City of Dallas

1500 Marilla Street
Council Chambers, 6th Floor
Dallas, Texas 75201

Ad Hoc Committee on Pensions

April 11, 2024

3:00 PM

2023 CITY COUNCIL APPOINTMENTS

COUNCIL COMMITTEE	
ECONOMIC DEVELOPMENT Atkins (C), Narvaez (VC), Arnold, Bazaldua, Ridley, Stewart, West	**GOVERNMENT PERFORMANCE AND FINANCIAL MANAGEMENT** West (C), Blackmon (VC), Mendelsohn, Moreno, Resendez
HOUSING AND HOMELESSNESS SOLUTIONS Moreno (C), Mendelsohn (VC), Gracey, West, Willis	**PARKS, TRAILS, AND THE ENVIRONMENT** Stewart (C), Moreno (VC), Arnold, Bazaldua, Blackmon, Narvaez, West
PUBLIC SAFETY Mendelsohn (C), Stewart (VC), Atkins, Moreno, Willis	**QUALITY OF LIFE, ARTS, AND CULTURE** Bazaldua (C), Resendez (VC), Blackmon, Gracey, Ridley, Schultz, Willis
TRANSPORTATION AND INFRASTRUCTURE Narvaez (C), Gracey (VC), Atkins, Mendelsohn, Resendez, Schultz, Stewart	**WORKFORCE, EDUCATION, AND EQUITY** Schultz (C), Arnold (VC), Bazaldua, Blackmon, Resendez, Ridley, Willis
AD HOC COMMITTEE ON ADMINISTRATIVE AFFAIRS Atkins (C), Mendelsohn, Moreno, *Ridley, *Stewart	**AD HOC COMMITTEE ON GENERAL INVESTIGATING AND ETHICS** Mendelsohn (C), Gracey, Johnson, Schultz, Stewart
AD HOC COMMITTEE ON JUDICIAL NOMINATIONS Ridley (C), Resendez, West	**AD HOC COMMITTEE ON LEGISLATIVE AFFAIRS** Mendelsohn (C), Atkins, Gracey, Narvaez, Stewart
AD HOC COMMITTEE ON PENSIONS Atkins (C), Blackmon, Mendelsohn, Moreno, Resendez, Stewart, West, Willis	**AD HOC COMMITTEE ON PROFESSIONAL SPORTS RECRUITMENT AND RETENTION** Gracey (C), Blackmon, Johnson, Moreno, Narvaez, Resendez, Schultz

(C) – Chair, (VC) – Vice Chair

* Updated:2/22/24

Note: A quorum of the Dallas City Council may attend this Council Committee meeting.

General Information

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Handgun Prohibition Notice for Meetings of Governmental Entities

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"Pursuant to Section 46.03, Penal Code (places weapons prohibited), a person may not carry a firearm or other weapon into any open meeting on this property."

"De conformidad con la Sección 46.03, Código Penal (coloca armas prohibidas), una persona no puede llevar un arma de fuego u otra arma a ninguna reunión abierta en esta propriedad."

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https://dallascityhall.webex.com/dallascityhall/j.php?MTID=m72f55b07ddad7d2ceb76193ec29698fa

Call to Order

MINUTES

1. 24-1251 Approval of the February 8, 2024 Ad Hoc Committee on Pensions Meeting Minutes

Attachments: Minutes

BRIEFING ITEMS

A. 24-1254 Dallas Police and Fire Pension System: Funding Soundness Restoration Plan Update

Attachments: Presentation

Closed Session

Attorney Briefing (Sec. 551.071 T.O.M.A.)

- Seeking the advice of the city attorney regarding *Dallas Police Retired Officers Association v. Dallas Police & Fire Pension System*; Cause No. 05-22-00644-CV.

ADJOURNMENT

EXECUTIVE SESSION NOTICE

A closed executive session may be held if the discussion of any of the above agenda items concerns one of the following:

1. seeking the advice of its attorney about pending or contemplated litigation, settlement offers, or any matter in which the duty of the attorney to the City Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with the Texas Open Meetings Act. [Tex. Govt. Code §551.071]

2. deliberating the purchase, exchange, lease, or value of real property if deliberation in an open meeting would have a detrimental effect on the position of the city in negotiations with a third person. [Tex. Govt. Code §551.072]

3. deliberating a negotiated contract for a prospective gift or donation to the city if deliberation in an open meeting would have a detrimental effect on the position of the city in negotiations with a third person. [Tex. Govt. Code §551.073]

4. deliberating the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee; or to hear a complaint or charge against an officer or employee unless the officer or employee who is the subject of the deliberation or hearing requests a public hearing. [Tex. Govt. Code §551.074]

5. deliberating the deployment, or specific occasions for implementation, of security personnel or devices. [Tex. Govt. Code §551.076]

6. discussing or deliberating commercial or financial information that the city has received from a business prospect that the city seeks to have locate, stay or expand in or near the city and with which the city is conducting economic development negotiations; or deliberating the offer of a financial or other incentive to a business prospect. [Tex Govt. Code §551.087]

7. deliberating security assessments or deployments relating to information resources technology, network security information, or the deployment or specific occasions for implementations of security personnel, critical infrastructure, or security devices. [Tex Govt. Code §551.089]

1500 Marilla Street
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Agenda Information Sheet

File #: 24-1251 **Item #:** 1.

Approval of the February 8, 2024 Ad Hoc Committee on Pensions Meeting Minutes

MINUTES OF THE CITY COUNCIL COMMITTEE
THURSDAY, FEBRUARY 8, 2024

24-0017

AD HOC COMMITTEE ON PENSIONS
CITY COUNCIL CHAMBER, CITY HALL/VIDEO CONFERENCE
MAYOR PRO TEM TENNELL ATKINS, PRESIDING

PRESENT: [6] Atkins, Moreno, Blackmon, Stewart (**3:26 p.m.), Mendelsohn, Willis

ABSENT: [2] West, Resendez

The meeting was called to order at 3:22 p.m. with a quorum of the committee present.

The meeting agenda, posted in accordance with Chapter 551, "OPEN MEETINGS," of the Texas Government Code, was presented.

After all business properly brought before the committee had been considered, the meeting adjourned at 5:48 p.m.

____
Chair

ATTEST:

________________________________ ____
City Secretary Staff Date Approved

The agenda is attached to the minutes of this meeting as EXHIBIT A.

The actions taken on each matter considered by the committee are attached to the minutes of this meeting as EXHIBIT B.

The briefing materials are attached to the minutes of this meeting as EXHIBIT C.

****Note: Indicates arrival time after meeting called to order/reconvened**

E X H I B I T A

RECEIVED

2024 FEB -5 PM 3:04

CITY SECRETARY
DALLAS, TEXAS

City of Dallas

1500 Marilla Street
Council Chambers, 6th Floor
Dallas, Texas 75201

Public Notice

240150

POSTED CITY SECRETARY DALLAS, TX

Ad Hoc Committee on Pensions

February 8, 2024

3:15 PM

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Call to Order

MINUTES

1. 24-461 Approval of the January 11, 2024 Ad Hoc on Committee on Pensions Meeting Minutes

Attachments: Minutes

BRIEFING ITEMS

A. 24-462 Dallas Police and Fire Pension System: Independent Actuarial Analysis and Recommendations, Preliminary Recommendations Based on 2023 Actuarial Valuation Prepared by the Pension Review Board's Independent Actuary Cheiron

Attachments: Presentation

B. 24-463 Dallas Police and Fire Pension System: Overview of Investment Policy, Oversight, and Performance

Attachments: Presentation

ADJOURNMENT

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E X H I B I T   B

OFFICIAL ACTION OF THE CITY COUNCIL COMMITTEE

FEBRUARY 8, 2024

Item 1: Approval of the January 11, 2024 Ad Hoc on Committee on Pensions Meeting Minutes

Councilmember Willis moved to adopt the minutes as presented.

Motion seconded by Councilmember Moreno and unanimously adopted. (Stewart absent when vote taken; West, Resendez absent)

OFFICIAL ACTION OF THE CITY COUNCIL COMMITTEE

FEBRUARY 8, 2024

BRIEFING ITEMS

Item A: Dallas Police and Fire Pension System: Independent Actuarial Analysis and Recommendations, Preliminary Recommendations Based on 2023 Actuarial Valuation Prepared by the Pension Review Board's Independent Actuary Cherion

The following individuals briefed the committee on the item:

- Jack Ireland, Chief Financial Officer, City Manager's Office;
- Bill Hallmark, ASA, EA, MAAA, FCA, Cheiron;
- Elizabeth Wiley, FSA, EA, MAAA, FCA, Cheiron;
- Jake Libauskas, FSA, EA, MAAA, FCA, Cheiron; and
- Nina Arias, Director, Human Resources

OFFICIAL ACTION OF THE CITY COUNCIL COMMITTEE

FEBRUARY 8, 2024

BRIEFING ITEMS

Item B: Dallas Police and Fire Pension System: Overview of Investment Policy, Oversight, and Performance

The following individuals briefed the committee on the item:

- Jack Ireland, Chief Financial Officer, City Manager's Office;
- Kelly Gottschalk, Executive Director, Dallas Police & Fire Pensions;
- Ryan Wagner, Chief Investment Officer, Dallas Police & Fire Pensions;
- Nick Merrick, Board Chair, Dallas Police & Fire Pensions; and
- Joshua Mond, General Counsel, Dallas Police & Fire Pensions

EXHIBIT C

1500 Marilla Street
Council Chambers, 6th Floor
Dallas, Texas 75201

Agenda Information Sheet

File #: 24-462 **Item #:** A.

Dallas Police and Fire Pension System: Independent Actuarial Analysis and Recommendations, Preliminary Recommendations Based on 2023 Actuarial Valuation Prepared by the Pension Review Board's Independent Actuary Cheiron

Dallas Police & Fire Pension System

Cheiron
Classic Values, Innovative Advice

Independent Actuarial Analysis Recommendations

Preliminary Recommendations Based on 2023 Actuarial Valuation

February 8, 2024

Bill Hallmark, ASA, EA, MAAA, FCA
Elizabeth Wiley, FSA, EA, MAAA, FCA
Jake Libauskas, FSA, EA, MAAA, FCA

Agenda

Background

Primary Recommendations

- Adopt an Actuarially Determined Contribution
- Reduce Employee Contributions as Funded Status Improves
- Provide Some COLA Earlier

Questions

Appendix

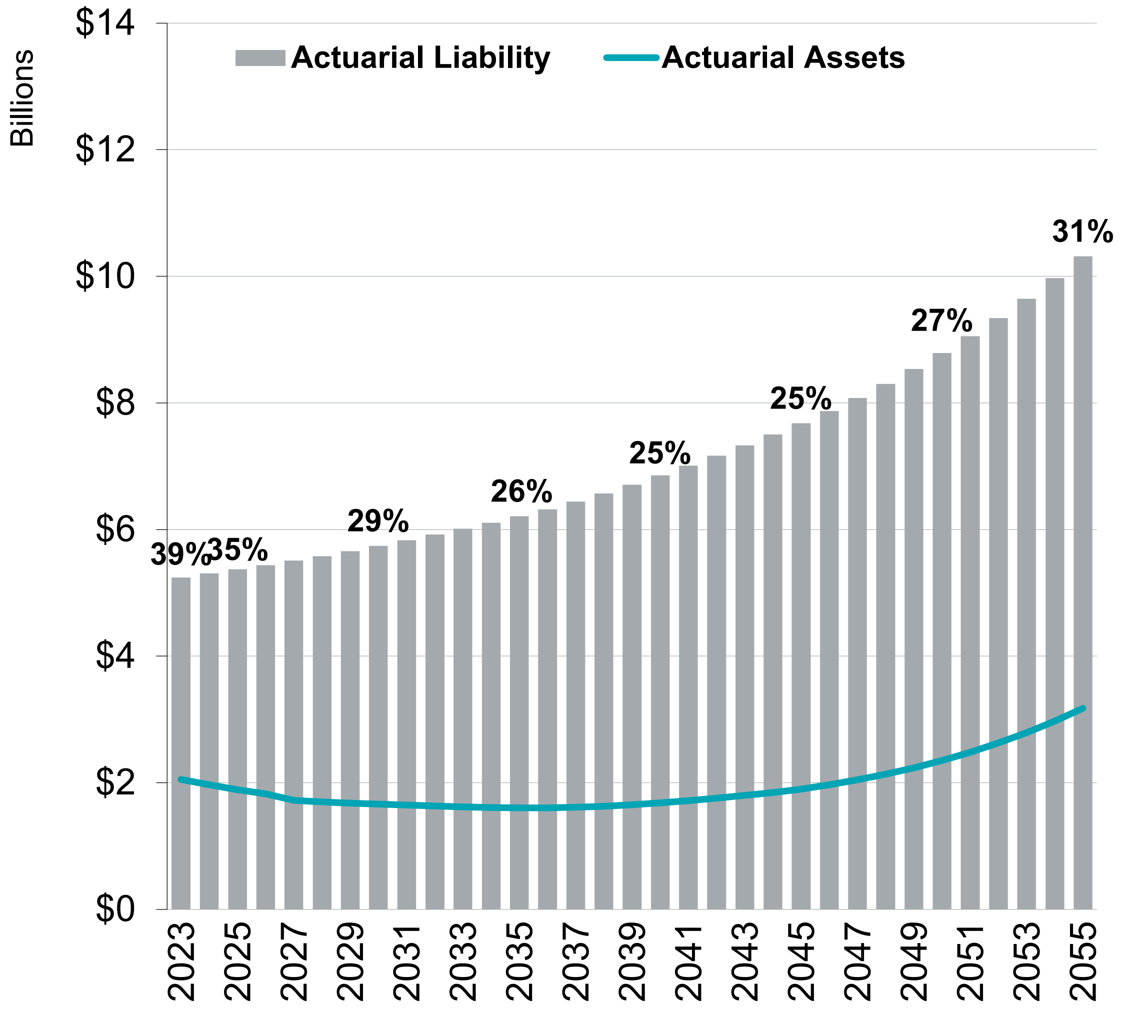
Independent Actuarial Analysis

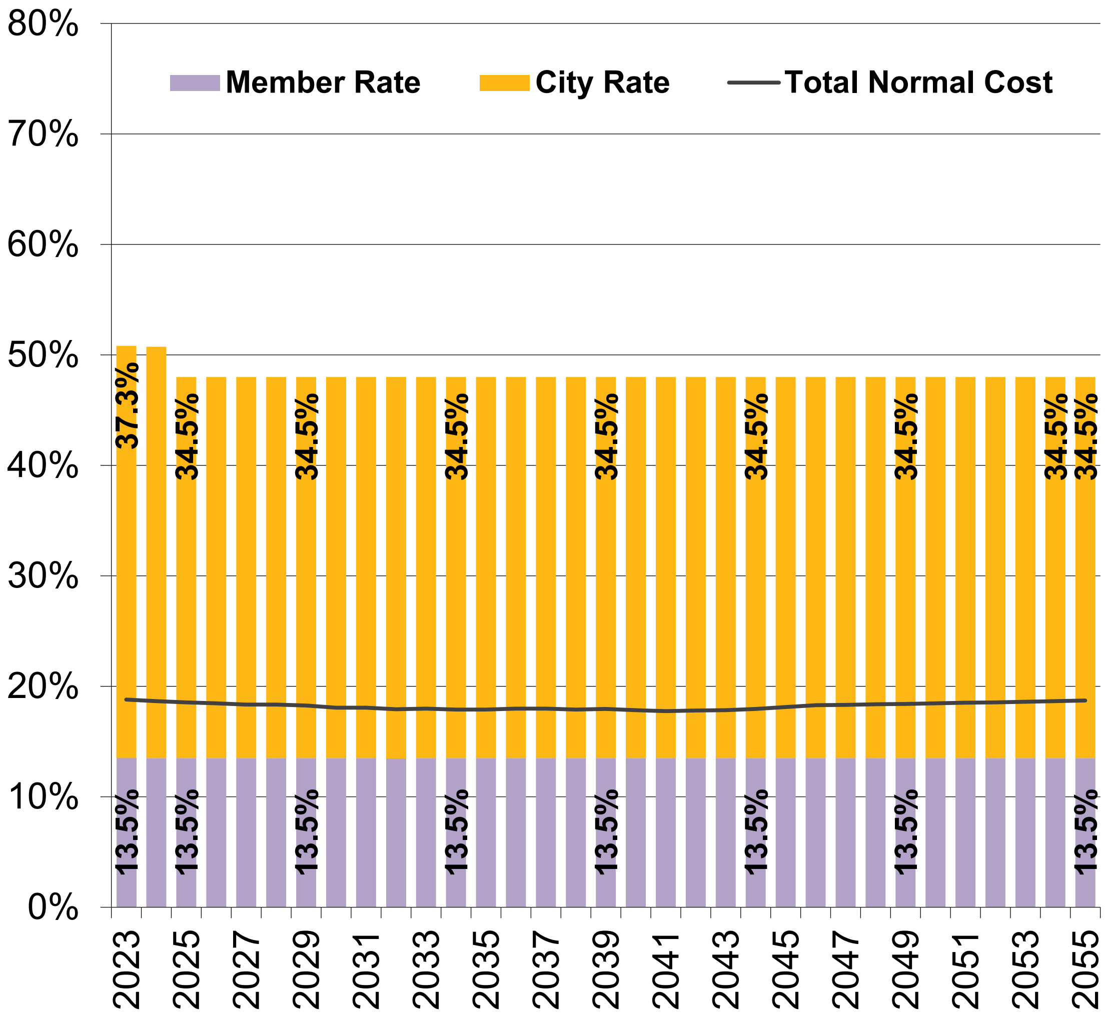
- Pension Review Board selected Cheiron as the Independent Actuary
- Analysis required
  - Does system meet funding guidelines of Chapter 802 of Texas Government Code?
    - Funding period achieved and maintained <= 30 years
  - Make recommendations regarding:
    - Changes to benefits
    - Changes to member contributions
    - Changes to City contributions
- Board action by 11/1/2024
  - Complying with funding requirements of Chapter 802
  - Taking into consideration recommendations of Independent Actuary

Process

- ✓ Replicate 2022 Valuation Performed by Segal
- ✓ Build Interactive Models
- ✓ Develop Alternative Contribution/Benefit Scenarios (At least 3)
- ✓ Draft Report and Presentation Based on 2022 Actuarial Valuation
  - Presented to Board, City, and Pension Review Board
  - Refinement of Options
- ✓ Replicate 2023 Valuation Performed by Segal
- Preliminary Report and Presentation Based on 2023 Actuarial Valuation
  - Feedback from Board
  - Final refinements
- Final Report
  - Texas Pension Review Board
  - Dallas Police & Fire Pension System Board
  - City of Dallas

Baseline Projections – 2023 Valuation





Primary Recommendations

Adopt an Actuarially Determined Contribution

- Contribution amounts adjust to circumstances
- Always comply with funding guidelines
- Start contributions effective either 10/1/2024 or 1/1/2025 based on 1/1/2023 valuation

Reduce Employee Contribution Rate as Funding Improves

- Current rate is high compared to competitors and as proportion of benefit cost
- As funding improves, grade employee rate down to 50% of normal cost rate

Provide Some COLA Earlier Than Current Provisions Permit

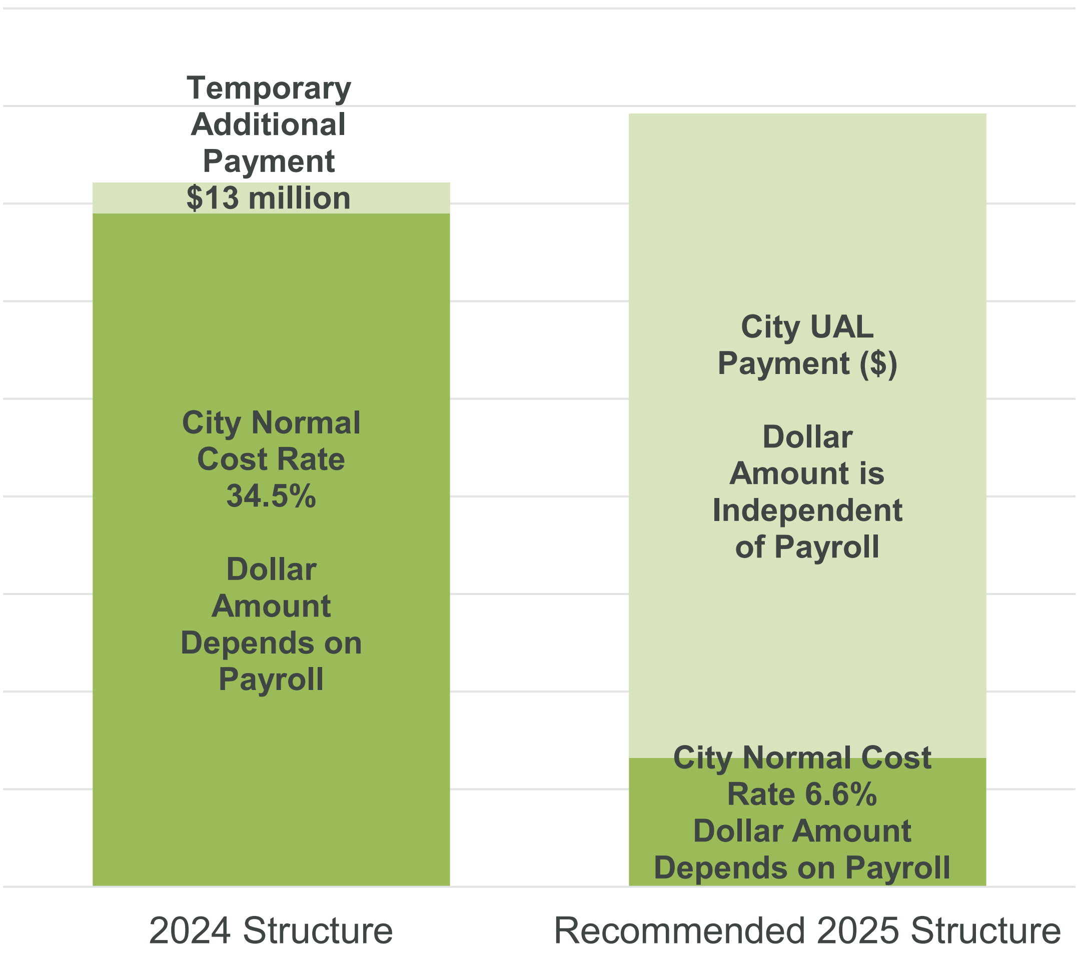
- Members are not covered by Social Security, so they have no inflation protection in retirement
- Lack of COLA is likely to create a recruitment and retention issue

Adopt an Actuarially Determined Contribution

Actuarially Determined Contribution (ADC)

- Current fixed rate implicitly pays:
  - City's normal cost
    - City's expected cost of benefits attributable to the current year of service
  - Administrative expenses
  - An amount towards the Unfunded Actuarial Liability (UAL)
    - UAL payment is thus the excess of fixed rate over the City's normal cost rate and administrative expenses
    - UAL payment is independent of actual UAL
- Proposed ADC consists of:
  - City's normal cost rate
    - Designed to be a percentage of pay
  - Administrative expenses - a dollar amount
  - UAL payment - a dollar amount based on an amortization schedule
    - Designed to pay off UAL over a specified period
    - Independent of actual payroll

City Contribution Structures



Timeline of Actuarially Determined Contribution

1/1/2023
Valuation Date

1/1/2024
2023 Valuation Complete
& ADC Known

10/1/2024 or 1/1/2025
City Begins Contributing ADC From
2023 Valuation

1/1/2024
Valuation Date

1/1/2025
2024 Valuation Complete
& ADC Known

10/1/2025 or 1/1/2026
City Begins Contributing ADC From
2024 Valuation

Key Amortization Principles Applied

Best Practice	• Transition to 20-year layered amortization
Budget Accommodations	• At beginning of amortization, payments step up to ultimate level over a short period to ease budget transition to higher contribution levels • At end of period, amortization payments step down to ease budget transition to lower contribution levels
Layered Amortization	• Payments scheduled to increase no faster than expected inflation (except during step up or down) • Gain layers amortized over period no shorter than remaining period on initial amortization
Meets Pension Review Board Funding Guidelines	• Fully amortized within 30 years

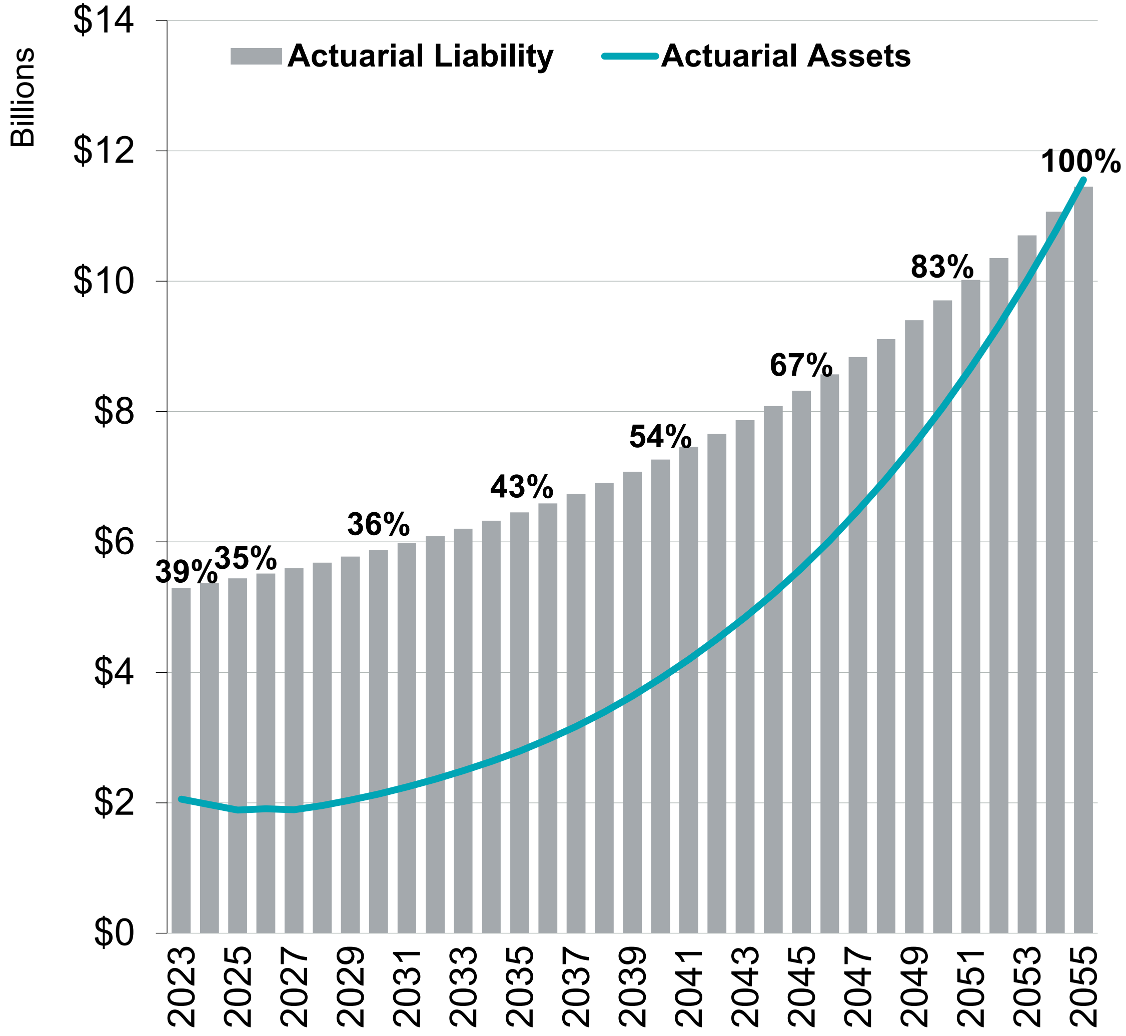
Modeled Amortization Options

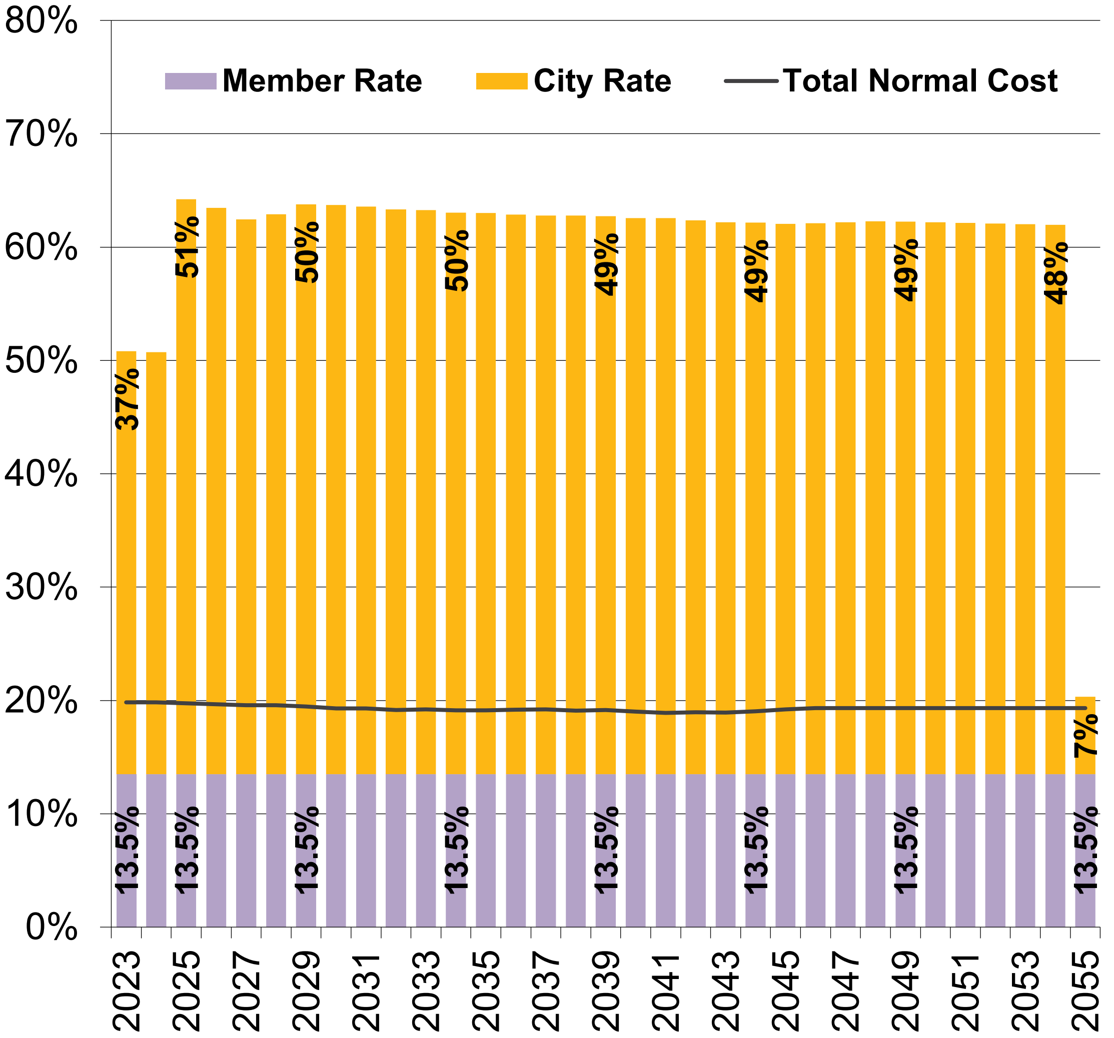
Most Preferred ← All Are Reasonable → Least Preferred

