

MINUTES OF THE CITY COUNCIL COMMITTEE  
THURSDAY, JANUARY 11, 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 (\*\*3:07 p.m.), \*Resendez, Blackmon, Mendelsohn, Willis

ABSENT: [2] West, Stewart

The meeting was called to order at 3:03 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.

The meeting recessed at 3:11 p.m. and reconvened to open session at 3:14 p.m.

The meeting recessed to closed session at 4:39 p.m. and reconvened to open session at 5:12 p.m.

After all business properly brought before the committee had been considered, the meeting adjourned at 5:12 p.m.

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Chair

ATTEST:

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City Secretary Staff

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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: Members of the Committee participated in this meeting by video conference.**

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

MINUTES OF THE CITY COUNCIL COMMITTEE  
THURSDAY, JANUARY 11, 2024

EXHIBIT A

**RECEIVED**

**2024 JAN -8 PM 12:09**

**CITY SECRETARY  
DALLAS, TEXAS**

**City of Dallas**

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

**Public Notice**

**2 4 0 0 4 4**

**POSTED** CITY SECRETARY  
DALLAS, TX



**Ad Hoc Committee on Pensions**

**January 11, 2024**

**3:00 PM**

## 2023 CITY COUNCIL APPOINTMENTS

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

(C) – Chair, (VC) – Vice Chair

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

## General Information

The Dallas Council Committees regularly meet on Mondays beginning at 9:00 a.m. and 1:00 p.m. in the Council Chambers, 6th floor, City Hall, 1500 Marilla. Council Committee agenda meetings are broadcast live on [bit.ly/cityofdallastv](http://bit.ly/cityofdallastv) and on Time Warner City Cable Channel 16.

Sign interpreters are available upon request with a 48-hour advance notice by calling (214) 670-5208 V/TDD. The City of Dallas is committed to compliance with the Americans with Disabilities Act. **The Council agenda is available in alternative formats upon request.**

If you have any questions about this agenda or comments or complaints about city services, call 311.

## Rules of Courtesy

City Council meetings bring together citizens of many varied interests and ideas. To insure fairness and orderly meetings, the Council has adopted rules of courtesy which apply to all members of the Council, administrative staff, news media, citizens and visitors. These procedures provide:

- That no one shall delay or interrupt the proceedings, or refuse to obey the orders of the presiding officer.
- All persons should refrain from private conversation, eating, drinking and smoking while in the Council Chamber.
- Posters or placards must remain outside the Council Chamber.
- No cellular phones or audible beepers allowed in Council Chamber while City Council is in session.

"Citizens and other visitors attending City Council meetings shall observe the same rules of propriety, decorum and good conduct applicable to members of the City Council. Any person making personal, impertinent, profane or slanderous remarks or who becomes boisterous while addressing the City Council or while attending the City Council meeting shall be removed from the room if the sergeant-at-arms is so directed by the presiding officer, and the person shall be barred from further audience before the City Council during that session of the City Council. If the presiding officer fails to act, any member of the City Council may move to require enforcement of the rules, and the affirmative vote of a majority of the City Council shall require the presiding officer to act." Section 3.3(c) of the City Council Rules of Procedure.

## Información General

Los Comités del Concejo de la Ciudad de Dallas se reúnen regularmente los lunes en la Cámara del consejo en el sexto piso del Ayuntamiento, 1500 Marilla, a partir de las 9:00 a.m. y la 1:00 p.m. Las reuniones de la agenda del Comité del Consejo se transmiten en vivo por la estación de [bit.ly/cityofdallastv](http://bit.ly/cityofdallastv) y por cablevisión en la estación *Time Warner City Cable Canal 16*.

Intérpretes para personas con impedimentos auditivos están disponibles si lo solicita con 48 horas de anticipación llamando al (214) 670-5208 (aparato auditivo V/TDD). La Ciudad de Dallas se esfuerza por cumplir con el decreto que protege a las personas con impedimentos, *Americans with Disabilities Act*. **La agenda del Ayuntamiento está disponible en formatos alternos si lo solicita.**

Si tiene preguntas sobre esta agenda, o si desea hacer comentarios o presentar quejas con respecto a servicios de la Ciudad, llame al 311.

## Reglas de Cortesía

Las asambleas del Ayuntamiento Municipal reúnen a ciudadanos de diversos intereses e ideologías. Para asegurar la imparcialidad y el orden durante las asambleas, el Ayuntamiento ha adoptado ciertas reglas de cortesía que aplican a todos los miembros del Ayuntamiento, al personal administrativo, personal de los medios de comunicación, a los ciudadanos, y a visitantes. Estos reglamentos establecen lo siguiente:

- Ninguna persona retrasará o interrumpirá los procedimientos, o se negará a obedecer las órdenes del oficial que preside la asamblea.
- Todas las personas deben abstenerse de entablar conversaciones, comer, beber y fumar dentro de la cámara del Ayuntamiento.
- Anuncios y pancartas deben permanecer fuera de la cámara del Ayuntamiento.
- No se permite usar teléfonos celulares o enlaces electrónicos (*paggers*) audibles en la cámara del Ayuntamiento durante audiencias del Ayuntamiento Municipal

"Los ciudadanos y visitantes presentes durante las asambleas del Ayuntamiento Municipal deben de obedecer las mismas reglas de comportamiento, decoro y buena conducta que se aplican a los miembros del Ayuntamiento Municipal. Cualquier persona que haga comentarios impertinentes, utilice vocabulario obsceno o difamatorio, o que al dirigirse al Ayuntamiento lo haga en forma escandalosa, o si causa disturbio durante la asamblea del Ayuntamiento Municipal, será expulsada de la cámara si el oficial que este presidiendo la asamblea así lo ordena. Además, se le prohibirá continuar participando en la audiencia ante el Ayuntamiento Municipal. Si el oficial que preside la asamblea no toma acción, cualquier otro miembro del Ayuntamiento Municipal puede tomar medidas para hacer cumplir las reglas establecidas, y el voto afirmativo de la mayoría del Ayuntamiento Municipal precisará al oficial que este presidiendo la sesión a tomar acción." Según la sección 3.3 (c) de las reglas de procedimientos del Ayuntamiento.

## **Handgun Prohibition Notice for Meetings of Governmental Entities**

"Pursuant to Section 30.06, Penal Code (trespass by license holder with a concealed handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a concealed handgun."

*"De acuerdo con la sección 30.06 del código penal (ingreso sin autorización de un titular de una licencia con una pistola oculta), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola oculta."*

"Pursuant to Section 30.07, Penal Code (trespass by license holder with an openly carried handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a handgun that is carried openly."

*"De acuerdo con la sección 30.07 del código penal (ingreso sin autorización de un titular de una licencia con una pistola a la vista), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola a la vista."*

"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 propiedad."*

This City Council Ad Hoc Committee on Pensions meeting will be held by video conference and in the City Council Chambers, Floor 6 at City Hall.

The public may attend the meeting virtually; however, City Hall is available for those wishing to attend the meeting in person.

The Ad Hoc Committee on Pensions will be broadcast live on Spectrum Cable Channel 16 (English) and 95 (Spanish) and online at [bit.ly/cityofdallastv](https://bit.ly/cityofdallastv).

