



**OTHER POST-EMPLOYMENT BENEFITS FOR
RETIREES OF
DALLAS/FORT WORTH INTERNATIONAL AIRPORT**

**Financial Statements and Required Supplementary Information
(Unaudited)**

As of and for the years ended December 31, 2014

**Prepared by
Department of Finance**

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Executive Vice President and Chief Financial Officer**

**Other Post-Employment Benefits for Retirees of
Dallas/Fort Worth International Airport
Financial Statements and Required Supplementary Information**

As of and for the years ended December 31, 2014

Management's Discussion and Analysis (Unaudited)	1
Statement of Net Position Available for Benefits (Unaudited)	2
Statement of Changes in Net Position Available for Benefits (Unaudited).....	3
Notes to the Financial Statements (Unaudited).....	4
Required Supplemental Information (Unaudited)	11

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Unaudited)

The following discussion and analysis of the Other Post-employment Benefits (OPEB) Plan for retirees of Dallas/Fort Worth International Airport ("DFW") provides a narrative overview and analysis of the financial statements for the years ended December 31, 2014 and 2013. The MD&A has been prepared by management and should be read in conjunction with the financial statements and notes thereto, which follow this section.

FINANCIAL HIGHLIGHTS & ANALYSIS

- The OPEB Plan's total fiduciary net position increased \$0.9 million to \$ 18.7 million in 2014 compared to \$1.7 million to \$17.8 million in 2013 due to contributions and increased investment income outpacing claims.
- The total unfunded actuarial accrued liability (UAAL) amount as of January 1, 2015 was \$10.9 million compared to \$10.6 million as of January 1, 2014.
- Total contributions were \$1.7 million in 2014 compared to \$1.6 million in 2013.

PLAN'S NET POSITION

The following table shows a summary of plan's net position.

Total Other Post-Employment Benefits Plan's Net Position
(In thousands)

	<u>2014</u>	<u>2013</u>	<u>Change in Net Position</u>
Total assets	\$ 19,466	\$ 18,311	\$ 1,155
Total liabilities	699	441	(258)
Total fiduciary net position	<u>\$ 18,767</u>	<u>\$ 17,870</u>	<u>\$ 897</u>
Investment income	\$ 1,793	\$ 2,550	\$ (757)
Employer contributions	2,098	1,686	412
Total additions	3,891	4,236	(345)
Benefit payments and administrative expense	2,994	2,487	(507)
Changes in plan net position - increase	897	1,749	(852)
Beginning fiduciary net position	17,870	16,121	1,749
Ending fiduciary net position	<u>\$ 18,767</u>	<u>\$ 17,870</u>	<u>\$ 897</u>

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the OPEB Plan's finances. Questions concerning any of the information presented in this report or requests for additional information should be addressed to the Office of the Executive Vice President and the Chief Financial Officer, 2400 Aviation Drive, DFW Airport, Texas 75261.

**Other Post-Employment Benefits Plan for Retirees of
Dallas/Fort Worth International Airport
Statement of Fiduciary Net Position Available for OPEB (Unaudited)
As of December 31, 2014
(In thousands)**

	2014
Assets	
Investments at fair value (Note 5)	\$ 19,383
Receivables	
Stop-loss recovery from DFW	83
Total assets	\$ 19,466
 Liabilities	
Claims/premiums payable	\$ 696
Accrued trustee fees	3
Total liabilities	\$ 699
Fiduciary net position restricted for other post-employment benefits	\$ 18,767

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

**Other Post-Employment Benefits Plan for Retirees of
Dallas/Fort Worth International Airport
Statement of Changes in Net Position Available for OPEB (Unaudited)
For the years ended December 31, 2014
(In thousands)**