Traditional	3-Year Step Up/Down	5-Year Step Up/Down	3-Year Step Up	5-Year Step Up

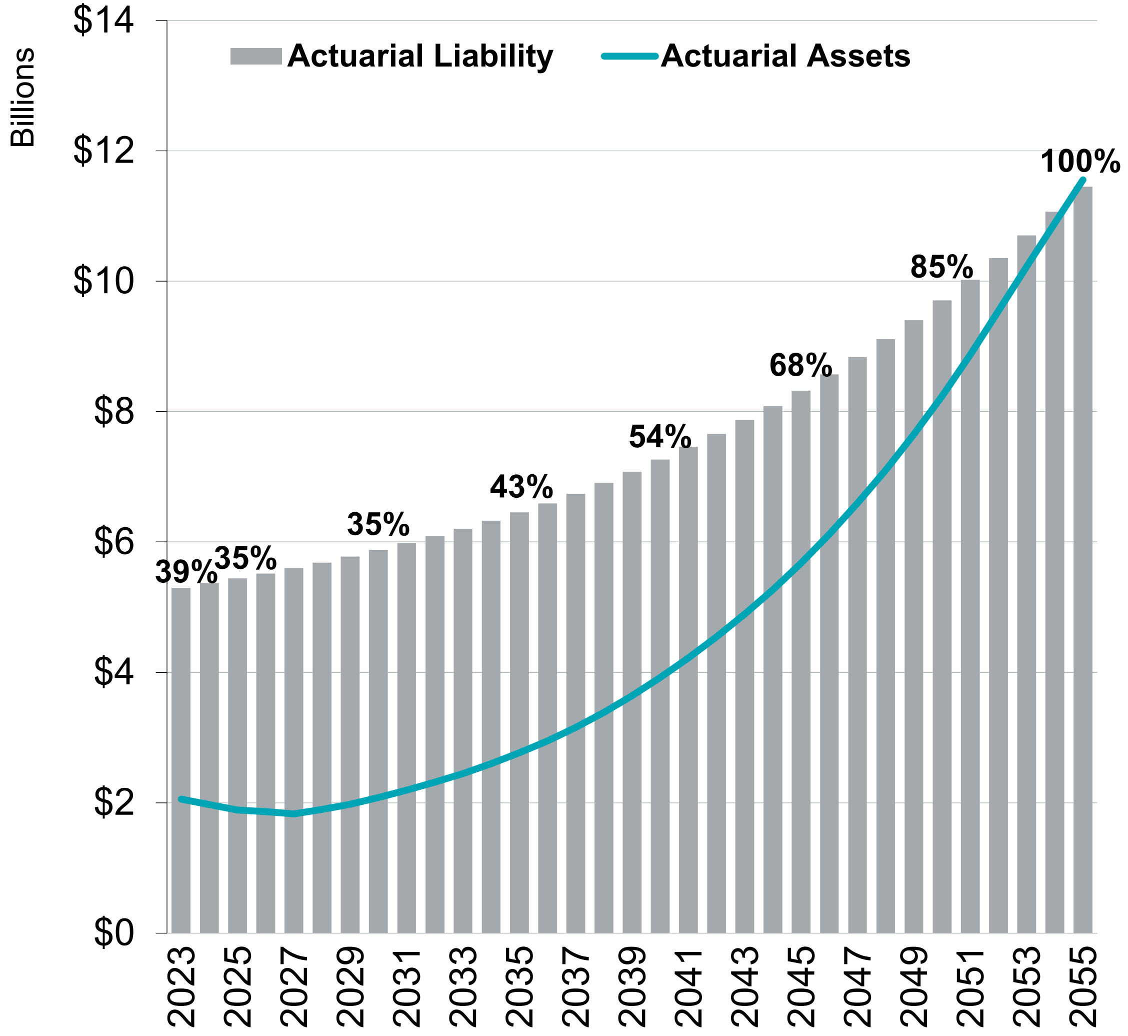
• Single initial 30-year amortization layer for entire UAL
  • 2.5% annual increase in payments
  • No step up or down in payments
	• 30-year base amortization layer approximating current contribution rate for 2024
	  • 2.5% annual increase in payments
	• 30-year amortization layer for remainder of UAL
	  • Payments step up over 3 years to full payment level
	  • 2.5% annual increase in payments once at full payment level
	  • Payments step down over 3 years at end of amortization
		• 30-year base amortization layer approximating current contribution rate for 2024
		  • 2.5% annual increase in payments
		• 30-year amortization layer for remainder of UAL
		  • Payments step up over 5 years to full payment level
		  • 2.5% annual increase in payments once at full payment level
		  • Payments step down over 5 years at end of amortization
			• 30-year base amortization layer approximating current contribution rate for 2024
			  • 2.5% annual increase in payments
			• 30-year amortization layer for remainder of UAL
			  • Payments step up over 3 years to full payment level
			  • 2.5% annual increase in payments once at full payment level
			  • No step down at end of amortization
				• 30-year base amortization layer approximating current contribution rate for 2024
				  • 2.5% annual increase in payments
				• 30-year amortization layer for remainder of UAL
				  • Payments step up over 5 years to full payment level
				  • 2.5% annual increase in payments once at full payment level
				  • No step down at end of amortization

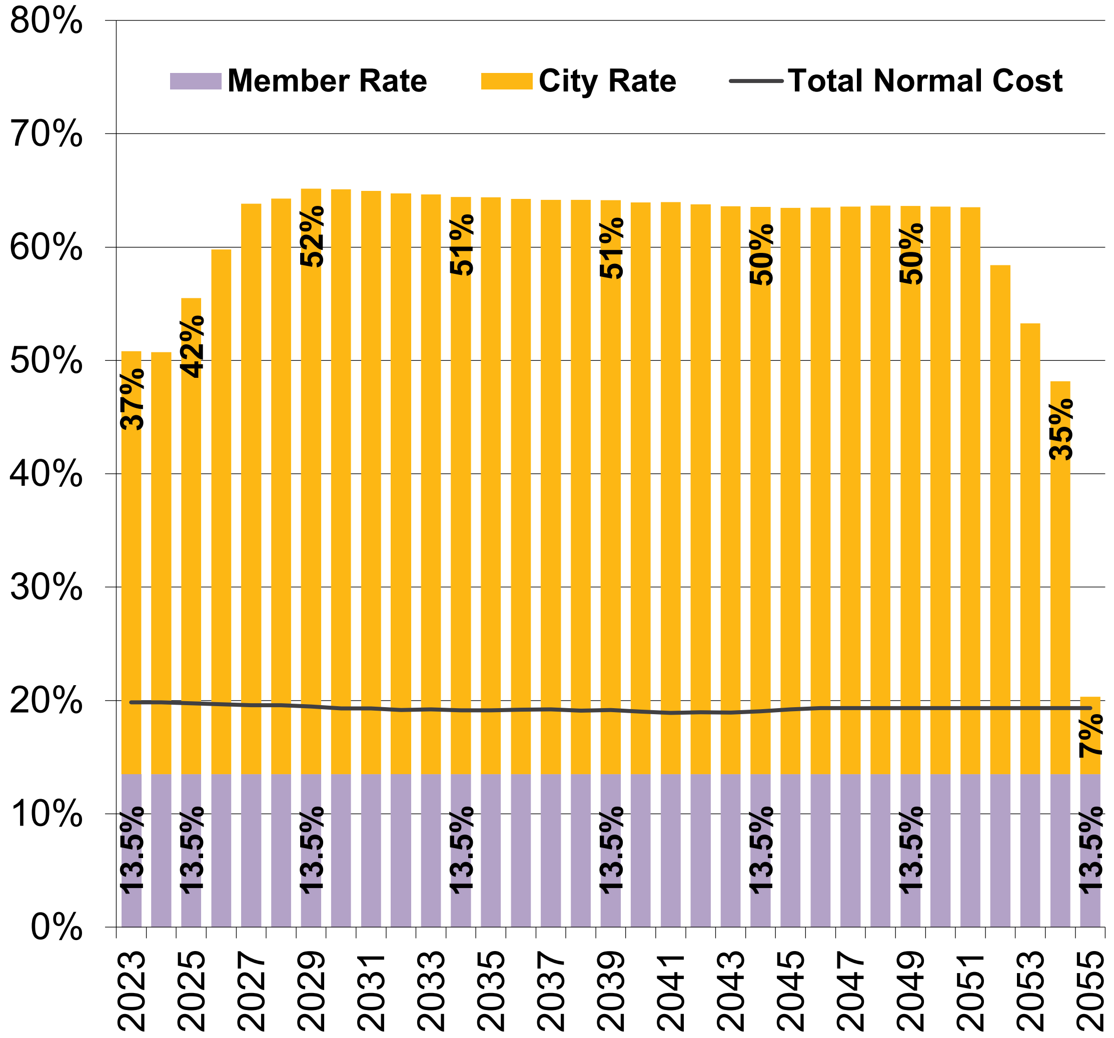
Option 1A – Traditional ADC



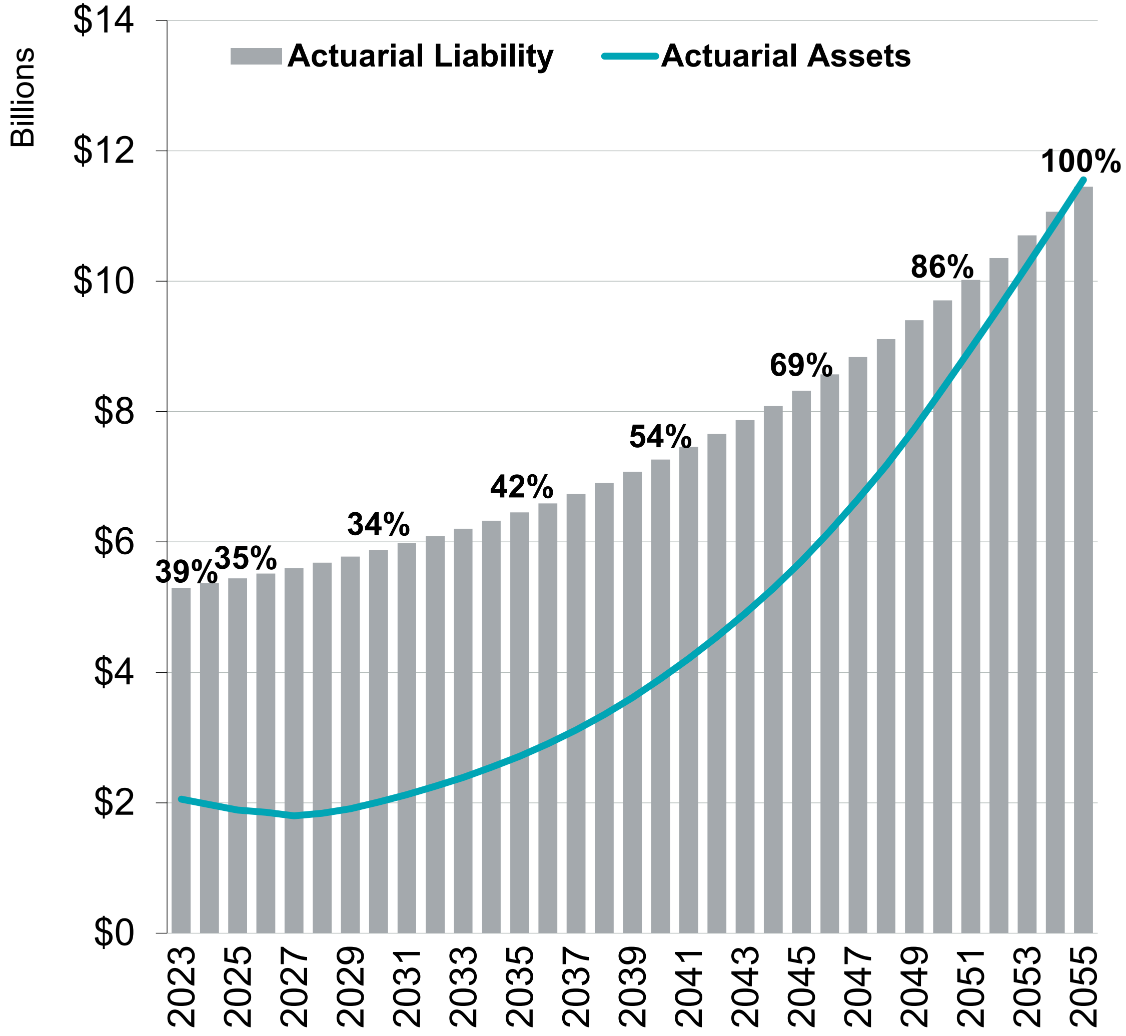


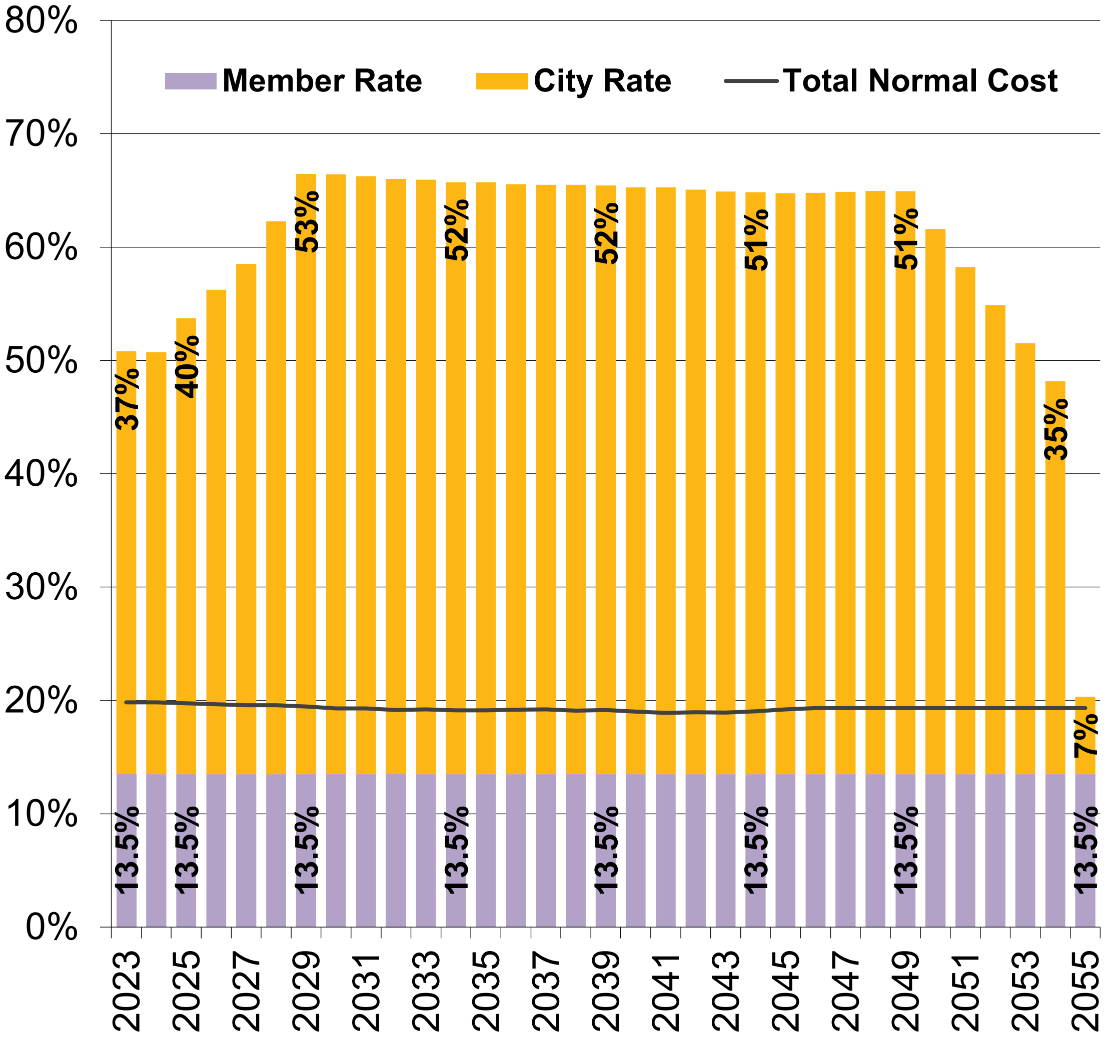
Option 1B – 3-Year Step Up/Step Down ADC



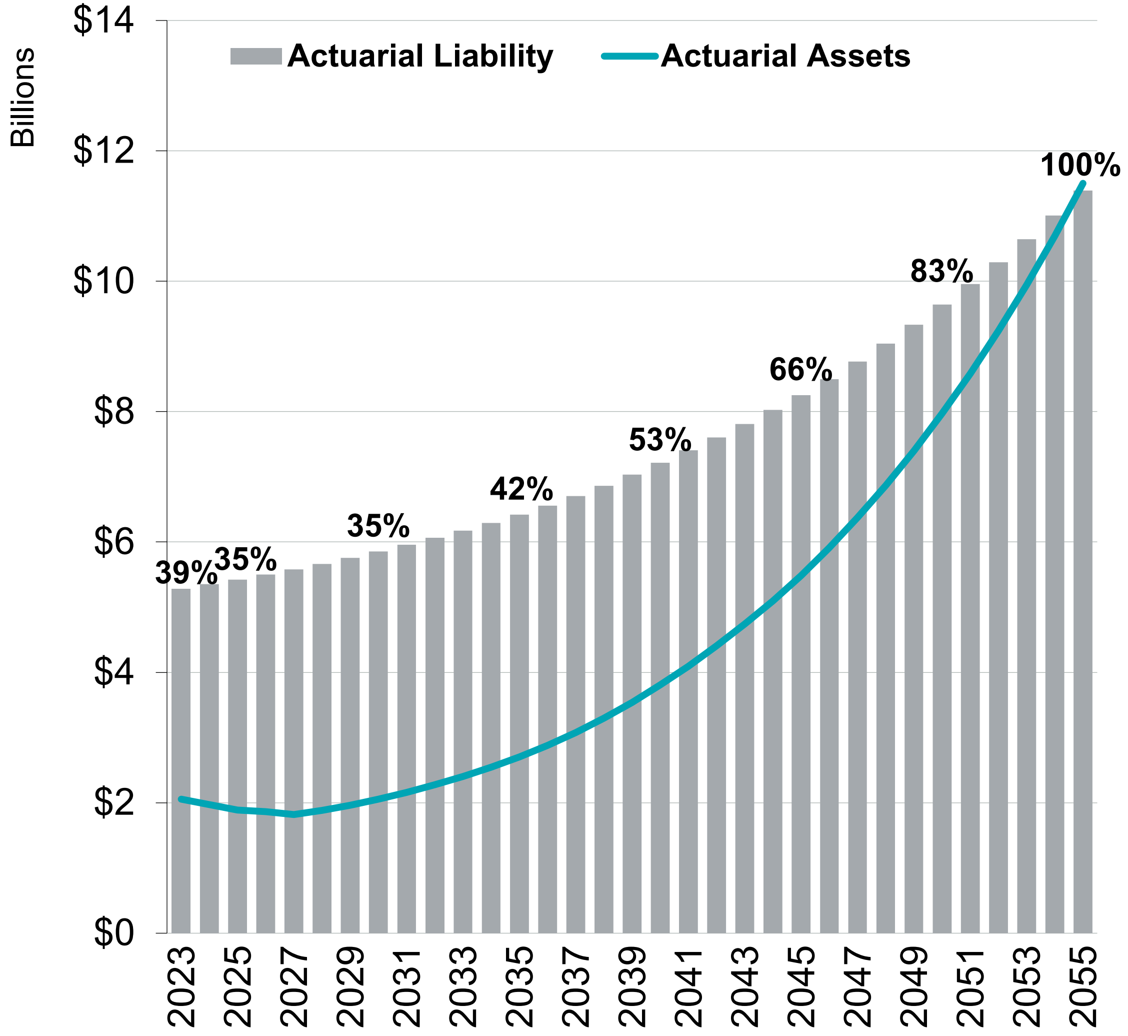


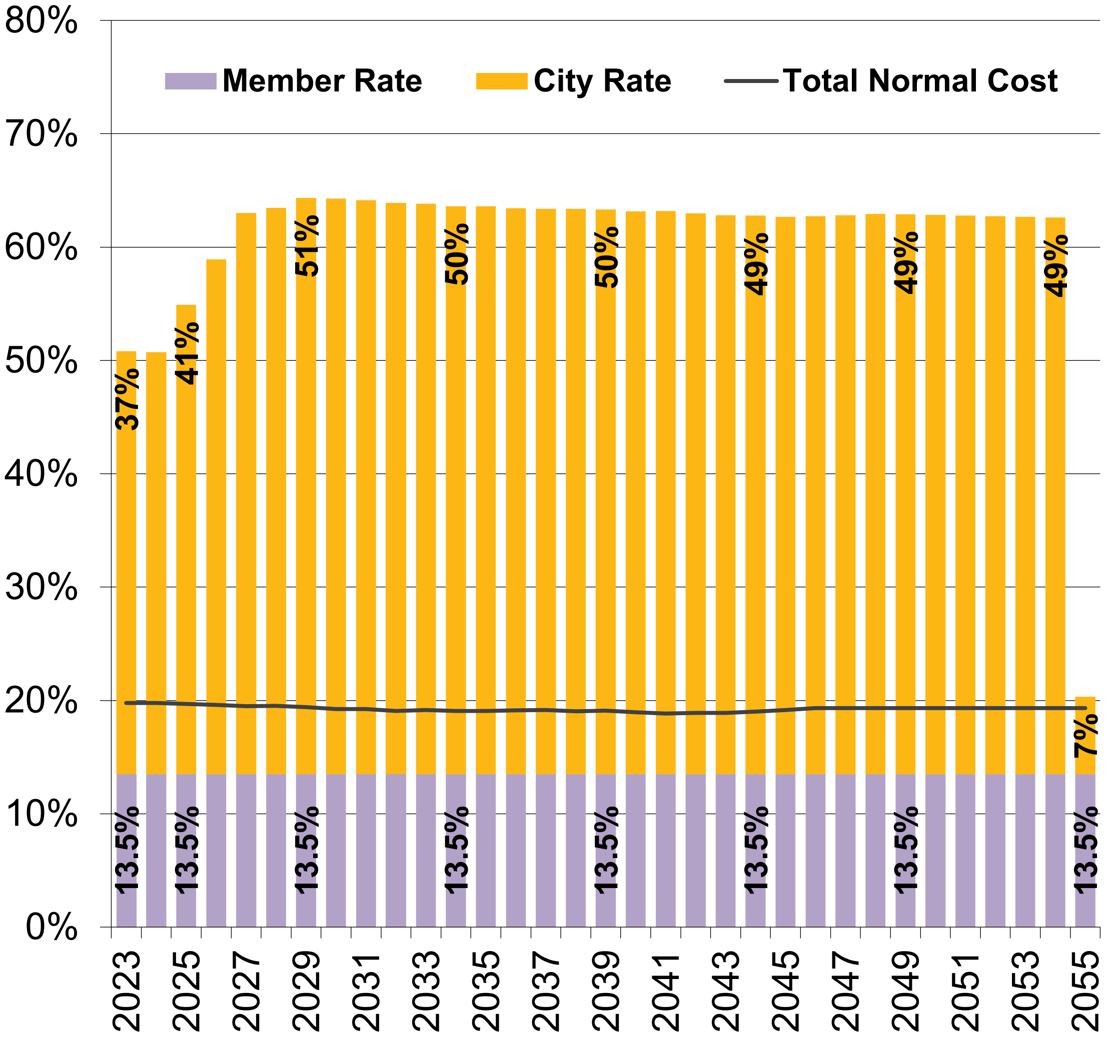
Option 1C – 5-Year Step Up / Step Down ADC