The public may also listen to the meeting as an attendee at the following videoconference link:

<https://dallascityhall.webex.com/dallascityhall/j.php?MTID=md60cc72a60c228d0190a96ebab054637>

### Call to Order

### MINUTES

1. [24-163](#) Approval of the December 14, 2023 Ad Hoc Committee on Pensions Meeting Minutes

**Attachments:** [Minutes](#)

### BRIEFING ITEMS

- A. [24-158](#) Dallas Police and Fire Pension System and Employees' Retirement Fund of the City of Dallas: Funding Soundness Update and Discussion

**Attachments:** [Presentation](#)

### **Closed Session**

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

- Seeking the advice of the City Attorney regarding city pension matters and *City of Dallas v. Employees' Retirement Fund of City of Dallas*

### 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]



MINUTES OF THE CITY COUNCIL COMMITTEE  
THURSDAY, JANUARY 11, 2024

EXHIBIT B

OFFICIAL ACTION OF THE CITY COUNCIL COMMITTEE

JANUARY 11, 2024

Item 1: Approval of the December 14, 2023 Ad Hoc Committee on Pensions Meeting Minutes

Councilmember Willis moved to adopt the minutes as presented.

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

OFFICIAL ACTION OF THE CITY COUNCIL COMMITTEE

JANUARY 11, 2024

BRIEFING ITEMS

Item A: Dallas Police and Fire Pension System and Employees' Retirement Fund of the City of Dallas: Funding Soundness Update and Discussion

The following individuals briefed the committee on the item:

- Jack Ireland, Chief Financial Officer, City Manager's Office;
- Tammy Palomino, City Attorney, City Attorney's Office; and
- TC Broadnax, City Manager, City Manager's Office;

OFFICIAL ACTION OF THE CITY COUNCIL COMMITTEE

JANUARY 11, 2024

CLOSED SESSION

- Seeking the advice of the City Attorney regarding city pension matters and City of Dallas v. Employees' Retirement Fund of City of Dallas

At 4:39 p.m., Mayor Pro Tem Atkins announced the executive session of the city council authorized by Chapter 551, "OPEN MEETINGS," of the (Texas Open Meetings Act) to discuss the following matter:

- Seeking the advice of the City Attorney regarding city pension matters and City of Dallas v. Employees' Retirement Fund of City of Dallas

The closed session ended and reconvened to open session at 5:12 p.m. No other matters were discussed during the closed session.

MINUTES OF THE CITY COUNCIL COMMITTEE  
THURSDAY, JANUARY 11, 2024

EXHIBIT C



# City of Dallas

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

## Agenda Information Sheet

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**File #:** 24-158

**Item #:** A.

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Dallas Police and Fire Pension System and Employees' Retirement Fund of the City of Dallas:  
Funding Soundness Update and Discussion



**City of Dallas**

**Dallas Police & Fire Pension  
System and Employees'  
Retirement Fund:  
Funding Soundness Update  
and Discussion**

**Ad Hoc Committee on Pensions  
January 11, 2024**

Jack Ireland, Chief Financial Officer

# Outline



- Section 1 – Purpose of Discussion
- Section 2 – Dallas Police & Fire Pension System (DPFP)
- Section 3 – Employees' Retirement Fund (ERF)
- Section 4 – Preliminary Framework
- Section 5 – Next Steps and Timeline







# Section 1 – Purpose of Discussion

# Purpose of Discussion



- City of Dallas has two\* primary employer defined benefit pension plans that provide retirement, disability, and death benefits for permanent City employees
  - Dallas Police and Fire Pension System (DPFP) for uniform employees
  - Employees' Retirement Fund (ERF) for civilian or non-uniform employees
- Texas Pension Review Board (PRB) is mandated to oversee all Texas public retirement systems in regard to their actuarial soundness and compliance with state reporting requirements under Chapter 802 of the Texas Government Code
  - PRB's funding guidelines require that actual contributions should be sufficient to cover the normal cost and to amortize the unfunded actuarial accrued liability over as brief a period as possible, but not to exceed 30 years
  - Plans with amortization periods that exceed 30 years as of 6/30/17 should seek to reduce their amortization period to 30 years or less

\*Note: DPFP has a Supplemental Plan for Chiefs which captures additional pay above their highest civil service grade/step. This presentation does not include information regarding the Supplemental Plan.



# Purpose of Discussion



- Both DFPF's and ERF's current amortization periods exceed PRB's 30-year requirement
  - As of 1/1/22, DFPF is projected to be fully funded in 68 years
  - As of 12/31/22, ERF is projected to be fully funded in 51 years
- The governing body of the public retirement system (board) and the associated governmental entity (sponsor) is required to formulate a Funding Soundness Restoration Plan (FRSP) to comply with 30-year amortization requirements
- FRSP for both DFPF and ERF must be submitted to PRB prior to 9/1/25\* in accordance with Chapter 802 of the Texas Government Code

\*Note: See slide 6 for HB3158 requirements.



# Purpose of Discussion



- Additionally, and in response to DPFP's financial challenges, Texas Legislature passed HB3158 in 2017 as near-term effort to stabilize and improve the fund, while recognizing long-term solutions would still be needed
- HB3158 which amended Article 6243 of the Texas Civil Statute mandates that DPFP board must adopt a funding plan that complies with the 30-year amortization period requirements of Section 802 of the Texas Government Code and submit it to the PRB by 11/1/24



# Purpose of Discussion



- In cooperation with both the DPFP and ERF Boards and other stakeholders, the City is in the process of developing a Funding Soundness Restoration Plan for both DPFP and ERF, as well as meeting the requirements of HB3158 for DPFP
- Submissions to the PRB are expected to occur in August or September 2024

