2020 Audit Wrap Up Presentation and Discussion

Employees' Retirement Fund Fund of the City of Dallas

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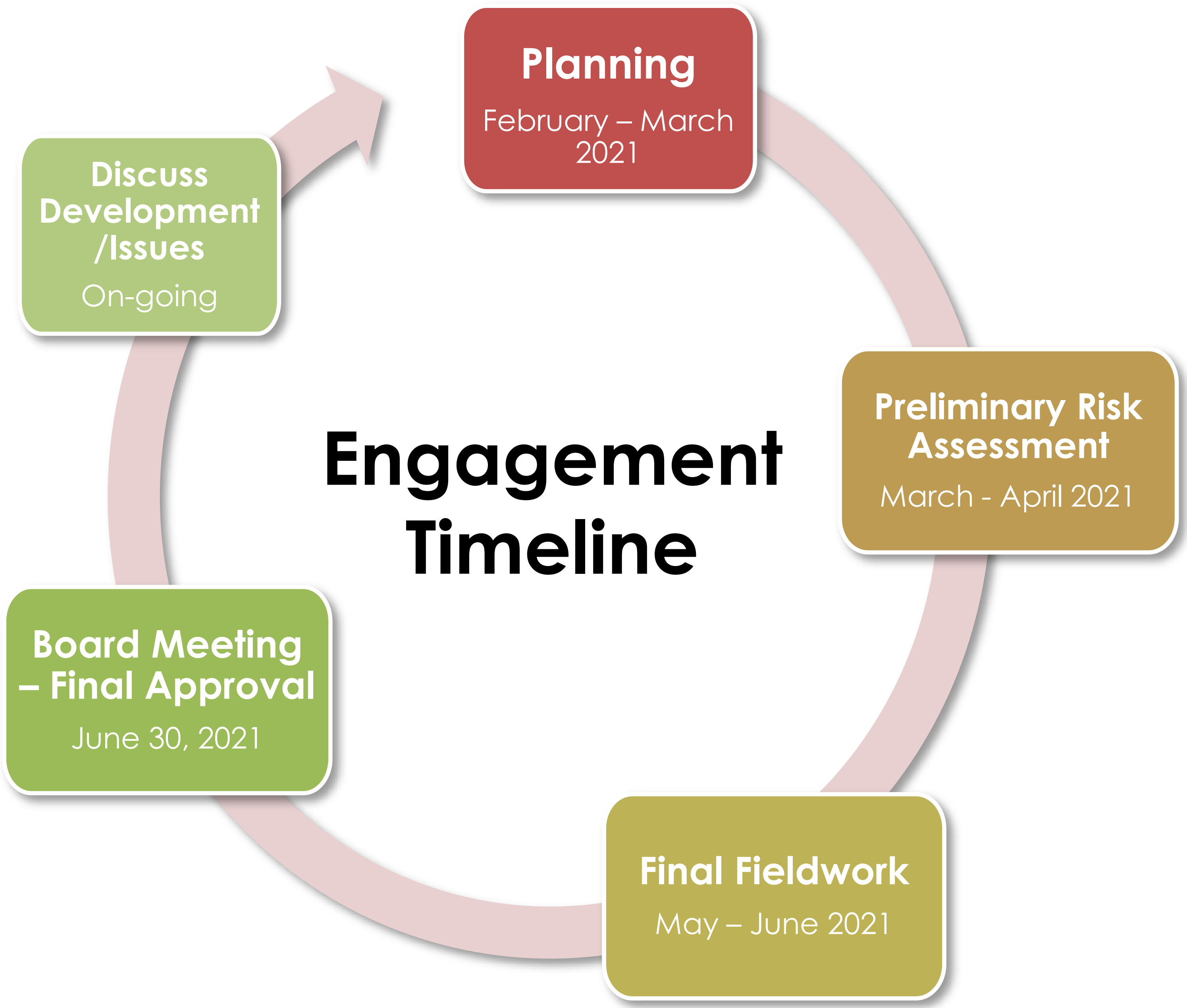
Team in Attendance

Aracely Rios, CPA
Partner,
Employee Benefit Plans

- **18+ years** of public accounting experience
- Practice emphasis in auditing employee benefit plans, including government pensions
- Dallas office

Jeff Wada, CPA
Manager,
Employee Benefit Plans

- **8+ years** of public accounting experience
- Practice emphasis in auditing cities and government pensions
- Dallas office


Planning
February – March 2021
Preliminary Risk Assessment
March - April 2021
Final Fieldwork
May – June 2021
Board Meeting – Final Approval
June 30, 2021
Discuss Development /Issues
On-going
Engagement Timeline

Audit Testing

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Our audit process is a risk-based approach in which we identified potential areas of risk that could lead to material misstatement of the financial statements.

Financial Statement Level Risk	Procedures Performed
Management override of internal controls	- tested approval of journal entries - agreed disclosures to support - tested estimates for reasonableness

Audit Areas of Focus	Procedures Performed
Investments	- Confirmation with Plan's custodian (Northern Trust) and investment managers - Recalculation of net asset value from audited financial statements for private equity, real estate, and collective investment funds - Use of third party database, Interactive Data Services to test fair values of level 1 and 2 investments
Participant Benefit Payments	- Examination of benefits on a test basis - Tested eligibility of participants - Recalculated benefits in accordance with plan provisions - Compared recurring payments year over year and inquired of any differences outside of expectations
Participant Data and Census	- Reconciled census from actuary to underlying payroll information - Tested a sample of key participant data to underlying HR records - Recalculated employee and employer contributions
Actuarial Valuation	- Reviewed assumptions and methodology used by actuary - Reviewed related disclosures

Financial Audit Results

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Type of Report:	UNMODIFIED
Internal control over financial reporting:	
Any material weakness(es) identified?	NO
Any significant deficiencies that are not material weaknesses?	NO

Required Communications to Those in Charge of Governance

Communication	Results
Auditor's responsibility under generally accepted auditing standards (GAAS)	The financial statements are the responsibility of the Plan. Our audit was designed in accordance with GAAS in the U.S. and provide for reasonable rather than absolute assurance that the financial statements are free of material misstatement. Our responsibility is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. The audit of the fiscal year 2020 financial statements is complete and we plan to issue an unmodified opinion.

Required Communications to Those in Charge of Governance

Communication	Results
Unusual transactions and the adoption of new accounting principles	The significant accounting policies used by the Plan are reasonable We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus.

Required Communications to Those in Charge of Governance

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Communication	Results
Fraud and illegal acts	No material errors, irregularities, or illegal acts were noted.
Material weakness in internal control	No material weaknesses noted.
Other information contained in documents containing audited financial statements	No such items.
Management consultations	We are not aware of management consulting with other accountants for a second opinion.

Required Communications to Those in Charge of Governance

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Communication	Results
Difficulties encountered	No difficulties or disagreements arose during the course of our audit.
Management representations	We will request certain representations from management that will be included in the management representation letter
Auditor independence	No independence issues noted.
Other information contained in documents containing audited financial statements	We performed limited procedures on the Management's Discussion and Analysis (MD&A) and Required Supplementary Information (RSI). We did not provide any assurance on this information and other supplementary information.
Management judgments and accounting estimates	Management's estimates of investment fair values; investment classifications; and net pension liability actuarial valuation were evaluated and determined to be reasonable in relation to the financial statements as a whole.

Required Communications to Those in Charge of Governance

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Communication	Results
Audit adjustments and Passed adjustments	Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no passed adjustments during the audit. In addition, there were no uncorrected misstatements identified as a result of our audit procedures.
Other material written communications between Weaver and Tidwell, L.L.P., and the Plan	Nothing to note. No going concern issues identified or subsequent events.