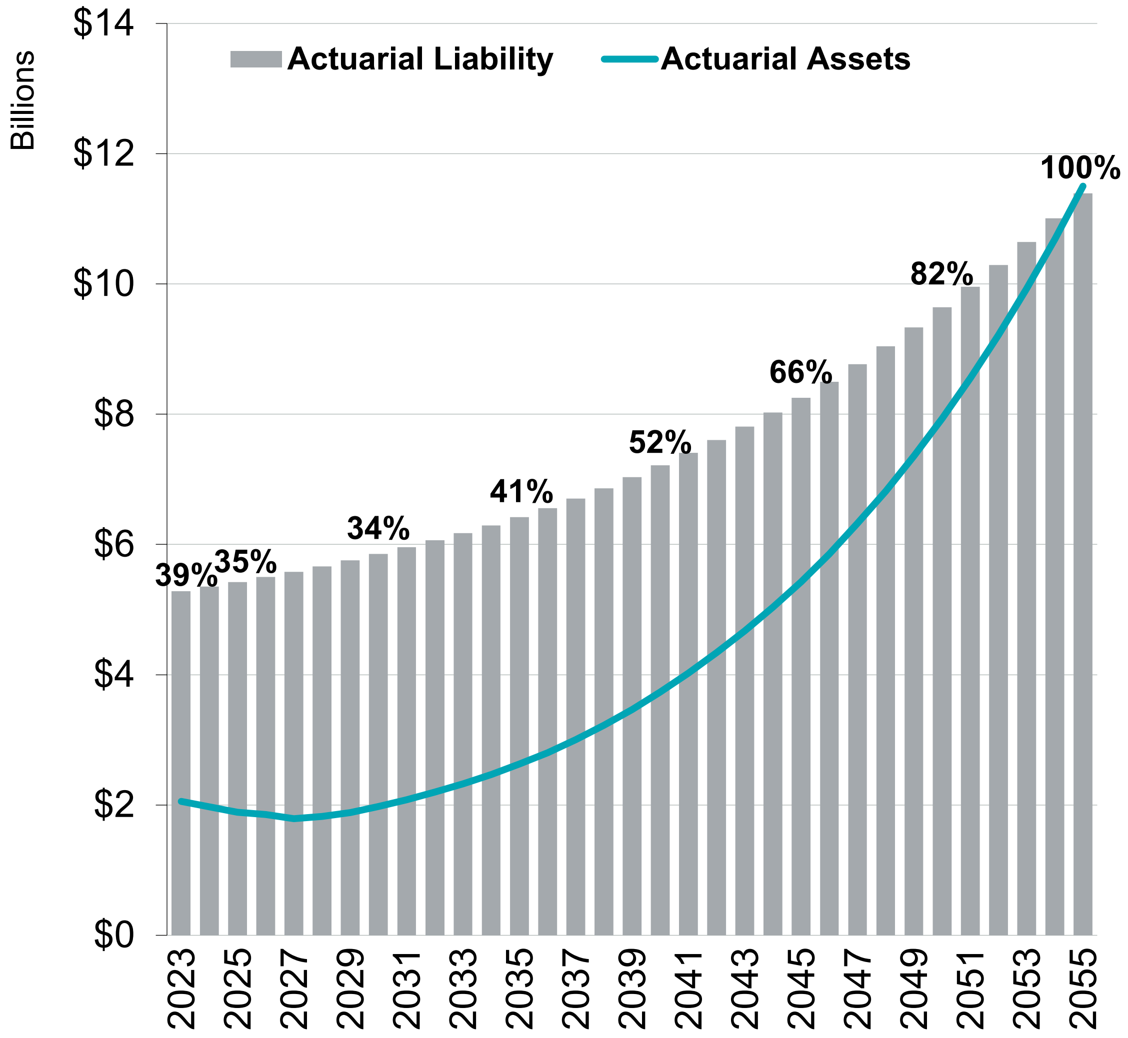


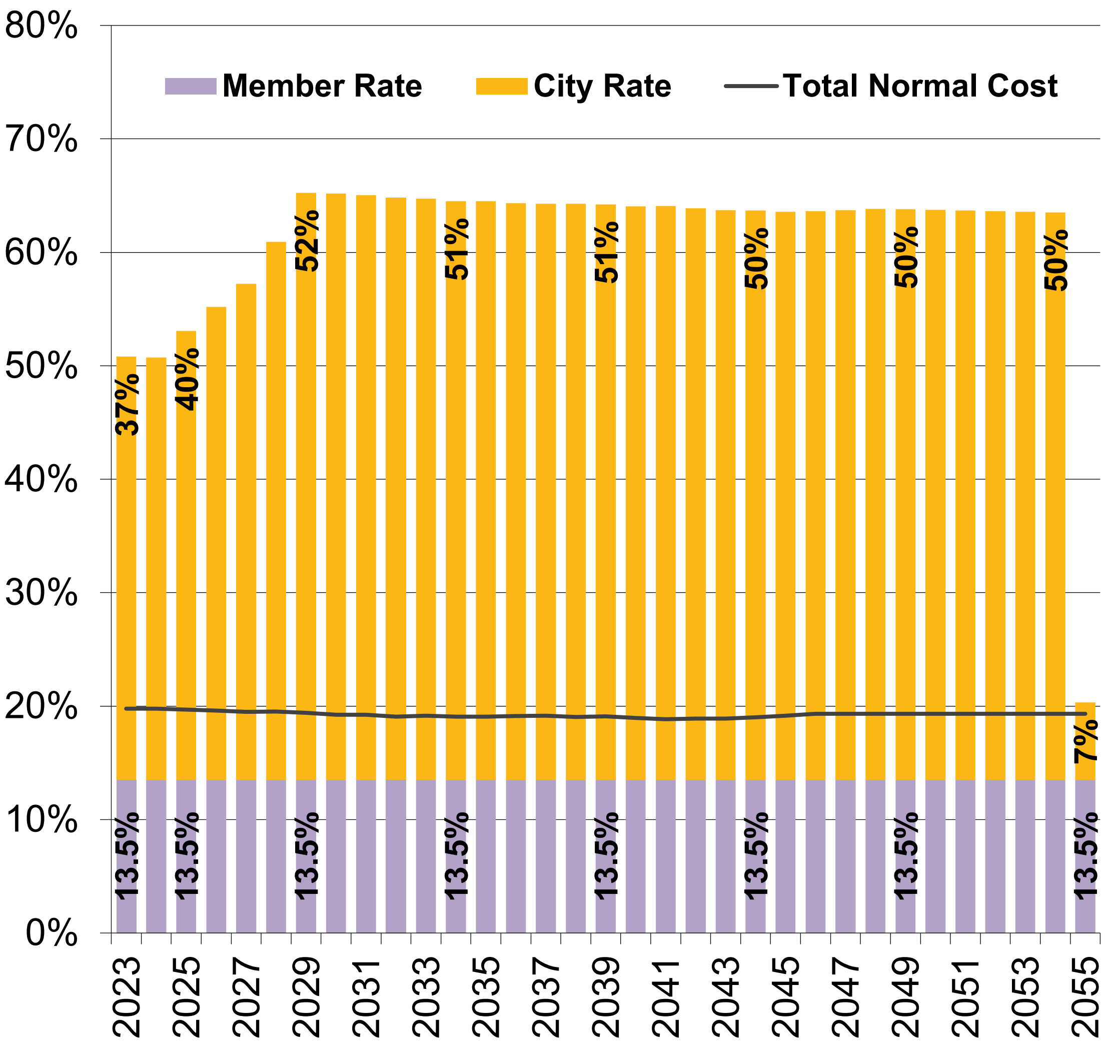
Option 1D – 3-Year Step Up ADC





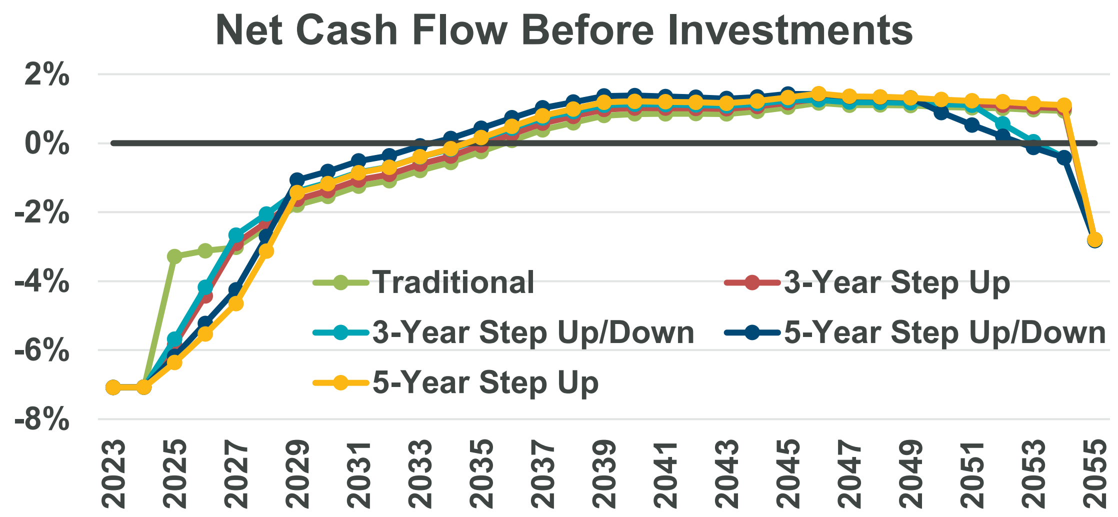
Option 1E – 5-Year Step Up ADC

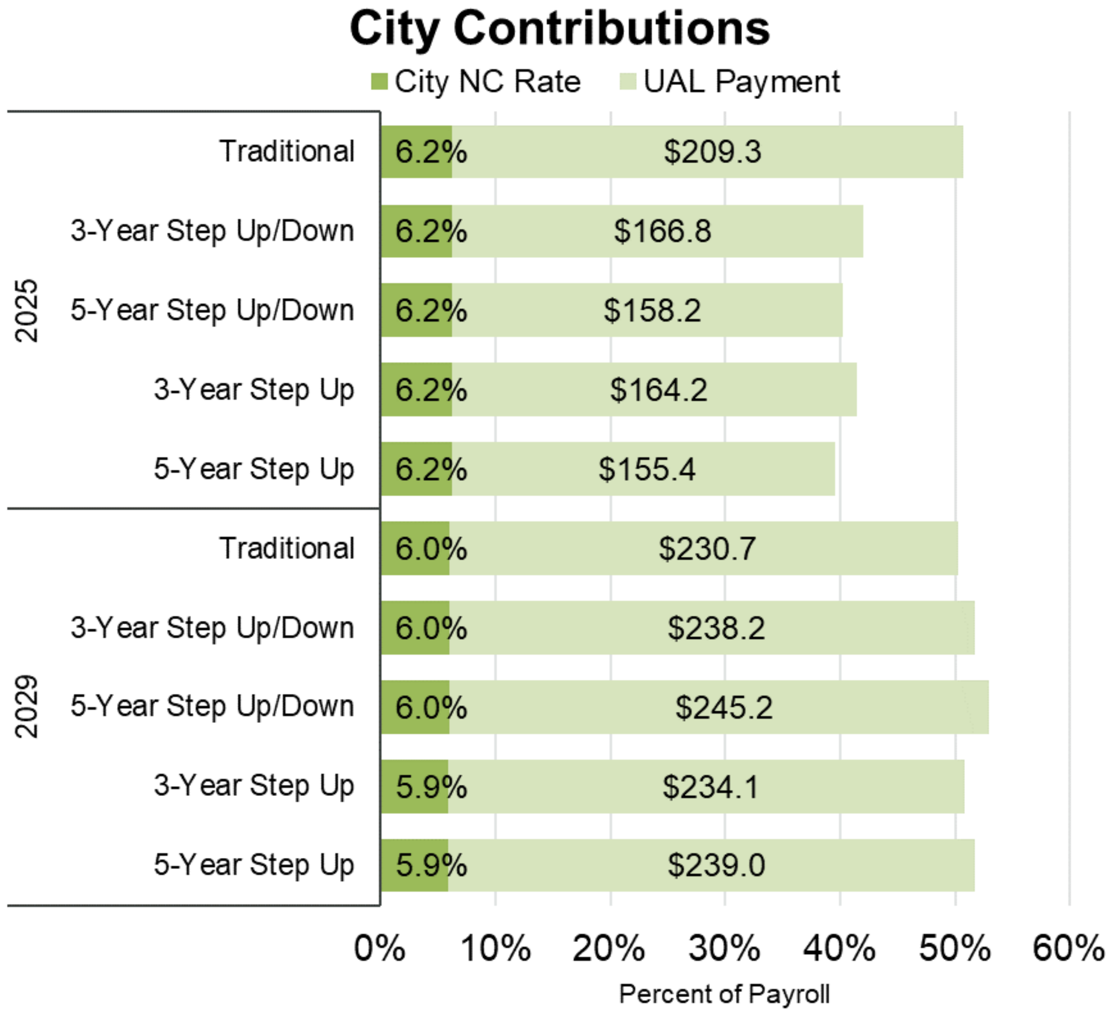




Comparison of ADC Options

ADC	Minimum Expected Funded Percentage	Year Reach 70% Funded
Traditional	34%	2047
3-Year Step Up/Down	32%	2046
5-Year Step Up/Down	32%	2046
3-Year Step Up	32%	2047
5-Year Step Up	32%	2047





Observations/Rationale for Recommendations

- All ADC options are reasonable:
  - Meet the PRB's funding guidelines
  - Adjust contributions as circumstances change so funding guidelines are always satisfied
  - Improve cash flow
  - Expect to achieve 70% funding in 2046 or 2047
  - Expect to achieve 100% funding by 1/1/2055
- Given the current funded status, we prefer higher contributions as soon as possible
  - Lump sum contributions would reduce future actuarially determined contributions
- To manage the change to a higher level of contributions, we prefer the step up / step down options
  - Step up provides time for the City's budget to adjust to higher contribution levels while automatically adjusting for experience during the step-up period
  - Step down provides some time to adjust City's budget to lower contribution levels
    - Most entities facing a significant drop in contribution levels have elected to step them down instead, often extending the amortization period to do so
    - Better to plan for the step down in advance

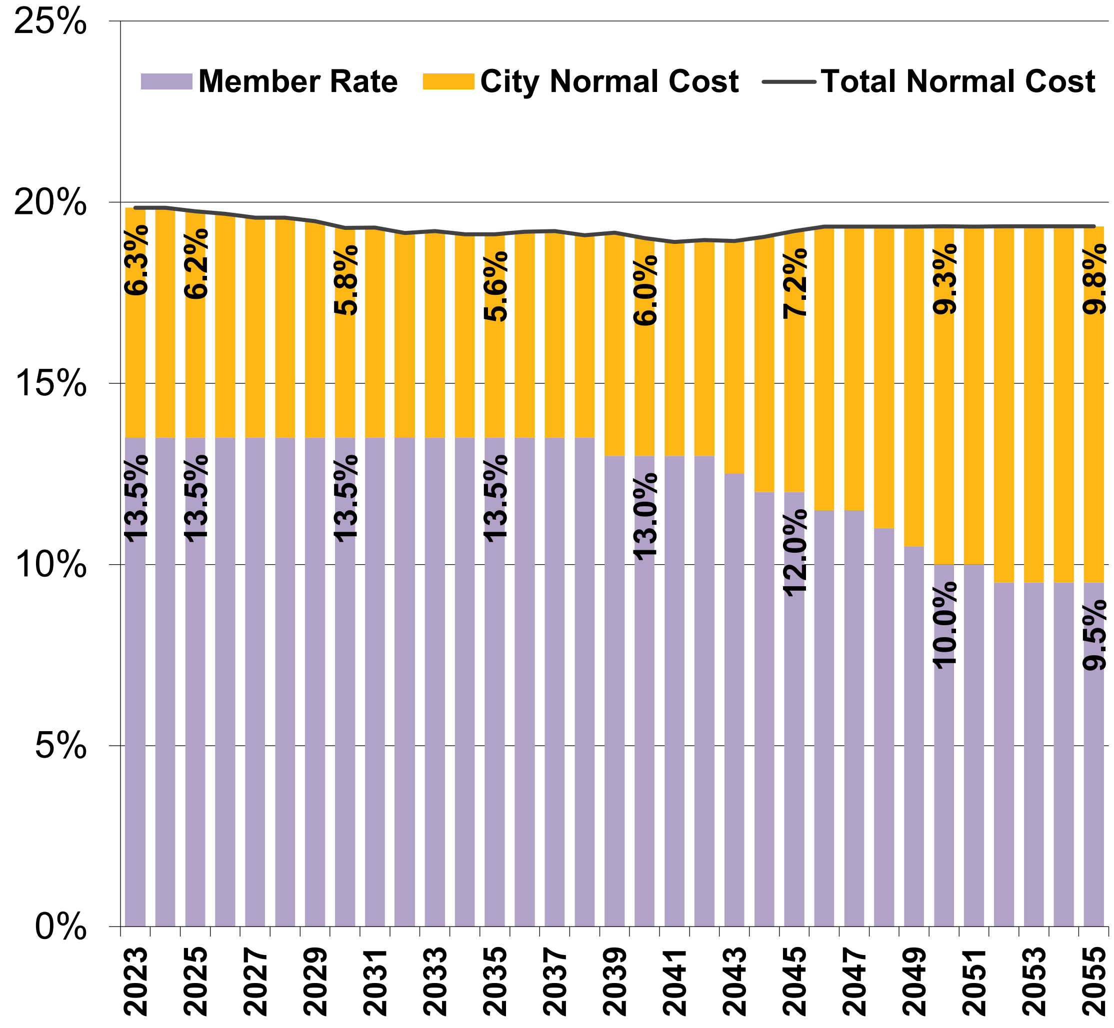
Reduce Employee Contribution Rate as Funding Improves

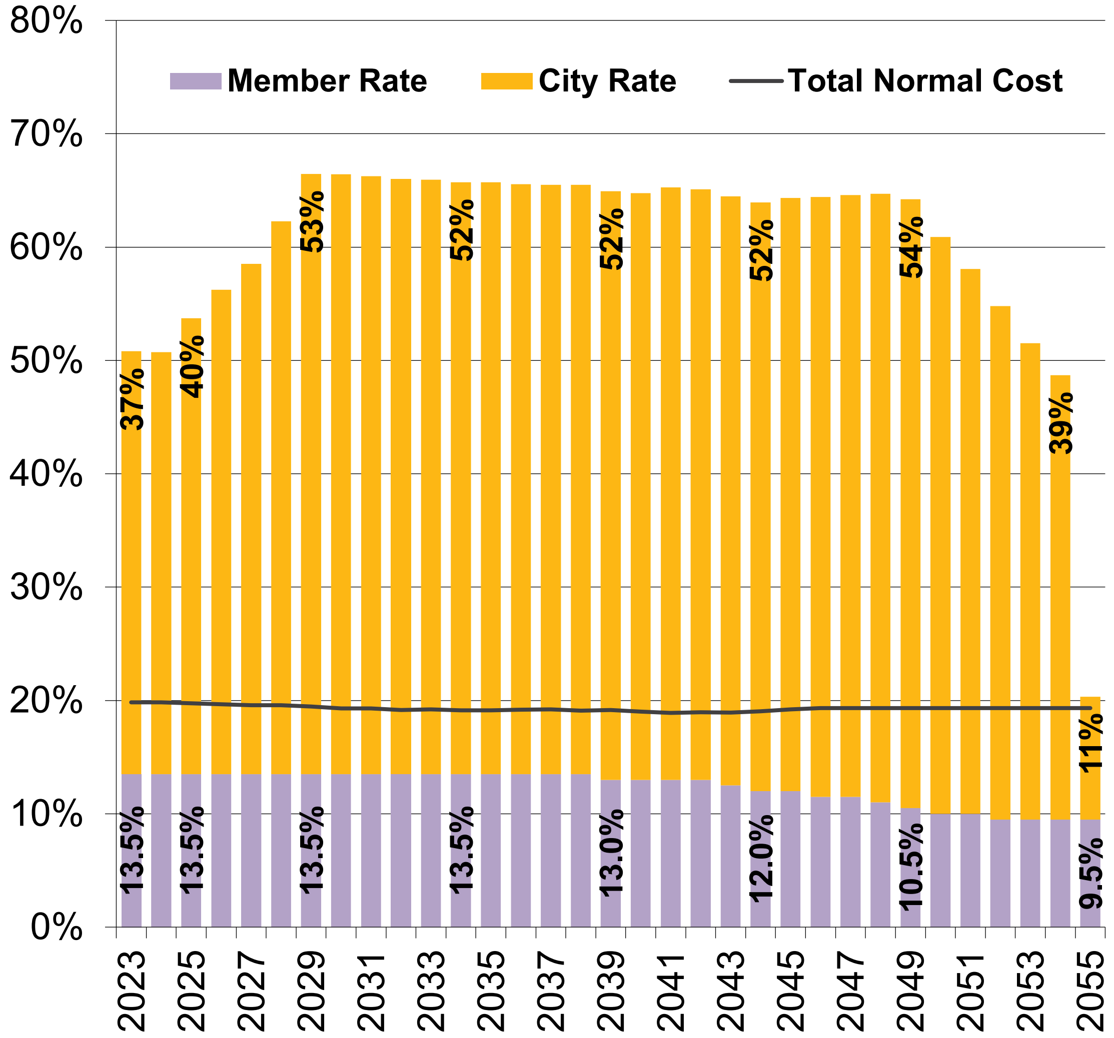
Scenario 2 – Adjustable Employee Contribution Rate

- Set base employee contribution rate to 50% of the normal cost rate applicable for members hired on/after March 1, 2011
  - Similar to current law once System is fully funded
  - Round to nearest 0.5%
  - 9.5% for this scenario
- Add adjustment designed to maintain current 13.5% contribution rate initially, with rate decreases as the System becomes better funded
- Adjustments proposed for this scenario shown in the table below:

Funded Ratio	<50%	50-59%	60-64%	65-69%	70-74%	75-79%	80-84%	85-89%	90%+
EE Rate Adjustment	4.0%	3.5%	3.0%	2.5%	2.0%	1.5%	1.0%	0.5%	0%

Scenario 2 – Adjustable EE Rate with 5-Yr Step Up/Dn ADC





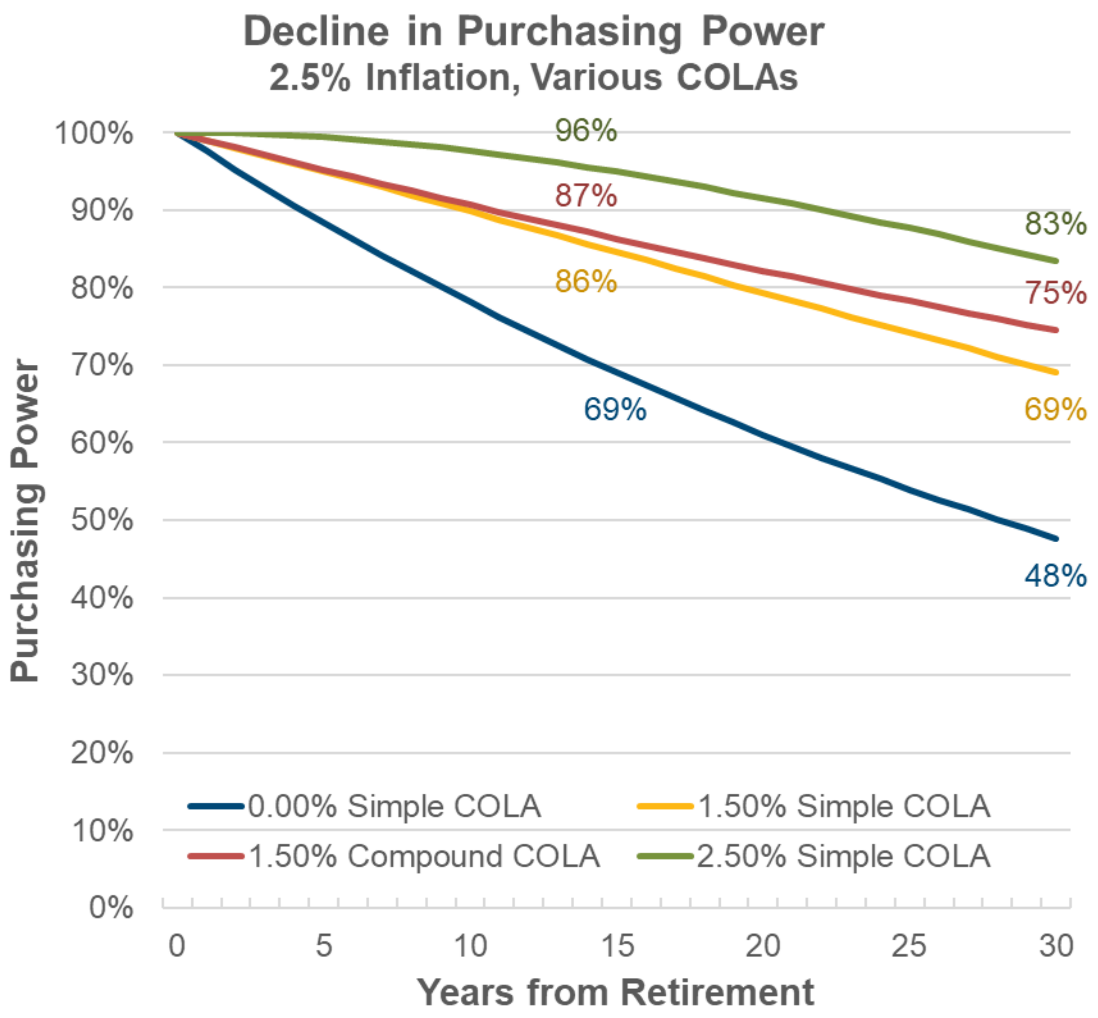
Provide Some COLA Earlier

COLA Background

- Prior to HB 3158
  - Automatic 4% Simple COLA if hired prior to 1/1/2007
  - Ad Hoc Simple COLA up to 4% if hired after 12/31/2006
- After HB 3158
  - Ad Hoc Simple COLA that depends on investment returns (not inflation)
    - 5-year average return minus 5%
    - Maximum of 4%
  - COLA can only be granted if funded percentage > 70%
    - 2023 valuation projects first COLA in 2073
    - With revised funding plan, first COLA expected to be paid about 2046

COLA Provides Purchasing Power Protection

- DPFP members are not covered by Social Security
  - Social Security benefits are fully indexed to inflation
- Over time, COLAs that don't keep up with inflation erode the retiree's purchasing power
- COLAs are expensive



Why Consider Improving the COLA Now?

- Arguments against improving COLAs
  - System is already poorly funded without improved COLAs
  - COLAs will require additional contributions to fully fund the System
  - Natural response is to exclude consideration of any COLA improvements until funding improves
- However, can Dallas maintain its Police and Fire workforce while offering no COLA for the next 20+ years?
  - No Social Security coverage to provide inflation protection in retirement
  - Remainder of Dallas' workforce receives annual COLAs up to 3.0% (5.0% if hired prior to 2017)
- If COLAs will be needed within the next 20 years
  - Costs should be included in the budget plan now
  - Ignoring or deferring these costs may lead to inadequate funding
  - Options outlined in the presentation provide a spectrum to illustrate the cost/benefit trade-offs, but are not exhaustive of all options available

COLA Design Choices

CPI vs. Investment Return Basis	Simple vs. Compound	Funded Status Requirement	Purchasing Power Protection	Expected and Maximum Amounts

• Retirees living expenses vary with CPI
• Resources to pay for COLA depend on investment returns
	• Inflation compounds
	• Compound COLAs are more expensive than simple COLAs
	• Difference is minimal in years shortly after retirement but grows as retirees age
	• Savings from simple COLAs come at the expense of the oldest retirees
		• Automatically reduces or eliminates COLA when plan is not well funded
		• Reduces plan costs when the plan most needs it
		• May force retirees to go without any COLA for many years, resulting in a significant decline in purchasing power
			• Sets a floor (e.g., 70%) for each retiree's decline in purchasing power, providing compound COLAs equal to inflation once a retiree's benefit reaches the floor
			• Purchasing power protection limits risk to retirees when COLA is:
			  • Simple,
			  • Based on investment return, or
			  • Subject to funded status requirements
				• COLAs are usually designed to provide an expected amount with some level of variability
				• To control costs, there is often a cap on the amount of any single COLA
				• Some plans allow retirees to "bank" any excess amount to use in a future year if the CPI increase exceeds the maximum COLA

COLA Background

Dallas Police & Fire Pension System

- After HB 3158 (Effective 9/1/2017)
  - Ad Hoc
  - Simple COLA that depends on investment returns (not inflation)
    - 5-year average return minus 5%
    - Expected 1.5% COLA
      - 6.5% expected return – 5.0% = 1.5%
    - Maximum of 4%
  - Can only be granted if funded percentage > 70%
    - 2023 valuation projects first COLA in 2073
    - With revised funding plan, first COLA expected to be paid about 2046

Dallas Employees Retirement Fund

- Hired prior to January 1, 2017
  - Automatic
  - Simple COLA equal to CPI
  - Maximum = 5.0%
- Hired after December 31, 2016
  - Automatic
  - Simple COLA equal to CPI
  - Maximum = 3.0%

Modeled COLA Options

	Current	Dallas Employees Retirement Fund COLA	Immediate Partial COLA	Current + 70% PP	Current + 80% PP	Current Immediate + 80% PP	Compound Current Immediate + 80% PP
CPI vs. Investment	Investment	**CPI**	Investment	Investment / **CPI**	Investment / **CPI**	Investment / **CPI**	Investment / **CPI**
Simple vs. Compound	Simple	Simple	Simple	Simple / **Compound**	Simple / **Compound**	Simple / **Compound**	**Compound**
Funded Status	70%	**0%**	**0%**	70%	70%	**0%**	**0%**
Purchasing Power (PP) Protection	None	None	None	**70% of 2024 PP**	**80% of 2024 PP**	**80% of 2024 PP**	**80% of 2024 PP**
Expected Amount / Maximum	1.5% / 4.0%	**2.5% / 3.0%**	**1.5% times Funded %** / 4.0%	1.5% / 4.0%	1.5% / 4.0%	1.5% / 4.0%	1.5% / 4.0%

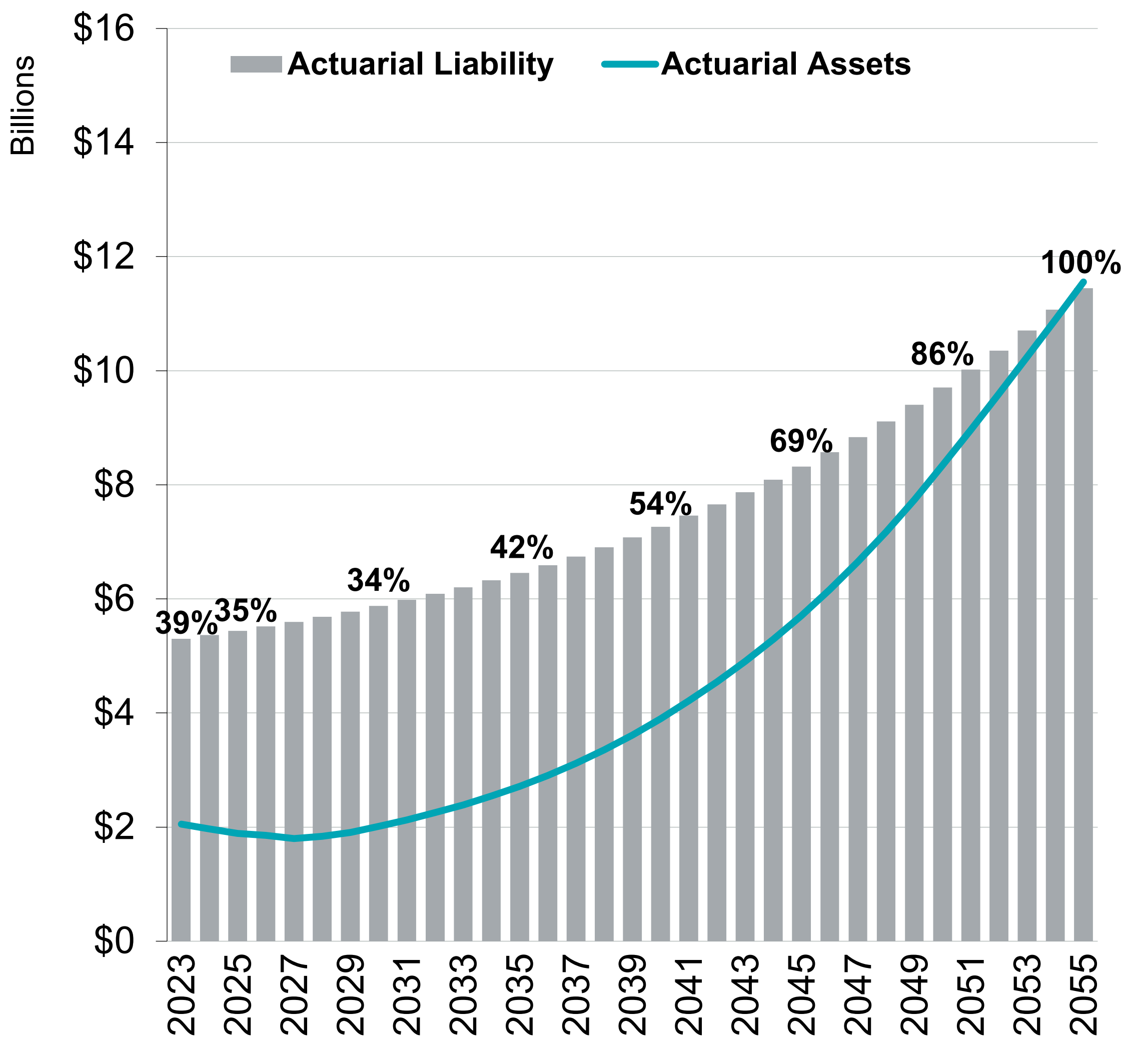
Option 3A - Current COLA – Purchasing Power Impact

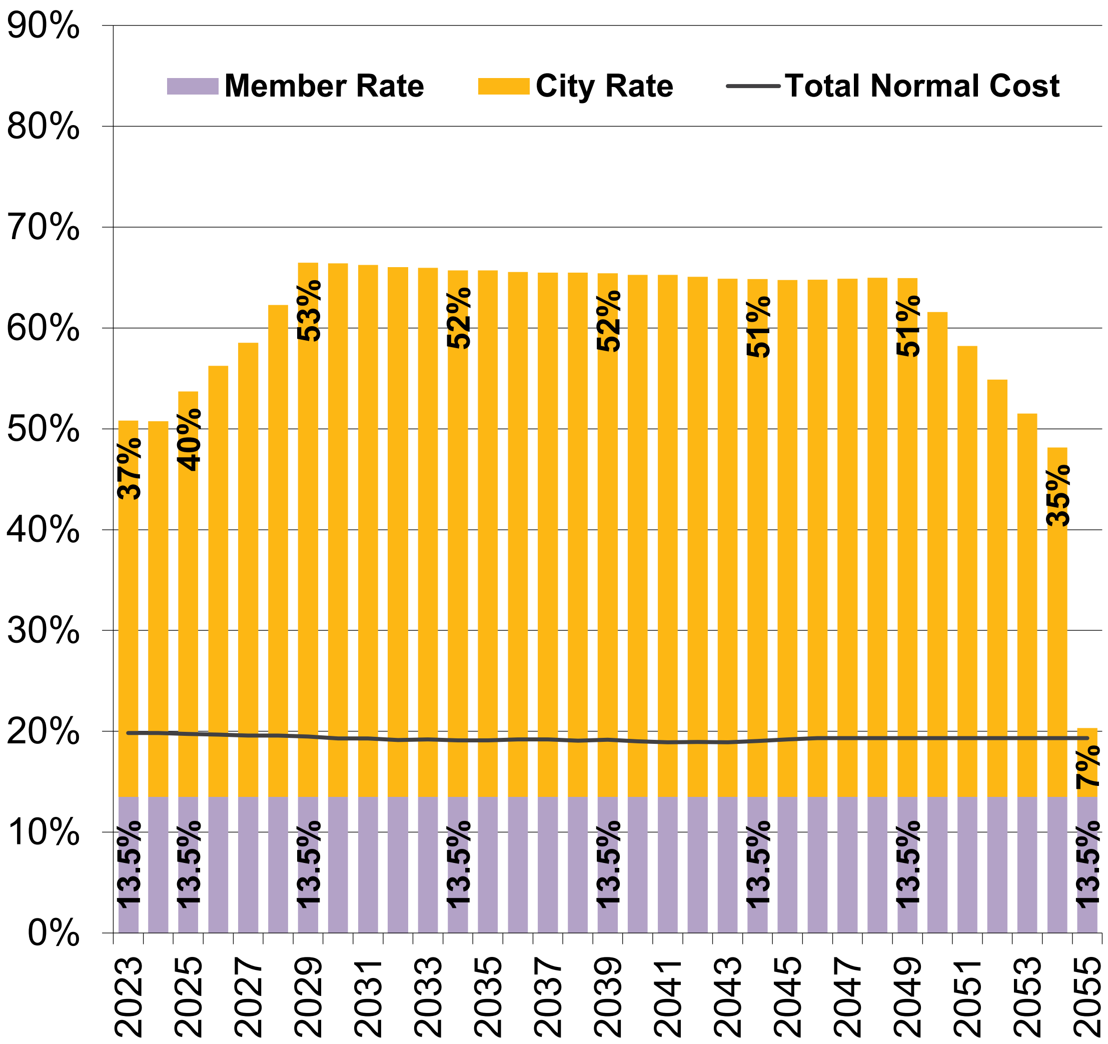
Purchasing Power

Retirement Year	2024	2029	2034	2039	2044	2049	2054
2023	100%	88%	78%	69%	63%	60%	56%
2022	96%	85%	75%	66%	60%	57%	54%
2021	88%	77%	68%	60%	55%	52%	49%
2020	83%	73%	65%	57%	52%	49%	47%
2019	82%	73%	64%	57%	52%	49%	46%
2018	81%	71%	63%	56%	51%	48%	45%
2017	79%	70%	61%	54%	49%	47%	44%
2016	76%	67%	60%	53%	48%	45%	43%
2015	78%	69%	61%	54%	49%	46%	43%
2010	86%	76%	67%	59%	54%	50%	47%
2005	93%	83%	73%	65%	58%	54%	50%
2000	94%	83%	73%	65%	58%	54%	
1995	92%	82%	72%	64%	57%		
1990	90%	79%	70%	62%			
1985	84%	75%	66%				
1980	70%	62%					

- Chart shows purchasing power in each year compared to purchasing power at time of retirement
- Future inflation = 2.5%
- Past COLAs
  - 4% simple through 2016
  - 0% 2017 - 2023
- Future COLAs
  - COLAs re-start once plan achieves 70% funding (~2046)
  - Expected COLA = 1.5% Simple