	2014
Additions	
Receivable	
Stop-loss recovery from DFW	\$ 83
Contributions (Note 4)	
Stop-loss recovery from DFW	256
Employer contributions	1,759
Total assets	2,098
Investment income	
Net changes in fair value of OPEB plan investments (Note 5)	\$ 1,430
Dividends	363
Total investment income	1,793
Total additions	3,891
Deductions	
Benefit payments	\$ 2,982
Administrative expenses	12
Total deductions	2,994
Net increase	897
Fiduciary net position	
At beginning of the year	\$ 17,870
At end of the year	\$ 18,767

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

**Other Post-Employment Benefits Plan for Retirees of
Dallas/Fort Worth International Airport
Notes to the Financial Statements (Unaudited)
As of and for the year ended December 31, 2014**

1. DESCRIPTION OF THE PLAN

The following brief description of the OPEB Plan for retirees of DFW is provided for general information purposes only. Participants should refer to the specific plan agreement for more complete information.

General

The OPEB Plan is a single-employer defined benefit other than pension plan covering qualified retirees of DFW. The OPEB Plan is established and derives its authority from a DFW resolution effective September 2007. The OPEB Plan is administered by DFW, with the Executive Vice President of Administration and Diversity and the Vice President of Human Resources serving as the "Plan Administrators." The management of the assets of the Plan is the responsibility of the DFW Retirement/Investment Committee, the Executive Vice President - CFO and the Vice President of Treasury Management. All assets are held by a Section 115 Trust.

Membership

Total number of retired members by attained age at December 31, 2014 is as follows:

	2014
Attained Age:	
Under 55	10
55-59	24
60-64	85
65 & Over	42
Total Participants	161

OPEB Plan Eligibility

The OPEB Plan provides retiree health care for qualified retired employees ages 65 or younger and their eligible dependents when required criteria are met. To be eligible as a retiree, an employee must be enrolled in one of the DFW's medical plans, be eligible for retirement under one of the DFW's pension plans; and begin drawing pension benefits immediately upon retirement. Failure to immediately draw pension benefits will result in loss of eligibility for medical coverage.

To be eligible as a retiree's dependent, the dependent must be either a legal spouse; an unmarried child under the age 25 who is dependent on the retiree for at least 50% of their support and claimed on the retiree's income tax return; unmarried grandchild under the age of 25 who is dependent on the retiree for at least 50% of their support, resides in the retiree's household, and claimed on the retiree's income tax return; or an unmarried child of any age if mentally or physically incapable of self-support.

Normal Retirement Benefits

Normal retirement benefits for general employees and DPS employees begin when they complete 5 years of service and attain the age 62.

**Other Post-Employment Benefits Plan for Retirees of
Dallas/Fort Worth International Airport
Notes to the Financial Statements (Unaudited)
As of and for the year ended December 31, 2014**

Early Retirement Benefits

Early retirement benefits for general employees begin when they complete 5 years of service and attain the age 55. Early retirement benefits for DPS employees begin at age 50, if age plus years of service equal 80, or with the completion of 25 years of service as a commissioned officer.

Health Care Benefit

The health care coverage offered to active employees is available to retirees under age 65 and their eligible dependents. The benefit includes medical, prescription drug, and vision coverage. Medical plans offer Aetna Select (HMO), Aetna Choice POS II (PPO) and Aetna Health Fund (HF).

Effective January 1, 2011, Section 3.1 of the Employee Benefit Plan states that Retirees no longer have coverage under the Employee Benefit plan (other than as required by COBRA). No former employee who is eligible under the DFW Retiree Medical Plan is eligible to participate in the Employee Benefit plan. A separate medical plan has been established for eligible retirees.

Retiree Medical Subsidy

As of January 1, 2003, DFW provides a subsidy to eligible employees who retire to purchase medical coverage prior to Medicare eligibility. The subsidy is for pre-65 OPEB medical benefits only, and offers a credit of \$20 per month of completed year of service up to a maximum benefit of \$400 per month. These credits have no cash value and can only be used toward purchasing medical coverage from the DFW. Retirees pay the total amount charged to DFW, less the retiree's subsidy, if applicable.

To be eligible for the subsidy, retirees must have retired after January 1, 2003, have 10 or more years of service, have been enrolled continuously in a DFW medical plan, and immediately draw retirement benefits.