Use of Other Auditors

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Specialists

Weaver uses a third party pricing service for level 1 and level 2 investments

Subcontractor

As part of our commitment to participate of minority-owned firms, we engaged Fernandez & Company, P.C. to perform audit procedures under our direction and supervision

DISCUSSION

Contact Us

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EMPLOYEES' RETIREMENT FUND OF THE CITY OF DALLAS

Financial Statements
As of December 31, 2020 and 2019
With Independent Certified Public Accountant's Report Thereon

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

(Required Supplementary Information)

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

The Management’s Discussion and Analysis of the Employees’ Retirement Fund of the City of Dallas (“ERF” or “the Plan”) financial performance provides an overview of the financial activities and funding conditions for the fiscal years ended December 31, 2020, 2019, and 2018. The intent of this discussion and analysis is to give a narrative overview and analysis of the Plan’s financial performance as a whole. For more detailed information regarding performance, readers should also review the Financial Statements, Notes to the Financial Statements, and Required Supplementary Information in order to enhance their understanding of the Plan’s financial performance.

FINANCIAL STATEMENTS

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

- A Statement of Fiduciary Net Position that provides information about the fair value and composition of plan assets, plan liabilities, and fiduciary net position; and
- A Statement of Changes in Fiduciary Net Position that provides information about the year-to-year Changes in Fiduciary Net Position.

There are also notes to the Financial Statements that include a brief Plan description, a summary of significant accounting policies, and information about contributions, legally required reserves, investment concentrations, and the Net Pension Liability. The report also contains required supplementary information in addition to the basic financial statements. Collectively, this information presents the Net Position Restricted for Pension Benefits and summarizes the Changes in Net Position for those benefits.

FINANCIAL HIGHLIGHTS

Fiscal year 2020 experienced an increase in investments. The Plan’s Financial Highlights for fiscal year ended December 31, 2020 are as follows:

- The Plan had a return of 5.8% for the year, a 5-year return of 8% and a 10-year return of 7.6%.
- The Net Position Restricted for Pension Benefits was $3.7 billion as of December 31, 2020. This amount reflects an increase of $49 million from last year. This growth is primarily the result of net increases in investments.
- Total contributions for fiscal year 2020 were $119.9 million, a decrease of approximately $518 thousand from last fiscal year. This is primarily attributed to furloughs and a decrease in number of employees hired due to the pandemic.
- Pension benefits paid to retirees and beneficiaries increased $9.4 million in 2020 compared to 2019, bringing the total benefit payments to $287 million. Refunds of contributions paid to former members after termination of employment were $7 million for 2020 and $10 million for 2019.
- Net Investment Income (net appreciation/(depreciation) in the fair value of investments, plus interest and dividend income, less investment expenses) decreased $322 million compared to last fiscal year.
- Administrative Expenses of $5.7 million in 2020 were lower than 2019 by $1.8 million due primarily to a reduction in legal fees.

CONDENSED FINANCIAL INFORMATION

($ in thousands)

As of and for the FY Ended December 31,	2020	2019	2018
Fiduciary Net Position			
Assets	$4,376,675	$4,325,968	$4,120,996
Liabilities	669,922	667,880	838,683
Fiduciary Net Position Restricted for Pension Benefits	$3,706,753	$3,658,088	$3,282,313
Changes in Fiduciary Net Position			
Additions:			
Employer contributions	$61,615	$62,177	$60,924
Employee contributions	58,358	58,314	56,772
Investment & other income/(loss), net	229,105	551,243	(167,662)
Deductions:			
Benefit payments	$287,465	$278,007	$263,981
Refund of contributions	6,857	10,436	8,515
Administrative expenses	5,699	7,513	7,484
Depreciation expense	392	3	1
Change in Fiduciary Net Position Restricted for Pension Benefits	$48,665	$375,775	($329,947)
Net Position Restricted for Pension Benefits:			
Beginning of Year	3,658,088	3,282,313	3,612,260
End of Year	$3,706,753	$3,658,088	$3,282,313

FINANCIAL POSITION AND RESULTS OF OPERATIONS

The Plan's total investment return for fiscal year 2020 was 5.8% as compared to 17.6% in 2019 and -4.4% in 2018. The one-year return was below the policy benchmark of 7.5%. The Plan has performed well over longer time periods. The Plan's 5-year return is 8% which is below the policy benchmark of 8.5%. The 10-year return is 7.6%, which is above the policy benchmark of 7.5%.

The best performing asset class in 2020 was Domestic Equity. Dallas ERF's Domestic Equity portfolio earned 16.4%. Both Global Equity and International Equity had a return of 16.1% and 15.6%, respectively in 2020. Global Low Volatility Equity had a return of -0.05%, lagging the benchmark MSCI ACWI Minimum Volatility Index of 2.7%.

The Plan's Fiduciary Net Position increased from $3.658 billion in fiscal year 2019 to $3.707 billion in 2020, an increase of approximately $49 million. This growth is primarily due to an increase in the fair value of equity investments, specifically Domestic, International, and Global Equity. Changes to the Plan's Fiduciary Net Position consist of employer and employee contributions and investment income. For fiscal year 2020, changes to Fiduciary Net Position reflect a decrease of $323 million, in comparison to 2019. City and employee contributions for fiscal year 2020 were $62 million and $58 million, respectively. Total contributions for 2020 were $119.9 million compared to $120.5 million in 2019 and $118 million in 2018.

Net investment income/(loss) is presented net of investment expenses and is comprised of interest, dividend income, gains/(losses) from the sale of investments, net unrealized appreciation/(depreciation) in the fair value of investments, and net income from securities lending activities. For fiscal year 2020, the Plan had a net investment income of $229 million, (excluding non-investment Other Income of $84 thousand) compared to a net investment income of $551 million in fiscal year 2019 and a net investment loss of $168 million in 2018.

Fiscal year 2020 liabilities of $670 million showed an increase of .3% from fiscal year 2019 liabilities of $668 million. Liabilities for 2019 decreased by $218 million or 20.4% over 2018. The increase in 2020 was primarily due to an increase in securities lending collateral, and the increased use of currency contracts by the managers to hedge against changes in foreign currency rates in accordance with the managers' investment strategies and goals. Year-end balances for securities purchased were $11 million in 2020, $15 million in 2019 and $9 million in 2018. Foreign currency contracts at year-end were $406 million in 2020, $433 million in 2019 and $548 million in 2018. The changes were due to investment managers' portfolio management.

Deductions from Fiduciary Net Position are largely from benefit payments. During fiscal year 2020, the increase in deductions is attributable to new retirements, as was the increase between 2018 and 2019.

New retirements were 309, 376 and 314, respectively, for fiscal years 2020, 2019 and 2018. Cost of Living Adjustments ("COLA") were 1.6% in 2020, 2.7% in 2019 and 2.1% in 2018. A COLA is granted effective January 1 of each year if there is an increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers ("CPI-W") based on the greater of either a) the change from October of the prior year to October of the current year; b) the monthly average change; or c) zero. During fiscal year 2020, refunds of contributions amounted to $6.9 million (456 refunds), compared to 2019 refunds of $10.4 million (726 refunds) and 2018 refunds of $8.5 million (626 refunds). The fiscal year 2020 refund amount reflects a decrease in the number of members requesting refunds as compared to fiscal year 2019. Administrative expenses of approximately $5.7 million represent approximately 1.9% of total deductions for the year.

CAPITAL ASSETS

The Plan's investment in capital assets as of December 31, 2020, amounts to approximately $7.4 million (net of accumulated depreciation). This investment in capital assets includes $11 thousand in Furniture and Fixtures, and $7.4 million in Intangible Assets. The total increase in capital assets for the current fiscal year was 36.1%, consisting of the implementation of new computer software.

Additional information on the Plan's Capital Assets can be found in Note 9 of this report.

CURRENT ENVIRONMENT

Plan membership for active members decreased during fiscal year 2020 from 7,427 to 7,244 members, a decrease of 2.5%. For 2020, the number of new retirements was 309 compared to 376 in 2019. The trend of benefit payments continues to increase. Similar to most mature plans, benefit payments exceed the level of contribution revenue received, and cash generated from investments is needed in order to meet benefit payments.