Option 3A – Current COLA
With 5-Year Step Up / Step Down ADC





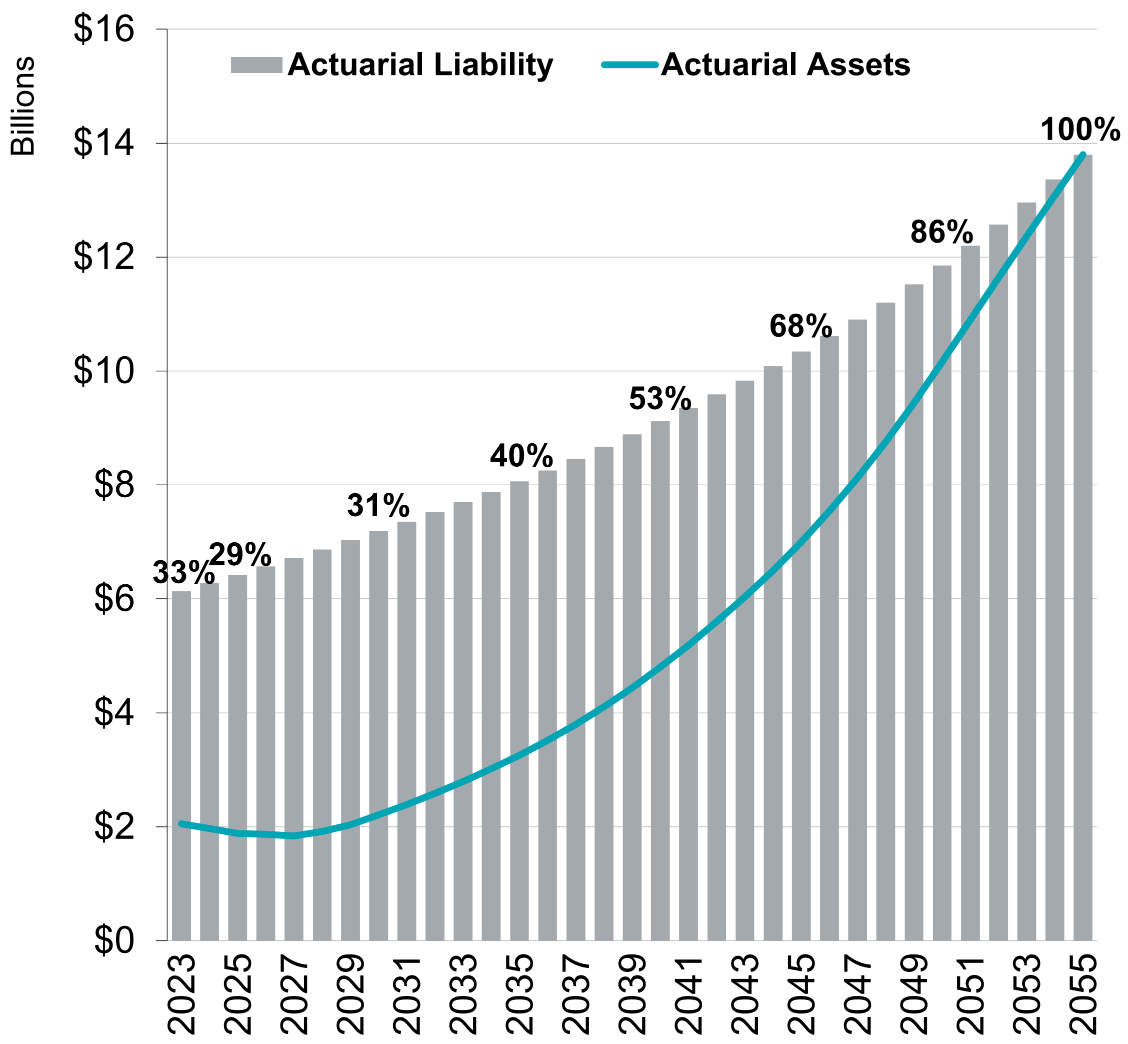
Option 3B – Current Employees Retirement Fund COLA
Purchasing Power Impact

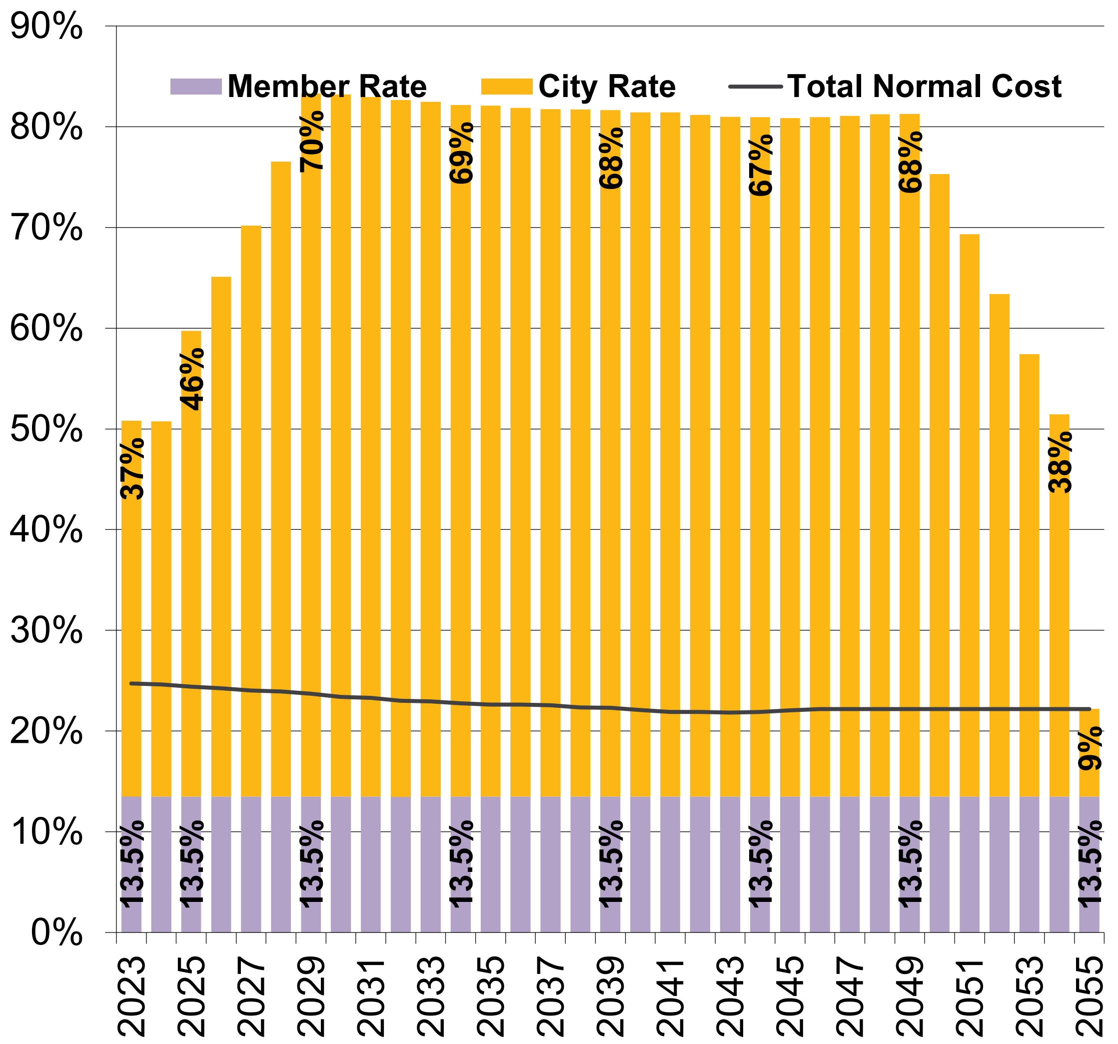
Purchasing Power

Retirement Year	2024	2029	2034	2039	2044	2049	2054
2023	100%	99%	98%	95%	92%	88%	83%
2022	96%	95%	93%	91%	88%	84%	80%
2021	88%	87%	86%	83%	80%	77%	73%
2020	83%	82%	81%	79%	76%	72%	69%
2019	82%	82%	80%	78%	75%	72%	69%
2018	81%	80%	79%	77%	74%	71%	67%
2017	79%	78%	77%	75%	72%	69%	66%
2016	76%	76%	74%	72%	70%	67%	64%
2015	78%	77%	75%	73%	70%	67%	64%
2010	86%	84%	81%	77%	74%	70%	66%
2005	93%	90%	86%	81%	77%	72%	68%
2000	94%	89%	85%	80%	75%	70%	
1995	92%	87%	82%	77%	72%		
1990	90%	84%	79%	73%			
1985	84%	79%	73%				
1980	70%	65%					

- ERF COLA is expected to better maintain retirees purchasing power
  - 2.5% assumed inflation
  - COLA equals CPI up to a maximum of 3.0% (Tier B)
- Retirees' purchasing power declines gradually due to simple COLA vs. compound inflation
- Implementing the ERF COLA for DPFP would increase costs significantly

Option 3B – Current Employees Retirement Fund COLA
With 5-Year Step Up / Step Down ADC





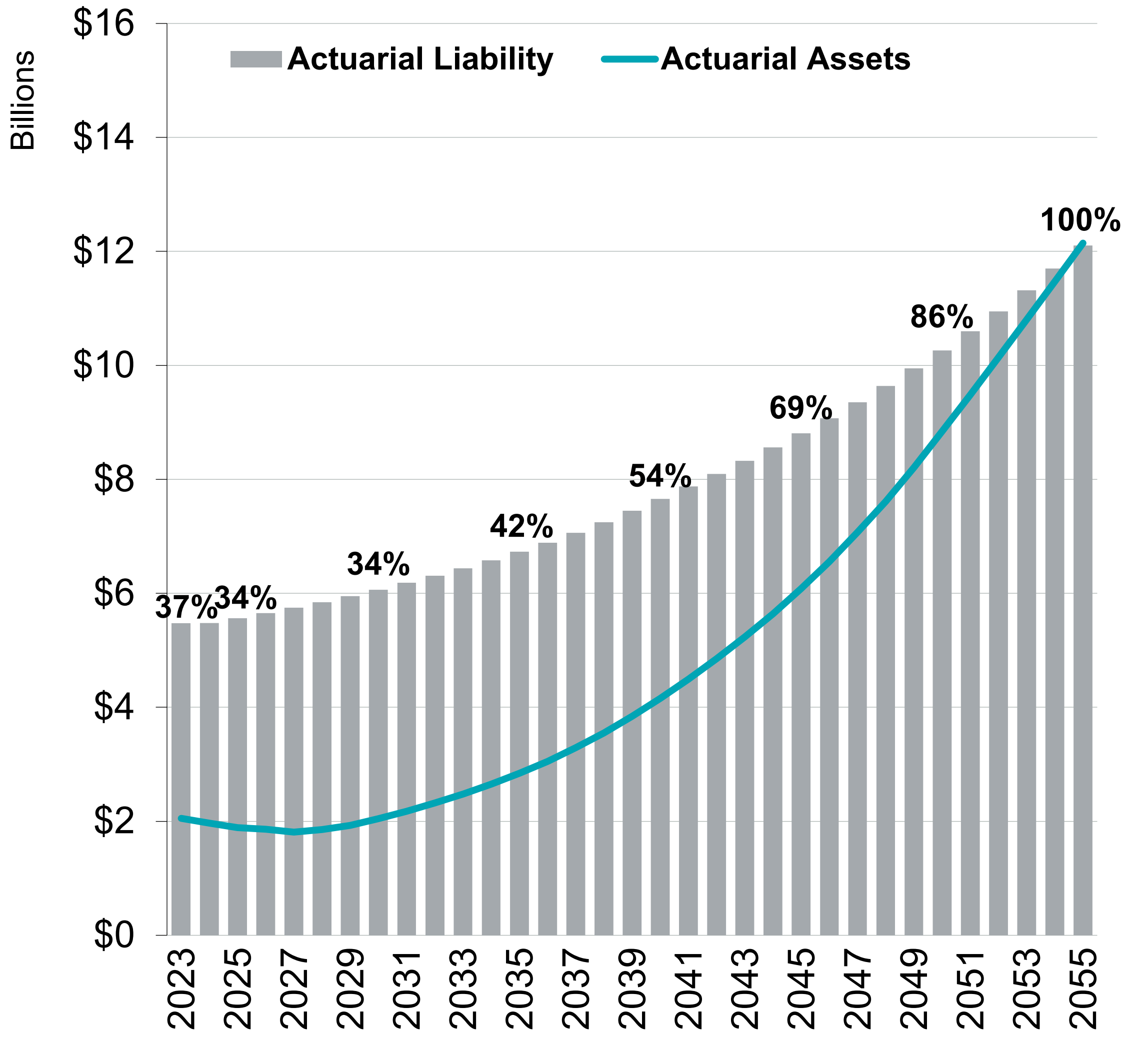
Option 3D – Current COLA with 70% 2024 PP Protection
Purchasing Power Impact

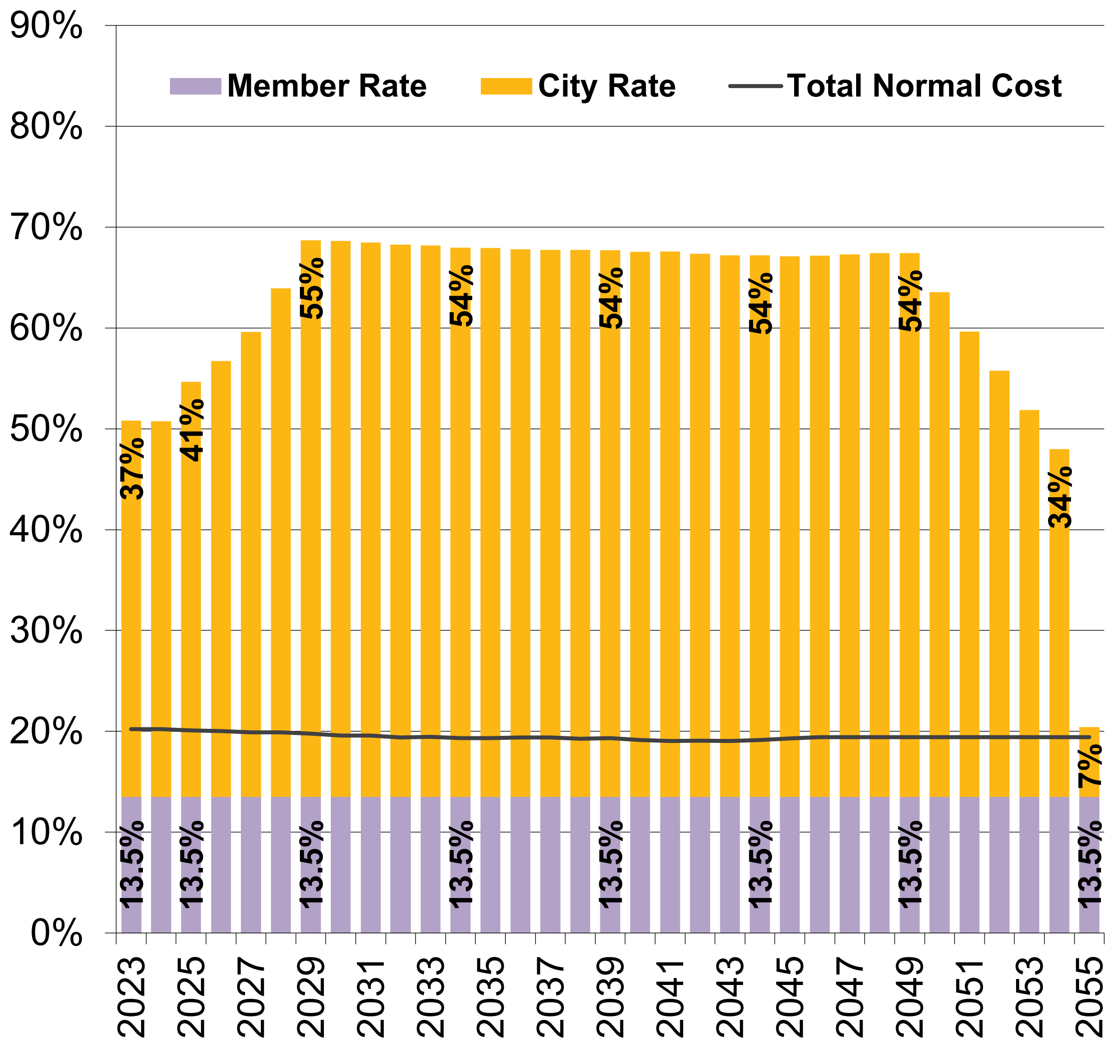
Purchasing Power

Retirement Year	2024	2029	2034	2039	2044	2049	2054
2023	100%	88%	78%	70%	70%	70%	70%
2022	96%	85%	75%	67%	67%	67%	67%
2021	88%	77%	68%	61%	61%	61%	61%
2020	83%	73%	65%	58%	58%	58%	58%
2019	82%	73%	64%	58%	58%	58%	58%
2018	81%	71%	63%	56%	56%	56%	56%
2017	79%	70%	61%	55%	55%	55%	55%
2016	76%	67%	60%	53%	53%	53%	53%
2015	78%	69%	61%	54%	54%	54%	54%
2010	86%	76%	67%	60%	60%	60%	60%
2005	93%	83%	73%	65%	65%	65%	65%
2000	94%	83%	73%	66%	66%	66%	
1995	92%	82%	72%	65%	65%		
1990	90%	79%	70%	63%			
1985	84%	75%	66%				
1980	70%	62%					

- Provides floor to protect retirees' purchasing power from declining too far
  - Floor = 70% of the 2024 purchasing power
  - Purchasing power gradually erodes with inflation until it reaches the floor (~15 years)
  - Thereafter, inflationary COLAs are provided to maintain the floor purchasing power level
- Using 2024 purchasing power as the benchmark
  - Limits costs
  - Does not protect all retiree cohorts at the same level

Option 3D – Current COLA with 70% 2024 PP Protection
With 5-Year Step Up / Step Down ADC





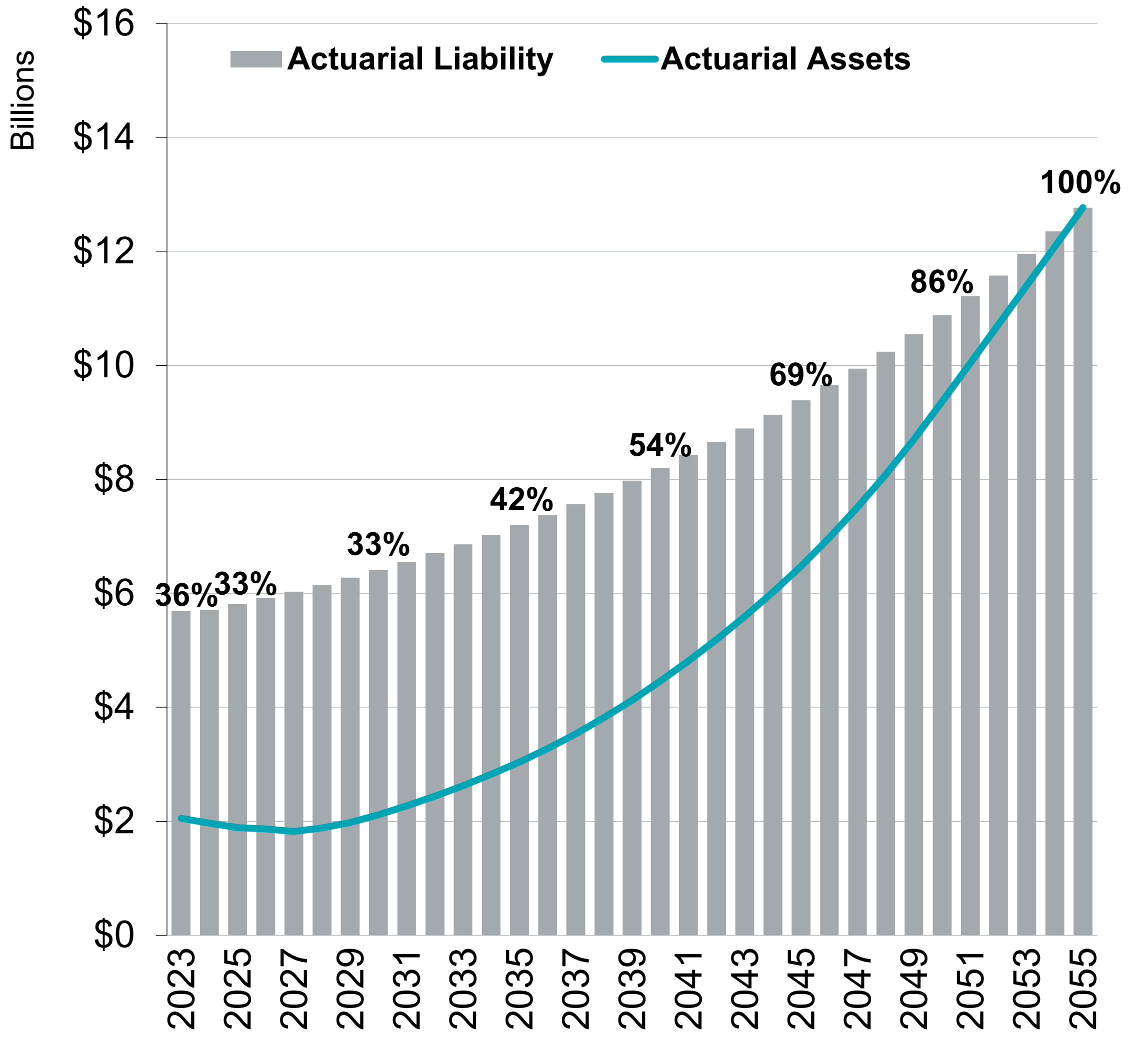
Option 3E – Current COLA with 80% 2024 PP Protection
Purchasing Power Impact

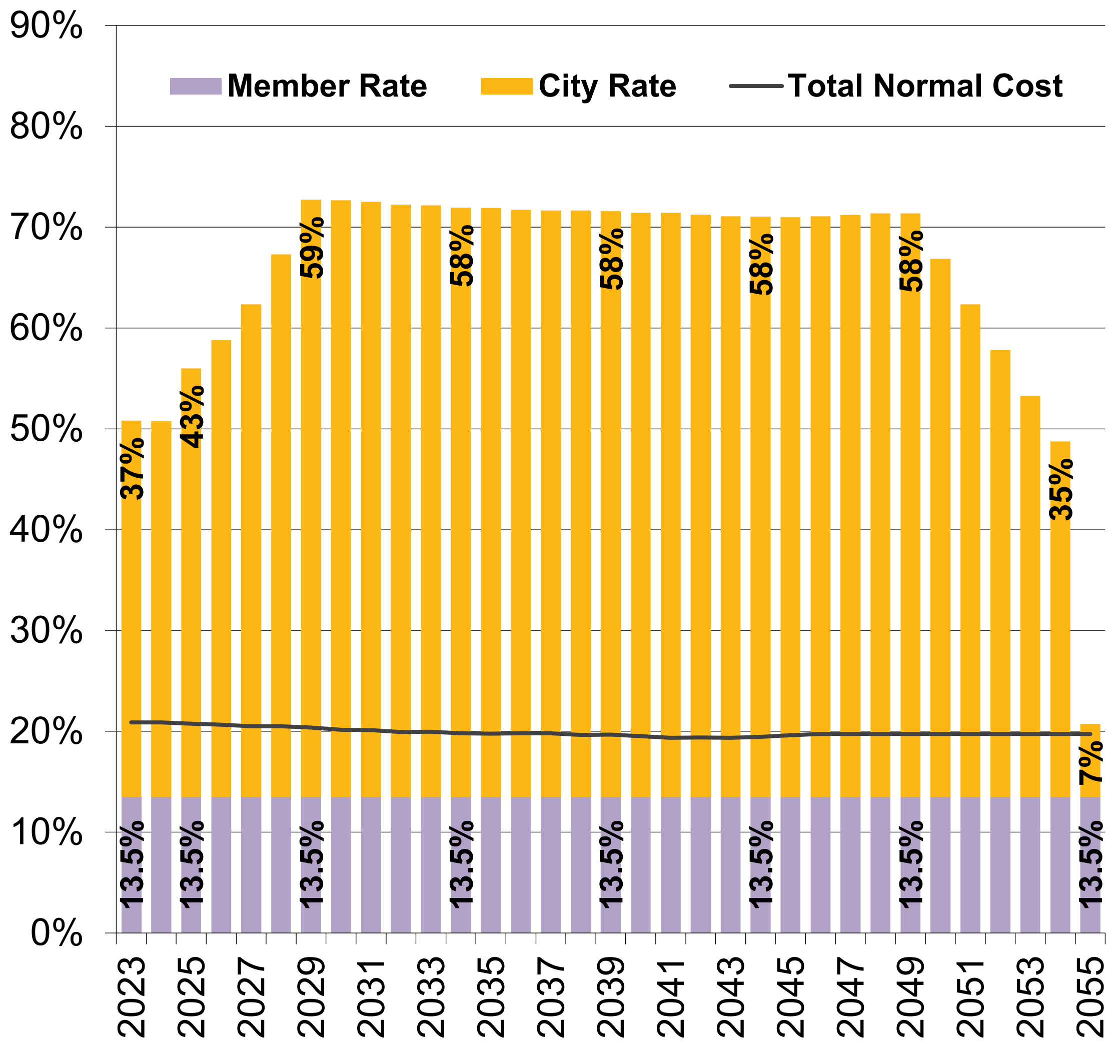
Purchasing Power

Retirement Year	2024	2029	2034	2039	2044	2049	2054
2023	100%	88%	80%	80%	80%	80%	80%
2022	96%	85%	77%	77%	77%	77%	77%
2021	88%	77%	70%	70%	70%	70%	70%
2020	83%	73%	66%	66%	66%	66%	66%
2019	82%	73%	66%	66%	66%	66%	66%
2018	81%	71%	64%	64%	64%	64%	64%
2017	79%	70%	63%	63%	63%	63%	63%
2016	76%	67%	61%	61%	61%	61%	61%
2015	78%	69%	62%	62%	62%	62%	62%
2010	86%	76%	69%	69%	69%	69%	69%
2005	93%	83%	75%	75%	75%	75%	75%
2000	94%	83%	75%	75%	75%	75%	
1995	92%	82%	74%	74%	74%		
1990	90%	79%	72%	72%			
1985	84%	75%	67%				
1980	70%	62%					

- Provides floor to protect retirees' purchasing power from declining too far
  - Floor = 80% of the 2024 purchasing power
  - Purchasing power gradually erodes with inflation until it reaches the floor (~10 years)
  - Thereafter, inflationary COLAs are provided to maintain the floor purchasing power level
- Using 2024 purchasing power as the benchmark
  - Limits costs
  - Does not protect all retiree cohorts at the same level

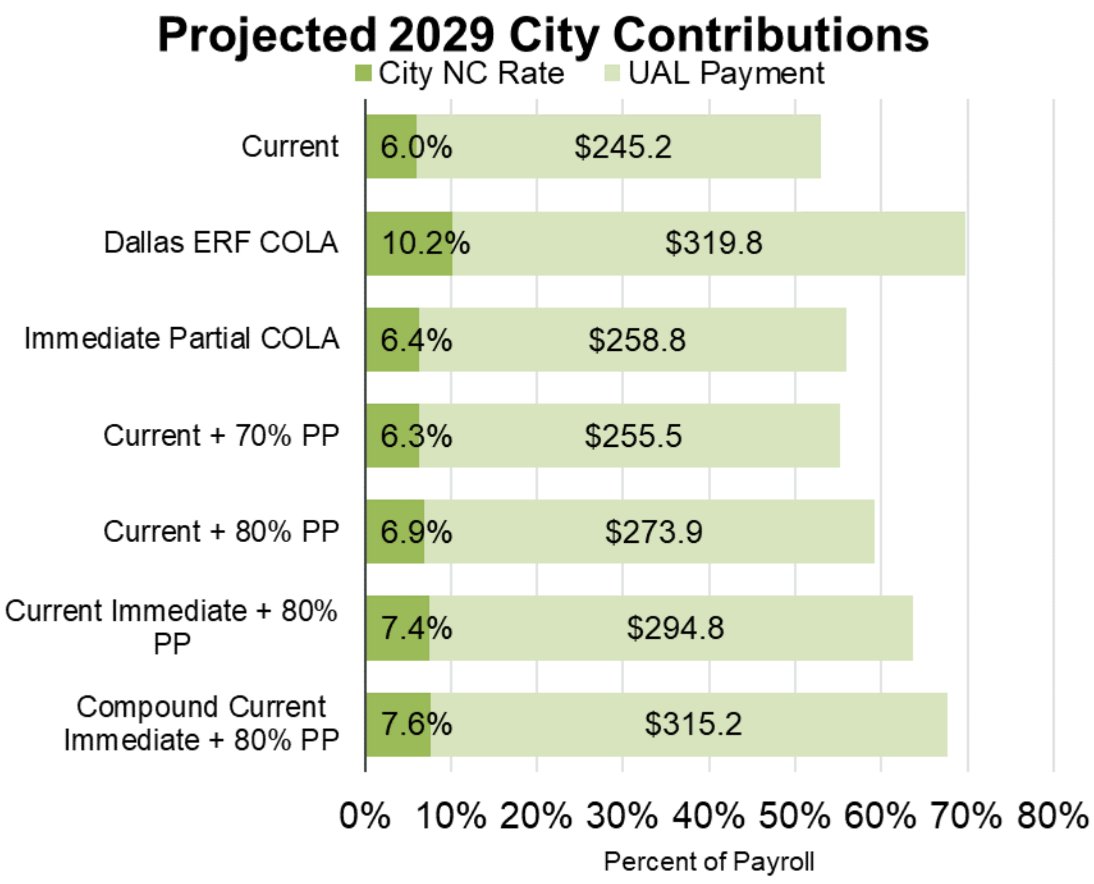
Option 3E – Current COLA with 80% 2024 PP Protection
With 5-Year Step Up / Step Down ADC





Summary of COLA Options

Estimated Cost Impact



Expected Purchasing Power Comparison 2023 Retirees

COLA Scenario	Purchasing Power 2024	2029	2034	2039	2044	2049	2054
Current	100%	88%	78%	69%	63%	60%	56%
Dallas ERF COLA	100%	99%	98%	95%	92%	88%	83%
Immediate Partial COLA	100%	89%	81%	74%	69%	64%	60%
Current + 70% PP	100%	88%	78%	70%	70%	70%	70%
Current + 80% PP	100%	88%	80%	80%	80%	80%	80%
Current Immediate + 80% PP	100%	95%	90%	85%	80%	80%	80%
Compound Current Immediate + 80% PP	100%	95%	91%	86%	82%	80%	80%

COLA Scenario	2023 UAL	2023 Funded %
Current	$ 3,244	38.8%
Dallas ERF COLA	$ 4,084	33.5%
Immediate Partial COLA	$ 3,403	37.6%
Current + 70% PP	$ 3,424	37.5%
Current + 80% PP	$ 3,632	36.1%
Current Immediate + 80% PP	$ 3,803	35.1%
Compound Current Immediate + 80% PP	$ 4,020	33.8%

Observations/Rationale for Recommendations

- COLAs are expensive
  - Often first item cut to save costs
- Can Dallas continue to maintain its Police and Fire workforce while offering no COLA for the next 20+ years?
  - Expect significant reduction in purchasing power for retirees
  - No Social Security coverage to provide inflation protection in retirement
  - Remainder of Dallas' workforce receives annual COLAs up to 3.0% (5.0% if hired prior to 2017)
- Rather than waiting and having new COLAs add to plan costs later, we recommend building the costs into the budget plan now
  - Determine COLA provisions needed for the Police and Fire workforce
  - Balance with additional contributions required to pay for COLA
  - Options outlined in presentation provide a spectrum to illustrate the cost/benefit trade-offs, but are not exhaustive of all options available

Primary Recommendations

Adopt an Actuarially Determined Contribution

- Contribution amounts adjust to circumstances
- Always comply with funding guidelines
- Start contributions effective either 10/1/2024 or 1/1/2025 based on 1/1/2023 valuation

Reduce Employee Contribution Rate as Funding Improves

- Current rate is high compared to competitors and as proportion of benefit cost
- As funding improves, grade employee rate down to 50% of normal cost rate

Provide Some COLA Earlier Than Current Provisions Permit

- Members are not covered by Social Security, so they have no inflation protection in retirement
- Lack of COLA is likely to create a recruitment and retention issue

Questions

Certification

The purpose of this presentation is to show the initial independent actuarial analysis providing alternative benefit and contribution scenarios that comply with the requirements of Texas Government Code Section 802 to the Dallas Police and Fire Pension System Board. The initial analysis is based on our replication of the 2023 actuarial valuation performed by Segal.