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





# **Section 2 – Dallas Police & Fire Pension System (DPFP)**

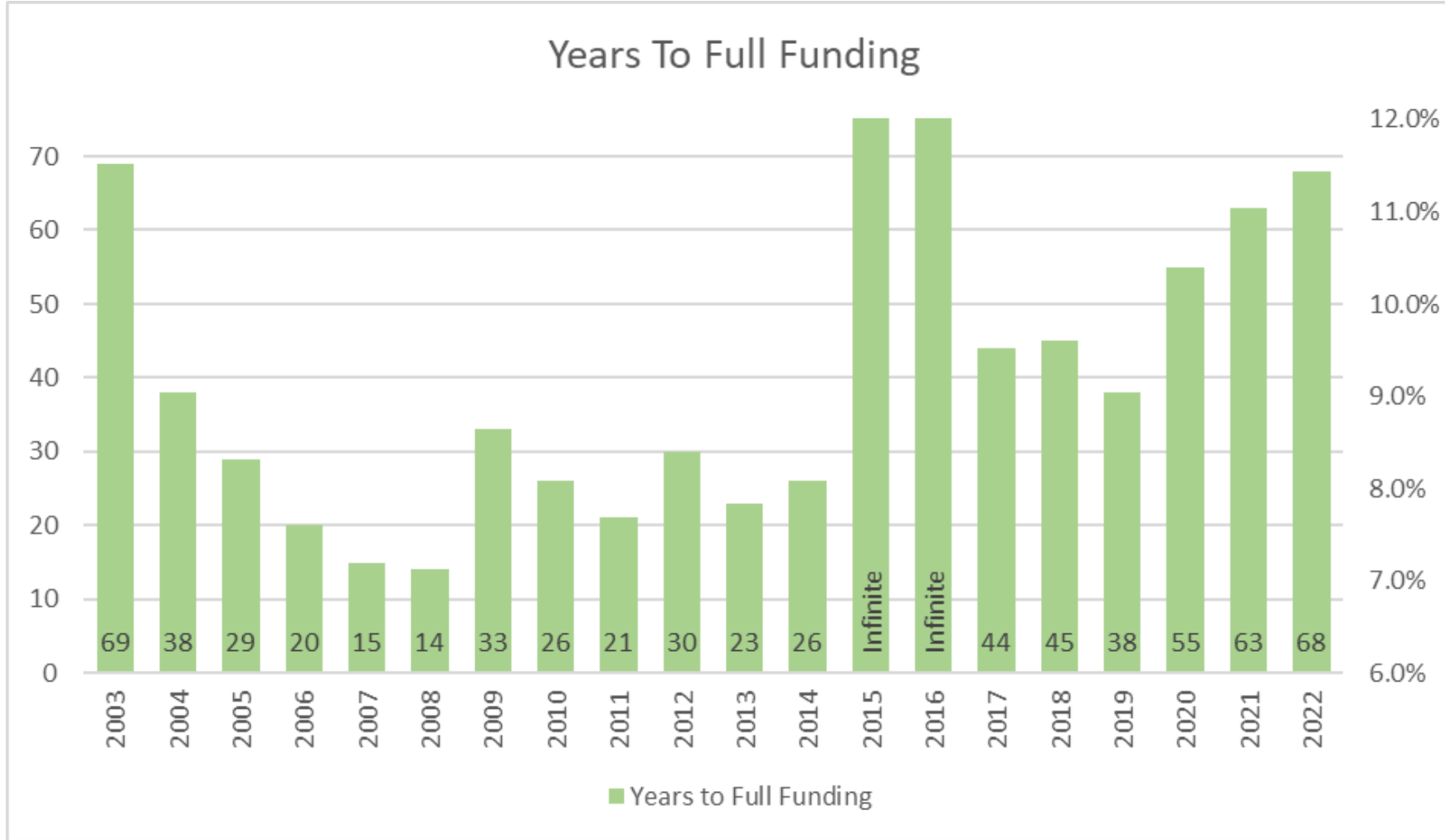


# DPFP – Facts

- DPFP provides retirement, death, and disability benefits for uniform police and fire employees of the City
- Fund originally established by ordinance in 1916, and now governed by Texas Civil Statute, Article 6243 a-1
- DPFP active employee headcount – 5,085
  - 18% residents of Dallas and 82% not residents of Dallas
  - \$88,740 average salary (as of 1/2/24)
- DPFP retiree/beneficiary headcount – 5,289
  - 8% residents of Dallas and 92% not residents of Dallas
  - \$51,732 average annual retirement benefit



# DPFP – History



As of 1/1/22, DPFP is projected to be fully funded in 68 years.

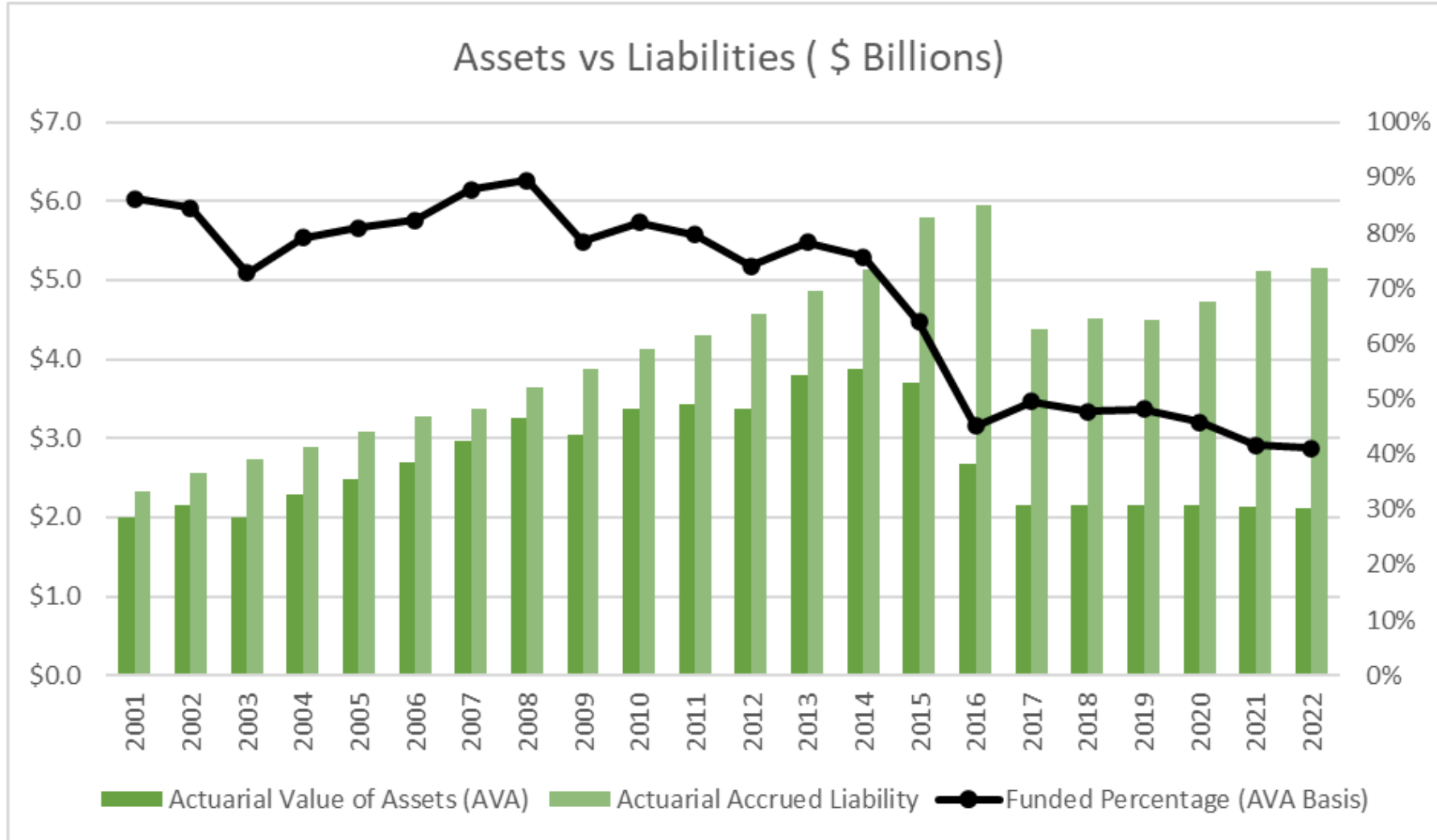
HB3158 requires a funding plan be submitted to PRB by 11/1/24.

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





# DPFP – History



DPFP dropped from 75.6% funded as of 1/1/14 to 45.0% funded as of 1/1/16.