An actuarial valuation of the Plan's assets and benefit obligations is performed annually by an independent firm, Gabriel, Roeder, Smith & Company ("GRS"). Based on the actuarial value of assets, the funded ratio of the Plan increased from 75.7% in 2019 to 75.9% in 2020 primarily due to actuarial experience gain. The Unfunded Actuarial Accrued Liability ("UAAL") increased from $1,180 million as of December 31, 2019 to $1,188 million as of December 31, 2020. Based on accounting principles generally accepted in the United States of America ("GAAP"), the Plan Fiduciary Net Position as a percentage of the Total Pension Liability was 59.69% in 2020 as compared to 64.65% in 2019 and 59.16% in 2018. This is due to a blended discount rate of 5.27% in 2020. See Note 10 (c) for more information regarding the discount rate.

CONTACTING THE PLAN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Plan's finances. Questions and requests for additional information should be addressed to the Employees' Retirement Fund of the City of Dallas, 1920 McKinney Avenue, 10th Floor, Dallas, TX 75201.

EMPLOYEES' RETIREMENT FUND OF
THE CITY OF DALLAS
Statements of Fiduciary Net Position
As of December 31, 2020 and 2019
($ in thousands)

	2020	2019
ASSETS:		
Cash and short-term investments	$ 89,190	$ 111,496
Collateral on loaned securities	239,533	208,368
	328,723	319,864
Capital Assets:		
Construction in Progress	-	5,431
Intangible Assets, net	7,403	-
Furniture and Fixtures, net	11	14
Total capital assets (net)	7,414	5,445
Receivables:		
Currency contracts	406,360	433,426
Accrued dividends	5,006	4,586
Accrued interest	8,761	9,293
Accrued real estate income	1,158	588
Accrued securities lending	46	82
Securities sold	6,142	4,161
Employer contributions	466	2,307
Employee contributions	439	2,164
Total receivables	428,378	456,607
Investments, at fair value:		
Commingled index funds	208,318	176,734
Domestic equities	1,419,539	1,361,555
United States and foreign government fixed income securities	204,816	199,586
Domestic corporate fixed-income securities	772,004	797,531
International equities	468,520	511,041
Investments, at estimated fair value:		
Private equities	316,237	267,422
Real estate	222,726	230,183
Total investments	3,612,160	3,544,052
Total assets	4,376,675	4,325,968
LIABILITIES:		
Accounts payable	8,482	7,267
Payable for securities purchased	11,421	14,884
Investment fees payable	3,515	3,563
Currency contracts	406,360	433,426
Currency contract losses	611	372
Securities lending collateral	239,533	208,368
Total liabilities	669,922	667,880
NET POSITION		
Net Investment in capital assets	7,414	5,445
Unrestricted	3,699,339	3,652,643
Net position RESTRICTED for PENSION benefits	$ 3,706,753	$ 3,658,088

(A Schedule of Changes in Net Pension Liability is presented in the Required Supplementary Information)

The accompanying Notes are an integral part of these financial statements

EMPLOYEES' RETIREMENT FUND OF
THE CITY OF DALLAS
Statements of Changes in Fiduciary Net Position
As of December 31, 2020 and 2019
($ in thousands)

	2020	2019
Additions:		
Contributions:		
Employer	$ 61,615	$ 62,177
Employee	58,358	58,314
Total contributions	119,973	120,491
Net investment income:		
Dividends	45,461	59,827
Interest	41,006	47,373
Real estate dividend income	5,316	6,622
Net appreciation/(depreciation) in fair value of investments	153,972	453,838
Securities lending rebates paid by borrowers	(480)	(5,972)
Securities lending income	1,661	7,383
Total investment income/(loss)	246,936	569,071
Less investment expenses:		
Investment management fees	(16,971)	(17,270)
Custody fees	(125)	(125)
Consultant fees	(583)	(452)
Securities lending management fees	(236)	(282)
Total investment expenses	(17,915)	(18,129)
Net investment income/(loss)	229,021	550,942
Other income	84	301
Total additions	349,078	671,734
Deductions:		
Benefit payments	287,465	278,007
Refund of contributions	6,857	10,436
Administrative expenses	5,699	7,513
Depreciation expense	392	3
Total deductions	300,413	295,959
Net increase/(decrease) in net position restricted for pension benefits	48,665	375,775
Net position RESTRICTED FOR PENSION benefits		
Beginning of year	3,658,088	3,282,313
End of year	$ 3,706,753	$ 3,658,088

The accompanying Notes are an integral part of these financial statements

1) Description of the Plan

a) General

The Employees' Retirement Fund of the City of Dallas ("ERF" or the "Plan") is a single-employer defined benefit pension plan that provides retirement, disability, and death benefits to its members, and is sponsored by the City of Dallas, Texas (the "City"). All employees of the City are members in the Plan, except police officers, firefighters, elected officers, non-salaried appointee members of administrative boards or commissions, part-time employees working less than one-half time, temporary employees, individuals working under contract, and individuals whose salaries are paid in part by another government agency. Members are entitled to retirement benefits after five years of service and to survivor benefits after two years of service or at the date of eligibility for retirement. The Plan was established and derives its authority to continue in operation from Chapter 40A of the Dallas City Code ("Chapter 40A"). The description of the Plan provisions in this report is for financial disclosure only. It is not intended to create or reduce legal rights. The rights and responsibilities of the Board of Trustees, the Plan, the members and the retirees are governed by the Plan as set forth in Chapter 40A. As of December 31, 2020 and 2019, the Plan's membership consisted of:

	2020	**2019**
Retirees and beneficiaries currently receiving benefits and inactive members entitled to benefits but not yet receiving them	9,262	9,071
Current members:		
Vested	4,340	4,302
Non-vested	2,904	3,125
Total current members	7,244	7,427
Total membership	16,506	16,498

b) Plan Administration

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

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

Based on a Plan amendment passed by the voters of the City of Dallas in November 2016, a new tier of benefits was added to the Plan (Tier B), effective January 1, 2017. Benefits provided to each tier of membership are outlined below.

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

c) Pension Benefits

Tier A

Members of the Plan hired before January 1, 2017, are entitled to pension benefits equal to 2.75% of the average monthly earnings for each year of credited service. Average monthly earnings are based on the most beneficial to the member and are determined based on the member’s earnings for the highest three calendars years, last 6,240 hours of credited services, or the length of credited service if less than three years. Normal retirement age is 55 if credited service began before May 9, 1972 or age 60.

Tier A members are also eligible to retire at age 50 if the sum of the member’s age and credited service is equal to or greater than 78. Members who have completed 30 years of credited service may alternatively elect retirement before age 50; however, the pension benefits will be actuarially reduced based on the member’s age at retirement.

Tier B

Members of the Plan hired on or after January 1, 2017 are entitled to pension benefits equal to 2.5% of the average monthly earnings of the member for each year of credited service. Average monthly earnings are based on the most beneficial to the member and are determined based on the member’s earnings for the five highest calendar years, last 10,400 hours of credited service, or the length of credited service if less than five years. Normal retirement age is 65 with five years of credited service.

Tier B members who have completed 40 years of credited service may elect retirement at any age and are entitled to full pension benefits. Members who elect retirement before age 65 are entitled to an actuarially reduced pension benefits depending upon the age of the member. Active members may also elect to retire with actuarially reduced benefit once a combination of their age and years of credited service equal at least 80.

d) Cost of Living Adjustments

Cost of living adjustments for retirees are made each year on the first of January by adjusting the pension base by the percentage change of the Consumer Price Index (“CPI”), not to exceed 5% for Tier A and 3% for Tier B members. The cost of living adjustment effective January 2020 was 1.64% and 2.69% effective January 2019.

e) Disability and Death Benefits

Members who become totally and permanently disabled may qualify for a service-connected disability with no minimum service requirement, or a non-service connected disability with five or more years of credited service. Non-service connected benefits are based on actual credited service or a minimum of 10 years. Service-connected benefits are equal to normal retirement benefits or a minimum of $1,000.