In preparing our presentation, we relied on information, some oral and some written, supplied by the Dallas Police and Fire Pension System. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23. A summary of the data, assumptions, methods, and plan provisions used to prepare our analysis can be found in Segal's 2023 actuarial valuation report supplemented by additional information in the appendix of this presentation.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

This presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinions contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This presentation was prepared exclusively for the Dallas Police and Fire Pension System Board for the purpose described herein. This presentation is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

William R. Hallmark, ASA, EA, MAAAA, FCA
Consulting Actuary

Elizabeth Wiley, FSA, EA, MAAA, FCA
Consulting Actuary

Jake Libauskas, FSA, EA, MAAA, FCA
Consulting Actuary

Appendix – Basis for Analysis

- The preliminary analysis shown in this presentation is based on the data, assumptions, methods, and plan provisions as summarized in Segal's January 1, 2023 actuarial valuation
- In addition, the following assumptions were used, unless otherwise noted:
  - Investment return for 2023 and thereafter: 6.5%
  - Payroll growth of 2.5% per year
- This analysis would be materially changed if the System receives an adverse result in pending litigation on annual benefit adjustments

Appendix – Models

Cheiron utilizes ProVal actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have a basic understanding of ProVal and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this valuation.

Deterministic projections in this report were developed using *P-Scan*, a proprietary tool used to illustrate the impact of changes in assumptions, methods, plan provisions, or actual experience (particularly investment experience) on the future financial status of the System.

P-Scan uses standard roll-forward techniques that implicitly assume a stable active population. Because *P-Scan* does not automatically capture how changes in one variable affect all other variables, some scenarios may not be consistent.

Appendix – 2023 Valuation Replication

Present Value of Benefits

	Segal	Cheiron	Percent Difference
Actives			
Hired Before 3/1/2011	$ 1,847	$ 1,854	0.4%
Hired On/After 3/1/2011	643	656	2.0%
Retirees & Beneficiaries	3,566	3,564	-0.1%
Inactive Members	31	31	0.0%
Total	$ 6,088	$ 6,105	0.3%

Actuarial Liability

	Segal	Cheiron	Percent Difference
Actives			
Hired Before 3/1/2011	$ 1,454	$ 1,453	-0.1%
Hired On/After 3/1/2011	198	196	-1.0%
Retirees & Beneficiaries	3,566	3,564	-0.1%
Inactive Members	31	31	0.0%
Total	$ 5,249	$ 5,244	-0.1%

Amounts in Millions

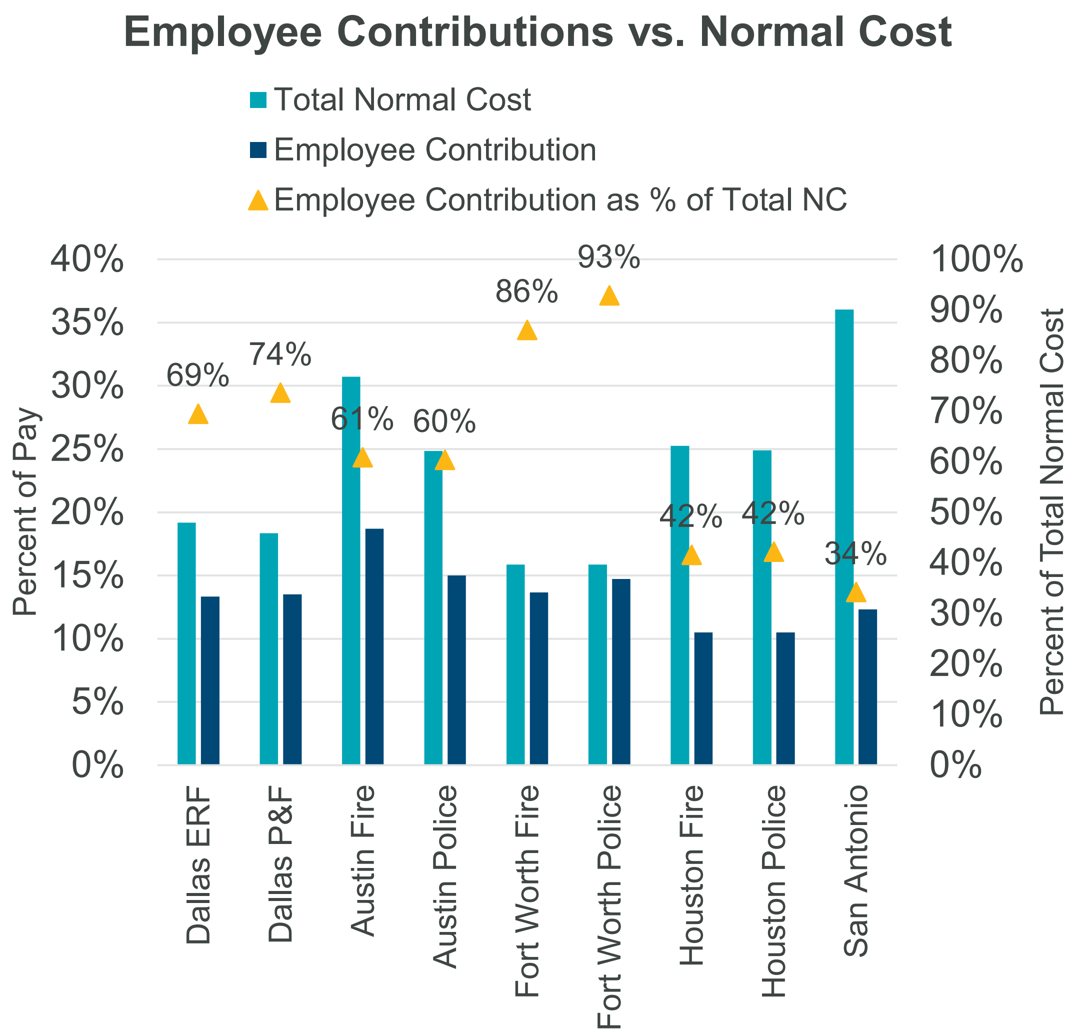
Normal Cost

	Segal	Cheiron	Percent Difference
Hired Before 3/1/2011	$ 49.7	$ 50.9	2.3%
Hired On/After 3/1/2011	33.9	33.2	-2.0%
Total Normal Cost	$ 83.7	$ 84.1	0.6%
Total Normal Cost with interest to reflect mid-year contribution timing	$ 86.3	$ 86.8	0.6%
Payroll	$ 462.8	$ 462.8	0.0%
Normal Cost Rate			
Hired Before 3/1/2011	19.7%	20.2%	0.5%
Hired On/After 3/1/2011	17.3%	16.9%	-0.4%
Total Normal Cost Rate	18.7%	18.8%	0.1%

Amounts in Millions

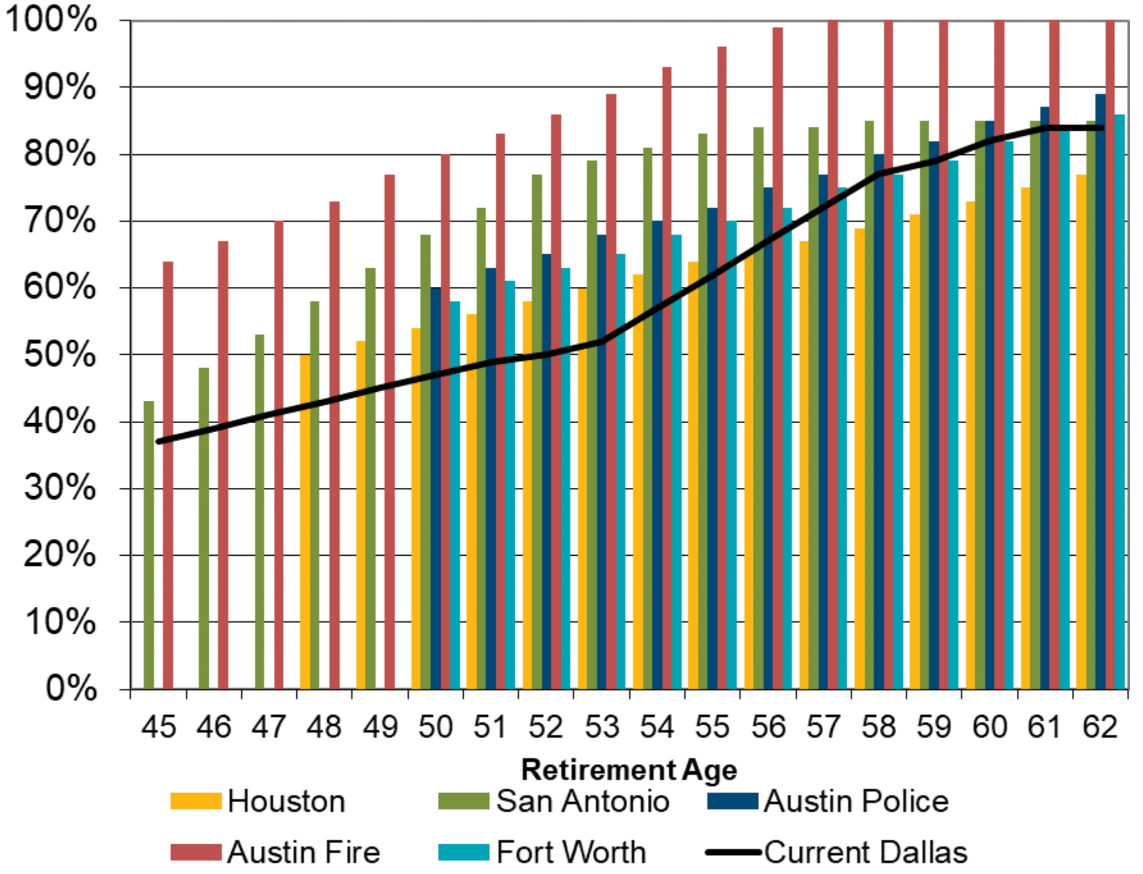
Appendix - Employee Contribution Rates (Most Recent Tiers)

- Current DPFP employee contribution rate is over 70% of the total normal cost
  - Even higher percentage for new employees
  - Highest portion of normal cost in comparison group except for Fort Worth
  - Average of group is about 60%
    - Reflecting current temporary increases due to funded status for some Systems
- Hard to reduce employee contributions until better funded
  - DPFP employee rate reduces to 50% of total normal cost once 100%+ funded
- Consider setting the employee contribution rate equal to 50% of total normal cost plus an additional amount based on funded ratio
  - Current rate remains the same
  - As funding improves, employee contribution rate would gradually decline

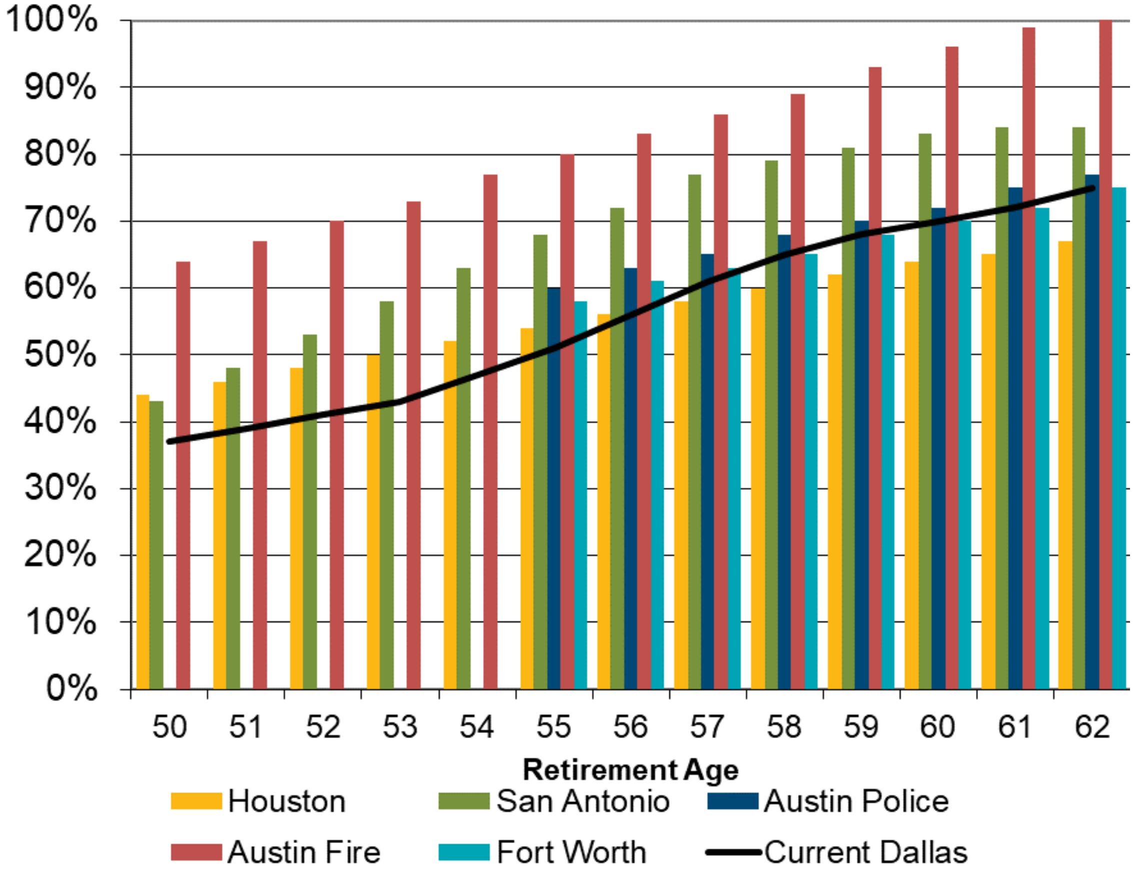


Fort Worth valuation doesn't report total normal cost for Police and Fire separate from general employees, but benefits are similar.

Hired at Age 25



Hired at Age 30

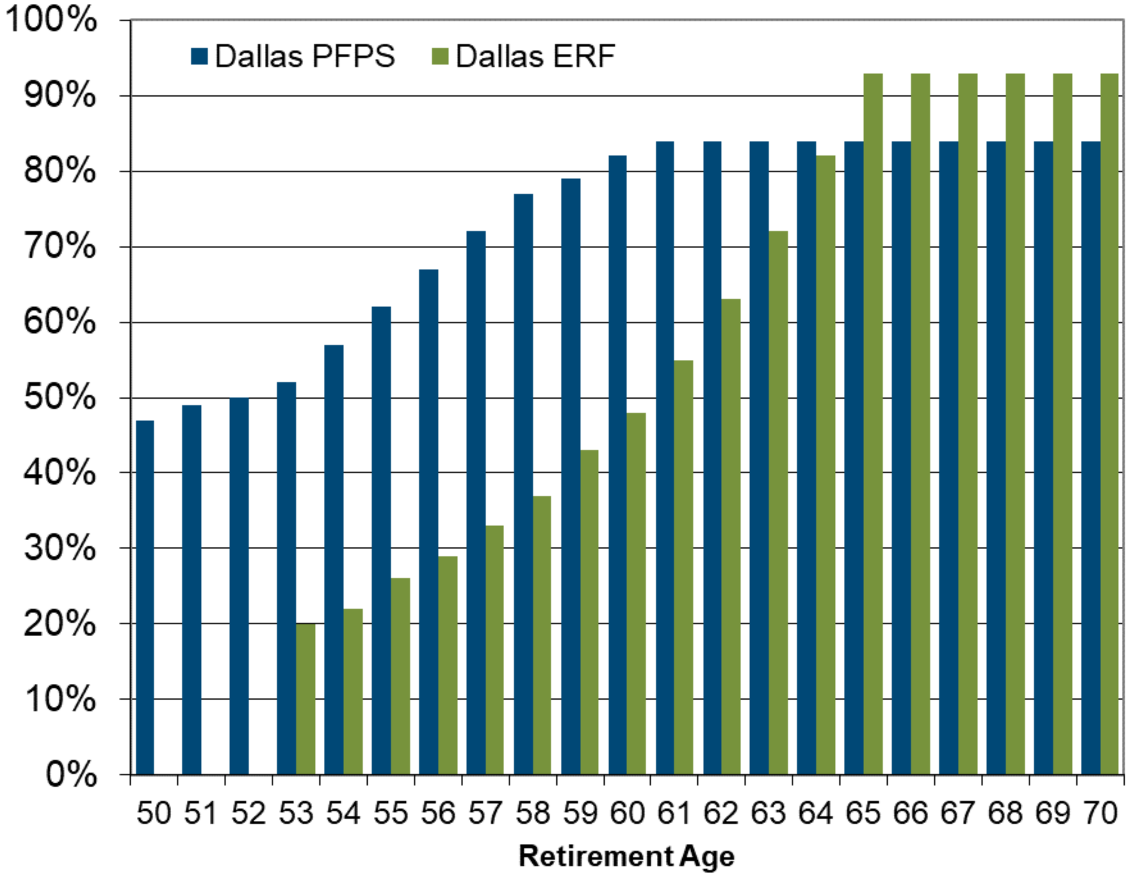


Fort Worth Police can retire after 25 years of service, but Fire must satisfy the Rule of 80

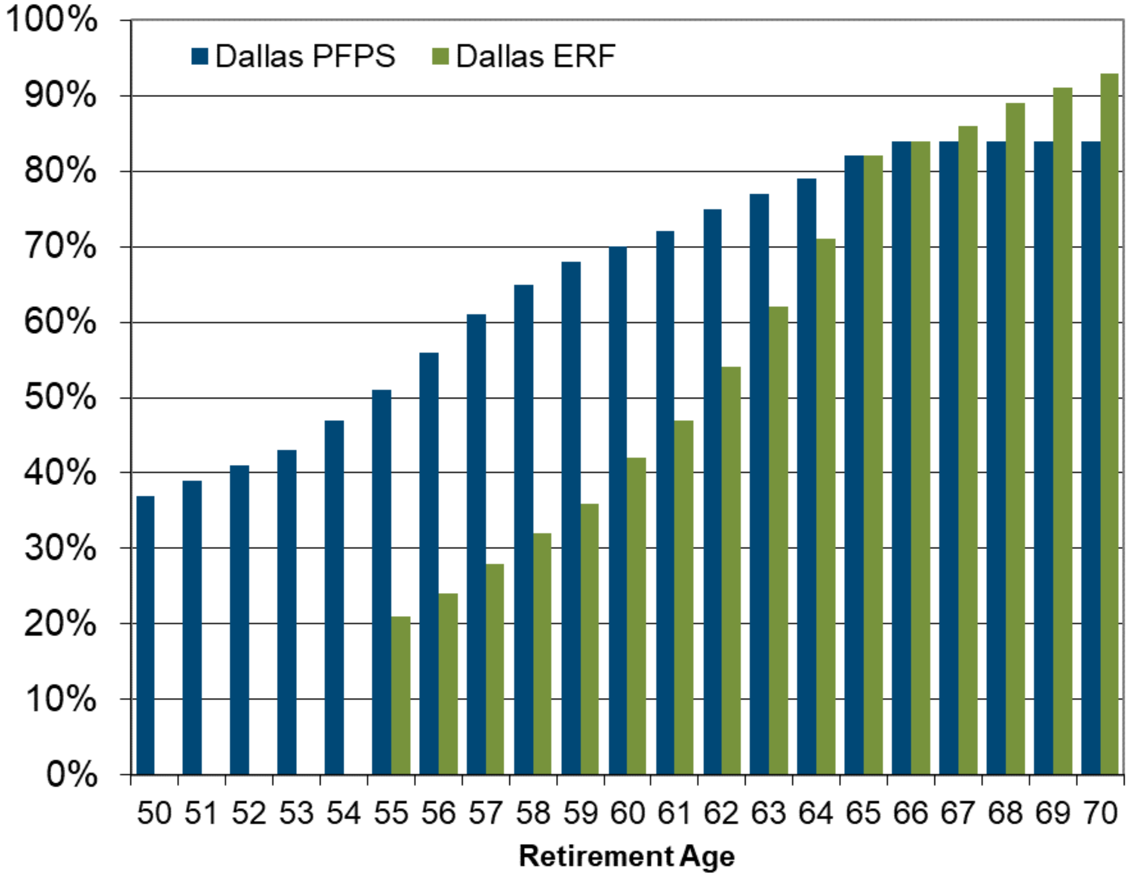
**Income replacement ratios are at retirement and do not reflect COLAs after retirement*

Appendix - Income Replacement Ratios* – Dallas Newest Tiers

Hired at Age 25



Hired at Age 30



Income replacement ratios are at retirement and do not reflect COLAs after retirement

Appendix - Other System COLAs – Most Recent Tier

- Dallas Employees' Retirement Fund
  - Simple CPI up to 3.0%
- Austin
  - Police – no COLAs permissible unless statutes amended by Legislature
  - Fire – ad hoc COLAs based on affordability under Board's COLA policy
- Ft. Worth – no COLA permissible without Legislative action
- Houston
  - Five-year average return minus 4.75%/5.00% (Fire/Police)
    - Minimum = 0.0%
    - Maximum = 4.0%
  - No funded ratio requirement
- San Antonio Fire & Police
  - 75% of CPI
  - Possible additional payments
    - 13^{th} check if five-year average return exceeds assumption by at least 100 basis points
    - 14^{th} check if five-year average return exceeds assumption by at least 300 basis points

Appendix – Recommended UAL Payment Structure

Structure and Initial Layers

- Layered amortizations with 2.5% rate of annual payment increases
  - Separate amortization layer for each year of experience, assumption changes, and plan changes
- Start with two initial layers that add up to the full UAL
  - 30-year base layer approximating the current UAL payment
  - Layer that steps into the full contribution over as short of a period as financially possible and steps back down at the end of 30 years

Future Amortization Layers

- Experience and assumption changes = Maximum of 20 years or remaining period on base layer
  - Prevents any gains from being amortized faster than the base layer
  - Transitions to 20-year layered amortization
- Plan changes
  - Active employees = Average future service of those affected by change or 15 years
  - Retirees = Average remaining lifetime of those affected by change or 10 years
- Lump sum contributions
  - In first four years, first reduce or eliminate any remaining graded increases
  - After four years or after future graded increases have been eliminated, reduce the base layer

Additional COLA Options

Option 3C – Immediate Partial COLA
Purchasing Power Impact

Purchasing Power

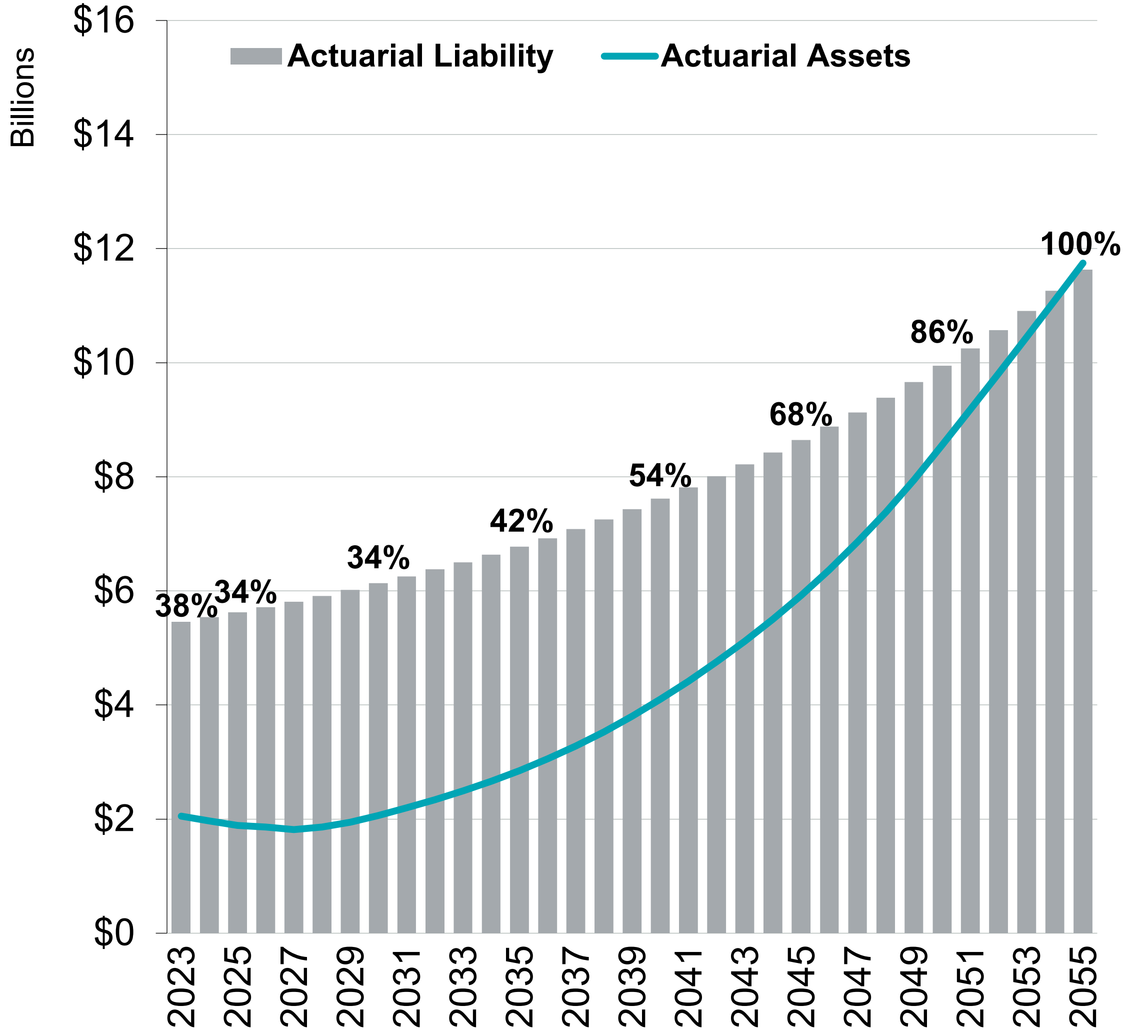
Retirement Year	2024	2029	2034	2039	2044	2049	2054
2023	100%	89%	81%	74%	69%	64%	60%
2022	96%	85%	77%	71%	66%	61%	58%
2021	88%	78%	71%	65%	60%	56%	53%
2020	83%	73%	67%	61%	57%	53%	50%
2019	82%	73%	67%	61%	56%	53%	50%
2018	81%	72%	65%	60%	55%	52%	48%
2017	79%	70%	64%	58%	54%	50%	47%
2016	76%	68%	62%	57%	52%	49%	46%
2015	78%	69%	63%	57%	53%	49%	46%
2010	86%	76%	69%	63%	58%	53%	50%
2005	93%	83%	75%	68%	62%	57%	53%
2000	94%	83%	75%	68%	62%	57%	
1995	92%	82%	73%	66%	60%		
1990	90%	79%	71%	64%			
1985	84%	75%	67%				
1980	70%	62%					

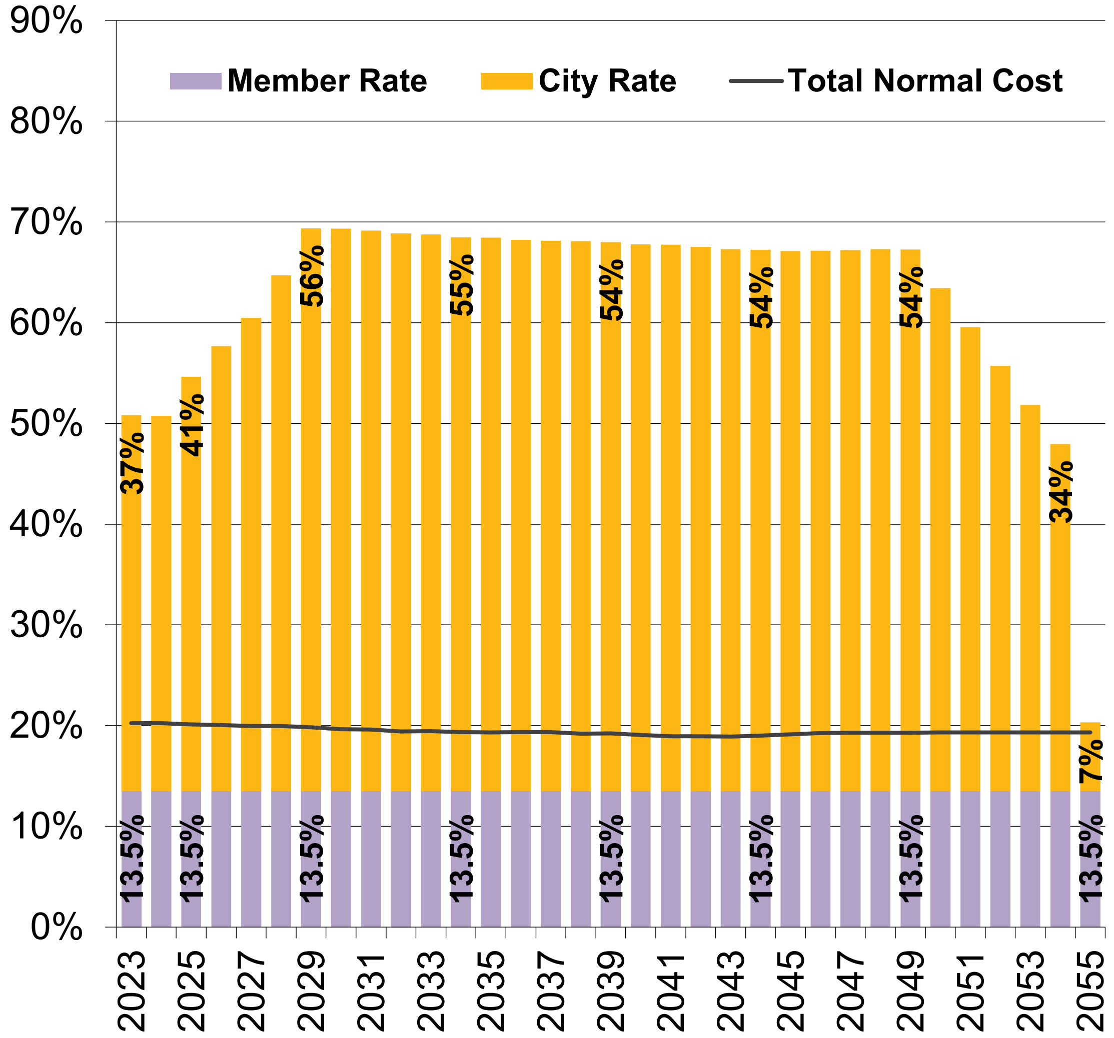
- Partial COLA provides some minor improvement in purchasing power over the next 20 years
- Partial COLA Formula =