## What caused the funding challenge?

- Poor real estate investments
  - DPFP invested more than \$1 billion in ill-advised direct real estate investments during 2005-2009 (exacerbated by 2008-2009 real estate decline), much of it with managers who lacked appropriate skills
  - DPFP had to write down these assets by hundreds of millions of dollars, resulting in the first report of its financial challenges in 2015
- DROP structure and “run-on-the-bank”
  - Pre-2017 DPFP Board authorized DROP provisions that severely harmed the fund
    - Harmful provisions included (1) floor of 8% interest annually (2) allowing deferral of monthly deposits into DROP after retirement; (3) no limit on time in DROP; (4) allowing active members to take distributions from DROP; and (5) allowing unlimited distributions from DROP
  - DROP balances grew to more than \$1.5 billion or 58% of total assets by 2016
    - As members became worried about the possible closing of access to DROP accounts, a “run-on-the-bank” occurred with more than \$600 million being withdrawn before DROP was closed to withdrawals on 12/8/16 as a result of actions of the board and a court injunction initiated by Mayor Rawlings



# DPFP – HB3158 Actions



- In response to DPFP financial challenges, Texas Legislature passed HB 3158 in 2017 to address near-term issues and provide bridge to a long-term solution by 2025
- Change of governance – from police and fire and Council dominated board; to 6 mayoral appointees and 5 trustees elected by the members (including 1 police officer and 1 fire fighter)
- Changes were made to employee contribution rate and City's fixed-rate contributions, and provided 7 years of "floor" for City's contributions
- Future benefits were reduced for active employees, retirees, and beneficiaries
- HB 3158 reduced the unfunded liability by \$1 billion and increased the funding ratio to 49% with full funding projected for 44 years



# DPFP – HB3158 Actions



- HB3158 enacted in 2017 impacted existing employees, retirees, beneficiaries, and future employees – major changes are summarized below

| Summary Plan Provisions Before and After HB 3158 (2017) |                         |  |   |
|---|-------------------------|--|---|
|   | Plan Provision          | Plans Before HB 3158 (prior to 9-1-2017)   | Plans After HB 3158 (after 8-31-2017)   |
| 1   | Normal Retirement Age   | Start date before 3/1/11: 50;<br>Start date on or after 3/1/11: 55   | All participants: 58  |
| 2   | Benefit Multiplier      | Start date before 3/1/11: 3% per year<br>Start date on or after 3/1/11:<br>2% first 20 years,<br>2.5% next 5 years,<br>3% thereafter | All participants: 2.5% for all service after 8-31-2017<br>Note: further reductions in the multiplier apply to all types of retirement.<br>Start date before 3/1/11: 3% for service prior to 9/1/17<br>Start date on or after 3/1/11: 2.5% from start date |
| 3   | Average Computation Pay | State date before 3/1/11: 36-month averaging period<br>Start date on or after 3/1/11: 60-month averaging period                      | All participants: 60-month averaging period for service after 8/31/2017<br>Start date before 3/1/2011: 36-month averaging period for service prior to 9/1/17<br>State date on of after 3/1/2011: 60-month averaging period from start date                |
| 4   | Maximum Benefit         | Start date before 3/1/11: 96% of computation pay<br>Start date on or after 3/1/2011: 90% of average computation pay                  | All participants: 90% of computation pay  |



# DPFP – HB3158 Changes



- Continuation of major changes are summarized below

| Summary Plan Provisions Before and After HB 3158 (2017) |                        |  |  |
|---|------------------------|--|--|
|   | Plan Provision         | Plans Before HB 3158 (prior to 9-1-2017)   | Plans After HB 3158 (after 8-31-2017)  |
| 5   | COLA                   | <p><b>Start date before 1/1/07 :</b><br/>4.0% simple COLA on base benefit</p> <p><b>Start date on or after 1/1/07 :</b><br/>Ad hoc COLA not to exceed 4.0% simple COLA on base benefit</p> | <p><b>All participants:</b> Ad hoc COLA not to exceed 4.0% simple COLA on base benefit; granting of COLA dependent on reaching certain financial benchmarks. Ad hoc COLA may not be granted until funding reaches 70% and is then subject to Board approval.</p> |
| 6   | Supplemental Benefit   | <p><b>Start date prior to 3/1/2011:</b> Greater of 3% of base benefit or \$75 per month; applied to members benefit at age 55 if requirements met</p>                                      | <p><b>All participants:</b> Eliminated prospectively; frozen for those for whom the supplement was already granted.</p>  |
| 7   | DROP                   | Various provisions   | <p><b>All participants:</b> significant modifications to every aspect of DROP eliminating the value of DROP.</p>   |
| 8   | Employee Contributions | 8.5% for non-DROP active participants;<br>4.0% for DROP active participants  | <p><b>All participants:</b> Increase to 13.5% effective 9/1/17</p>   |



# DPFP – Independent Actuary



- HB 3158 recognized that further efforts would be necessary and mandated an independent actuarial analysis and plan changes be submitted to PRB by 11/1/24
- Cheiron was selected by PRB and is now under-contract with DPFP to serve as independent actuary and submit a report to PRB no later than 10/1/24
- Cheiron's preliminary recommendations include:
  - City's fixed rate contribution needs to move to an Actuarially Determined Contribution (ADC)
  - Member contribution rate should not increase any further and may need to decrease over time
  - Member benefits
    - No change recommended to the benefit multiplier or retirement age
    - Consider granting some COLA sooner to protect the adequacy of retirees' lifetime income and to be competitive with other public safety plans (COLA not currently available until DPFP is 70% funded which is not projected until 2073)



