share of the normal cost -- is used to amortize the unfunded actuarial accrued liability. The funding period is the length of time required for the unfunded actuarial accrued liability to be completely amortized, assuming that the portion used to reduce the UAAL remains level as a percentage of total payroll, which is assumed to grow 3.50% per year.

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS CITY PLAN
AS OF JANUARY 1, 2010**

A. Expected Return on Assets for Prior Year

1 Market value of assets at January 1, 2009	\$	1,330,327,159
2 Actual contributions and distributions in prior year weighted for timing.		

	Item	Amount	Weight for Timing	Weighted
	(1)	(2)	(3)	(4)
a.	Employer and Employee Contributions	\$ 90,699,012	45.833%	\$ 41,570,381
b.	Benefit Payments	(117,320,930)	54.167%	(63,548,837)
c.	Total			\$ (21,978,456)

3 Market value of assets adjusted for timing of actual contributions and distributions	\$	1,308,348,703
4 Assumed rate of return on plan assets for prior year		8.5%
5 Expected Return		111,209,640

B. Actual Return on Assets for Prior Year

1 Market value of assets at January 1, 2009	1,330,327,159
2 Contributions for prior plan year	90,699,012
3 Benefits paid in prior plan year	117,320,930
4 Market value at December 31, 2009	1,583,970,296
5 Actual return	280,265,055
C Investment Gain/(Loss) for Prior Year	169,055,415

D. Actuarial Value of Assets as of January 1, 2010

1 Market value of assets at January 1, 2009	\$	1,583,970,296
2 Deferred investment gains or (losses) for last year and four preceding years:		

	Year Ending*	Gain/Loss	Percent Recognized	Percent Deferred		Deferred Amount
a	2009	169,055,415	20%	80%	\$	135,244,332
b	2008	(710,261,514)	40%	60%		(426,156,909)
c	2007	(57,526,186)	60%	40%		(23,010,474)
d	2006	145,438,889	80%	20%		29,087,778
e	2005	89,103,030	100%	0%		-
f	Total				\$	(284,835,273)

3 Asset value adjusted for deferred gains and (losses)	1,868,805,569
--	---------------

4 Corridor for actuarial value

a 80% of Item 1		1,267,176,237
b 120% of Item 1		1,900,764,355

5 Actuarial value of plan assets	\$	1,868,805,569
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* For years 2005 and prior, the year ending is as of September 30th. For years 2006 and later the year ending is December 31st.

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS STAFF PLAN
AS OF JANUARY 1, 2010**

A. Expected Return on Assets for Prior Year

1 Market value of assets at January 1, 2009	\$	214,485
2 Actual contributions and distributions in prior year weighted for timing.		
Item	Amount	Weight for Timing
(1)	(2)	(3)
(4)	(4)	(4)
a. Employer and Employee Contributions	242,976	45.833%
b. Benefit Payments	-	54.167%
c. Total	\$ 111,364	
3 Market value of assets adjusted for timing of actual contributions and distributions	\$	325,849
4 Assumed rate of return on plan assets for prior year		8.50%
5 Expected Return		27,697

B. Actual Return on Assets for Prior Year

1 Market value of assets at January 1, 2009		214,485
2 Contributions for prior plan year		242,976
3 Benefits paid in prior plan year		-
4 Market value at December 31, 2009		537,927
5 Actual return		80,466
C Investment Gain/(Loss) for Prior Year		52,769

D. Actuarial Value of Assets as of January 1, 2010

1 Market value of assets at December 31, 2009		\$ 537,927			
2 Deferred investment gains or (losses) for last year and four preceeding years:					
Year Ending*	Gain/Loss	Percent Recognized			
Percent Deferred	Deferred Amount	Deferred Amount			
a	2009	52,769	20%	80%	\$ 42,216
b	2008	(83,285)	40%	60%	(49,971)
c	2007	N/A	60%	40%	N/A
d	2006	N/A	80%	20%	N/A
e	2005	N/A	100%	0%	N/A
f Total					\$ (7,755)
3 Asset value adjusted for deferred gains and (losses)					545,682
4 Corridor for actuarial value					
a 80% of Item 1					430,342
b 120% of Item 1					645,512
5 Actuarial value of plan assets					\$ 545,682

* The plan did not exist prior to September 2007. The five year smoothing of deferred gains and (losses) began with 2008 plan year.