  (5-Year Ave Return – 5.0%) x Funded Percentage

  Maximum = 4.0%
- Expected COLA is still substantially lower than assumed inflation

Option 3C – Immediate Partial COLA
With 5-Year Step Up / Step Down ADC





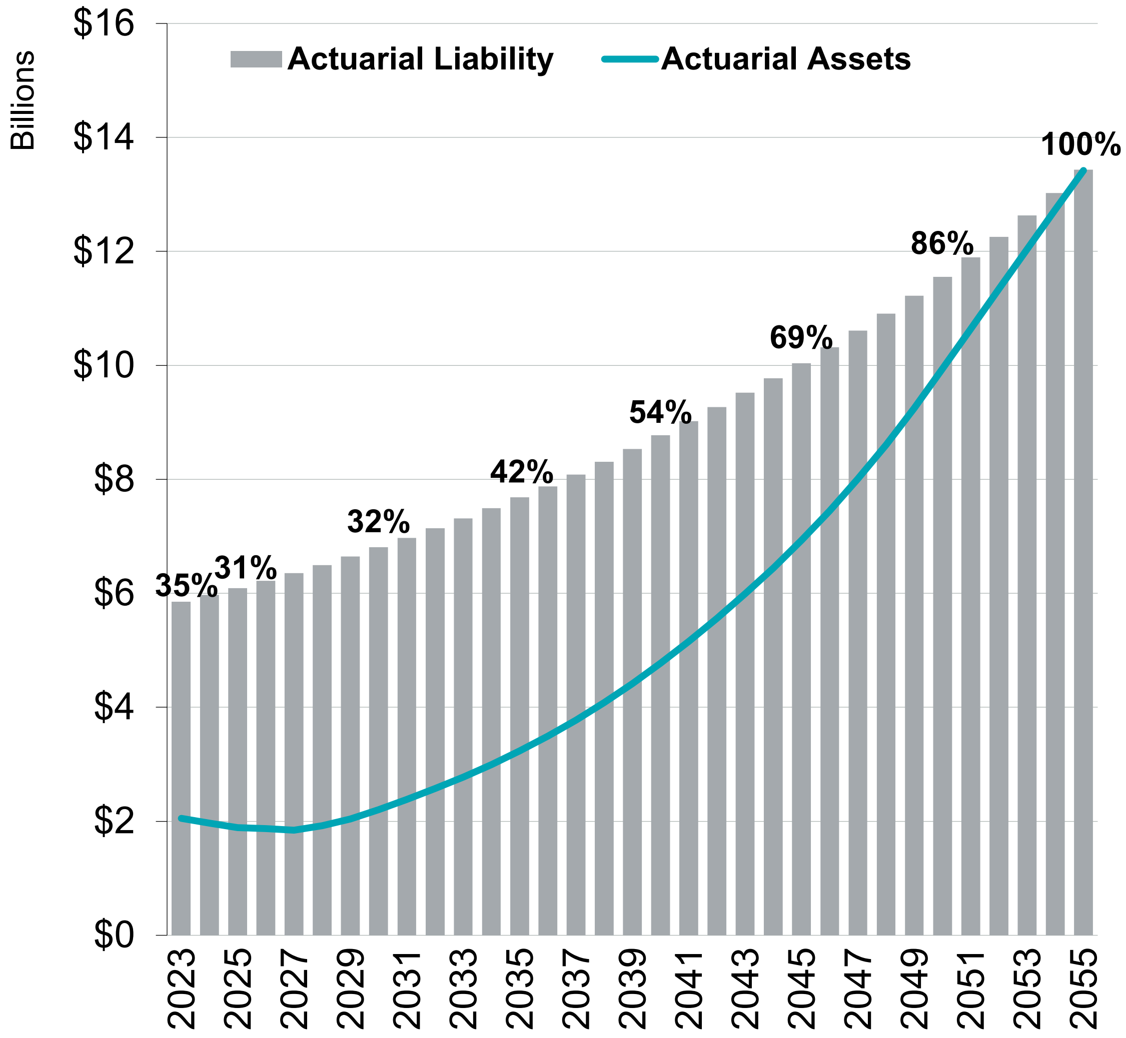
Option 3F – Current COLA, No Funded Status Restriction, and 80% 2024 PP Protection – Purchasing Power Impact

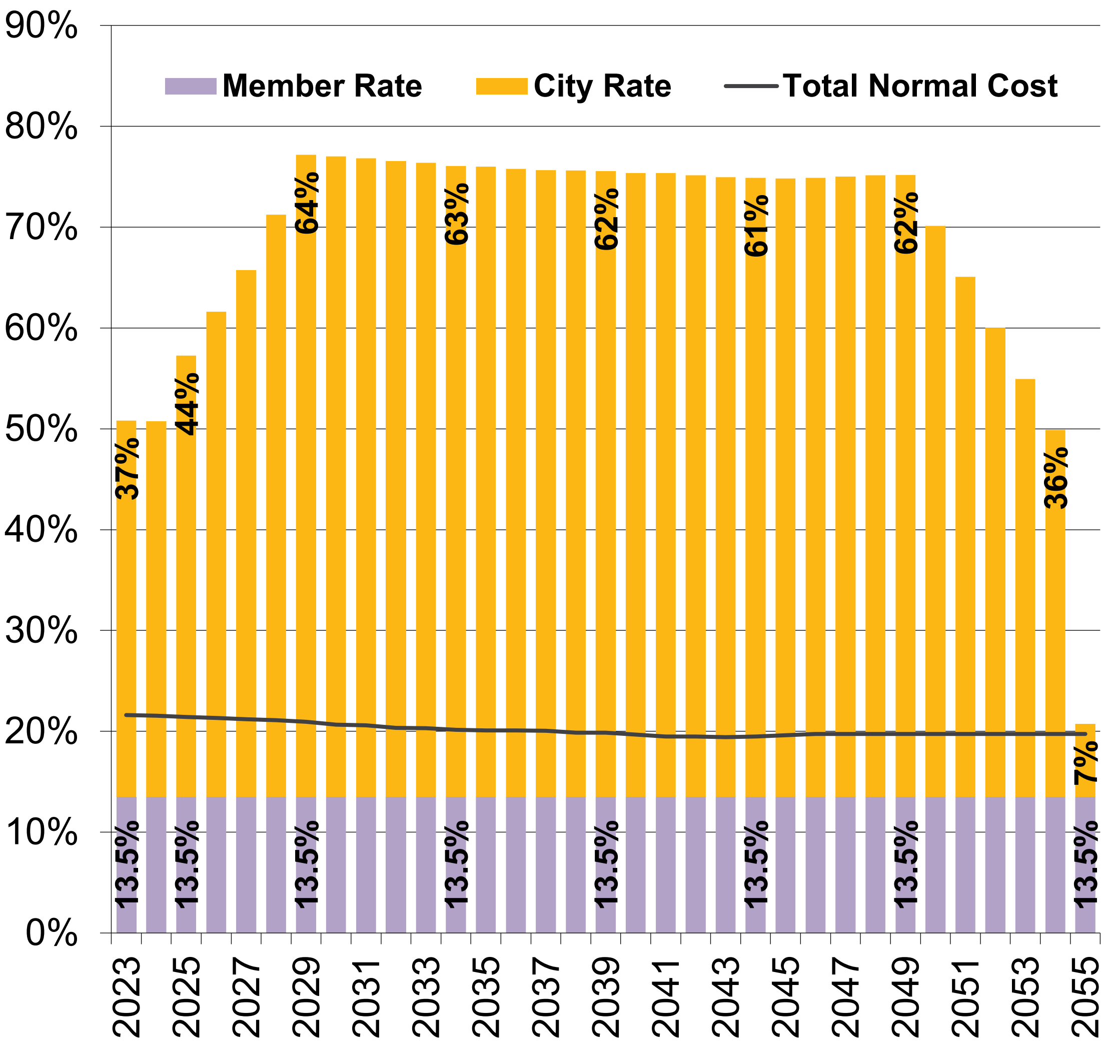
Purchasing Power

Retirement Year	2024	2029	2034	2039	2044	2049	2054
2023	100%	95%	90%	85%	80%	80%	80%
2022	96%	91%	86%	81%	77%	77%	77%
2021	88%	83%	79%	74%	70%	70%	70%
2020	83%	79%	74%	70%	66%	66%	66%
2019	82%	78%	74%	70%	66%	66%	66%
2018	81%	77%	72%	68%	64%	64%	64%
2017	79%	75%	71%	67%	63%	63%	63%
2016	76%	72%	69%	65%	61%	61%	61%
2015	78%	74%	69%	65%	62%	62%	62%
2010	86%	81%	75%	70%	69%	69%	69%
2005	93%	87%	81%	75%	75%	75%	75%
2000	94%	87%	80%	75%	75%	75%	
1995	92%	85%	78%	74%	74%		
1990	90%	82%	75%	72%			
1985	84%	77%	70%				
1980	70%	64%					

- Removing funded status restriction provides an expected 1.5% simple COLA immediately
- Investment return based COLA is combined with purchasing power floor to protect retirees from losing too much purchasing power
- Years until purchasing power floor
  - No immediate COLA = ~10 years
  - Immediate 1.5% simple COLA = ~20 years

Option 3F – Current COLA, No Funded Status Restriction, and 80% Purchasing Power Protection With 5-Year Step Up / Step Down ADC





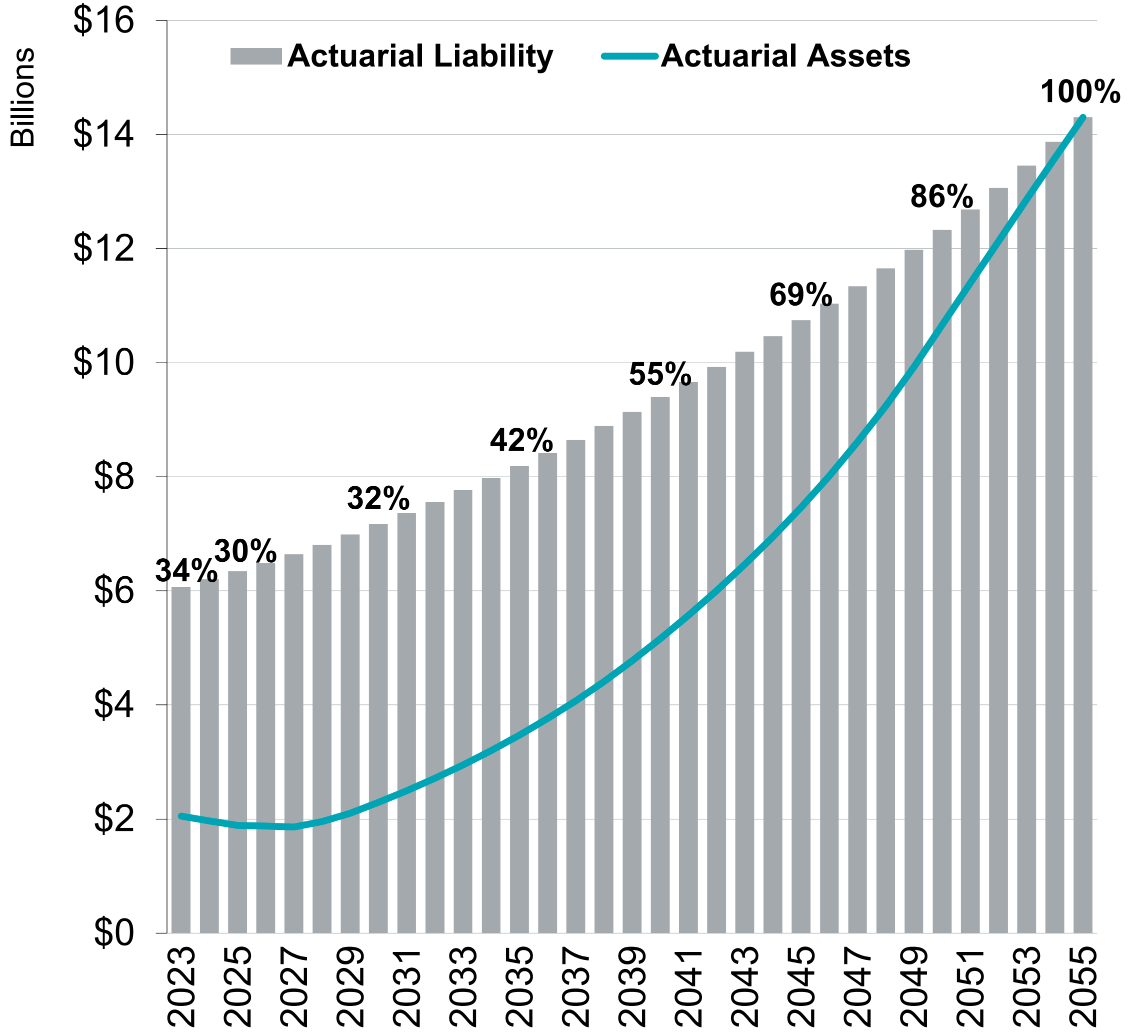
Option 3G – Compound Current COLA, No Funded Status Restriction, and 80% 2024 PP Protection – Purchasing Power Impact

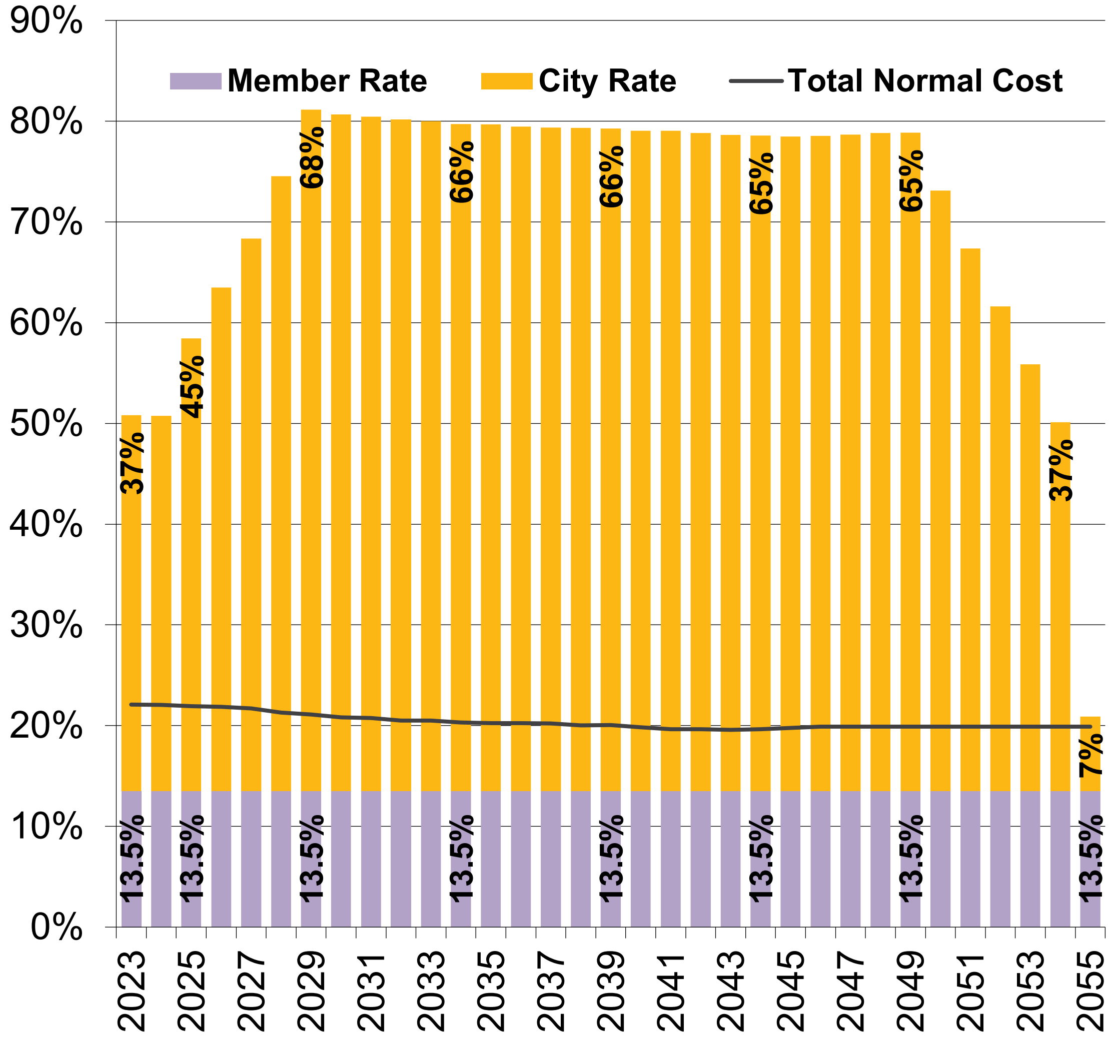
Purchasing Power

Retirement Year	2024	2029	2034	2039	2044	2049	2054
2023	100%	95%	91%	86%	82%	80%	80%
2022	96%	91%	87%	83%	79%	77%	77%
2021	88%	83%	79%	76%	72%	70%	70%
2020	83%	79%	75%	71%	68%	66%	66%
2019	82%	78%	75%	71%	68%	66%	66%
2018	81%	77%	73%	70%	66%	64%	64%
2017	79%	75%	71%	68%	65%	63%	63%
2016	76%	73%	69%	66%	63%	61%	61%
2015	78%	74%	70%	67%	64%	62%	62%
2010	86%	82%	78%	74%	71%	69%	69%
2005	93%	89%	85%	81%	77%	75%	75%
2000	94%	90%	85%	81%	77%	75%	
1995	92%	88%	84%	80%	76%		
1990	90%	85%	81%	77%			
1985	84%	80%	76%				
1980	70%	67%					

- Changes Option 3F COLA from simple to compound
- Years until purchasing power floor
  - No immediate COLA = ~10 years
  - Immediate 1.5% simple COLA = ~20 years
  - Immediate 1.5% compound COLA = ~25 years

Option 3G – Compound Current COLA, No Funded Status Restriction and 80% 2024 PP Protection With 5-Year Step Up / Step Down ADC





1500 Marilla Street
Council Chambers, 6th Floor
Dallas, Texas 75201

City of Dallas

Agenda Information Sheet

File #: 24-463 **Item #:** B.

Dallas Police and Fire Pension System: Overview of Investment Policy, Oversight, and Performance

DPFP Investment Program Update

City of Dallas Ad Hoc Pensions Committee Meeting

February 8, 2024

$1.93B AUM

- $1.43B in liquid assets
- Funding Level (Market Value): 34%
- $120M, or 6% of fund assets, required annually to fund benefit outflows, net of contributions.

OVERSEEN BY 11-PERSON BOARD

- 6 Trustees appointed by the Dallas Mayor
- 10-person Investment Advisory Committee which includes several current and former CIOs provides advice to the Board

DALLAS POLICE & FIRE PENSION SYSTEM

ASSETS MANAGED BY EXTERNAL ADVISORS

- 13 Public Investment Managers
- 15 Private Market Investments
- Investment Consulting relationships with Meketa and Albourne (Private Markets)

ASSET ALLOCATION

Below targets set by Investment Policy

- 60% Public Equity
- 25% Public Fixed Income & Cash
- 5% Private Equity
- 5% Real Estate
- 5% Natural Resources

DPFP Board of Trustees

Appointed by Mayor

Nick Merrick,
Chair

Tina Hernandez
Patterson,
Vice-Chair

Michael Brown

Steve Idoux

Mark Malveaux

Tom Tull

Voted by Membership

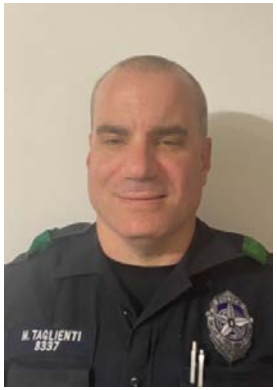
Nancy Rocha

Tony Scavuzzo

Marcus Smith

Member Trustees

Matthew Shomer - Fire



Michael Taglienti – Police,
Deputy Vice Chair

DPFP Investment Advisory Committee

Trustee Members

Tom Tull - Chair
Former Texas ERS
CIO

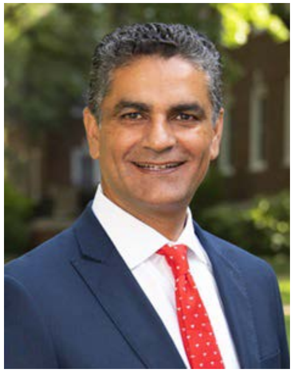
Tina Hernandez Patterson
Sub Saharan African Fund
Co-Founder

Michael Brown
Adjunct Partners
Co-Founder

Nancy Rocha
Stifel, Nicolaus & Co
Director

Outside Members

Ryan Bailey
Paradigm Investors
CIO



Rakesh Dahiya
SMU CIO

Luke Gittemeier
Nokomis Capital
Co-Founder

Ken Haben
Former DPFP Trustee
Former Chair of City of
Dallas 457 Board and Vice
Chair of 401k Board

Robert Jones
Texas Health
Resources CIO

Jamil McNeal
True North Advisors
Director of Credit & Private
Market Investments

DALLAS POLICE & FIRE PENSION SYSTEM

DPFP Governance

DPFP Board of Trustees

	Adopts Investment Policy	Sets Asset Allocation	Hires & Terminates Investment Managers	Monitors Portfolio & Performance
With Support From:	Investments Staff	Investments Staff	Investments Staff	Investments Staff
	Investment Consultant – *Meketa*	Investment Consultant – *Meketa*	Investment Consultant – *Meketa & Albourne*	Investment Consultant – *Meketa & Albourne*
	Investment Advisory Committee (IAC)	Investment Advisory Committee (IAC)	Investment Advisory Committee (IAC)	Investment Advisory Committee (IAC)

DALLAS POLICE & FIRE PENSION SYSTEM

DPFP Oversight

Monthly Investment Reports to Board

Board Approval of All New Investments

Investment Policy Statement (IPS) Updated Annually – *74 Roles & Responsibilities Outlined in the IPS*

Annual Required Reporting to Texas Pension Review Board (PRB)

Investment Practices and Performance Evaluation Report – *Independent Report from Consultant to Board and PRB Every 3 Years*

Annual Comprehensive Financial Report (ACFR) – *GFOA Award for Excellence in Financial Reporting for 8 consecutive years*

Independent Outside Consultants act as Fiduciaries to Board – *Meketa as General Consultant & Albourne as Private Market Specialists*

Roles of Parties Responsible for DPFP Investment Portfolio

- The role of the **Board** is to:
  - Meet monthly as required by statute.
  - Establish investment objectives consistent with the needs of DPFP and approve the Investment Policy Statement (IPS).
  - Approve strategic asset allocation targets and ranges, and asset class structures.
  - Prudently hire, monitor, and terminate key investment service providers including Consultant(s), Investment Managers and Custodian(s).
  - Appoint members to the Investment Advisory Committee (IAC).
- The role of the **Investment Advisory Committee (IAC)** is to:
  - Meet quarterly to ensure that DPFP investments are prudently managed. The IAC can be anywhere from 3 people on up with a majority being non-Trustee members. Current composition is 4 Board members and 6 outside members.
  - Make non-binding recommendations to the Board. The IAC is heavily involved in new manager searches and interviews.

Role of Parties Responsible for DPFP Investment Portfolio

- The role of **DPFP Staff** is to:
  - Educate, advise, and provide expertise and solutions to the Board.
  - Administer, oversee and implement the investment activities of DPFP under policy guidance from the Board.
  - Manage the portfolio operationally consistent with ongoing liquidity needs of the System.
  - Oversee and manage all current asset manager and consultant relationships.
  - Along with consultant, develop, recommend and implement asset allocation, portfolio construction, new manager selection/due diligence.
- The role of the **Consultant(s)** is to:
  - Act as a Fiduciary and provide independent investment expertise to the Board, IAC, and Staff.
  - Report to the Board and works closely with Staff.
  - Provide advice on portfolio construction, asset allocation, annual planning and new investment manager recommendations.
  - Provide quarterly investment performance reporting to the Board.

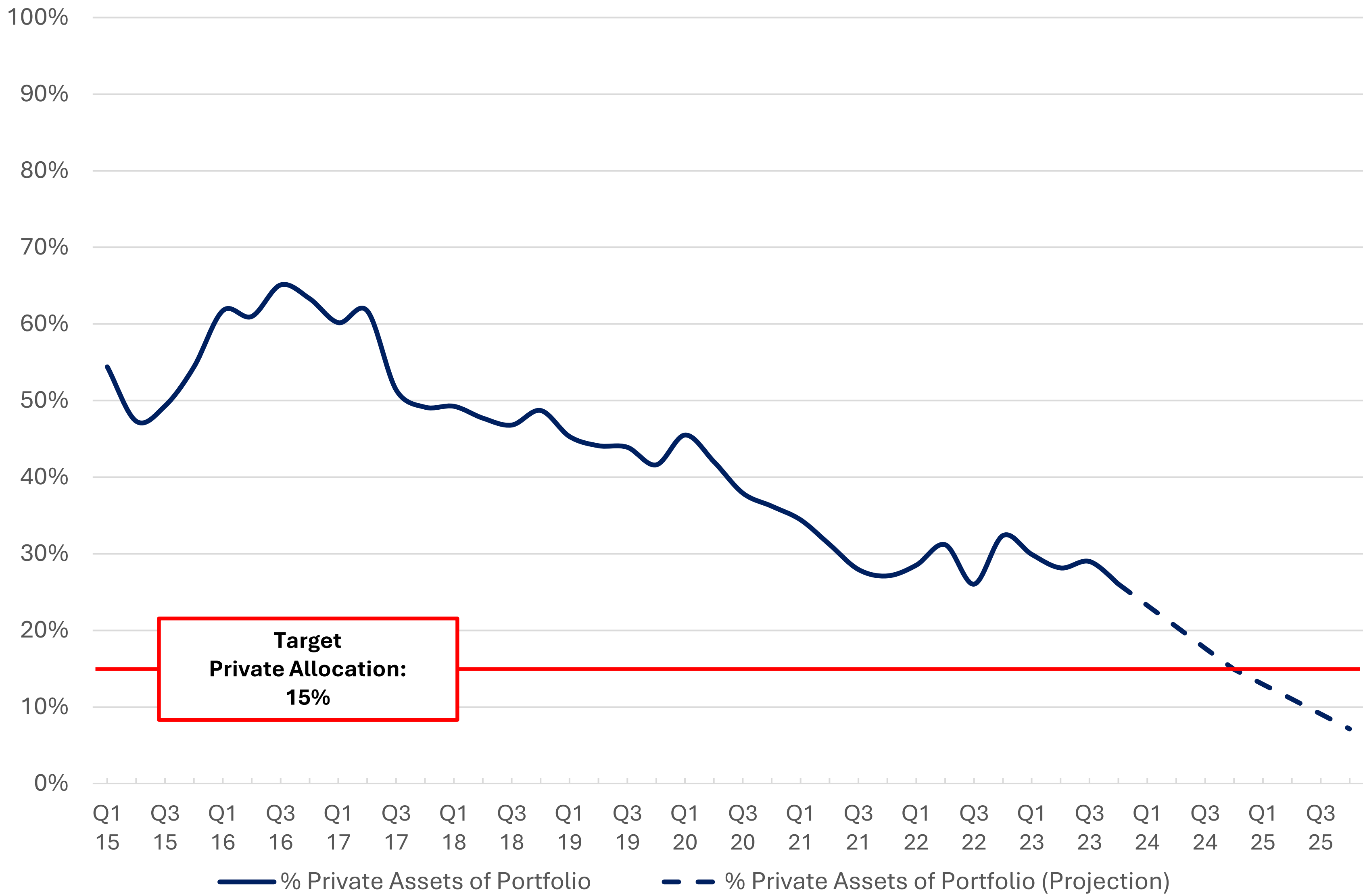
DPFP Service Providers

- **Meketa** was hired as the investment consultant in 2018.
  - Staff holds bi-monthly meetings with Meketa.
  - Meketa was re-appointed as the General Investment Consultant in July 2023.
- **Albourne** was approved by the Board to provide Private Markets consulting services in July 2023.
  - DPFP is still overallocated to private markets and will likely begin using Albourne's services in 2024.
- **JP Morgan** was hired as the custodian in 2002.
  - JP Morgan provides custody support functions as well as investment reporting. Staff plans to conduct a Custodian Search in 2024.
- **BDO** has been DPFP's auditor since 2014.
- **Segal** has been DPFP's actuary since 2016.
- **Jackson Walker** has been DPFP's fiduciary counsel since 2016.

Asset Allocation Private Markets Over Time

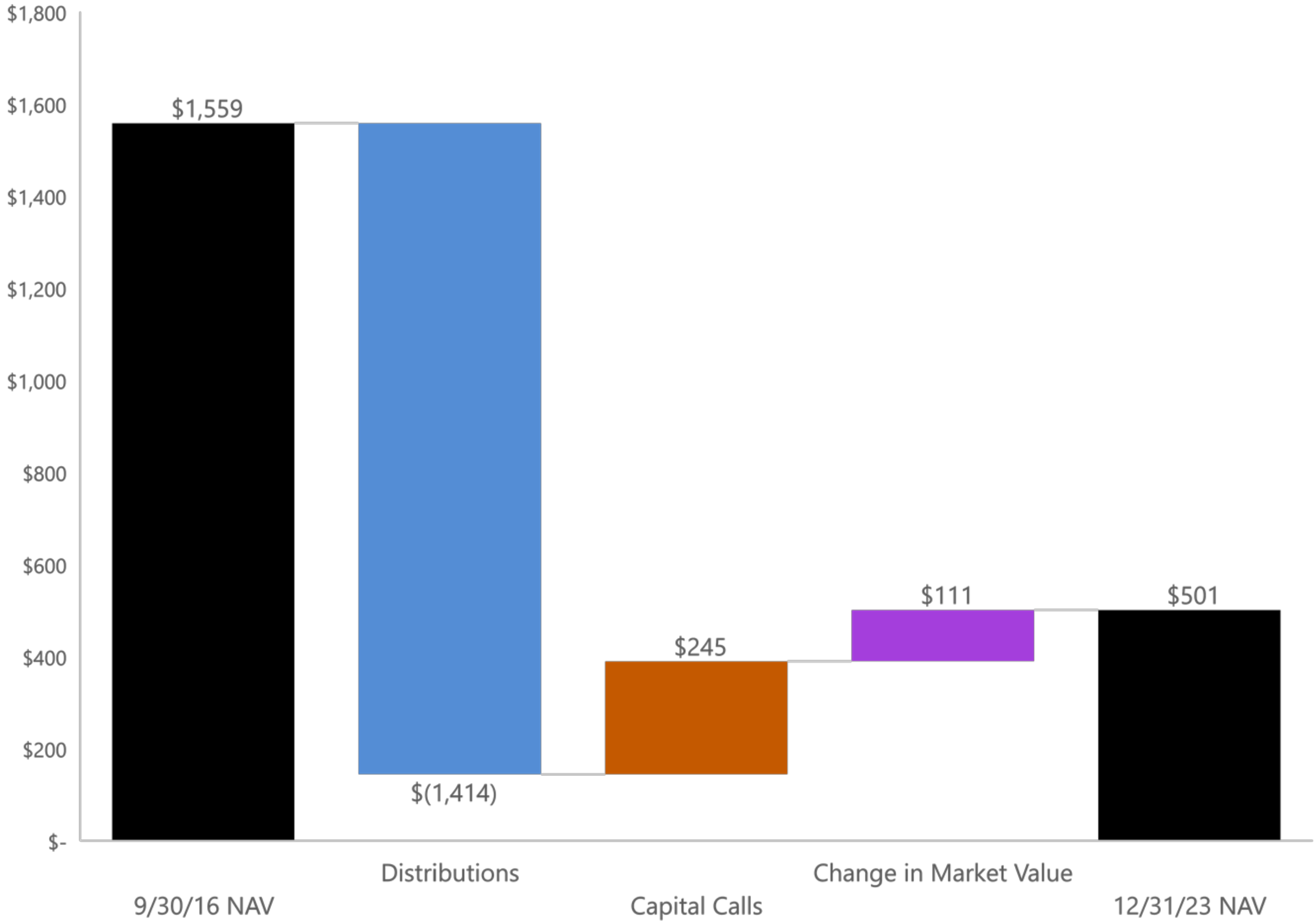
Private asset cash flow projections are based on either in-process/planned sales, if available, or a gradual disposition through 2025.