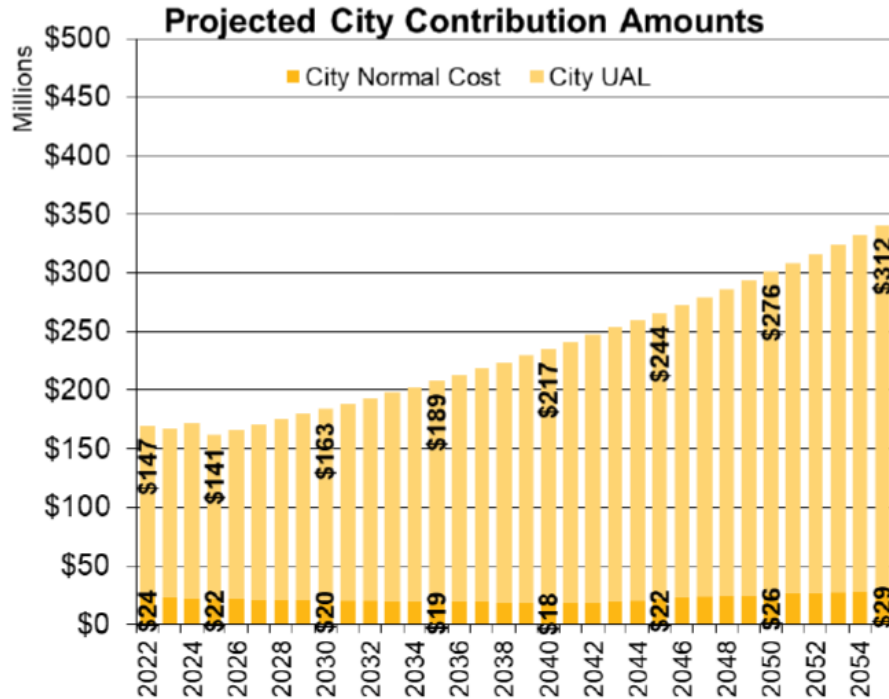


# DPFP – Independent Actuary

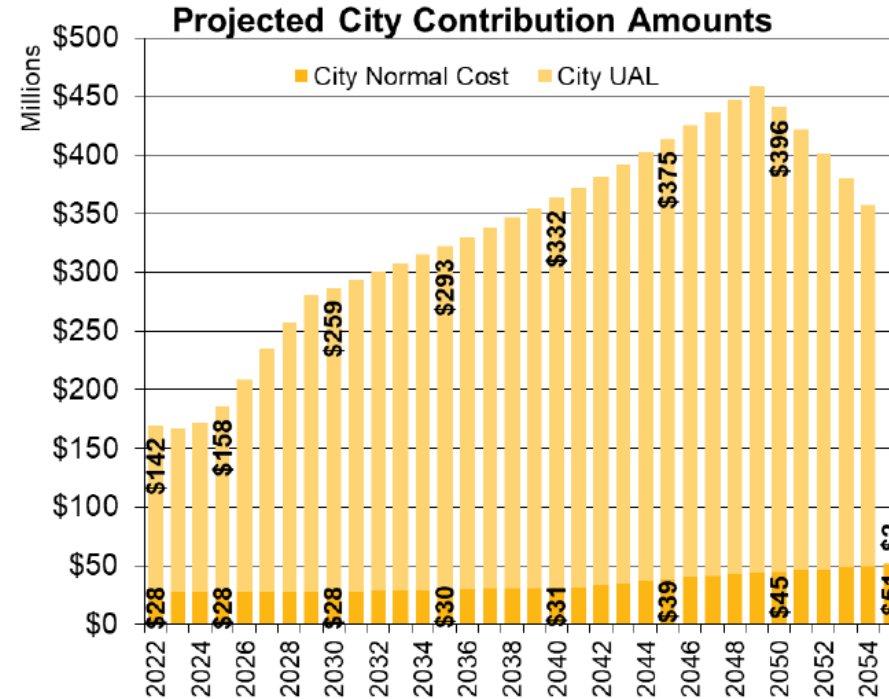


- Cheiron presented three scenarios
- Scenario 1 shows increased contributions to achieve full-funding in 30 years

## 2022 Actuarial Valuation



## Scenario 1: Graded ADC



# DPFP – Independent Actuary



- Staff review of Cheiron’s recommendations and consultation with City’s actuary (Deloitte), the following are concerns:
  - While a phase-up over the first 5 years was requested so that the City could better manage the budget impact, a phase-down over years 26 through 30 provides no benefit to the City or to DPFP
  - Providing a COLA sooner than currently outlined is an increase in benefits, will increase the unfunded liability, and result in achieving 30-year funding more costly
  - Cheiron’s analysis assumes 2.5% growth in payroll and does not recognize pay increases provided through Meet and Confer agreements or intentions to increase staffing in either DFR or DPD
  - DPFP’s actuary Segal’s 2020 Experience Study recommended a discount rate between 6.50% and 7.25%, however, Cheiron’s use of the most conservative rate results in higher cost to the City (additional rationale, the Target Asset Allocation has shifted 10% from fixed income to equities since Segal’s 2020 Experience Study)





# DPFP – Study Group



- Study Group consisting of local financial experts provided analysis and recommendations at the request of the City
- Additional fixed contributions
  - City would make contributions in addition to its current annual contributions of 34.5% of regular pay plus \$13 million
  - City's additional contributions amounts would begin with fixed incremental payments that increase by \$20 million per year over the first three years of the plan period (\$20 million in FY25, \$40 million in FY26, and \$60 million in FY27)
- Actuarial Determined Contributions (ADC)
  - Beginning in FY28, the City's fixed-rate would be changed to an ADC to achieve full-funding within the required timeframe
  - ADC should be subject to guardrails to provide the City with greater budget predictability
  - COLA should be provided once DPFP is 70% funded





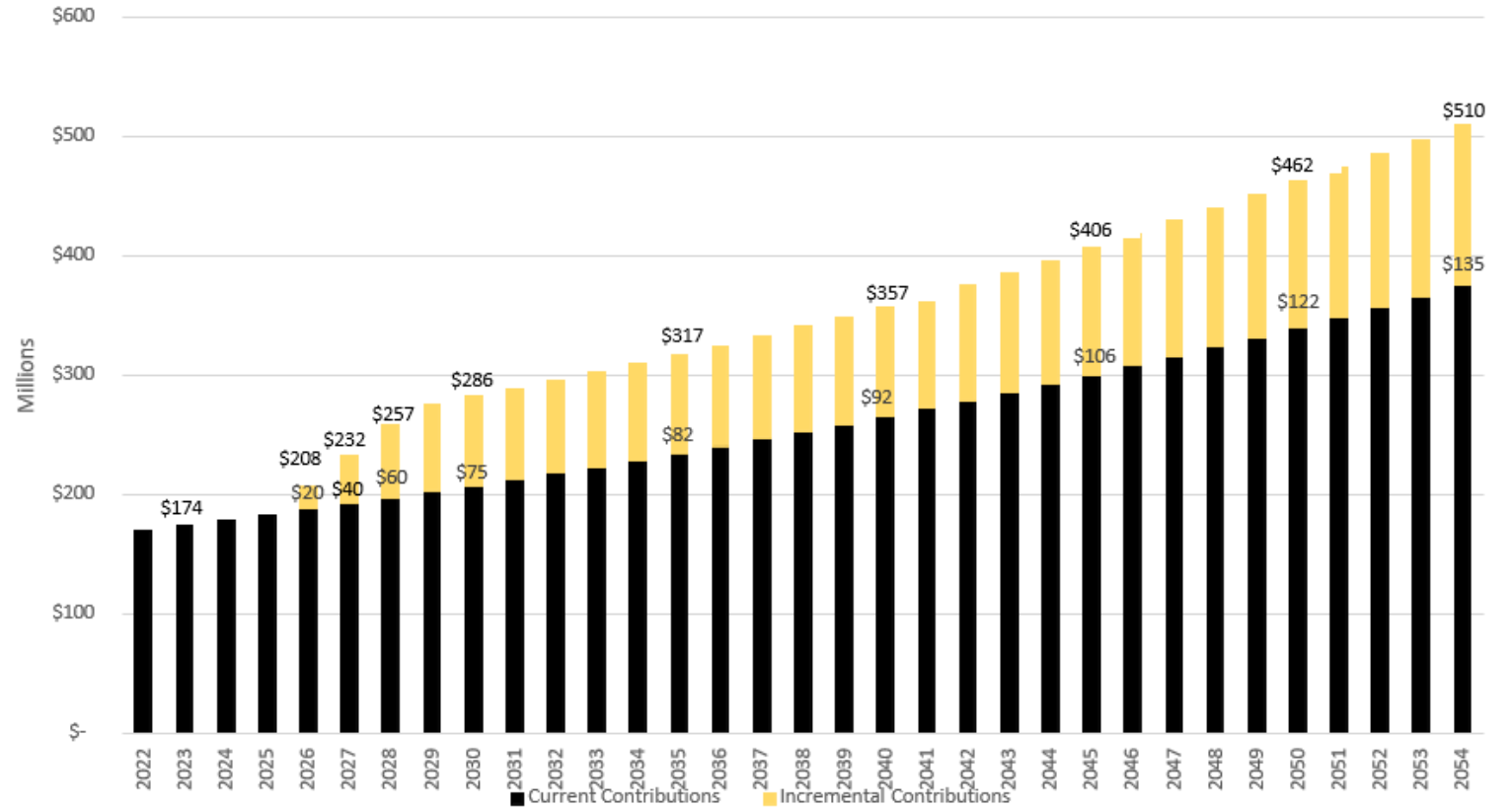
- Additional funding by monetizing assets
  - City should begin process of exploring opportunities to monetize existing assets for the benefit of DPFP
  - By monetizing assets within the first three years, future contribution cost will be reduced
  - City should work with private-sector firms to maximize value of assets