Medicare Supplement Plan, Without ("w/o") Prescriptions

DFW offers a PPO Medicare Supplement Plan, w/o prescriptions for retirees and/or their spouses age 65 or older. The retiree and/or spouse must transfer to the Medicare Supplement Plan by the first of the month following their 65th birthday if they choose to remain on the DFW Plan.

Effective January 1, 2010 Medicare eligible retirees are no longer eligible for prescription drug coverage under the DFW Retiree Medical Plan.

To be eligible for the Medicare Supplement Plan, w/o prescriptions a retiree or spouse must be 65 of age and currently enrolled in DFW medical plan, has applied for the Medicare Supplement Plan 2 month prior to turning age 65 , and transitions to Medicare Supplement Plan the 1st of the month following their 65th birthday.

Duty Death in Service Retirement Benefits

Dependents of general employees who die while actively employed are not eligible for retiree benefits.

Dependents of DPS employees who die while actively employed are eligible for post-employment health benefits at the active employee premium rate.

**Other Post-Employment Benefits Plan for Retirees of
Dallas/Fort Worth International Airport
Notes to the Financial Statements (Unaudited)
As of and for the year ended December 31, 2014**

Non-Duty Death in Service Retirement Benefit

Not eligible for retiree health benefits.

Duty and Non-Duty Disabled Retirement Benefits

For employees disabled before January 1, 2006, post-employment benefits are provided at the active employee rates. For employees disabled after January 1, 2006, post-employment benefits are available through COBRA at 102% of the monthly premium.

Estimates

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the OPEB Plan are presented using the accrual basis of accounting. Accordingly, interest earned but not received as of the calendar year end is recorded as accrued interest receivable.

In fiscal year 2006, the Plan adopted Governmental Accounting Standards Board ("GASB") Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*. Statement No. 43 requires notes contain a brief plan description, a summary of significant accounting policies, contribution information and legally required reserves. The Plan is also required to disclose information about the current funded status of the plan as of the most recent actuarial valuation date, and actuarial methods and assumptions used in the valuation.

In fiscal year 2007, DFW adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pension*. Statement No. 45 requires the measurement, recognition, and display of OPEB cost, the funded status of the plan, and the funding progress on the valuation date. The Plan is also required to disclose the cumulative difference between the Annual Required Contribution and the employer's actual contribution.

In fiscal year 2008, DFW adopted GASB Statement No. 50, *Pension Disclosures*. Statement 50 amends GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, by requiring disclosure in the notes to the financial statements of pension plans. Detailed information relating to the OPEB Plan has been disclosed in the annual comprehensive financial report in the year ending September 30, 2008 in accordance with GASB 50 requirements.

Investments

Investments are valued at fair value based on quoted market values when available. Purchases and sales of securities are recorded on a trade-date basis.

**Other Post-Employment Benefits Plan for Retirees of
Dallas/Fort Worth International Airport
Notes to the Financial Statements (Unaudited)
As of and for the year ended December 31, 2014**

Actuarial Cost Method

The Individual Entry-Age Actuarial Cost Method is used to determine the normal cost and the allocation of benefit values between services rendered before and after the valuation date.

The Annual Required Contribution (ARC) is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

New assumptions have been adopted in 2010 by the Board of Directors based on the recommendation of the actuary. The Unfunded Actuarial Accrued Liability (UAAL) as of the valuation date is determined as the difference between the Actuarial Accrued Liability and the funding value of assets of the OPEB Plan. The UAAL is amortized as a level of active member payroll over a period of 30 years from January 1, 2007 (or 22 years as of January 1, 2015).