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

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

Upon the death of a member before retirement, death benefits equal to the normal retirement benefit will be paid to a qualified recipient: surviving spouse, minor child under age 18, a disabled child who became disabled before age 18, a dependent parent, or a parent over age 65. Death benefits vary depending on the beneficiary. The surviving spouse, the disabled child, or the dependent parent will receive a lifetime benefit unless the ten-year option is taken. The minor child under age 18 will receive the normal retirement benefit for ten years or until reaching age 18. If the member has less than two years of credited service, the member's contributions will be refunded.

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

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

f) Contributions

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

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

Based on the authorization in the Plan, the annual actuarial valuation will establish any new contribution rates for employees and the City. The new rates, which became effective October 1, 2020, are 13.32% for employees and a combined rate of 22.68% of pay for the City. The City's 22.68% is divided into 14.14% to the Plan and 8.54% for debt service payments on the pension obligation bonds. The former rates, effective October 1, 2019, were 13.32% of pay for employees and a combined rate of 22.68% of pay for the City.

The percent contributed may vary from the legally required rate as the annual required contribution is based upon covered payroll as of the actuarial valuation date, December 31, whereas contributions are calculated and paid based upon actual payrolls throughout the year. Certain factors, such as changes in benefit provisions, the size or composition of the population covered by the Plan or the actuarial assumptions used, may significantly affect the identification of trends in the amounts reported in the Schedule of Net Pension Liability and Schedule of Changes in Net Pension Liability located in the Required Supplementary Information section.

2) Summary of Significant Accounting Policies

a) Basis of Accounting

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

b) Administrative Expenses

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

c) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d) Investments and Investment Income

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

Marketable Securities are valued at fair value based on quoted market prices, where available. Purchases and sales of securities and any resulting gain or loss are recorded on a trade-date basis. Net appreciation/(depreciation) include the Plan’s gains and losses on investments bought and sold as well as held during the year. In November 2019, the Plan modified the asset allocation. At December 31, 2020, the Plan was in the process of adjusting its portfolio to align with the new asset allocation. The Plan’s asset allocation is shown in the following table.

Asset Class	Allocation Percentage
US Equity	
Domestic Equity	12.5
Real Assets	12.5
REITs	2.5
Private Equity	7.5
Marketable Alternatives	2.5
Total US Equity	**37.5**
Non-US Equity	
International	12.5
Global	7.5
Global Low Volatility	12.5
Total Non-US Equity	**32.5**
Total Equity	**70.0**
Fixed Income	
Credit Opportunities	5.0
Global Investment Grade	15.0
High Yield	10.0
Total Fixed Income	**30.0**
Total Fund Allocation	**100.0**

e) Private Equity

To enhance the potential for earning higher rates of return relative to its other asset classes and to provide for broader portfolio diversification, the Plan allocates 7.5% of its total Plan portfolio to Private Equity. Recognizing that Private Equity investments have higher risk levels, this target of 7.5% is to be allocated within an acceptable range of 5.0% to 10.0% of private equity-oriented investments. Funding of committed capital in the Private Equity portfolio can occur over an extended time period and may take several years before the total allocation is fully invested. In order to reach the allocation target, a “committed” allocation up to 1.5 times the allocation is authorized. The Plan had three Private Equity managers at December 31, 2020.

Investments in these funds as a limited partner are carried at estimated fair value. Estimated fair values of investments in private limited partnerships are determined by the fund managers or general partner based on the latest investee information available, including audited financial statements and other similar data necessary to the valuation process. The Private Equity value at December 31, 2020 and December 31, 2019 was $316 million and $267 million, respectively.

f) Real Assets

The Plan is authorized to allocate 12.5% of its portfolio to Real Assets. The Plan has two managers that manage Real Assets for a total value of $223 million at December 31, 2020 and $230 million at December 31, 2019. The Plan invests in Heitman's core real estate fund, Invesco's core fund, and in Invesco II which manages 1900 McKinney, LLC.

Estimated fair values of investments are determined by the fund managers based on their best estimates using fair value estimation techniques substantiated, in part, by their audited financial statements and supported by the due diligence of the Plan investment staff.

g) Real Estate Investment Trust (REIT)

The Plan is authorized to allocate 2.5% of its portfolio to REITs. The plan has two managers within this category: Adelante and Centersquare. Investments are listed at fair value.

h) Foreign Currency Transactions

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

Investments denominated in foreign currencies at December 31, 2020 and 2019 were converted to U.S. dollars at the foreign exchange rates quoted at December 31, 2020 and 2019. These foreign exchange gains and losses are included in net appreciation/(depreciation) in fair value of investments in the accompanying Statements of Changes in Fiduciary Net Position.

i) Securities Lending

The Board has authorized the Plan to enter into an agreement with The Northern Trust Company ("Northern Trust") for the lending of certain of the Plan's securities (the "Securities Lending Program" or "Program") including, but not limited to, stocks and bonds to counterparty brokers and banks ("borrowers") for a predetermined period of time and fee.

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

j) Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investment, net of investment fees, was 5.75%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Schedule of Money-Weighted Investment Returns

For Year Ended December 31	**Annual Investment Returns***
2014	6.52%
2015	-1.92%
2016	8.88%
2017	13.08%
2018	-4.99%
2019	17.33%
2020	5.75%

* This schedule is intended to include information for ten years. Additional years will be included as they become available.

k) Capital Assets

Capital Assets, which include furniture, fixture, and software, are reported in the Plan's Financial Statements. Capital Assets are defined by the Plan as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. As the Plan constructs or develops additional Capital Assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

Furniture and fixtures are depreciated using the straight line method over an estimated useful life of 5-20 years. Intangible Assets are depreciated using the straight-line method over an estimated useful life of 5-15 years. Construction in progress is not depreciated.

3) Derivatives

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

a) Currency Forward Contracts

A Currency Forward is a contractual agreement between two parties to pay or receive specific amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. Forward commitments are not standardized and carry credit risk due to the possible nonperformance by one of the counterparties. The maximum potential loss is the aggregate face value in U.S. dollars at the time the contract was opened; however, the likelihood of such loss is remote. No such losses occurred during fiscal years 2020 and 2019. Currency forwards are usually traded over-the-counter. These transactions are entered into in order to hedge risks from exposure to foreign currency rate fluctuation and to facilitate trade settlement of foreign security transactions. Currency Forwards carry market risk resulting from adverse fluctuations in foreign exchange rates. Recognition of realized gain or loss depends on whether the currency exchange rate has moved favorably or unfavorably to the contract holder upon termination of the contract. Prior to termination of the contract, the Plan records the unrealized currency translation gain or loss based on the applicable exchange rates.

The Plan recognized a net realized loss on Currency Forward Contracts of $737 thousand as of December 31, 2020 and a net realized gain of $2.6 million as of December 31, 2019. As of December 31, 2020, the Plan had a net unrealized loss on currency forward contracts of $591 thousand and a net unrealized gain of $159 thousand at December 31, 2019. These gains and losses are included in net appreciation/(depreciation) in fair value of investments in the accompanying Statements of Changes in Fiduciary Net Position.

Currency Forward Contracts outstanding at December 31, 2020 and 2019 were approximately $401 million and $433 million, respectively ($ in thousands).