# DPFP – Study Group



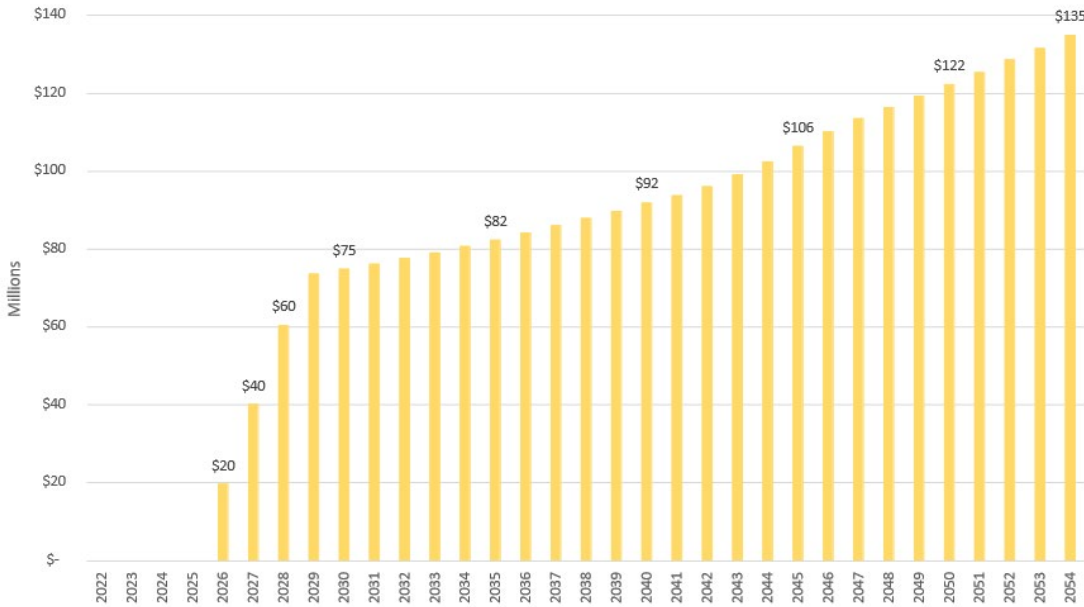
- Chart reflects current contribution rate + \$13 million required by HB3158, and assumes 3 years of fixed amount increases, then converting to ADC for the remainder of 30-years



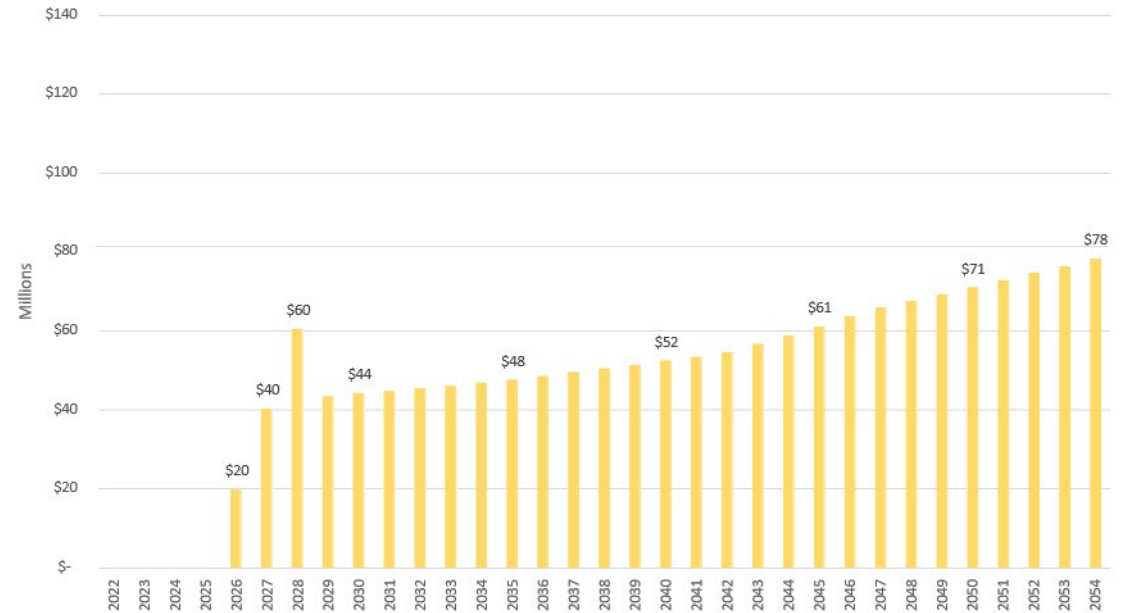
# DPFP – Study Group



- Below charts show the incremental cost increase required to realize 30-year funding by increasing contributions over time versus a scenario that includes a \$500 million lump sum cash infusion in 2028



Assumes 3 years of fixed amount increases, then converting to ADC for the remainder of 30-years



Assumes 3 years of fixed amount increases, \$500 million lump sum in 2028, then converting to ADC for the remainder of 30-years