The foregoing actuarial assumptions are based on the presumption that the OPEB Plan will continue. Were the OPEB Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Significant actuarial assumptions:

OPEB Plan	
Valuation Date	January 1, 2015
Actuarially assumed investment return	7.25% per annum compounded annually
Mortality rates for males and females	Retirement Plans 2000 Healthy Mortality Table projected to 2011 using scale AA
Retirement, disablement and separation rates	Graduated rates based on age (detailed in actuary's report)
Actuarial cost method	Individual Entry-Age Actuarial Cost Method
General inflation	3.0% per annum
Payroll growth rate	3.75% per annum
Salary increase rate	6.25% grading down to 3.75% after 17 years for Employees and 11.5% grading down to 3.75 after 17 years for DPS employees
Health cost trend rates	7.0% for 2015, grading down to 4.9% in 2029, continuing at 4.75% in 2030 and beyond
Method used for determining actuarial value of assets	Market value of assets
Unfunded Actuarial Accrued Liabilities (UAAL) Amortization method	Level percent-of-payroll, closed.
Remaining UAAL amortization	22 years

Payment of Benefits

Benefit payments represent insurance premiums and claims to providers.

**Other Post-Employment Benefits Plan for Retirees of
Dallas/Fort Worth International Airport
Notes to the Financial Statements (Unaudited)
As of and for the year ended December 31, 2014**

3. FUNDING STATUS AND PROGRESS

The amount shown below as the “actuarial accrued liability,” prepared in accordance with Governmental Accounting Standards Board No. 45, is a standardized disclosure measure of the annual OPEB cost, adjusted for the cumulative effects of a net OPEB obligation for contributions and the employer’s actual contribution to the plan. The measure is intended to help users assess the funding status of the OPEB Plan on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among similar plans. An actuary from Gabriel, Roeder, Smith & Company, determines the present value of future benefits and actuarial accrued liability. Significant actuarial assumptions are listed above in Note 2.

Actuarial Accrued Liability

The (unfunded) actuarial accrued liability at December 31 applicable to DFW’s employees (in thousands):

	2014
Actuarial Accrued Liability:	
Retirees and beneficiaries	7,177
Active participants	32,330
Total present value of future benefits	39,507
Present value of future normal costs	(9,797)
Actuarial accrued liabilities (AAL)	29,710
Net position actuarial value as of 12/31	(18,767)
Unfunded actuarial accrued liability (UAAL)	10,943
Funded Ratio	63.17%

4. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The Individual Entry-Age Actuarial Cost Method is used to determine the contribution requirement. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the actuarial accrued liability.

DFW contributed \$1,759,255 in calendar year 2014.

**Other Post-Employment Benefits Plan for Retirees of
Dallas/Fort Worth International Airport
Notes to the Financial Statements (Unaudited)
As of and for the year ended December 31, 2014**

5. INVESTMENTS

DFW has contracted with JPMorgan Chase Bank (“Trustee”) for custody and safekeeping of investments, accounting for transactions based on the instructions of investment managers, and payment of benefits to participants, subject to the policies and guidelines established by DFW. The Trust Fund is invested in accordance with Texas Public Investment Code.

The OPEB Plan’s assets, carried at fair value, as of December 31, 2014, include the following investments (in thousands):

Interest Rate Risk

The long term investment strategy of the Plan is to emphasize total return in the form of aggregate return from capital appreciation, dividend, and interest income. The primary objectives over a five year period for the plan assets are to maintain the purchasing power of the current assets and all future contributions by producing positive real rates of return on the plan assets, meet or exceed the actuarially assumed rate of return, and provide an acceptable level of volatility in both the long and short-term periods.

Investment	2014
Indexed Equity Mutual Fund	12,495
Intermediate Bond Fund	5,296
Total Investments	\$ 17,791

Credit Risk

Based on the Plan’s long-term liquidity requirement, DFW has determined that currently all investments for the plan have readily ascertainable market values and are marketable. In 2014, DFW approved the following guidelines of asset allocations for the plan.

Investment	Minimum	Maximum	Target	Actual
Indexed Equity Mutual Fund	40%	60%	50%	70%
Intermediate Bond Fund	40%	60%	50%	30%

Concentration of Credit Risk

In 2014, the total contributed amount of \$1.6 million was held in cash and the remainder amount of \$17.8 million was invested into Vanguard Total Bond Index (30.0%) and Vanguard Institutional Index (70.0%) funds through the Trustee.