Assumes 100% of private asset proceeds are reinvested into liquid investments and flat fund NAV



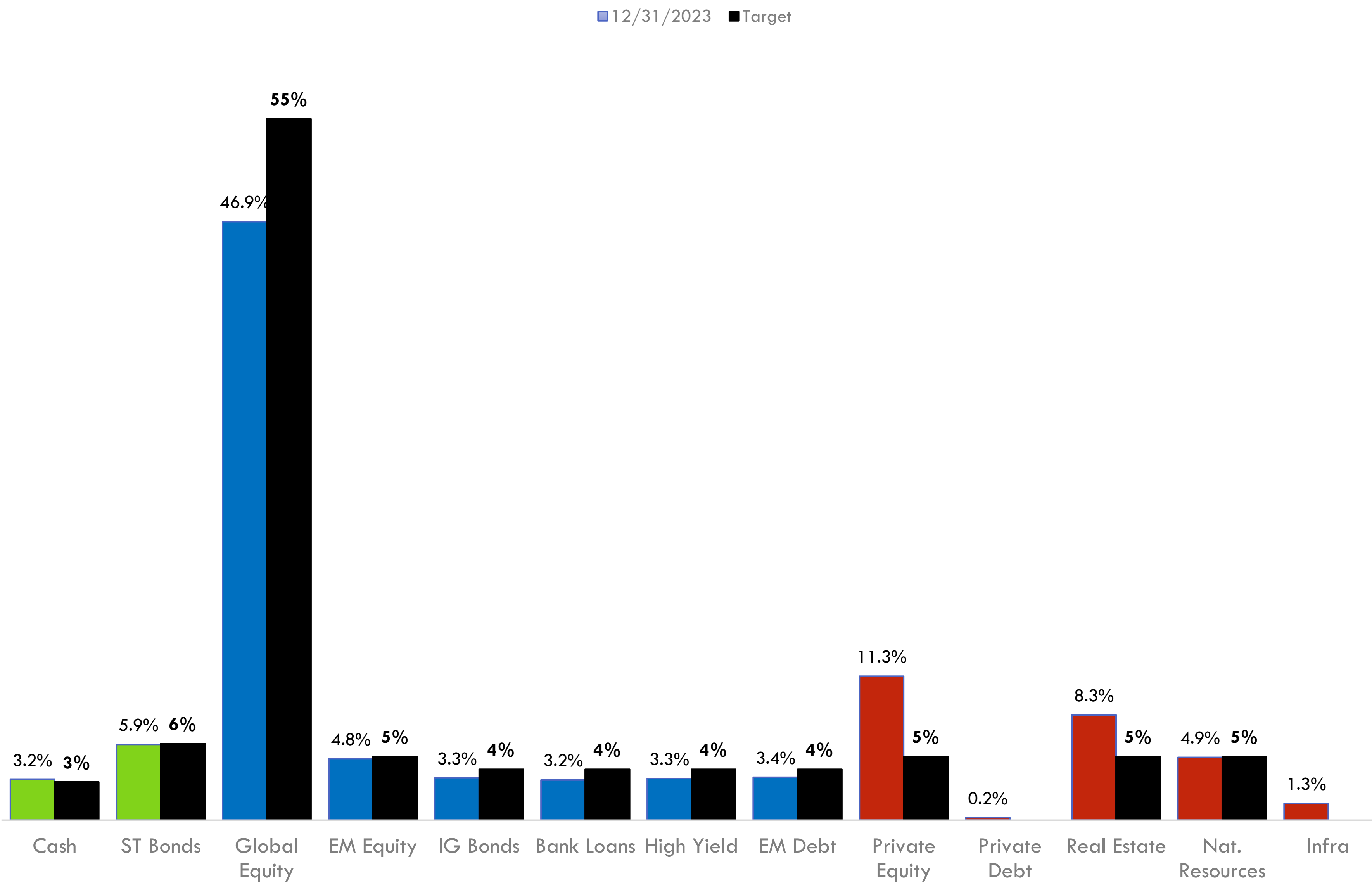
DALLAS POLICE & FIRE PENSION SYSTEM

Private Markets Bridge Chart – Since 9/30/16



DALLAS POLICE & FIRE PENSION SYSTEM

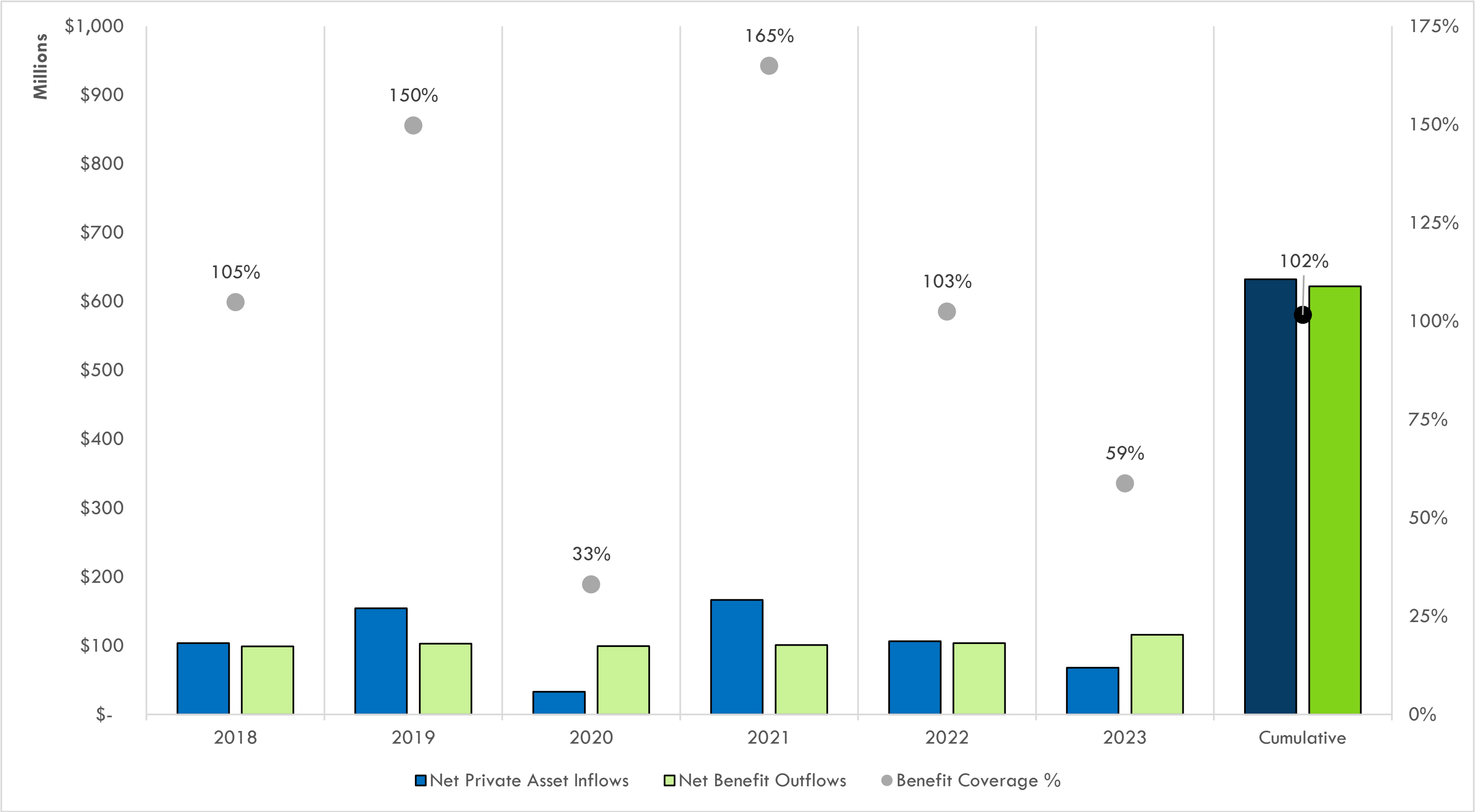
Asset Allocation – Actual vs. Target



DALLAS POLICE & FIRE PENSION SYSTEM

Benefit Outflow Coverage

Since 2018, net Private Asset inflows have covered 102% of net benefit outflows.



DPFP Investment Managers

Public Equity

Walter Scott Global Investment Management

Boston Partners

RBC

WCM Investment Management

Manulife Investment Management

Northern Trust Asset Management

Global Alpha

Eastern Shore Capital Management

Fixed Income

IR+M

Loomis | Sayles

Aristotle Pacific Capital

LM Longfellow Investment Management

MetLife Investment Management

River Stone

A&M Alvarez & Marsal

Private Equity

Industry Ventures

LoneStar Investment Advisors

The Huff Energy Fund, L.P.

Natural Resources

Manulife Investment Management

BTG Pactual

Infrastructure

The Rohatyn Group

Real Estate

AEW

Clarion Partners

DPFP Trailing Performance Summary - as of 9/30/23

Net Annualized Returns	Allocation	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs
DPFP	**100.0%**	**10.1%**	**4.2%**	**3.2%**	**3.3%**	**1.6%**
DPFP ex Private Markets	**71.6%**	**16.9%**	**3.8%**	**4.4%**	**5.1%**	**5.0%**
InvMetrics Public DB > $1B Median		*10.0%*	*5.5%*	*5.5%*	*6.8%*	*6.4%*
60% MSCI ACWI IMI/40% Bloomber Global Agg		*12.8%*	*1.3%*	*3.2%*	*4.5%*	*4.4%*
Global Equity	**46.5%**	**22.0%**	**7.4%**	**6.6%**	**9.2%**	**8.2%**
InvMetrics Public DB Global Equity Median		*19.5%*	*6.9%*	*6.4%*	*8.4%*	*8.4%*
MSCI ACWI IMI Net		*20.2%*	*6.9%*	*6.1%*	*8.3%*	*7.4%*
Emerging Markets Equity	**4.6%**	**16.5%**	**-0.1%**	**2.2%**	**--**	**--**
InvMetrics Public DB EM Equity Median		*13.9%*	*0.5%*	*1.1%*	*--*	*--*
MSCI Emerging Markets IMI Net		*13.2%*	*-0.3%*	*1.3%*	*--*	*--*
Fixed Income & Cash	**20.7%**	**6.7%**	**-0.5%**	**1.0%**	**1.6%**	**1.9%**
InvMetrics Public DB Total Fixed Income Median		*3.1%*	*-3.1%*	*1.1%*	*0.9%*	*1.5%*
Bloomberg Multiverse		*2.7%*	*-6.6%*	*-1.5%*	*-1.3%*	*-0.3%*
DPFP Private Markets		**1 Yr**	**3 Yrs**	**5 Yrs**	**7 Yrs**	**10 Yrs**
Private Equity	**11.8%**	**-7.9%**	**9.3%**	**2.6%**	**-3.3%**	**-4.6%**
Russell 3000 + 2% (1 Quarter Lag)		*22.8%*	*11.9%*	*12.0%*	*13.9%*	*14.4%*
Real Estate	**8.6%**	**12.4%**	**6.4%**	**4.0%**	**4.5%**	**-1.4%**
NCREIF Property (1 Quarter Lag)		*-6.6%*	*6.8%*	*5.9%*	*6.2%*	*7.8%*
Natural Resources	**5.7%**	**-6.4%**	**-0.2%**	**0.1%**	**-1.4%**	**1.0%**
NCRIEF Farmland Total Return (1 Quarter Lag)		*8.4%*	*7.7%*	*6.5%*	*6.5%*	*8.4%*
Infrastructure	**2.1%**	**-3.6%**	**21.2%**	**5.3%**	**11.6%**	**7.6%**
S&P Global Infrastructure (1 Quarter Lag)		*6.9%*	*7.3%*	*4.1%*	*5.1%*	*5.1%*

Source: Meketa Investment Group, peer data only updated through 9/30/23 which is why that was selected as end point. As is standard practice, Private Market returns are on a one-quarter lag.

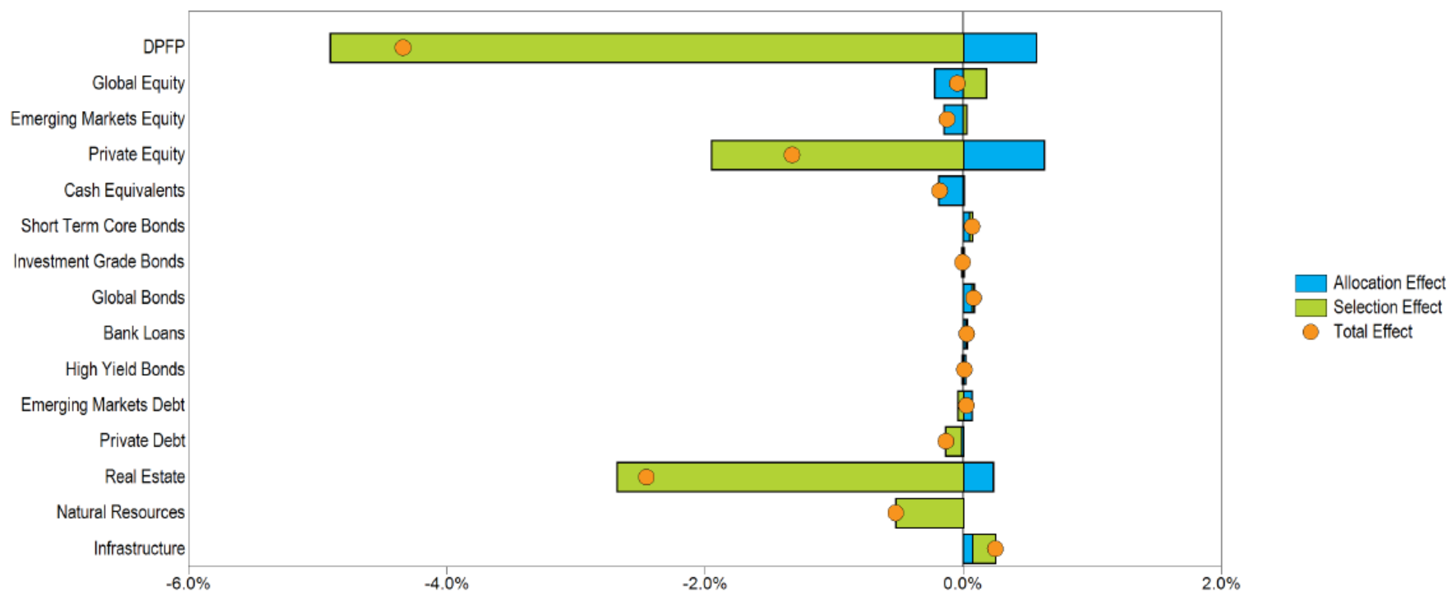
10-year Return Attribution - as of 9/30/23

MEKETA

Dallas Police & Fire Pension System

DPFP | As of September 30, 2023

Attribution Effects vs. Policy Benchmark
10 Year Ending September 30, 2023

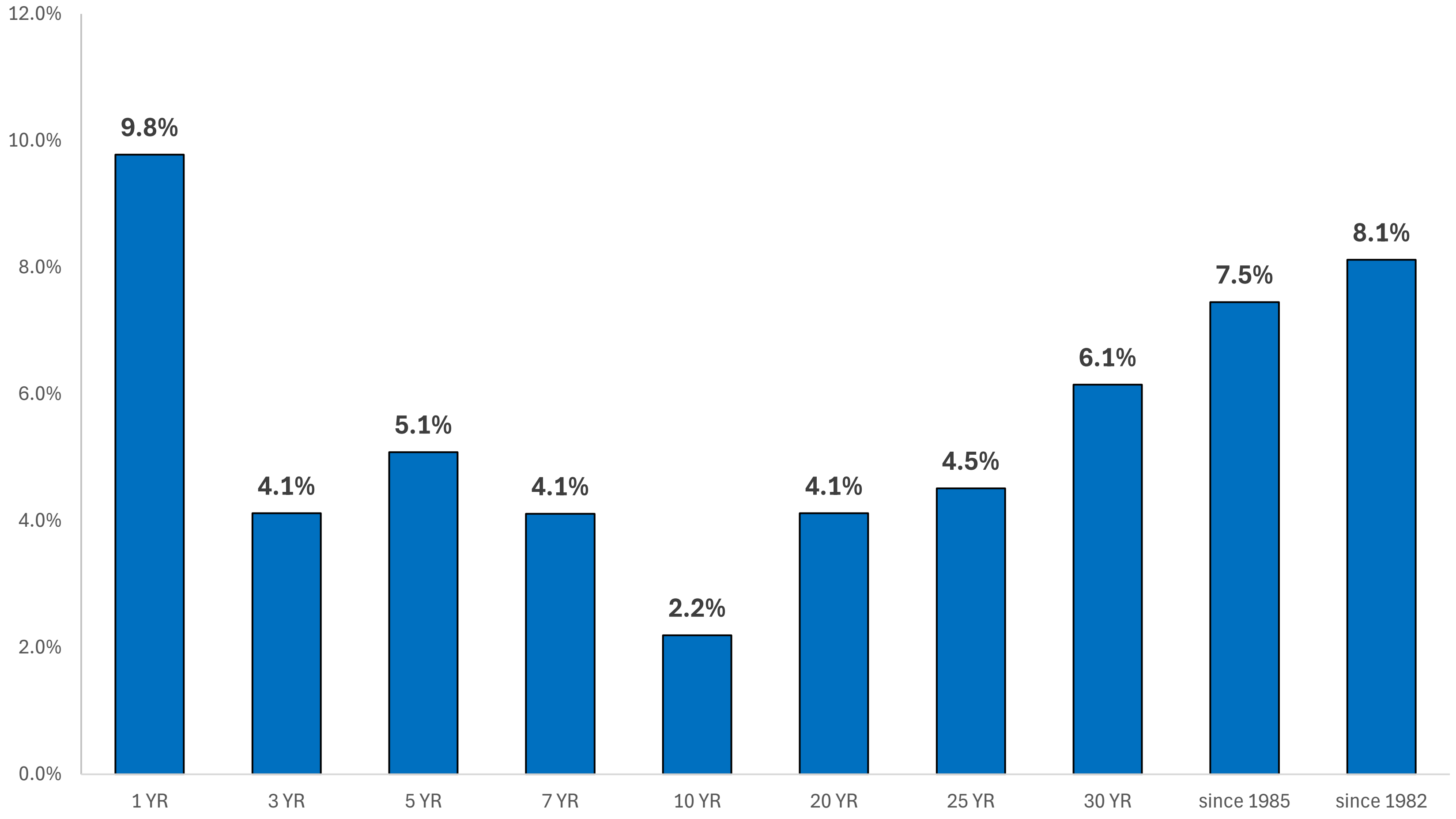


Attribution Summary
10 Years Ending September 30, 2023

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Total Effects
Total	1.6%	5.4%	-3.8%	-4.9%	0.6%	-4.3%

The performance calculation methodology in attribution tables is different from the standard time weighted returns (geometric linkage of monthly returns) found throughout the rest of the report. In attribution tables, the average weight of each asset class (over the specified time period) is multiplied by the time period performance of that asset class and summed. Values may not sum due to rounding.

DPFP Estimated Trailing Net Returns - as of 12/31/23



Source: Meketa Investment Group, Q4 223 Private Market Return estimated based on changes to NAV that have been reported to date. As is standard practice, Private Market returns are on a one-quarter lag.

1500 Marilla Street
Council Chambers, 6th Floor
Dallas, Texas 75201

Agenda Information Sheet

File #: 24-1254 **Item #:** A.

Dallas Police and Fire Pension System: Funding Soundness Restoration Plan Update

City of Dallas

Dallas Police and Fire Pension System: Funding Soundness Restoration Plan Update

Ad Hoc Committee on Pensions
April 11, 2024

Jack Ireland
Chief Financial Officer

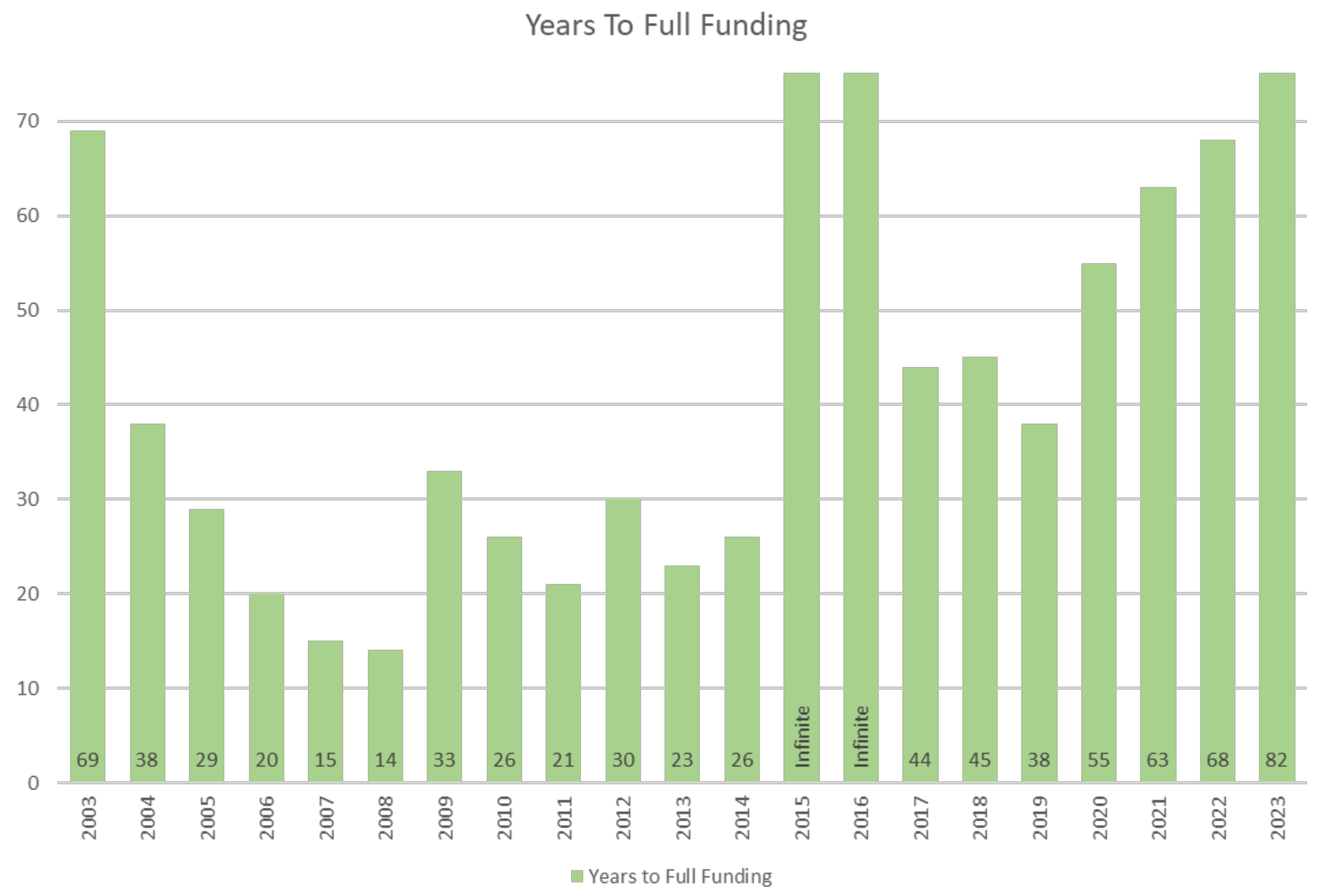
Purpose

- Provide an update on Dallas Police and Fire Pension System (DPFP) current funding
- Review Cheiron's recommendations from February 8 briefing to Ad Hoc Committee
- Review considerations for a Funding Soundness Restoration Plan (FSRP)

Background

- Texas Pension Review Board (PRB) oversees all Texas public retirement systems, their actuarial soundness, and their compliance with state requirements
- PRB's funding guidelines require that actual contributions should be sufficient to <u>cover the normal cost</u> and to <u>amortize the unfunded actuarial accrued liability</u> and should not exceed 30 years
- As of 1/1/23, DPFP is projected to be fully funded in 82 years exceeding PRB's 30-year requirement
- FSRP for DPFP must be submitted to PRB prior to 9/1/25 in accordance with Chapter 802 of the Texas Government Code
- Additionally, HB3158 mandates that DPFP board must adopt a funding plan that complies with the 30-year amortization period and submit it to the PRB by 11/1/24
- City and DPFP are working in cooperation and our goal is to submit FSRP to PRB in August or September 2024

DPFP – History and Update

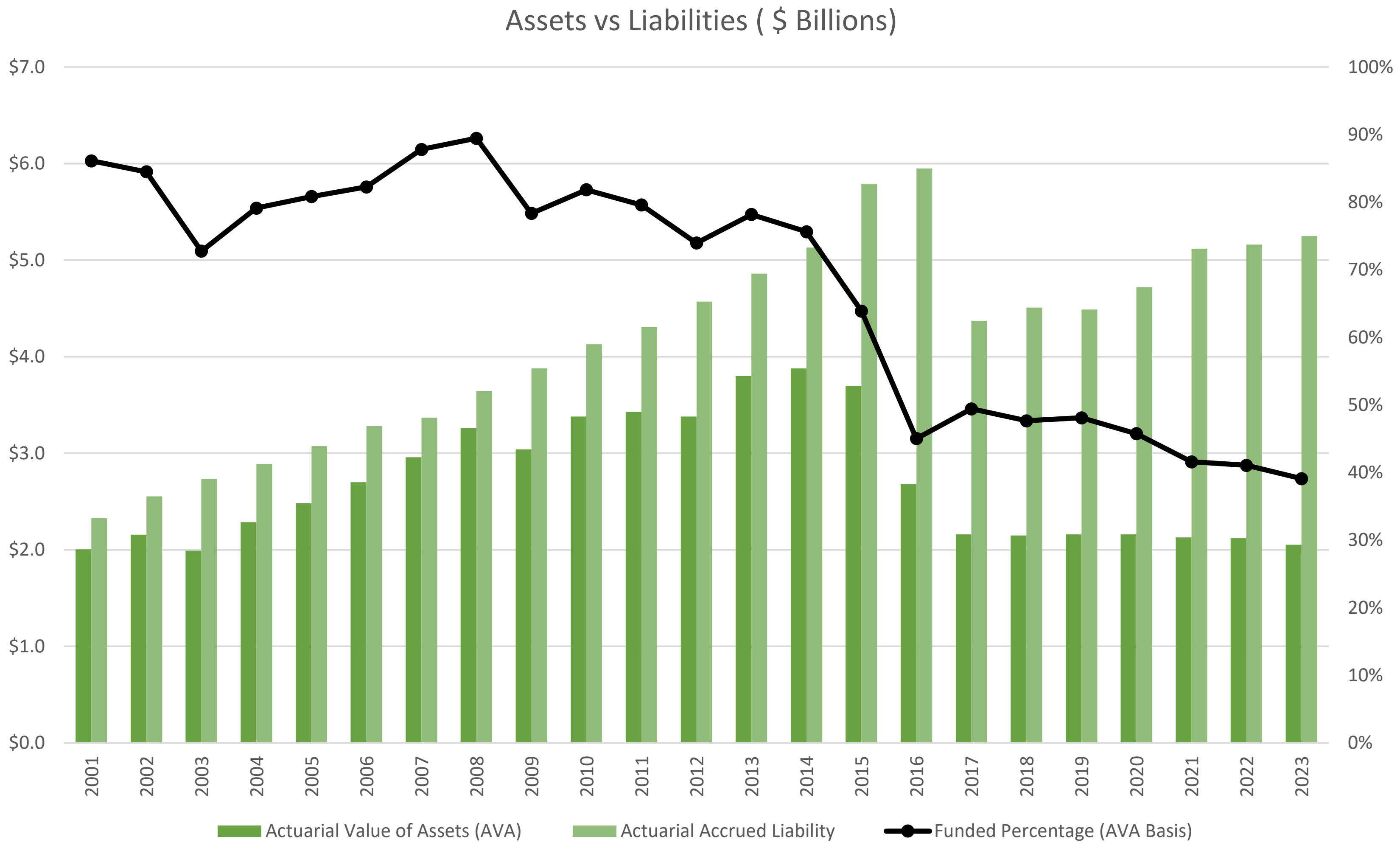


As of 1/1/23, DPFP is projected to be fully funded in 82 years.

HB3158 requires a funding plan be submitted to PRB by 11/1/24.

PRB requires a FSRP be submitted by 9/1/25 that achieves full-funding within 30-year.

DPFP – History and Update



DPFP dropped from 41.1% funded as of 1/1/22 to 39.1% funded as of 1/1/23.

Cheiron's Primary Recommendations – 2/8/24

Independent Actuary Selected by PRB and Contracted by DPFP

Adopt an Actuarially Determined Contribution

- Contribution amounts adjust to circumstances
- Always comply with funding guidelines
- Start contributions effective either 10/1/2024 or 1/1/2025 based on 1/1/2023 valuation

Implementing ADC will enable City to address unfunded liability and comply with PRB requirements.

Reduce Employee Contribution Rate as Funding Improves

- Current rate is high compared to competitors and as proportion of benefit cost
- As funding improves, grade employee rate down to 50% of normal cost rate

Reducing employee contributions will increase cost to City. This is not a PRB requirement.

Provide Some COLA Earlier Than Current Provisions Permit

- Members are not covered by Social Security, so they have no inflation protection in retirement
- Lack of COLA is likely to create a recruitment and retention issue

Providing COLA earlier than current provision will increase unfunded liability and increase cost to City. This is not a PRB requirement.