# **Section 3 – Employee’s Retirement Fund (ERF)**

# ERF – Facts

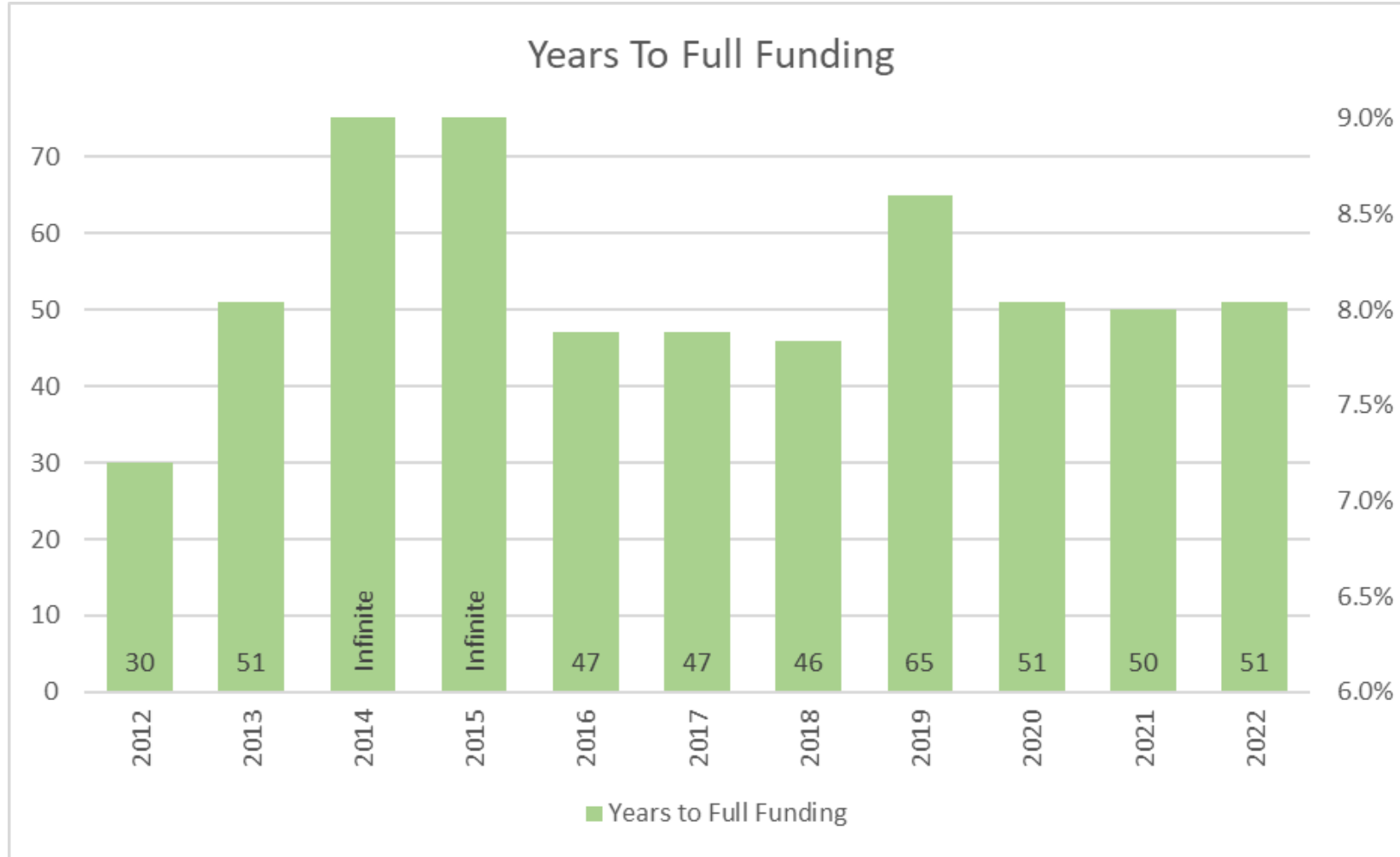


- ERF provides retirement, death, and disability benefits for permanent civilian (non-uniform) employees of the City
- Fund established in 1944 and governed by Chapter 40A of Dallas City Code
- ERF active employee headcount – 7,464
  - 44% residents of Dallas and 56% not residents of Dallas
  - \$60,816 average salary (as of 1/2/24)
- ERF retiree/beneficiary headcount – 7,766
  - 35% residents of Dallas and 65% not residents of Dallas
  - \$40,883 average annual retirement benefit





# ERF – History

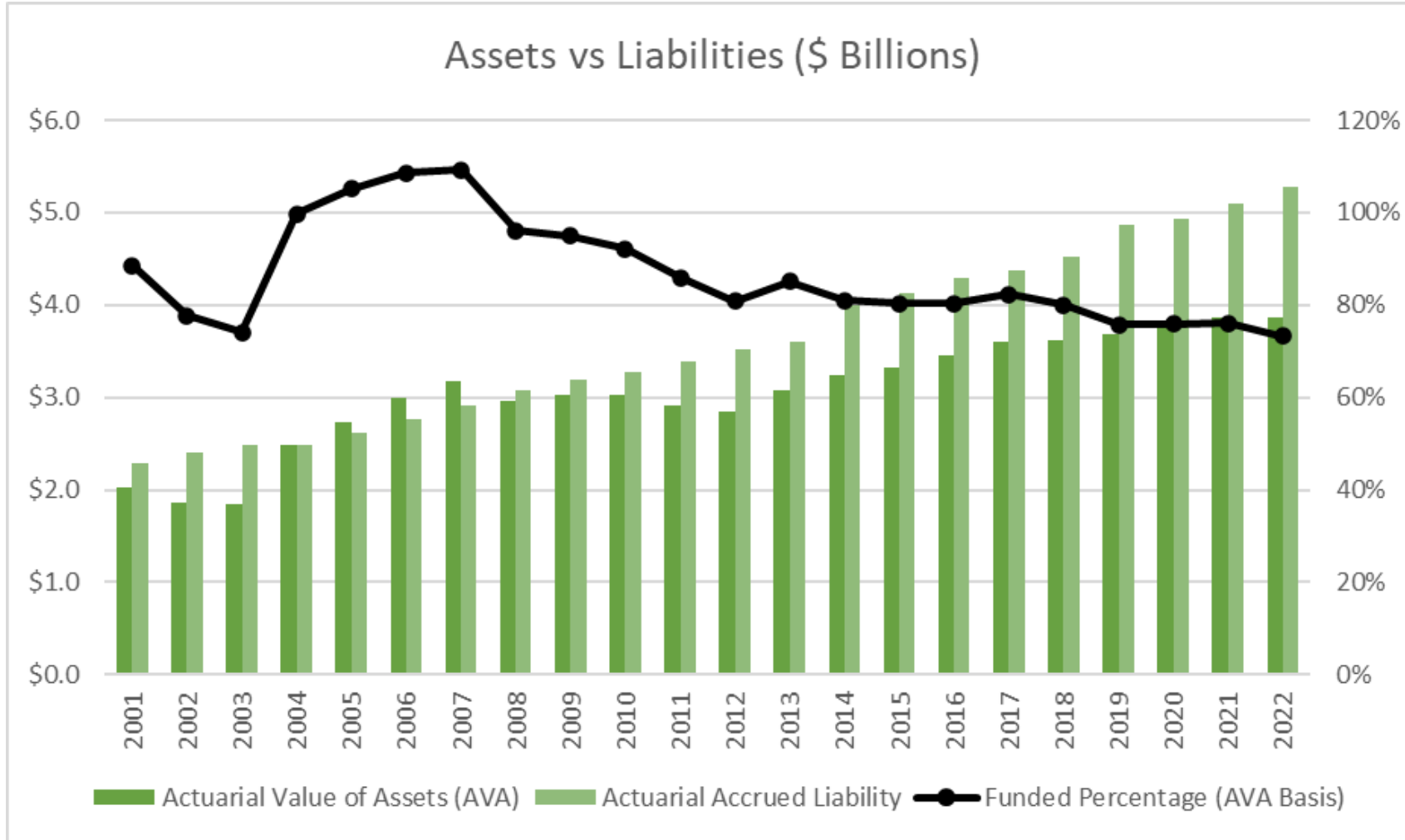


As of 12/31/22, ERF is projected to be fully funded in 51 years.