Net Appreciation

Increase (decrease) in the Plan’s investments, including investments bought and sold as well as held during the year, appreciated in value during 2013 as follows (in thousands):

**Other Post-Employment Benefits Plan for Retirees of
Dallas/Fort Worth International Airport
Notes to the Financial Statements (Unaudited)
As of and for the year ended December 31, 2014**

<u>Investment Gains (Losses)</u>	<u>2014</u>
Realized Gain	432
Unrealized Gain	999
Total Net Appreciation	<u>\$ 1,431</u>

6. PLAN AMENDMENTS

There were no plan amendments in 2014.

7. PLAN TERMINATION

DFW reserves the right at any time, at its sole discretion, to terminate the Plan in whole or in part. Written notice of any termination shall be delivered to the Plan Administrator and to the Trustee within a reasonable time following the termination.

8. TAX STATUS

DFW's OPEB Plan is established under Internal Revenue Code, Section 115(1).

**Other Post-Employment Benefits for Retirees of the
Dallas/Fort Worth International Airport
Required Supplementary Information (Unaudited)
Schedule 1 – Funding Progress
As of December 31, 2014
(In thousands)**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percentage Funded	Funded (Unfunded) Actuarial Accrued Asset / (Liability)	Annual Covered Payroll	Funded (Unfunded) Actuarial Accrued Asset / (Liability) as % of Covered Payroll
	(a)	(b)	(a) / (b)	-(b) + (a)	(c)	((- b + a) / c)
2014	18,767	29,710	63.2%	(10,943)	89,476	12.2%
2013	17,870	28,519	62.7%	(10,649)	89,476	11.9%
2012	16,121	25,184	64.0%	(9,063)	90,221	10.0%
2010	11,112	35,447	31.3%	(24,335)	98,597	24.7%
2009	8,337	38,058	21.9%	(29,721)	99,804	29.8%
2008	6,343	32,572	19.5%	(26,229)	99,053	26.5%
2007	5,403	32,151	16.8%	(26,748)	93,605	28.6%
2006	0	29,242	0.0%	(29,242)	90,123	32.4%

- (a) The actuarial value of assets includes contributions receivable as of the January 1 valuation date. The actuarial value of assets includes an adjustment to the market value of assets. The adjustment is calculated as a certain percentage of the actual return on assets less the expected return on assets for the previous plan years.
- (b) The actuarial accrued liability, prepared in accordance with Governmental Accounting Standards Board No. 25 (GASB 25), is similar to the present value of accrued benefits except anticipated future salary levels are recognized in the calculation of liabilities.
- (c) Per GASB 57 DFW elected to conduct its OPEB actuarial valuation on a biennial schedule. As such, no actuarial valuation was conducted on 2011 financial statements.

**Other Post-Employment Benefits for Retirees of the
Dallas/Fort Worth International Airport
Required Supplementary Information (Unaudited)
Schedule 2 – Employer Contributions
For the year ended December 31, 2014**

Fiscal Year Ended	Annual Fiscal Year Required Contribution*	Percentage Contributed (a)
2016	\$ 1,975,292	N/A
2015	1,759,255	100%
2014	1,596,103	100%
2013	2,901,525 **	100%
2012	2,806,117	100%
2011	3,191,805	100%
2010	2,742,379	100%
2009	2,676,040	100%
2008	2,738,937	100%

* Annual required contribution determined through an actuarial valuation performed as of each previous calendar year-end.

(a) Percentage contributed calculated based on actual amounts funded to the plan during the fiscal year compared to Annual Required Contribution (ARC).

N/A Not applicable since fiscal year is not completed.

** Per GASB 57 DFW elected to conduct its OPEB actuarial valuation on a biennial schedule. As such, no actuarial valuation was conducted on 2011 financial statements. Contribution for fiscal year 2013 was based on 2012 actuarial study.