Adopt an Actuarial Determined Contribution (ADC)

ADC Core Elements

Element #1 – Unfunded Actuarial Liability (UAL)	Element #2 – Normal Cost	Element #3 – Additional Layers for Gains/Losses
• Amortize current unfunded liability over 30 years • Include expected future administrative expenses • Amortization schedule will be fixed and not change • Future lump sum contributions will reduce UAL amortization schedule	• Ongoing City normal cost • Reflects value of additional accrued liability of active employees in the plan • Normal Cost can be forecasted for 30 years, but will be affected by pay increases and changes to other actuarial assumptions, such as Discount Rate	• As asset or liability experience deviates from assumptions, or assumptions are changed, new gains or losses emerge • New amortization layers are added for emerging gains or losses • Will be amortized to 2055, or over 20 years beginning in 2036 • Cost of additional layers are not yet known

Cheiron's Modeled Amortization Options – 2/8/24

Most Preferred — All Are Reasonable — Least Preferred

Traditional	3-Year Step Up/Down	5-Year Step Up/Down	3-Year Step Up	5-Year Step Up

• Single initial 30-year amortization layer for entire UAL
  • 2.5% annual increase in payments
  • No step up or down in payments
	• 30-year base amortization layer approximating current contribution rate for 2024
	  • 2.5% annual increase in payments
	• 30-year amortization layer for remainder of UAL
	  • Payments step up over 3 years to full payment level
	  • 2.5% annual increase in payments once at full payment level
	  • Payments step down over 3 years at end of amortization
		• 30-year base amortization layer approximating current contribution rate for 2024
		  • 2.5% annual increase in payments
		• 30-year amortization layer for remainder of UAL
		  • Payments step up over 5 years to full payment level
		  • 2.5% annual increase in payments once at full payment level
		  • Payments step down over 5 years at end of amortization
			• 30-year base amortization layer approximating current contribution rate for 2024
			  • 2.5% annual increase in payments
			• 30-year amortization layer for remainder of UAL
			  • Payments step up over 3 years to full payment level
			  • 2.5% annual increase in payments once at full payment level
			  • No step down at end of amortization
				• 30-year base amortization layer approximating current contribution rate for 2024
				  • 2.5% annual increase in payments
				• 30-year amortization layer for remainder of UAL
				  • Payments step up over 5 years to full payment level
				  • 2.5% annual increase in payments once at full payment level
				  • No step down at end of amortization

ADC Scenarios

Fiscal Year	Cheiron Revised Traditional ADC 3/29/24	Year over Year Variance	Cheiron Revised 3-Year Step-Up & Step-Down 4/2/24	Year over Year Variance	Cheiron Revised 5-Year Step-Up & Step-Down 4/2/24	Year over Year Variance	Cheiron Revised 3-Year Step-Up 4/2/24	Year over Year Variance	Cheiron Revised 5-Year Step-Up 4/2/24	Year over Year Variance
2024	$ 184,733,285		$ 184,733,285		$ 184,733,285		$ 184,733,285		$ 184,733,285	
2025	$ 251,429,000	$ 66,695,715	$ 211,545,000	$ 26,811,715	$ 203,084,000	$ 18,350,715	$ 210,645,000	$ 25,911,715	$ 202,120,000	$ 17,386,715
2026	$ 256,948,000	$ 5,519,000	$ 238,703,000	$ 27,158,000	$ 222,019,000	$ 18,935,000	$ 236,859,000	$ 26,214,000	$ 220,042,000	$ 17,922,000
2027	$ 262,749,000	$ 5,801,000	$ 267,042,000	$ 28,339,000	$ 241,728,000	$ 19,709,000	$ 264,207,000	$ 27,348,000	$ 238,689,000	$ 18,647,000
2028	$ 268,804,000	$ 6,055,000	$ 272,208,000	$ 5,166,000	$ 262,469,000	$ 20,741,000	$ 269,303,000	$ 5,096,000	$ 258,315,000	$ 19,626,000
2029	$ 275,029,000	$ 6,225,000	$ 277,556,000	$ 5,348,000	$ 284,184,000	$ 21,715,000	$ 274,577,000	$ 5,274,000	$ 278,863,000	$ 20,548,000
2030	$ 281,433,000	$ 6,404,000	$ 283,095,000	$ 5,539,000	$ 289,889,000	$ 5,705,000	$ 280,042,000	$ 5,465,000	$ 284,434,000	$ 5,571,000
2031	$ 288,000,000	$ 6,567,000	$ 289,703,000	$ 6,608,000	$ 296,667,000	$ 6,778,000	$ 286,574,000	$ 6,532,000	$ 291,076,000	$ 6,642,000
2032	$ 294,722,000	$ 6,722,000	$ 296,467,000	$ 6,764,000	$ 303,605,000	$ 6,938,000	$ 293,260,000	$ 6,686,000	$ 297,875,000	$ 6,799,000
2033	$ 301,667,000	$ 6,945,000	$ 303,456,000	$ 6,989,000	$ 310,772,000	$ 7,167,000	$ 300,168,000	$ 6,908,000	$ 304,899,000	$ 7,024,000
2034	$ 308,796,000	$ 7,129,000	$ 310,630,000	$ 7,174,000	$ 318,129,000	$ 7,357,000	$ 307,260,000	$ 7,092,000	$ 312,109,000	$ 7,210,000
2035	$ 316,113,000	$ 7,317,000	$ 317,993,000	$ 7,363,000	$ 325,680,000	$ 7,551,000	$ 314,539,000	$ 7,279,000	$ 319,509,000	$ 7,400,000
2036	$ 323,647,000	$ 7,534,000	$ 325,573,000	$ 7,580,000	$ 333,452,000	$ 7,772,000	$ 322,033,000	$ 7,494,000	$ 327,127,000	$ 7,618,000
2037	$ 331,388,000	$ 7,741,000	$ 333,363,000	$ 7,790,000	$ 341,439,000	$ 7,987,000	$ 329,734,000	$ 7,701,000	$ 334,955,000	$ 7,828,000
2038	$ 339,295,000	$ 7,907,000	$ 341,319,000	$ 7,956,000	$ 349,597,000	$ 8,158,000	$ 337,600,000	$ 7,866,000	$ 342,952,000	$ 7,997,000
2039	$ 347,425,000	$ 8,130,000	$ 349,500,000	$ 8,181,000	$ 357,984,000	$ 8,387,000	$ 345,687,000	$ 8,087,000	$ 351,173,000	$ 8,221,000
2040	$ 355,761,000	$ 8,336,000	$ 357,887,000	$ 8,387,000	$ 366,584,000	$ 8,600,000	$ 353,980,000	$ 8,293,000	$ 359,602,000	$ 8,429,000
2041	$ 364,405,000	$ 8,644,000	$ 366,585,000	$ 8,698,000	$ 375,500,000	$ 8,916,000	$ 362,580,000	$ 8,600,000	$ 368,343,000	$ 8,741,000
2042	$ 373,366,000	$ 8,961,000	$ 375,600,000	$ 9,015,000	$ 384,738,000	$ 9,238,000	$ 371,495,000	$ 8,915,000	$ 377,402,000	$ 9,059,000
2043	$ 382,512,000	$ 9,146,000	$ 384,802,000	$ 9,202,000	$ 394,168,000	$ 9,430,000	$ 380,594,000	$ 9,099,000	$ 386,649,000	$ 9,247,000
2044	$ 392,021,000	$ 9,509,000	$ 394,369,000	$ 9,567,000	$ 403,968,000	$ 9,800,000	$ 390,055,000	$ 9,461,000	$ 396,261,000	$ 9,612,000
2045	$ 401,862,000	$ 9,841,000	$ 404,268,000	$ 9,899,000	$ 414,108,000	$ 10,140,000	$ 399,847,000	$ 9,792,000	$ 406,208,000	$ 9,947,000
2046	$ 412,031,000	$ 10,169,000	$ 414,497,000	$ 10,229,000	$ 424,583,000	$ 10,475,000	$ 409,965,000	$ 10,118,000	$ 416,486,000	$ 10,278,000
2047	$ 422,331,000	$ 10,300,000	$ 424,859,000	$ 10,362,000	$ 435,197,000	$ 10,614,000	$ 420,214,000	$ 10,249,000	$ 426,898,000	$ 10,412,000
2048	$ 432,889,000	$ 10,558,000	$ 435,480,000	$ 10,621,000	$ 446,076,000	$ 10,879,000	$ 430,719,000	$ 10,505,000	$ 437,569,000	$ 10,671,000
2049	$ 443,712,000	$ 10,823,000	$ 446,368,000	$ 10,888,000	$ 457,229,000	$ 11,153,000	$ 441,488,000	$ 10,769,000	$ 448,510,000	$ 10,941,000
2050	$ 454,805,000	$ 11,093,000	$ 457,527,000	$ 11,159,000	$ 440,760,000	$ (16,469,000)	$ 452,525,000	$ 11,037,000	$ 459,723,000	$ 11,213,000
2051	$ 466,174,000	$ 11,369,000	$ 468,965,000	$ 11,438,000	$ 423,180,000	$ (17,580,000)	$ 463,838,000	$ 11,313,000	$ 471,215,000	$ 11,492,000
2052	$ 477,829,000	$ 11,655,000	$ 436,151,000	$ (32,814,000)	$ 404,446,000	$ (18,734,000)	$ 475,433,000	$ 11,595,000	$ 482,995,000	$ 11,780,000
2053	$ 489,775,000	$ 11,946,000	$ 401,403,000	$ (34,748,000)	$ 384,512,000	$ (19,934,000)	$ 487,320,000	$ 11,887,000	$ 495,070,000	$ 12,075,000
2054	$ 502,019,000	$ 12,244,000	$ 364,645,000	$ (36,758,000)	$ 363,328,000	$ (21,184,000)	$ 499,503,000	$ 12,183,000	$ 507,447,000	$ 12,377,000
2055	$ 71,007,000	$ (431,012,000)	$ 71,007,000	$ (293,638,000)	$ 71,007,000	$ (292,321,000)	$ 71,007,000	$ (428,496,000)	$ 71,007,000	$ (436,440,000)

City Contribution to DPFP is $184.7m in FY24 and $190.9m in FY25 planned budget.

Any cost above this amount will increase the FY25 budget.

ADC Scenarios

- According to Cheiron, all five scenarios are reasonable and meet PRB requirements to be fully-funded in 30 years
- Immediate implementation of ADC will require an increase in funding of $67m in FY25 from $184.7m to $251.4m
  - Results in greater amounts of cash deposited in DPFP sooner
  - Will require reduction to other City services, foregoing other planned expenses, or increased revenue (property tax rate) to fund increased City contributions

ADC Scenarios

- Step-up and step-down scenarios require greater amounts of funding in early years to allow for a step-down in last 3-5 years of 30-year amortization
- Step-up, with no step-down scenarios increase at a slower rate, and have a significant contribution reduction after year 30
- These scenarios provide great flexibility for City to manage contribution increases with less negative impact on other parts of budget
- Any future cash infusion will reduce amortization schedule of initial unfunded actuarial liability (element #1) and reduce City's future cost

Reduce Employee Contribution Rate as Funding Improves

Employee Contributions

- Employees and City both make contributions into DPFP to support pension benefits
- As result of HB3158, contribution rates increased including required contributions by City
- Once DPFP is fully-funded, employee contribution rate is scheduled to decrease to 50% of normal cost
- Cheiron suggested as funding improves, grade employee rate down to 50% of normal cost rate beginning in 2039, and shift more cost to City sooner
- City management prefers this feature not be built into current unfunded actuarial liability but will reconsider once DPFP funding is improved
- This is low priority for both DPFP and City, and neither recommend

Year (1/1)	City Contribution Rate	Employee Contribution Rate
2003	29%	6%
2004	31%	7%
2005	31%	6%
2006	31%	6%
2007	32%	6%
2008	32%	6%
2009	31%	6%
2010	29%	5%
2011	28%	5%
2012	30%	6%
2013	29%	7%
2014	29%	8%
2015	30%	7%
2016	33%	7%
2017	35%	9%
2018	43%	14%
2019	43%	14%
2020	41%	14%
2021	39%	14%
2022	39%	14%

Provide Some COLA Earlier Than Current Provisions Permit

COLA Background

- Prior to HB3158
  - Automatic 4% Simple COLA if hired prior to 1/1/2007
  - Ad Hoc Simple COLA up to 4% if hired after 12/31/2006
  - DROP accounts had guaranteed rate of return, but were not included in COLA calculations
- After HB3158
  - COLA is subject to Board approval and can only be granted if funded percentage greater than 70%
    - 2023 valuation projects first COLA in 2073
    - With revised funding plan, first COLA expected to be paid about 2046
  - Ad Hoc Simple COLA that depends on investment returns (not inflation)
    - 5-year average return minus 5%
    - Maximum of 4%
- Although COLA is ad hoc and not considered substantially automatic, the current assumption of an annual 1.5% COLA beginning in 2046 adds $128m to initial unfunded actuarial liability and increases City's annual cost

Year (1/1)	Rate of Return on Market Value of Assets	COLA
2001	-7.8%	4.00%
2002	-12.3%	4.00%
2003	31.7%	4.00%
2004	14.0%	4.00%
2005	10.8%	4.00%
2006	14.6%	4.00%
2007	8.9%	4.00%
2008	-24.8%	4.00%
2009	13.8%	4.00%
2010	10.7%	4.00%
2011	-1.8%	4.00%
2012	9.9%	4.00%
2013	7.7%	4.00%
2014	-5.4%	4.00%
2015	-8.5%	4.00%
2016	6.8%	4.00%
2017	4.7%	0.00%
2018	2.1%	0.00%
2019	6.3%	0.00%
2020	-0.4%	0.00%
2021	17.0%	0.00%
2022	-11.5%	0.00%

Cheiron's Modeled COLA Options – 2/8/24

	Current	Dallas Employees Retirement Fund COLA	Immediate Partial COLA	Current + 70% PP	Current + 80% PP	Current Immediate + 80% PP	Compound Current Immediate + 80% PP
CPI vs. Investment	Investment	CPI	Investment	Investment / CPI	Investment / CPI	Investment / CPI	Investment / CPI
Simple vs. Compound	Simple	Simple	Simple	Simple / Compound	Simple / Compound	Simple / Compound	Compound
Funded Status	70%	0%	0%	70%	70%	0%	0%
Purchasing Power (PP) Protection	None	None	None	70% of 2024 PP	80% of 2024 PP	80% of 2024 PP	80% of 2024 PP
Expected Amount / Maximum	1.5% / 4.0%	2.5% / 3.0%	1.5% times Funded % / 4.0%	1.5% / 4.0%	1.5% / 4.0%	1.5% / 4.0%	1.5% / 4.0%

COLA Considerations

Fiscal Year	Annual Cost of Assumed 1.5% COLA included in Scenario 3A (Deloitte)	Scenario 3A: Current COLA (same as Scenario 1C) Revised 2/2/24	Scenario 3B: Current Employee Retirement Fund COLA Revised 2/2/24	Variance to Scenario 3A	Scenario 3C: Immediate Partial COLA Revised 2/2/24	Variance to Scenario 3A	Scenario 3D: Current COLA w/ 70% 2024 PP Protection Revised 2/2/24	Variance to Scenario 3A	Scenario 3E: Current COLA w/ 80% 2024 PP Protection Revised 2/2/24	Variance to Scenario 3A	Scenario 3F: Immediate Current COLA w/ 80% 2024 PP Protection Revised 2/2/24	Variance to Scenario 3A	Scenario 3G: Immediate Compound Current COLA w/ 80% 2024 PP Protection Revised 2/2/24	Variance to Scenario 3A
Year		Total	Total		Total		Total		Total		Total		Total	
2024		$ 184,733,285	$ 184,733,285		$ 184,733,285		$ 184,733,285		$ 184,733,285		$ 184,733,285		$ 184,733,285	
2025	$ 3,843,241	$ 198,288,000	$ 225,096,000	$ 26,808,000	$ 202,440,000	$ 4,152,000	$ 201,954,000	$ 3,666,000	$ 207,973,000	$ 9,685,000	$ 214,099,000	$ 15,811,000	$ 216,738,000	$ 18,450,000
2026	$ 8,018,327	$ 219,586,000	$ 259,734,000	$ 40,148,000	$ 225,843,000	$ 6,257,000	$ 225,548,000	$ 5,962,000	$ 234,823,000	$ 15,237,000	$ 244,269,000	$ 24,683,000	$ 248,763,000	$ 29,177,000
2027	$ 12,550,629	$ 241,989,000	$ 296,090,000	$ 54,101,000	$ 250,439,000	$ 8,450,000	$ 250,351,000	$ 8,362,000	$ 263,029,000	$ 21,040,000	$ 275,956,000	$ 33,967,000	$ 282,393,000	$ 40,404,000
2028	$ 17,400,091	$ 265,499,000	$ 334,275,000	$ 68,776,000	$ 276,256,000	$ 10,757,000	$ 276,397,000	$ 10,898,000	$ 292,652,000	$ 27,153,000	$ 309,246,000	$ 43,747,000	$ 317,723,000	$ 52,224,000
2029	$ 22,582,476	$ 290,065,000	$ 374,154,000	$ 84,089,000	$ 303,217,000	$ 13,152,000	$ 303,611,000	$ 13,546,000	$ 323,593,000	$ 33,528,000	$ 344,014,000	$ 53,949,000	$ 354,626,000	$ 64,561,000
2030	$ 23,406,480	$ 296,845,000	$ 382,578,000	$ 85,733,000	$ 310,149,000	$ 13,304,000	$ 310,616,000	$ 13,771,000	$ 330,914,000	$ 34,069,000	$ 351,733,000	$ 54,888,000	$ 362,602,000	$ 65,757,000
2031	$ 24,226,050	$ 303,797,000	$ 391,238,000	$ 87,441,000	$ 317,262,000	$ 13,465,000	$ 317,809,000	$ 14,012,000	$ 338,434,000	$ 34,637,000	$ 359,672,000	$ 55,875,000	$ 370,806,000	$ 67,009,000
2032	$ 25,132,960	$ 310,914,000	$ 400,020,000	$ 89,106,000	$ 324,507,000	$ 13,593,000	$ 325,160,000	$ 14,246,000	$ 346,083,000	$ 35,169,000	$ 367,726,000	$ 56,812,000	$ 379,128,000	$ 68,214,000
2033	$ 25,992,219	$ 318,264,000	$ 409,159,000	$ 90,895,000	$ 332,014,000	$ 13,750,000	$ 332,767,000	$ 14,503,000	$ 354,017,000	$ 35,753,000	$ 376,106,000	$ 57,842,000	$ 387,787,000	$ 69,523,000
2034	$ 26,842,014	$ 325,808,000	$ 418,505,000	$ 92,697,000	$ 339,700,000	$ 13,892,000	$ 340,572,000	$ 14,764,000	$ 362,139,000	$ 36,331,000	$ 384,675,000	$ 58,867,000	$ 396,642,000	$ 70,834,000
2035	$ 27,714,390	$ 333,551,000	$ 428,131,000	$ 94,580,000	$ 347,599,000	$ 14,048,000	$ 348,590,000	$ 15,039,000	$ 370,491,000	$ 36,940,000	$ 393,501,000	$ 59,950,000	$ 405,759,000	$ 72,208,000
2036	$ 28,729,636	$ 341,520,000	$ 438,103,000	$ 96,583,000	$ 355,758,000	$ 14,238,000	$ 356,856,000	$ 15,336,000	$ 379,123,000	$ 37,603,000	$ 402,647,000	$ 61,127,000	$ 415,207,000	$ 73,687,000
2037	$ 29,687,406	$ 349,708,000	$ 448,377,000	$ 98,669,000	$ 364,153,000	$ 14,445,000	$ 365,354,000	$ 15,646,000	$ 388,004,000	$ 38,296,000	$ 412,070,000	$ 62,362,000	$ 424,939,000	$ 75,231,000
2038	$ 30,693,835	$ 358,073,000	$ 458,818,000	$ 100,745,000	$ 372,700,000	$ 14,627,000	$ 374,026,000	$ 15,953,000	$ 397,043,000	$ 38,970,000	$ 421,644,000	$ 63,571,000	$ 434,830,000	$ 76,757,000
2039	$ 31,662,270	$ 366,672,000	$ 469,608,000	$ 102,936,000	$ 381,514,000	$ 14,842,000	$ 382,949,000	$ 16,277,000	$ 406,359,000	$ 39,687,000	$ 431,540,000	$ 64,868,000	$ 445,051,000	$ 78,379,000
2040	$ 32,662,256	$ 375,489,000	$ 480,609,000	$ 105,120,000	$ 390,523,000	$ 15,034,000	$ 392,086,000	$ 16,597,000	$ 415,872,000	$ 40,383,000	$ 441,630,000	$ 66,141,000	$ 455,473,000	$ 79,984,000
2041	$ 33,818,488	$ 384,627,000	$ 491,965,000	$ 107,338,000	$ 399,850,000	$ 15,223,000	$ 401,544,000	$ 16,917,000	$ 425,698,000	$ 41,071,000	$ 452,055,000	$ 67,428,000	$ 466,238,000	$ 81,611,000
2042	$ 34,828,696	$ 394,093,000	$ 503,778,000	$ 109,685,000	$ 409,543,000	$ 15,450,000	$ 411,347,000	$ 17,254,000	$ 435,895,000	$ 41,802,000	$ 462,902,000	$ 68,809,000	$ 477,436,000	$ 83,343,000
2043	$ 35,894,706	$ 403,758,000	$ 515,863,000	$ 112,105,000	$ 419,453,000	$ 15,695,000	$ 421,354,000	$ 17,596,000	$ 446,300,000	$ 42,542,000	$ 473,998,000	$ 70,240,000	$ 488,890,000	$ 85,132,000
2044	$ 36,909,582	$ 413,798,000	$ 528,470,000	$ 114,672,000	$ 429,781,000	$ 15,983,000	$ 431,758,000	$ 17,960,000	$ 457,138,000	$ 43,340,000	$ 485,577,000	$ 71,779,000	$ 500,839,000	$ 87,041,000
2045	$ 37,736,971	$ 424,183,000	$ 541,556,000	$ 117,373,000	$ 440,489,000	$ 16,306,000	$ 442,527,000	$ 18,344,000	$ 468,379,000	$ 44,196,000	$ 497,599,000	$ 73,416,000	$ 513,241,000	$ 89,058,000
2046	$ 39,229,590	$ 434,910,000	$ 555,091,000	$ 120,181,000	$ 451,559,000	$ 16,649,000	$ 453,658,000	$ 18,748,000	$ 480,016,000	$ 45,106,000	$ 510,036,000	$ 75,126,000	$ 526,069,000	$ 91,159,000
2047	$ 40,364,739	$ 445,782,000	$ 568,968,000	$ 123,186,000	$ 462,908,000	$ 17,126,000	$ 465,000,000	$ 19,218,000	$ 492,015,000	$ 46,233,000	$ 522,787,000	$ 77,005,000	$ 539,221,000	$ 93,439,000
2048	$ 41,385,201	$ 456,926,000	$ 583,193,000	$ 126,267,000	$ 474,543,000	$ 17,617,000	$ 476,625,000	$ 19,699,000	$ 504,315,000	$ 47,389,000	$ 535,856,000	$ 78,930,000	$ 552,702,000	$ 95,776,000
2049	$ 42,452,452	$ 468,351,000	$ 597,773,000	$ 129,422,000	$ 486,471,000	$ 18,120,000	$ 488,541,000	$ 20,190,000	$ 516,923,000	$ 48,572,000	$ 549,252,000	$ 80,901,000	$ 566,519,000	$ 98,168,000
2050	$ 43,386,994	$ 449,116,000	$ 558,351,000	$ 109,235,000	$ 463,961,000	$ 14,845,000	$ 465,672,000	$ 16,556,000	$ 488,945,000	$ 39,829,000	$ 516,216,000	$ 67,100,000	$ 530,674,000	$ 81,558,000
2051	$ 44,900,876	$ 428,625,000	$ 516,585,000	$ 87,960,000	$ 440,022,000	$ 11,397,000	$ 441,353,000	$ 12,728,000	$ 459,245,000	$ 30,620,000	$ 481,185,000	$ 52,560,000	$ 492,682,000	$ 64,057,000
2052	$ 46,097,334	$ 406,830,000	$ 472,382,000	$ 65,552,000	$ 414,596,000	$ 7,766,000	$ 415,527,000	$ 8,697,000	$ 427,753,000	$ 20,923,000	$ 444,079,000	$ 37,249,000	$ 452,459,000	$ 45,629,000
2053	$ 47,278,648	$ 383,678,000	$ 425,645,000	$ 41,967,000	$ 387,623,000	$ 3,945,000	$ 388,136,000	$ 4,458,000	$ 394,401,000	$ 10,723,000	$ 404,817,000	$ 21,139,000	$ 409,917,000	$ 26,239,000
2054	$ 47,873,713	$ 359,114,000	$ 376,276,000	$ 17,162,000	$ 359,042,000	$ (72,000)	$ 359,114,000	$ -	$ 359,114,000	$ -	$ 363,315,000	$ 4,201,000	$ 364,965,000	$ 5,851,000
2055		$ 71,007,000	$ 88,599,000	$ 17,592,000	$ 71,007,000	$ -	$ 71,007,000	$ -	$ 71,007,000	$ -	$ 75,313,000	$ 4,306,000	$ 77,004,000	$ 5,997,000

COLA Considerations

- Offering one-time COLA will increase City's unfunded actuarial liability and the cost would be amortized over 30 years

One-Time COLA in 2025	Increase to 2025 UAL	Increased Additional Payments over 30 Years
1%	$22m	$59m
2%	$44m	$118m
3%	$66m	$177m
4%	$88m	$236m

- Consider having a one-time COLA for retirees in 2025 or on the third anniversary of their retirement whichever is later

Fiscal Year	Cost of 1% COLA in 2025	Cost of 2% COLA in 2025	Cost of 3% COLA in 2025	Cost of 4% COLA in 2025
2025	292,569	585,138	877,707	1,170,276
2026	594,410	1,188,819	1,783,229	2,377,637
2027	906,759	1,813,518	2,720,277	3,627,036
2028	1,232,317	2,464,633	3,696,950	4,929,266
2029	1,571,694	3,143,388	4,715,081	6,286,775
2030	1,606,452	3,212,904	4,819,356	6,425,807
2031	1,643,566	3,287,133	4,930,699	6,574,265
2032	1,682,301	3,364,602	5,046,903	6,729,201
2033	1,722,867	3,445,735	5,168,602	6,891,473
2034	1,764,515	3,529,029	5,293,544	7,058,061
2035	1,807,168	3,614,336	5,421,504	7,228,676
2036	1,851,732	3,703,464	5,555,196	7,406,927
2037	1,897,085	3,794,171	5,691,256	7,588,340
2038	1,943,817	3,887,633	5,831,450	7,775,267
2039	1,991,726	3,983,451	5,975,177	7,966,902
2040	2,040,978	4,081,956	6,122,934	8,163,911
2041	2,091,778	4,183,557	6,275,335	8,367,110
2042	2,143,693	4,287,386	6,431,080	8,574,772
2043	2,196,966	4,393,933	6,590,899	8,787,869
2044	2,251,573	4,503,147	6,754,720	9,006,294
2045	2,307,283	4,614,567	6,921,850	9,229,135
2046	2,364,772	4,729,545	7,094,317	9,459,088
2047	2,423,621	4,847,241	7,270,862	9,694,483
2048	2,483,942	4,967,883	7,451,825	9,935,768
2049	2,545,767	5,091,534	7,637,301	10,183,068
2050	2,609,009	5,218,018	7,827,027	10,436,034
2051	2,674,091	5,348,183	8,022,274	10,696,364
2052	2,740,705	5,481,410	8,222,115	10,962,819
2053	2,808,997	5,617,993	8,426,990	11,235,987
2054	2,878,725	5,757,451	8,636,176	11,514,900

Supplemental Pay Considerations

- Instead of adding a COLA that increases on-going cost, supplemental pay options are available for period before achieving 70% funding
- Providing 13th check provides one-time increase in pension benefits of 8.3% which cost approximately $25m and amortized over 20-30 year period
- City Management recommends any supplemental pay be contingent upon 5-year average rate of return of 6.5% or higher threshold

Fiscal Year	$ Addition (Amortization of Stipend)
2024	
2025	
2026	$1,400,395
2027	$1,435,405
2028	$1,471,290
2029	$1,508,073
2030	$1,545,774
2031	$1,584,419
2032	$1,624,029
2033	$1,664,630
2034	$1,706,246
2035	$1,748,902
2036	$1,792,624
2037	$1,837,440
2038	$1,883,376
2039	$1,930,460
2040	$1,978,722
2041	$2,028,190
2042	$2,078,895
2043	$2,130,867
2044	$2,184,139
2045	$2,238,742
2046	$2,294,711
2047	$2,352,079
2048	$2,410,881
2049	$2,471,153
2050	$2,532,931
2051	$2,596,255
2052	$2,661,161
2053	$2,727,690
2054	$2,795,882

Supplemental Pay Considerations

- DPFP proposed a supplemental pay consideration based on formula of $5 x years of service x years since retirement
- DPFP proposed this supplemental pay for every year between now and when the fund achieves 70% funding which is projected to be in 2046
- DPFP proposed that supplemental pay not be contingent on rate of return or other factors
- City Management supports the supplemental pay formula but recommends that supplemental pay not be on-going and that it be contingent upon 5-year average rate of return greater than 6.5% or a higher threshold
- City staff and DPFP will continue to develop options for Council and Board consideration for supplemental pay

Fiscal Year	Variance - the cost related to $5 per year service and per year retired
2024	$ -
2025	$ 2,689,000
2026	$ 5,489,000
2027	$ 8,432,000
2028	$ 11,530,000
2029	$ 14,774,000
2030	$ 15,098,000
2031	$ 15,433,000
2032	$ 15,769,000
2033	$ 16,121,000
2034	$ 16,478,000
2035	$ 16,848,000
2036	$ 17,234,000
2037	$ 17,632,000
2038	$ 18,037,000
2039	$ 18,455,000
2040	$ 18,879,000
2041	$ 19,312,000
2042	$ 19,762,000
2043	$ 20,223,000
2044	$ 20,702,000
2045	$ 21,197,000
2046	$ 21,708,000
2047	$ 22,251,000
2048	$ 22,808,000
2049	$ 23,377,000
2050	$ 18,935,000
2051	$ 14,255,000
2052	$ 9,331,000
2053	$ 4,151,000
2054	$ (1,294,000)
2055	$ -

Consideration of Additional City Oversight

Additional Oversight

- City's current oversight of DPFP is through 6 of 11 board members that are appointed by the Mayor
  - Board members have fiduciary responsibility to DPFP not City
- Additional oversight could be considered to ensure the City is able to manage pension cost increases that become a liability of the City while also considering all other City financial obligations; examples include:
  - Ad Hoc COLA
  - Increased benefits
  - Change to actuarial assumptions that increase liability
- Different strategies are available to increase oversight such as requiring City Council approval for certain cost, or implementing guardrails, or implementing a City/DPFP joint ADC reconciliation process
- City Management and DPFP are continuing to discuss different options

Next Steps

Next Steps

- Continue discussion with DPFP staff and Board Chair to achieve consensus on key factors
- May 9 – Ad Hoc Committee meeting
- May 15 – City Council briefing on budget outlook and pension funding
- May 23 – Ad Hoc Committee meeting (if necessary)
- June 5 – City Council briefing on pension funding
- June 12 or 26 – date for City Council action

The City is fully committed to ensuring the funding soundness of DPFP, and protection of the pension benefits for all City employees and retirees.

City of Dallas

Dallas Police and Fire Pension System: Funding Soundness Restoration Plan Update

Ad Hoc Committee on Pensions
April 11, 2024

Jack Ireland
Chief Financial Officer

Appendix

	FY25 Planned Budget	Police & Fire $1,129.7m	Non-Police/Fire $784.9m	Tax Rate	Total
Traditional ADC Scenario	Consideration #1	3.5% - $39.54m	3.5% - $27.47m		$67m
	Consideration #2	2% - $22.6m	5.7% - $44.43m		$67m
	Consideration #3	1% - $11.3m	7.1% - $55.73m		$67m
	Consideration #4	0% - $0	8.5% - $67m		$67m
	Consideration #5			3.25¢	$67m
5-Year Step-Up Scenario	Consideration #A	0.9% - $10.17m	0.9% - $7.06m		$17m
	Consideration #B	0% - $0	2.2% - $17.3m		$17m