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
ACTUARIAL GAIN OR LOSS FOR PLAN YEAR
ENDING DECEMBER 31, 2009**

A. CALCULATION OF TOTAL ACTUARIAL GAIN OR LOSS	CITY PLAN		STAFF PLAN	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
1 Unfunded actuarial accrued liability (UAAL) for prior year	\$ 595,735,591	\$ 237,543,713	\$ 487,809	\$ 410,979
2 Normal cost for previous year	63,599,829	61,125,130	156,055	120,432
3 Actual contributions during the year				
a. Employee	(31,398,194)	(30,505,262)	(83,528)	(61,430)
b. Employer	(59,300,818)	(57,755,888)	(159,448)	(117,202)
c. Total	(90,699,012)	(88,261,150)	(242,976)	(178,632)
4 Interest at previous year's rate 8.5%				
a. On UAAL	50,637,525	20,191,216	41,464	34,933
b. On normal cost	5,405,985	5,195,636	13,265	10,237
c. On contributions	(3,533,482)	(3,438,507)	(9,466)	(6,959)
d. Total	52,510,028	21,948,345	45,263	38,211
5 Expected UAAL	621,146,436	232,356,038	446,152	390,990
6 Actual UAAL	431,737,003	595,735,591	428,112	487,809
7 Total gain/(loss) for the year	\$ 189,409,433	\$ (363,379,553)	\$ 18,040	\$ (96,819)
B. SOURCE OF GAINS AND LOSSES				
8. Gain due to assumption change	\$ 6,314,298	\$ -	\$ 61,290	\$ -
9. Gain/(loss) due to ad hoc COLA paid to retirees	-	(17,702,076)		
10. Asset gain/(loss) for the year	165,209,695	(360,777,379)	13,982	(40,389)
11. AAL experience gain/(loss) for the year	17,885,440	15,099,902	(57,232)	(56,430)
12. Total experience gain/(loss) for the year	\$ 183,095,135	\$ (345,677,477)	\$ (43,250)	\$ (96,819)
13. Experience liability gain/(loss) as a percentage of total AAL	0.78%	0.69%	-5.88%	-7.57%
14. Total experience gain.(loss) as percentage of total liability	7.96%	-15.77%	-4.44%	-12.99%

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
ANALYSIS OF NORMAL COST BY COMPONENT**

	CITY PLAN		STAFF PLAN	
	<u>December 31, 2009</u>	<u>December 31, 2008</u>	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Retirement Benefits	15.08%	14.81%	12.11%	11.64%
Vested Termination Benefits	1.00%	0.89%	1.46%	1.28%
Refund of Contributions	0.87%	0.87%	1.45%	1.45%
Death Benefits	0.33%	0.33%	0.25%	0.24%
Disability Benefits	<u>0.48%</u>	<u>0.92%</u>	<u>0.44%</u>	<u>0.80%</u>
 Totals	 <u><u>17.76%</u></u>	 <u><u>17.82%</u></u>	 <u><u>15.71%</u></u>	 <u><u>15.41%</u></u>

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
RETIREES, BENEFICIARIES AND DISABLED PARTICIPANTS
ADDED TO AND REMOVED FROM ROLLS - CITY PLAN**

Valuation Date	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS-END OF YEAR		% Increase in Annual Allowances	Average Annual Allowances
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
October 1, 2005	185	\$ 4,949,161	131	\$ 2,204,062	3,083	\$ 78,653,496	5.3%	\$ 25,512
January 1, 2007	219	7,235,582	143	2,621,871	3,159	85,861,620	9.2%	27,180
January 1, 2008	198	6,385,549	153	3,107,618	3,204	90,737,280	5.7%	28,320
January 1, 2009	248	9,350,372	148	2,998,471	3,304	99,516,480	9.7%	30,120
January 1, 2010	238	8,153,702	93	1,824,382	3,449	106,656,876	7.2%	30,924

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
CITY OF FORT WORTH EMPLOYEES' RETIREMENT FUND
SOLVENCY TEST JANUARY 1, 2010**

Valuation Date (1)	AGGREGATED ACCRUED LIABILITIES FOR				PORTIONS OF ACCRUED LIABILITIES COVERED BY REPORTED ASSETS		
	Active and Inactive Members Contributions (2)	Retirees and Beneficiaries (3)	Active/Inactive Members (Employers Financed Portion) (4)	Reported Assets (5)	(5)/(2)	{(5)-(2)}/(3)	{{(5)-(2)}-(3)}/(4)
CITY PLAN							
October 1 2005	\$ 259,252,770	\$ 822,458,005	\$ 812,561,306	\$ 1,482,940,173	100%	100%	49%
January 1, 2007	289,473,807	872,478,804	906,890,058	1,658,181,113	100%	100%	55%
January 1, 2008	318,715,416	875,564,022	864,952,655	1,821,688,380	100%	100%	73%
January 1, 2009	342,958,419	955,810,867	893,358,896	1,596,392,591	100%	100%	33%
January 1, 2010	331,176,453	1,029,395,076	939,971,043	1,868,805,569	100%	100%	54%
STAFF PLAN							
January 1, 2008	\$ 17,343	\$ -	\$ 497,027	\$ 103,391	100%	100%	17%
January 1, 2009	78,773	-	666,417	257,381	100%	100%	27%
January 1, 2010	212,334	-	761,460	545,682	100%	100%	44%