Currency	2020 Currency Forward Contracts Outstanding	2019 Currency Forward Contracts Outstanding
Australian Dollar	$19,445	$26,396
Brazilian Real	5,196	5,318
Canadian Dollar	17,950	21,157
Chile Peso	3,003	2,619
Columbian Peso	1,414	4,814
Czech Koruna	641	1,494
Denmark Krone	257	97
Euro	15,200	21,973
Hong Kong Dollars	5,298	5,540
Hungary Forint	1,437	671
Indonesia-Rupiahs	105	899
Indian Rupee	8,126	10,483
Israel Shekel	1,185	5
Japanese Yen	34,756	22,748
Mexican Peso	7,361	17,233
New Zealand Dollar	16,439	6,200
Norwegian Krone	9,517	19,361
Peruvian Nuevo Sol	8	0
Philippine Peso	72	4,153
Poland Zloty	2,033	2,021
Russia Ruble	5,125	6,445
Saudi Riyal	1,045	1,546
Singapore Dollar	560	1,671
South Africa Rand	3,498	6,193
South Korea Won	5,731	3,300
Swedish Krona	6,666	7,303
Switzerland Franc	8,849	2,200
Thailand Baht	226	166
Turkey Lira	1,659	963
Taiwan New Dollar	2,454	1,038
UK Pound	10,534	15,635
US Dollar	205,551	213,784
Totals	$401,341	$433,426

b) Other Forward Contracts

Forward Contracts other than Currency Forward Contracts include rights and warrants and various other contractual agreements between two parties to buy or sell an asset at a specified price on a certain future date. Forward Contracts carry credit risk due to the possible nonperformance by one of the counterparties. The maximum potential loss is the aggregate face value in U.S. dollars at the time the contract was opened; however, the likelihood of such loss is remote. No such losses occurred during fiscal years 2020 and 2019. Forward Contracts are usually traded over-the-counter. These transactions are entered into in order to hedge risks from exposure to fluctuations in prices in securities, commodities, or other financial instruments. Forward Contracts carry market risk resulting from adverse fluctuations in price. Recognition of realized gain or loss depends on whether the price of the asset has moved favorably or unfavorably to the contract holder upon termination of the contract. Prior to termination of the contract, the Plan records the unrealized gain or loss based on the applicable rates.

The Plan recognized a net realized gain on Other Forward Contracts of $2 million as of December 31, 2020. As of December 31, 2020, the Plan had a net unrealized loss on Forward Contracts of $223 thousand. The gains and losses are included in net appreciation/(depreciation) in fair value of investments in the accompanying Statements of Changes in Fiduciary Net Position.

c) Swaps

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

The Plan recognized a net realized loss on Swaps of $103 thousand. As of December 31, 2020, the Plan had a net unrealized gain on Swaps of $163 thousand. The gains and losses are included in net appreciation/(depreciation) in fair value of investments in the accompanying Statements of Changes in Fiduciary Net Position.

d) Futures

Financial Futures are agreements to purchase or sell a specific amount of an asset at a specified delivery or maturity date for an agreed upon price. These derivative securities are used to improve yield, adjust the duration of the Fixed Income portfolio, circumvent changes in interest rates, or to replicate an index. Futures Contracts are standardized and traded on organized exchanges, thereby minimizing the Plan’s risk. There were no outstanding Futures Contracts at December 31, 2020 and December 31, 2019.

The Plan recognized a net realized loss of $149 thousand. The loss is included in net appreciation/(depreciation) in fair value of investments in the accompanying Statements of Changes in Fiduciary Net Position.

As of December 31, 2020 and 2019 open derivatives contracts values were as follows ($ in thousands):

	12/31/2020		**12/31/2019**	
Derivative Type	**Total Notional Value**	**Total Fair Value**	**Total Notional Value**	**Total Fair Value**
Forward Contracts	$401,341	($582)	$433,426	($159)
Other Forwards	51,038	(223)	56,523	306
Swap Agreements	-	163	-	27
Totals	$452,379	($642)	$489,949	$174

4) Deposit and Investment Risk Disclosures

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

a) Custodial Credit Risk

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

As of December 31,2020, the Plan had $3.6 million or 0.1% of its approximate $3.6 billion total investments (excluding short-term investments) exposed to custodial credit risk. The custodial credit risk exposure at December 31, 2019 was $3.6 million or 0.1% of total investments (excluding short-term investments) of approximately $3.6 billion. These exposures were uninsured and uncollateralized deposits held by custodian banks outside of the United States. The Plan has experienced no losses on these deposits during the year.

b) Concentration of Credit Risk

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

The Board has contracted with third party investment managers to manage the investment portfolio of the Plan, subject to the policies and guidelines established by the Board. The Plan's Concentration of Credit Risk Policy is communicated to individual managers in their guidelines through limitations or restrictions to securities, sectors, debt ratings, and other factors that may be applicable to a particular manager. As the Plan's custodian bank, Northern Trust has responsibility for the safekeeping of certain investments, handling of transactions based on the instructions of investment managers, and recordkeeping for the investment transactions.

The Plan had no investments that individually represent 5% or more of the net position available for Plan benefits at December 31, 2020.

c) Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality ratings for the Plan's investments in Fixed Income securities as of December 31, 2020 and 2019 are included in the following schedule. Securities are rated using Standard and Poor's quality ratings as presented following in the rating scale.

The Plan's strategic Fixed Income Investment Policy allocates 30% of the total assets to Fixed Income. The Plan's Investment Policy provides for investment of up to 15% of the Fixed Income allocation in investment grade assets, up to 10% of the Fixed Income allocation in High Yield (below Investment Grade) assets, and up to 5% for Opportunistic Credit. The Investment Grade allocation also allows selected managers to invest in non-US dollar issues on an opportunistic basis up to 20% of their portfolio assets.

EMPLOYEES' RETIREMENT FUND OF
THE CITY OF DALLAS
Notes to the Financial Statements
December 31, 2020 and 2019

Long term bond ratings as of December 31, 2020 and 2019 are as follows ($ in thousands)

	2020		2019	
Quality Rating	Fair Value	Percentage of Bond Portfolio	Fair Value	Percentage of Bond Portfolio
AAA	$42,907	4.39%	$36,777	3.69%
AA+	41,513	4.25%	158,783	15.92
AA	875	0.09%	3,490	0.35
AA-	948	0.10%	7,134	0.72
A+	4,894	0.50%	4,221	0.42
A	7,087	0.73%	11,090	1.11
A-	18,178	1.86%	27,103	2.72
BBB+	18,999	1.93%	23,644	2.37
BBB	13,434	1.38%	17,590	1.76
BBB-	5,902	0.60%	17,343	1.74
BB+	24,763	2.54%	21,242	2.13
BB	37,445	3.83%	51,300	5.15
BB-	51,547	5.28%	57,767	5.79
B+	50,102	5.13%	53,685	5.39
B	37,104	3.80%	33,181	3.33
B-	35,989	3.68%	32,453	3.26
CCC+	22,082	2.26%	10,898	1.09
CCC	7,517	0.77%	2,488	0.25
CCC-	947	0.10%	187	0.02
D	1,333	0.14%	482	0.05
Not rated (NR)*	436,667	44.70%	234,837	23.55
U.S. Government fixed income securities (NR)**	116,587	11.93%	191,422	19.20
Total	$976,820	100.00%	$997,117	100.00%

* NR-Investments that are not rated.

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

d) Foreign Currency Risk

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

The Plan's investment policies limit the aggregate amount that can be invested in each class of investments. The Plan's General Investment Policy sets an allocation of 12.5% of assets to International Equity, 7.5% of assets to Global Equity and 12.5% to Global Low Volatility Equity.

The Plan's positions in International Equity securities, directly and through commingled funds, were 12.97% and 14.47% of invested assets at December 31, 2020 and 2019, respectively. The Plan's position in Global Equity securities was 7.32% and 7.03% of invested assets at December 31, 2020 and 2019, respectively. The Plan's position in Global Low Volatility Equity was 12.18% at December 31, 2020 and 10.58% at 2019. The Plan's positions in Global Fixed Income assets were 27.04% and 28.24% of invested assets at December 31, 2020 and 2019, respectively.

