Grant Thornton

2015 Presentation to the Board of Trustees of City of Dallas Employees' Retirement Fund

Attendees:

Juliet Williams, Audit Manager

Diccy Thurman, Subcontractor

Our values are CLEARR

To achieve our global vision, we capitalize on our strengths by embracing the following values:

- Unite through global **Collaboration**
- Demonstrate **Leadership** in all we do
- Promote a consistent culture of **Excellence**
- Act with **Agility**
- Ensure deep **Respect** for people
- Take **Responsibility** for our actions

Our values serve as the foundation of each step we take toward achieving our vision. They guide our decision-making and provide a framework for our people to make correct and appropriate choices.

Our responsibilities

We are responsible for:

- Performing an audit under US GAAS of the financial statements prepared by management, with your oversight
- Forming and expressing an opinion about whether the financial statements are presented fairly, in all material respects in accordance with US GAAP
- Reading other information and considering whether it is materially inconsistent with the financial statements
- Communicating specific matters to you on a timely basis; we do not design our audit for this purpose

An audit provides reasonable, not absolute, assurance that the financial statements do not contain material misstatements due to fraud or error. It does not relieve you or management of your responsibilities. Our respective responsibilities are described further in our engagement letter.

Those Charged with Governance and Management responsibilities

Those Charged with Governance

Those charged with governance are responsible for:

- Overseeing the financial reporting process
- Setting a positive tone at the top and challenging the Fund's activities in the financial arena
- Discussing significant accounting and internal control matters with management
- Informing us about fraud or suspected fraud, including its views about fraud risks
- Informing us about other matters that are relevant to our audit, such as:
  - Objectives and strategies and related business risks that may result in material misstatement
  - Matters warranting particular audit attention
  - Significant communications with regulators
  - Matters related to the effectiveness of internal control and your related oversight responsibilities
  - Your views regarding our current communications and your actions regarding previous communications

Management

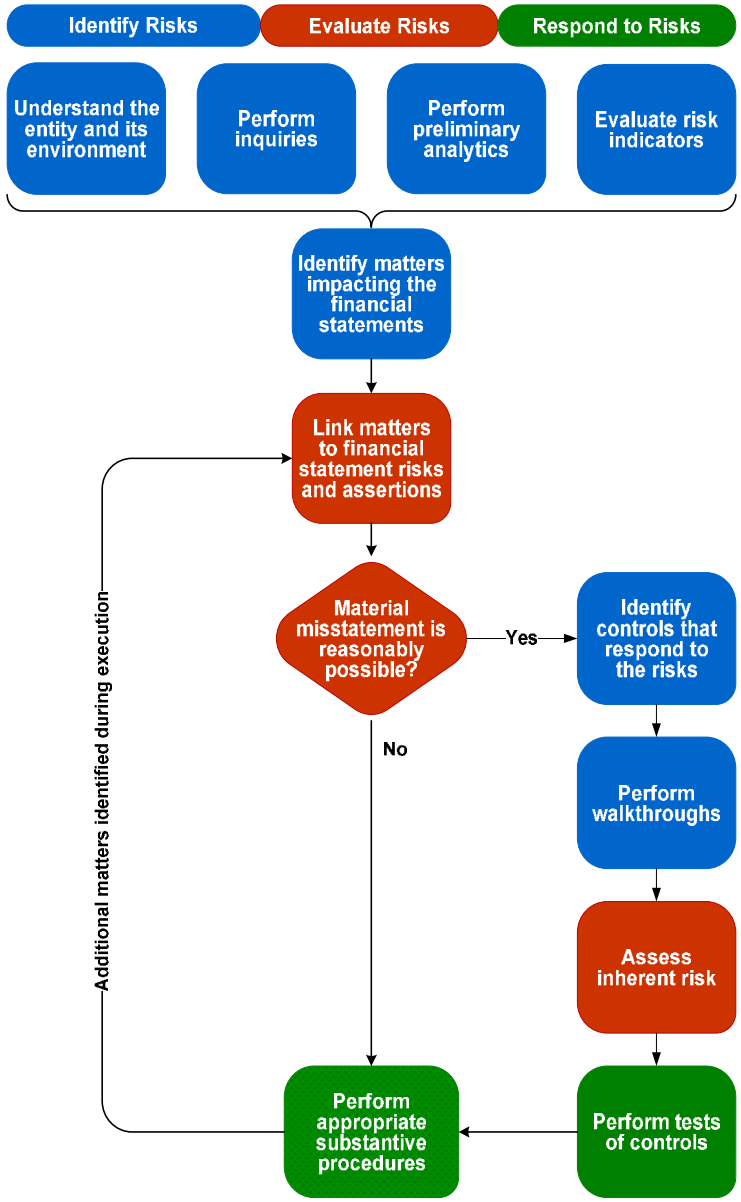
Management is responsible for:

- Preparing and fairly presenting the financial statements in accordance with US GAAP
- Designing, implementing, evaluating, and maintaining effective internal control over financial reporting
- Communicating significant accounting and internal control matters to those charged with governance
- Providing us with unrestricted access to all persons and all information relevant to our audit
- Informing us about fraud, illegal acts, significant deficiencies, and material weaknesses
- Adjusting the financial statements, including disclosures, to correct material misstatements
- Informing us of subsequent events
- Providing us with certain written representations

Horizon audit methodology

We approach our audit by:

- Understanding the Fund's business, including the environment it operates in
- Using that knowledge and understanding to analyze the Fund's financial statements
- Determining materiality
- Identifying areas more likely to be materially misstated
- Focusing audit attention and effort on those areas



Materiality

Essentially, materiality is the magnitude of an omission or misstatement that likely influences a reasonable person's judgment. It is based on a relevant financial statement benchmark.

- We believe that net assets is the appropriate benchmark for the Fund.

Financial statement items greater than materiality are in scope. Other areas less than materiality may be in scope if qualitative factors are present (for example, related party relationships or transactions and fraud risk).

Use of the work of others

Specialists

GT firm actuary reviewed the actuarial valuation reports prepared by Gabriel Roeder Smith & Company.

GT also consulted with our pricing group to assist with the valuation of selected investments.

Subcontractor

As part of our commitment to participation of minority-owned firms, we engaged Owens & Thurman, PC to perform audit procedures under our direction.

Areas of Audit Focus

The following provides an overview of the areas of audit focus based on our risk assessments.

Areas of focus	Results

Investments	• Confirmation with Fund's custodian (Northern Trust) and investment managers
	• Verification of fair value:
	  • Market quotes for equities and fixed-income securities
	  • Recalculation of net assets value from audited financial statements for private equity, real estate, and commingled index funds

Participant Benefits	• Examination of benefits on a test basis • Tests of eligibility of participants
Actuarial valuation	• Review of assumptions and methodology used by actuary • Tests of census data used in the calculation for accuracy • Reviewed related disclosures

Results of Financial Statement Audit

- Unmodified 'clean' opinion
- No findings of noncompliance or material weaknesses noted
- No scope limitations
- No recorded or unrecorded adjustments to identified

Internal control matters

Our responsibility

- Obtain reasonable assurance about whether the financial statements are free of material misstatement
- Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control
- We express no opinion on the effectiveness of internal control

Definitions

- A deficiency in internal control ("control deficiency") exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.
- A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the fund's financial statements will not be prevented, or detected and corrected, on a timely basis.

Other required communications

Disagreements with management

No disagreements about matters that individually or in the aggregate could be significant to the Fund's financial statements or the auditor's report.

Management's consultations with other accountants

We are not aware of any consultations with other accountants on significant accounting or auditing matters.

Significant issues discussed with management

There were no significant issues discussed with management.

Significant difficulties encountered during the audit

There were no significant difficulties encountered during the audit.

Quality of accounting practices and alternative treatments

Accounting policies

Accounting policies were consistent and appropriate in their application.

Accounting estimates

- Actuarially determined amounts, including net pension liability and changes in net pension liability.
- Fair value of investments, including private equities and real estate.

We have performed tests to satisfy ourselves that these amounts are free from material misstatement

Disclosures

Disclosures were consistent and appropriate in their application

Commitment to promote ethical and professional excellence

We are committed to promoting ethical and professional excellence. To advance this commitment, we have put in place a phone and Internet-based hotline system.

The Ethics Hotline (1.866.739.4134) provides individuals a means to call and report ethical concerns.

The EthicsPoint URL link

- Can be found on our internal website
- Can be accessed from our external website (https://secure.ethicspoint.com/domain/en/report_custom.asp?clientid=15191)

Disclaimer: EthicsPoint is not meant to act as a substitute for a company's "whistleblower" obligations.

Grant Thornton's Client Service Cycle

Grant Thornton's Client Service Cycle is our model for delivering high quality, personalized service. Our commitment to this recurring process helps us ascertain that you receive the full benefits of working with us, year after year.

- What's important to you?
- How would you rate the team's overall service delivery?
- Would you refer Grant Thornton to a friend or colleague?

This communication is intended solely for the information and use of management and the Board of Trustees of City of Dallas Employees' Retirement Fund and is not intended to be and should not be used by anyone other than these specified parties.

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