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
DISTRIBUTION OF ACTIVE MEMBERS BY AGE AND YEARS OF SERVICE**

CITY PLAN

Years of Service	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Up	Total
ATTAINED AGE	Number and Average Comp	Number and Average Comp	Number and Average Comp	Number and Average Comp	Number and Average Comp	Number and Average Comp	Number and Average Comp	Number and Average Comp	Number and Average Comp	Number and Average Comp	Number and Average Comp	Number and Average Comp	No. & Avg Comp
Up to 20	1 25,863	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	1 25,863
20-24	40 36,797	52 44,240	65 36,734	15 43,321	5 41,110	- -	- -	- -	- -	- -	- -	- -	177 39,635
25-29	52 37,497	104 47,230	165 45,586	64 50,115	49 52,521	112 52,910	3 42,182	- -	- -	- -	- -	- -	549 47,754
30-34	42 43,380	75 46,289	130 47,046	65 51,394	56 52,650	269 58,852	88 59,775	- -	- -	- -	- -	- -	725 53,503
35-39	24 39,005	64 46,421	84 45,194	62 51,475	40 47,537	270 60,103	247 70,109	44 68,862	1 48,870	- -	- -	- -	836 59,115
40-44	39 42,181	46 43,714	84 41,717	52 48,131	26 52,738	182 54,605	266 66,551	216 78,349	75 76,617	- -	- -	- -	986 62,216
45-49	39 37,443	45 43,105	76 43,196	51 53,657	31 48,155	149 51,418	216 61,581	154 74,662	250 79,655	135 79,141	2 59,797	- -	1,148 64,539
50-54	20 38,014	36 43,990	44 41,473	47 43,588	41 47,557	123 48,750	130 58,452	82 63,970	163 72,881	135 79,030	62 82,843	- -	883 61,940
55-59	19 46,794	19 45,413	34 48,465	34 48,036	18 50,587	107 54,278	98 53,688	61 60,705	95 65,371	69 86,283	35 83,854	9 70,391	598 60,950
60-64	15 35,454	12 57,855	26 35,439	23 58,159	11 47,632	65 55,290	53 52,501	43 57,677	27 57,257	13 77,995	9 65,379	3 86,621	300 54,246
65 and over	6 45,141	1 40,177	5 37,403	4 51,537	4 47,558	19 53,360	12 57,504	9 61,808	11 62,624	1 64,884	1 43,271	1 65,646	74 54,287
Total Number	297	454	713	417	281	1,296	1,113	609	622	353	109	13	6,277
Average Comp	39,606	45,785	43,744	50,010	50,062	55,552	62,930	71,324	74,009	80,412	80,939	73,772	58,680

STATISTICAL SECTION
(unaudited)

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

The objective of the Statistical Section is provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the Financial Statements, Notes to the Basic Financial Statement and Required Supplementary Information to understand and assess the Fund. All information was derived from Audited Annual Financial Statements and/or our Benefit Administration System.