Non-US Dollar denominated investments at December 31, 2020 and 2019 were as follows ($ in thousands):

	2020 U. S. Dollars Balance of Investments			2019 U. S. Dollars Balance of Investments		
Currency	Equities	Fixed	Currency Forward Contracts	Equities	Fixed	Currency Forward Contracts
Australian Dollar	$27,747	$455	$19,445	$21,768	$-	$26,396
Brazil Real	10,951	-	5,196	12,848	-	5,318
British Pound Sterling	56,181	856	10,534	72,815	-	15,635
Canadian Dollar	37,476	10,277	17,950	37,723	6,510	21,157
Chile Peso	-	-	3,003	1,202	-	2,619
Columbia Peso	-	-	1,414		-	4,814
Czech Republic-Koruna	514	-	641	2,200	-	1,494
Denmark Krone	9,596	-	257	8,493	-	97
Euro	144,990	6,191	15,200	143,099	-	21,973
Hong Kong Dollars	59,299	-	5,298	51,616	-	5,540
Hungary-Forint	1,008	-	1,437	1,408	-	671
Indian Rupee	9,485	-	8,126	7,129	-	10,483
Indonesia-Rupiahs	1,919	-	105	2,442	-	899
Israel Shekel	2,981	-	1,185	5,108	-	5
Japanese Yen	108,376	-	34,756	124,027	-	22,748
Malaysia Ringgit	1,208	-	-	1,826	-	-
Mexican Peso	6,084	-	7,361	2,363	2,257	17,233
New Zealand Dollar	4,147	2,201	16,439	4,391	-	6,200
Norwegian Krone	6,603	-	9,517	6,671	-	19,361
Offshore-Chinese-Renminbi	12,516	-	-	6,192	-	-
Peruvian Nuevo Sol	-	-	8	-	-	-
Philippines-Pesos	737	-	72	1,015	-	4,153
Poland-Zloty	1,032	-	2,033	1,012	-	2,021
Qatar-Riyal	154	-	-	804	-	-
Russian Ruble	-	-	5,125	-	-	6,445
Saudi Riyal	-	-	1,045	-	-	1,546
Singapore Dollar	5,075	-	560	5,156	-	1,671
South Africa Rand	3,847	-	3,498	4,178	-	6,193
South Korea-Won	28,153	-	5,731	24,200	-	3,300
Swedish Krona	13,749	-	6,666	11,800	-	7,303
Swiss Franc	37,530	-	8,849	44,710	-	2,200
Taiwan New Dollar	6,313	-	2,454	8,626	-	1,038
Thailand Baht	3,686	-	226	7,587	-	166
Turkish Lira	3,771	-	1,659	2,682	-	963
United Arab-Dirham	116	-	-	163	-	-
Total	$605,244	$19,980	$195,790	$625,254	$8,767	$ 219,642

e) Interest Rate Risk

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

As of December 31, 2020 and 2019 the weighted-average maturity of the bonds by bond type are as follows ($ in thousands):

	2020		2019	
Bond Category	Fair Value 12/31/2020	Weighted Average Maturity (years)	Fair Value 12/31/2019	Weighted Average Maturity (years)
Asset Backed Securities	$48,999	11.72	$35,985	11.89
Bank Loans	22,427	4.55	22,159	4.88
Commercial Mortgage-Backed	35,580	25.27	32,264	28.21
Corporate Bonds	555,303	8.80	545,278	7.61
Government Agencies	99,636	29.96	99,371	37.01
Government Bonds	103,743	10.55	133,870	8.76
Government Mortgage-Backed Securities	52,652	17.51	72,918	21.40
Index Linked Government Bonds	875	29.15	1,062	29.15
Municipal/ Provincial Bonds	24,504	19.36	22,071	19.71
Non-Government Backed CMOs	33,101	23.14	32,139	22.89
Total	$976,820		$997,117	
Portfolio weighted average maturity		12.09		11.74

Government Mortgage Backed Securities are most sensitive to changes in interest rates as their prepayments can vary significantly with interest rate changes. This change in prepayments will generally cause the duration, or Interest Rate Risk, of these securities to increase when interest rates rise and decrease when interest rates fall. These securities represent 5.4% and 7.3% of the total Fixed Income portfolio for 2020 and 2019 at year end. Their fair values at year end 2020 and 2019 were $52,652 million and $72,918 million, respectively. The Plan's Interest Rate Risk policy is communicated to the Fixed Income managers through the Fixed Income Asset Policy and each manager's guidelines.

5) Appreciation or (Depreciation) of Investments

In 2020 and 2019, the Plan's investments, including investments bought, sold, and held during the year, appreciated (depreciated) in value as follows ($ in thousands):

	2020	2019
Investments, at fair value:		
Commingled index funds	$22,646	$28,549
Domestic equities	23,452	194,224
United States and foreign government fixed income securities	15,410	10,777
Domestic corporate fixed income securities	14,914	52,599
International equities	41,440	125,399
Short-term investments	(15,591)	430
Currency contracts	2,800	(510)
	$105,071	$411,468
Investments, at estimated fair value:		
Real assets	(3,708)	$8,091
Private equity	52,607	34,279
	$153,970	$453,838

6) Fair Value Measurement

The Plan’s investments are measured and categorized according to fair value hierarchy guidelines established by Generally Accepted Accounting Principles.

The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices in active market; and,
- *Level 3:* Significant unobservable inputs.

At December 31, 2020, the Plan had the following recurring fair value measurements ($ in thousands):

	Total	Fair Value Measurements Using		
	12/31/2020	**Level 1**	**Level 2**	**Level 3**
Investments by Fair Value Level				
Cash and Short Term Investment:				
Short-Term Investment Fund	$ 89,190	$ 89,190	$ -	$ -
Total Cash and Short Term Investment	89,190	89,190	-	-
Fixed Income:				
Domestic Asset and Mortgage Backed Securities	96,737	-	96,737	-
Government and US Agency Obligations	193,654	-	193,654	-
Corporate and Taxable Municipal Bonds	655,395	6,590	648,805	-
Index Fixed Income Funds	37,500	37,500	-	-
Total Fixed Income	983,286	44,090	939,196	-
Equity:				
Domestic Common and Preferred Stock	1,171,032	1,169,303	-	1,729
International Common and Preferred Stock	456,129	455,946	175	8
Total Equity	1,627,161	1,625,249	175	1,737
Total Investments by Fair Value Level	$ 2,699,637	$ 1,758,529	$ 939,371	$ 1,737

Investments Measured at Net Asset Value	
Private Placement Debt	$ 250
Commingled Funds:	
Fixed Income	49,949
Domestic Equity and Collective Trust	411,961
International Equity	590
Total Commingled Funds Measured at Net Asset Value	462,750
Alternative Investments:	
Private Equity	316,237
Real Estate	222,726
Total Alternative Investments	538,963
Total Investments Measured at Net Asset Value	$ 1,001,713

At December 31, 2019, the Plan had the following recurring fair value measurements ($ in thousands):

	Total	Fair Value Measurements Using		
	12/31/2019	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Cash and Short Term Investment:				
Short-Term Investment Fund	$ 111,496	$ 111,496	$ -	$ -
Total Cash and Short Term Investment	111,496	111,496	-	-
Fixed Income:				
Domestic Asset and Mortgage Backed Securities	83,343	-	83,343	-
Government and US Agency Obligations	199,586	-	199,586	-
Corporate and Taxable Municipal Bonds	665,809		665,718	91
Index Fixed Income Funds	48,379	48,379	-	-
Total Fixed Income	997,117	48,379	948,647	91
Equity:				
Domestic Common and Preferred Stock	1,153,068	1,150,914	244	1,910
International Common and Preferred Stock	503,270	502,896	374	-
Total Equity	1,656,338	1,653,810	618	1,910
Total Investments by Fair Value Level	$ 2,764,951	$ 1,813,685	$ 949,265	$ 2,001
Investments Measured at Net Asset Value				
Commingled Funds:				
Fixed Income	$ 39,014			
Domestic Equity and Collective Trust	346,207			
International Equity	7,771			
Total Commingled Funds Measured at Net Asset Value	392,992			
Alternative Investments:				
Private Equity	267,422			
Real Estate	230,183			
Total Alternative Investments	497,605			
Total Investments Measured at Net Asset Value	$ 890,597			

Private Placement Debt

Private Placement Debt was issued close to the financial statement date and is therefore valued at Net Asset Value (NAV) as determined by the principal amount of the debt.

Commingled Funds

Commingled funds are fund-structure investments reported by the fund managers at NAV per share.

Neuberger Berman, Northern Trust Asset Management S&P 500 Index, Northern Trust ACWI Index, and BlackRock do not have a redemption period notice requirement. They may be redeemed at any time by the Plan. Earnest Partners has a redemption period notice requirement of 5 days.

Real Estate

Real Estate investments are held either in separate accounts, as a limited partner, or in a joint venture. These investments are illiquid and resold at varying rates, with distributions received over the life of the investments. They are typically not redeemed, nor do they have set redemption schedules. Estimated fair values of investments are determined by the fund managers based on their best estimates using fair value estimation techniques substantiated, in part, by their audited financial statements and supported by the due diligence of the Plan.

The Plan invests in:

Heitman's core real estate fund
Invesco's core fund
Invesco II

The redemption schedule for each Real Estate investment is as follows:

Heitman's core real estate fund and Invesco's core fund do not have a redemption period notice requirement. They may be redeemed at any time by the Plan.

Invesco II manages 1900 McKinney, LLC.

Private Equity

Private equity holdings include fund-structure investments with general partners. By their nature, these investments are illiquid and typically not resold or redeemed.

Private equity managers' expectations that the underlying assets of the funds will be liquidated in the future as follows:

Fairview Lone Star Fund: 12 years from subscription date with 3 one-year extensions.
GCM Grosvenor: 15th anniversary of subscription date with 3 one-year extensions.
Hamilton Lane: 10 years after subscription date with 2 one-year extensions.

Upon initial investment with a general partner or in certain fund-structures, the Plan commits to a certain funding level for the duration of the contract. At will, the partners or fund managers may request that the Plan fund a portion of this amount. Such amounts remaining as of December 31, 2020 and 2019 for investments measured at NAV are disclosed as unfunded commitments.

Unfunded commitments at December 31, 2020 for private equity are as follows:
Fairview Lone Star Fund $27.3 million
GCM Grosvenor $39.3 million
Hamilton Lane $99.7 million

7) Securities Lending

During the year, Northern Trust lent, on behalf of the Plan, securities held by Northern Trust as Plan custodian and received cash, United States government securities, agency securities, and irrevocable bank letters of credit as collateral. Northern Trust did not have the ability to pledge or sell collateral securities absent a borrower default. Northern Trust's Core USA Collateral Section establishes requirements for participation, collateralization levels, cash and non-cash collateral guidelines, and investment guidelines for the collateral received from borrowers. Borrowers were required to put up collateral for each loan equal to: (i) in the case of loaned securities, the collateral for which is all denominated in the same currency as the loaned securities, 102% of the fair value of the loaned securities plus any accrued but unpaid distributions thereon, and (ii) in the case of loaned securities denominated in a different currency from the loaned securities, 105% of the fair value of the loaned securities plus any accrued but unpaid distributions thereon. Additionally, the guidelines set maturity/liquidity requirements for the collateral received from borrowers. The following table shows for open loans at December 31, 2020 and 2019, the type of collateral held, the fair value of the securities on loan, and the fair value of the collateral held ($ in thousands).

		12/31/2020			12/31/2019	
Collateral Type	Fair Value	Collateral Fair Value	Collateral Percentage	Fair Value	Collateral Fair Value	Collateral Percentage
Cash	233,499	239,533	103%	$202,972	$208,368	103%

The following represents the balances relating to the Securities Lending transactions as of December 31, 2020 and 2019 ($ in thousands):

	12/31/2020			12/31/2019		
Securities Lent	Underlying Securities	Securities Collateral Value	Cash Collateral Investment Value	Underlying Securities	Securities Collateral Value	Cash Collateral Investment Value
Lent for cash collateral:						
Domestic equities	$121,912	$-	$125,079	$103,943	$ -	$106,349
Domestic corporate fixed income	61,705	-	63,233	48,876	-	50,051
Global corporate fixed income	1,400	-	1,509	1,197	-	1,280
Global government fixed income	1,875	-	2,028	2,125	-	2,270
International equities	1,419	-	1,523	3,353	-	3,558
Global Agencies	-	-	-	205	-	215
US Agencies	5,793	-	5,904	-	-	-
US government fixed	39,395	-	40,257	43,273	-	44,645
Subtotal	$233,499	$-	$239,533	$202,972	$-	$208,368

Disclosure of Securities Lending income is shown gross with the associated reductions for investment expenses on the Statements of Changes in Fiduciary Net Position, and the cash collateral and associated securities lending payable is shown on the Statements of Fiduciary Net Position for December 31, 2020 and 2019. The net income from Securities Lending in 2020 was $946 thousand compared to $1.1 million in 2019.

8) Federal Income Tax Status

The Internal Revenue Service issued a determination letter dated August 15, 2016, stating that the Plan was designed in accordance with applicable Internal Revenue Code requirements as of that date. The Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, the Plan was qualified and the related trust was tax-exempt as of the financial statement dates.

9) Capital Assets

Capital Assets activity for the years ended December 31, 2019 and 2020, was as follows ($ in thousands).

	Balance 12/31/2018	Increases	Decreases	Balance 12/31/2019	Increases	Decreases	Balance 12/31/2020
Capital Assets not being depreciated/amortized							
Construction in Progress	$ 3,186	$ 2,245	$ -	$ 5,431	$ 2,361	$ (7,792)	$ -
Capital Asset being depreciated/amortized:							
Intangible Assets	-	-	-	-	7,792	-	7,792
Furniture and Fixtures	18	-	-	18	-	-	18
Less:							
Accumulated Amortization, Intangible Assets	-	-	-	-	(389)	-	(389)
Accumulated Depreciation, Furniture and Fixtures	$ (1)	$ (3)		$ (4)	$ (3)		$ (7)
Total Capital Assets being depreciated/amortized net of Accumulated Depreciation/Amortization	17	(3)	-	14	7,400	-	7,414
Total Capital Assets, net of Accumulated Depreciation/Amortization	$ 3,203	$ 2,242	$ -	$ 5,445	$ 9,761	$ (7,792)	$ 7,414

10) Schedule of Net Pension Liability

a) The components of the Net Pension Liability of the City at December 31, 2020 and 2019 respectively were as follows ($ in thousands).

Description	2020	2019
Total Pension Liability	$6,209,855	$5,658,726
Plan Fiduciary Net Position	3,706,753	3,658,088
Net Pension Liability	2,503,102	2,000,638
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	59.69%	64.65%

b) **Actuarial Methods and Assumptions**:

Valuation date	December 31,2019 for most recent ADEC shown on Schedule of Contributions December 31, 2020 for Net Pension Liability
Actuarial cost method	Entry Age Normal
Asset valuation method	5-year smoothed market
Amortization method	The ADEC is initially based on a 30-year open amortization period. As specified in the Plan's governing documents, the rate may not change from year to year if the calculated rate is less than 300 basis points different from the current rate.
Remaining Amortization Period	Not determined, see description of amortization method
Investment rate of return	7.25%
Salary increases	3.00% to 8.25%, including inflation
Inflation	2.50% per year
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated pursuant to an experience study of the 5-year period ended December 31, 2019.
Mortality	For Actives: The PubG-2010 Employee Mortality Table is used for males and females. The rates are projected from 2010 on a fully generational basis using Scale UMP. For Healthy Retirees: The gender-distinct 2019 Texas Municipal Retirees Mortality Tables are used for males and females respectively. The rates are projected on a fully generational basis using Scale UMP. For Disabled Lives: The gender-distinct 2019 Texas Municipal Retirees Mortality Table for males and females respectively, set forward 4 years for males and 3 years for females. The rates are projected from 2019 on a fully generational basis using Scale UMP.

Other Information

Notes:	There were no benefit changes during the year. The assumptions described above were for the most recent ADEC shown in the schedule of contributions unless otherwise noted. The assumptions used in determining the NPL as of December 31, 2020 were those used in the actuarial valuation as of December 31, 2020 and are noted in the Schedule of Contributions.