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
SCHEDULE OF CHANGES IN PLAN NET ASSETS**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Additions										
Employer Contributions	\$ 65,798,933	\$ 59,753,832	\$ 57,602,630	\$ 37,446,707	\$ 37,067,263	\$ 31,747,430	\$ 29,111,415	\$ 27,882,660	\$ 27,208,058	\$ 26,543,092
Member Contributions	31,634,673	31,600,938	30,411,238	29,341,702	26,676,280	25,043,151	23,021,867	21,933,417	21,245,429	20,239,589
Investment Income	149,366,916	(29,921,103)	(333,096,236)	262,158,971	185,769,574	206,642,037	192,805,500	205,232,598	(75,059,801)	(225,795,833)
Other										
Total Additions to Plan Net Assets	\$ 246,800,522	\$ 61,433,667	\$ (245,082,368)	\$ 328,947,380	\$ 249,513,117	\$ 263,432,618	\$ 244,938,782	\$ 255,048,675	\$ (26,606,314)	\$ (179,013,152)
Deductions										
Retirement	\$ 87,567,730	\$ 80,402,567	\$ 74,728,442	\$ 69,542,412	\$ 64,871,561	\$ 61,099,824	\$ 58,220,646	\$ 55,533,895	\$ 52,069,649	\$ 48,294,955
Disability	5,663,538	5,428,316	5,433,102	5,221,822	5,148,738	5,112,501	4,878,409	4,546,849	4,290,793	3,964,513
Survivors	13,827,408	13,502,643	12,038,291	12,085,742	11,446,171	10,940,761	10,480,526	10,086,300	9,722,728	9,352,644
Drop Payouts	10,683,105	9,429,453	6,613,521	3,281,072	2,886,909	1,392,801	473,720	-	-	-
Actuarial Equivalent	1,778,068	2,255,842	1,758,108	2,082,469	1,984,535	1,698,731	1,155,678	1,836,359	2,856,749	3,633,462
Refund of Contributions	3,641,236	2,991,943	3,648,236	3,485,210	3,146,172	3,133,901	2,967,132	2,735,835	2,751,825	3,333,856
Depreciation	113,580	71,687	-	-	-	-	-	-	-	-
Administrative Expenses	2,589,783	2,310,925	2,230,173	1,985,742	1,911,114	1,407,023	1,141,119	1,170,964	909,897	1,022,823
Total Deductions From Plan Net Assets	125,864,448	116,393,376	106,449,873	97,684,469	91,395,200	84,785,542	79,317,230	75,910,202	72,601,641	69,602,253
Net Assets as of September 30	\$ 1,658,047,549	\$ 1,537,111,475	\$ 1,592,071,184	\$ 1,943,603,425	\$ 1,712,340,514	\$ 1,554,222,597	\$ 1,375,575,521	\$ 1,209,953,969	\$ 1,030,815,500	\$ 1,130,023,455

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
SCHEDULE OF REVENUE BY SOURCE
FOR THE SIX YEARS ENDED SEPTEMBER 30, 2010
THE FUND**

Fiscal Year Ended	Member Contributions	Employer Contributions	Investment Income	Total Revenue
September 30, 2005	\$ 21,909,250	\$ 31,747,430	\$ 206,642,037	\$ 260,298,717
September 30, 2006	26,676,280	37,067,263	185,769,574	249,513,117
September 30, 2007	29,341,702	37,446,707	262,158,971	328,947,380
September 30, 2008	30,411,238	57,602,630	(333,096,236)	(245,082,368)
September 30, 2009	31,600,938	59,753,832	(29,921,103)	61,433,667
September 30, 2010	31,634,673	65,798,933	149,366,916	246,800,522

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
SCHEDULE OF BENEFITS BY TYPE
FOR THE SIX YEARS ENDED SEPTEMBER 30, 2010**

Fiscal Year Ended	Retirement Benefits	Actuarial Equivelent	Disability Benefits	Survivor Benefits	Drop Payments	Total Benefits
September 30, 2005	\$ 61,099,824	\$ 1,698,731	\$ 5,112,501	\$ 10,940,761	\$ 1,392,801	\$ 80,244,618
September 30, 2006	64,871,561	1,984,535	5,148,738	11,446,171	2,886,909	86,337,914
September 30, 2007	69,542,412	2,082,469	5,221,822	12,085,742	3,281,072	92,213,517
September 30, 2008	74,728,442	1,758,108	5,433,102	12,038,291	6,613,521	100,571,464
September 30, 2009	80,402,567	2,255,842	5,428,316	13,502,643	9,429,453	111,018,821
September 30, 2010	87,567,730	1,778,068	5,663,538	13,827,408	10,683,105	119,519,849

**EMPLOYEES' RETIREMENT FUND OF
THE CITY OF FORT WORTH, TEXAS
SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS
FOR THE SIX YEARS ENDED SEPTEMBER 30, 2010**

<u>As of Date</u>	<u>Number of Retirees Receiving Benefits</u>	<u>Benefits Paid During the Year</u>	<u>Average Monthly Benefit</u>
October 1, 2004	3029	\$ 78,176,111	\$ 2,055
October 1, 2005	3083	80,244,618	2,126
September 30, 2006	*		
January 1, 2007	3159	86,104,546	2,265 **
January 1, 2008	3204	93,515,355	2,360
January 1, 2009	3204	102,574,801	2,510
January 1, 2010	3449	\$ 114,364,065	\$ 2,577

* During 2006 the Plan moved it's actuarial valuation from fiscal year to calendar year to more closely match how the membership's benefits are calculated.