The long-term rate of return on pension plan investments was estimated using a building block methodology in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real return rates by the target asset allocation percentage and by adding expected inflation. The following table shows the best estimates of arithmetic real rates of return for each of the Plan's asset classes.

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	6.00%
International Equity	6.75
Global Equity	6.45
Low Volatility Global Equity	6.41
Private Equity	8.05
Core Fixed Income	2.70
High Yield Fixed Income	4.20
Credit Opportunities	5.35
REITs	4.70
Private Real Estate - Core	5.40
Private Real Estate – Value Add	8.00
MLPs	7.60
Global Public Infrastructure	7.23
Marketable Alternative	4.42

c) Discount rate: A single discount rate of 5.27% was used to measure the total pension liability as of December 31, 2020, which represents a decrease from the single discount rate of 5.93% as of December 31, 2019. This single discount rate as of December 31, 2020 was based on the expected rate of return on pension plan investments of 7.25% and the municipal bond rate of 2.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions and employer contributions will be made at the projected future contribution rates assuming that the Plan annually earns 7.25% on its fair value of assets and that the number of active members remains constant in the future. Based on these assumptions and the Plan's funding policy, the last year in the single discount rate projection period for which projected benefit payments were fully funded was 2058, and the resulting single discount rate is 5.27%.

d) Sensitivity of the Net Pension Liability to changes in the discount rate. Below is a table providing the sensitivity of the Net Pension Liability to changes in the discount rate. In particular, the table presents the plan's Net Pension Liability, if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

Sensitivity of the Net Pension Liability
To the Single Discount Rate Assumption
($000)

1% Decrease	Current Single Discount Rate	1% Increase
4.27%	5.27%	6.27%
$3,357,782	$2,503,102	$1,799,357

11. Subsequent Events

The Plan has evaluated its December 31, 2020 financial statements for subsequent events through June 25, 2021, the date the financial statements were available to be issued. The Plan is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

Schedule of Changes in Net Pension Liability and Related Ratios

($ in thousands)

FY ended December 31,	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	$118,452	$124.289	$84,843	$81,178	$133,457	$78,020	$62,065
Interest on the Total Pension Liability	330,348	325,767	332,011	325,620	305,826	313,847	290,948
Difference between Expected and Actual Experience	(82,641)	(7,819)	4,793	(59,066)	(38,327)	(26,829)	(21,967)
Assumption Changes	479,292	(43,032)	1,020,969	-	(1,227,079)	1,238,431	292,137
Benefit Payments	(287,465)	(278,007)	(263,981)	(253,534)	(243,775)	(235,106)	(225,614)
Refunds	(6,857)	(10,436)	(8,515)	(8,156)	(5,864)	(4,854)	(4,629)
Net Change in Total Pension Liability	**551,129**	**110,762**	**1,170,121**	**86,042**	**(1,075,762)**	**1,363,509**	**392,940**
Total Pension Liability - Beginning	5,658,726	5,547,964	4,377,844	4,291,802	5,367,564	4,004,055	3,611,115
Total Pension Liability – Ending (a)	**6,209,855**	**$5,658,726**	**$5,547,964**	**$4,377,844**	**$4,291,802**	**$5,367,564**	**$4,004,055**
Plan Fiduciary Net Position							
Employer Contributions	$61,615	$62,177	$60,924	$58,966	$56,130	$50,721	$45,833
Employee Contributions	58,358	58,314	56,772	55,175	53,436	50,742	46,536
Pension Plan Net Investment Income	229,105	550,942	(167,783)	413,5110	294,918	(53,344)	207,992
Benefit Payments	(287,465)	(278,007)	(263,981)	(253,534)	(243,775)	(235,106)	(225,614)
Refunds	(6,857)	(10,436)	(8,515)	(8,156)	(5,864)	(4,598)	(4,629)
Pension Plan Administrative Expense	(5,699)	(7,513)	(7,485)	(5,951)	(5,343)	(4,598)	(4,150)
Other	(392)	298	121	207	333	162	157
Net Change in Plan Fiduciary Position	**48,665**	**375,775**	**(329,947)**	**260,217**	**149,835**	**(196,277)**	**66,125**
Plan Fiduciary Net Position - Beginning	3,658,088	3,282,313	3,612,260	3,352,043	3,202,208	3,398,485	3,332,360
Plan Fiduciary Net Position – Ending (b)	**3,706,753**	**3,658,088**	**3,282,313**	**3,612,260**	**3,352,043**	**3,202,208**	**3,398,485**
Net Pension Liability – Ending (a)-(b)	**2,503,102**	**$2,000,638**	**$2,265,651**	**$765,584**	**$939,759**	**$2,165,356**	**$605,570**
Plan Fiduciary Net Position as Percentage of Total Pension Liability	56.69%	64.65%	59.16%	82.51%	78.10%	59.66%	84.68%

Covered Payroll	$428,824	$433,890	$423,083	$410,913	$402,077	$383,669	$363,109
Net Pension Liability as a Percentage of Covered Payroll	583.71%	461.09%	535.51%	186.31%	233.73%	564.38%	168.95%

Notes to Schedule:
This schedule is intended to show information for ten years. Additional years' information will be displayed as it comes available.
The covered payroll is the sum of the active members' pay for valuation purposes as of the measurement date. An active member's valuation pay is the greater of their actual pay for the just completed calendar year or their current annual rate of pay.

SCHEDULE OF MONEY-WEIGHTED RATES OF RETURN

	2020	2019	2018	2017	2016	2015	2014
Rate of Return	5.75%	17.33%	-4.99%	13.08%	8.88%	-1.92%	6.52%

Note to Schedule: This schedule is intended to show information for ten years. Additional years' information will be displayed as it comes available.

Schedule of Contributions

Last 10 Fiscal Years
($ in thousands)

FY Ending December 31,	Actuarially Determined Contribution[1]	Actual Contributions[2]	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2011	33,612	27,302	6,310	312,380	8.74%
2012	41,570	30,363	11,207	319,274	9.51%
2013	56,394	37,823	18,571	340,748	11.10%
2014	61,747	45,833	15,914	353,650	12.96%
2015	64,648	50,721	13,927	383,669	13.22%
2016	84,316	56,130	28,186	402,077	13.96%
2017	86,785	58,966	27,819	410,913	14.35%
2018	90,328	60,924	29,404	423,083	14.40%
2019	87,455	62,177	25,278	433,591	14.34%
2020	93,226	61,615	31,611	434,214	14.19%

Notes to Schedule:

1. The Actuarially Determined Contribution (Actuarially Determined Employer Contribution, or "ADEC") shown is the employer contribution based on a 30-year open amortization period and actual payroll. In 2020, the following assumptions were changed based on the results of an experience study:

Investment rate of return: Lowered from 7.75% to 7.25%.

Salary increases: Changed from a range of 3.25% - 6.25%, to a range of 3.00% - 8.25%.

Inflation: Adjusted from 2.75% to 2.50%.

Mortality:

The mortality tables prior to 2020 were as follows:

For actives: Males – RP-2000 Employee Mortality Table for male employees, set forward 4 years; for females, RP-2000 Employee Mortality Table for female employees, set back 5 years.

For healthy retirees: RP-2000 combined with blue collar adjustment for annuitants, with a fully generational mortality using improvement scale BB and a 109% multiplier for males, and a 103% multiplier for females.

For disabled lives: RP-2000 Disabled Mortality Table for male annuitants, set forward one year.

The mortality tables beginning in 2020 are as follows:

For actives: PUB(10) Mortality Table for General Employees projected on a fully generational basis using scale UMP.

For healthy retirees: The gender-distinct Texas Municipal Retirees Mortality Tables. Rates are projected on a fully generational basis by scale UMP to account for future mortality improvements.

For disabled lives: The gender distinct 2019 Texas Municipal Retirees Mortality Table, set forward 4 years for males and 3 years for females. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements.

2. Since the City's fiscal year is October 1 to September 30 and the Plan's fiscal year is the calendar year, the contribution amounts shown above are a blend of the City's two fiscal year rates that occur during the calendar year.