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



# ERF – History



ERF is  
73.3% funded as of  
12/31/22

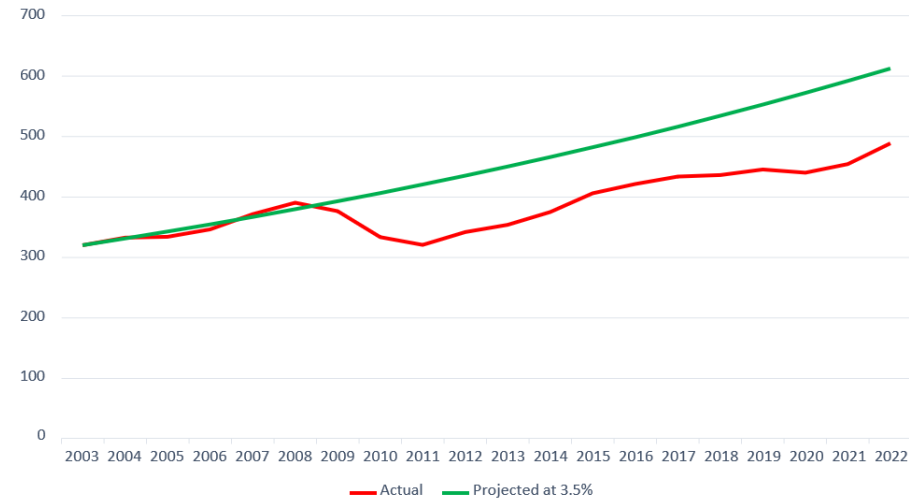
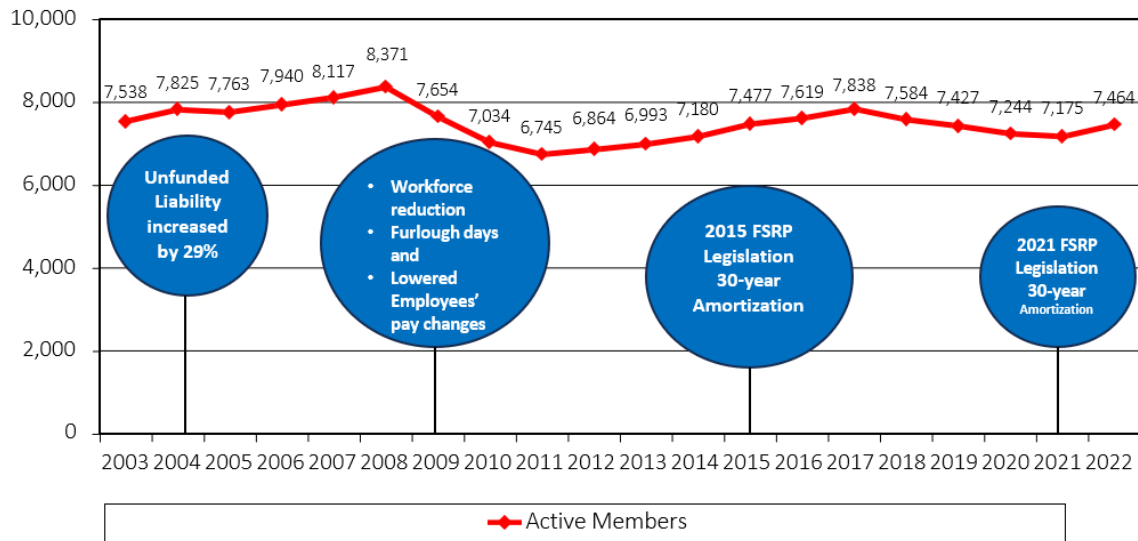




# ERF – History



- Decrease in number of civilian/non-uniform employees beginning in 2008, and projected payroll growth compared to actual payroll growth have impacted ERF's funding
  - Active employee count is 907 employees or 11% less in 2022 than it was in 2008
  - Payroll growth assumptions are based on projected number of active employees and changes in pay



# ERF – 12/31/16 Changes



- To improve funded percentage and projected years to reach full-funding, ERF made changes effecting new employees hired after 12/31/16
- Changes are projected to result in \$2.15 billion in savings through 2055

|  |                    |                   |
|--|--------------------|-------------------|
| Preliminary Normal Cost Rate (NC%) as of 12/31/2015          | 20.36%             |                   |
|  | <b>Decrease in</b> | <b>Percentage</b> |
| <b>Study # and Description of Benefit Modification</b>       | <b>NC%</b>         | <b>Decrease</b>   |
| 1. Age 65 with 5 years of service Normal Retirement and      | 4.90%              | 24.1%             |
| 2. CPI COLA, with maximum of 3.00% (valued as 2.50% COLA)    | 0.62%              | 3.0%              |
| 3. Average Monthly Earnings period changed from 3 to 5 years | 0.62%              | 3.0%              |
| 4. Normal Form of payment changed to life only annuity       | 1.00%              | 4.9%              |
| 5. Elimination of \$125 health supplement                    | 0.70%              | 3.4%              |
| 6. Benefit multiplier changed from 2.75% to 2.50%            | 1.58%              | 7.8%              |
| 7. Combination of all prior Scenarios                        | 7.91%              | 38.9%             |

Note: change in NC% (cost savings) determined as if new plan applied to current population.





## TIER A BENEFITS

**PLAN ENTRY** - By or Before December 31, 2016

**MULTIPLIER** - 2.75%

**NORMAL RETIREMENT** - Age 60

**SERVICE RETIREMENT** - 30 Years of Service

**RULE OF 78** - Unreduced

**FINAL AVERAGE PAY** - Best of 3 Years  
*or* Last 36 Months

**HEALTH BENEFIT SUPPLEMENT** - Max \$125

**MAXIMUM RETIREE COLA** - 5%

**RESTRICTED PRIOR SERVICE CREDIT** - No  
*unless* Returning after Forfeiting Contributions

**LIFE** - Not Reduced

**JOINT & HALF BENEFIT** - Not Reduced

**JOINT & FULL BENEFIT** - Reduced

## TIER B BENEFITS

**PLAN ENTRY** - After December 31, 2016

**MULTIPLIER** - 2.50%

**NORMAL RETIREMENT** - Age 65  
*with* 5 Years Service

**SERVICE RETIREMENT** - 40 Years of Service

**RULE OF 80** - Reduced Before Age 65

**FINAL AVERAGE PAY** - Best of 5 Years  
*or* Last 60 Months

**HEALTH BENEFIT SUPPLEMENT** - None

**MAXIMUM RETIREE COLA** - 3%

**RESTRICTED PRIOR SERVICE CREDIT** - Yes

**LIFE** - Not Reduced

**JOINT & HALF BENEFIT** - Reduced

**JOINT & FULL BENEFIT** - Reduced



# ERF – FSRP Considerations



- To comply with PRB requirements to be fully funded in 30-years, a FSRP is required by 9/1/25 and considerations presented by ERF include the following:
  - Eliminate the maximum contribution cap of 36% of pay from Chapter 40A effective 1/1/25
  - Phase-in a higher City contribution at 2% per year over 5 years and then utilize Actuarially Determined Contribution (ADC) rate
    - For example: the increase in contributions is projected to be \$10.5 million in FY25 shared by City and employee and \$10.5 million in FY26 by City
  - Increase the employee contribution rate to a maximum of 14%
  - ERF has not requested consideration of Pension Obligation Bonds
  - ERF acknowledges that a lump sum contribution by the City would have a positive impact on the ADC and City's future annual contributions
- Changes to Chapter 40A require voter approval through referendum of Dallas residents

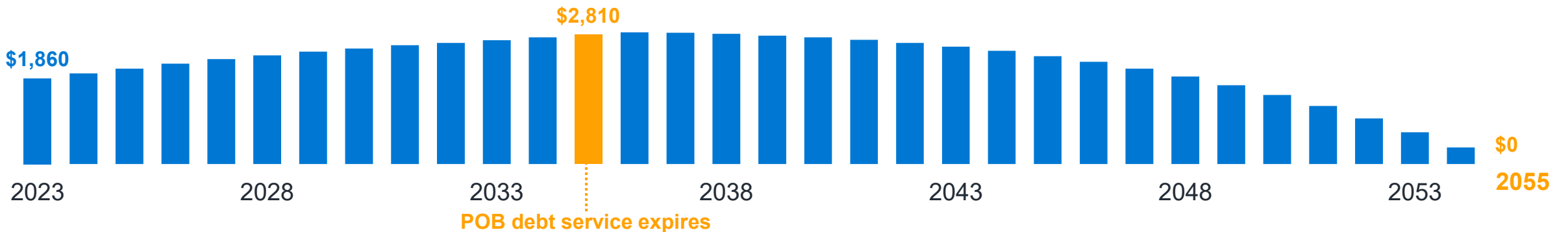
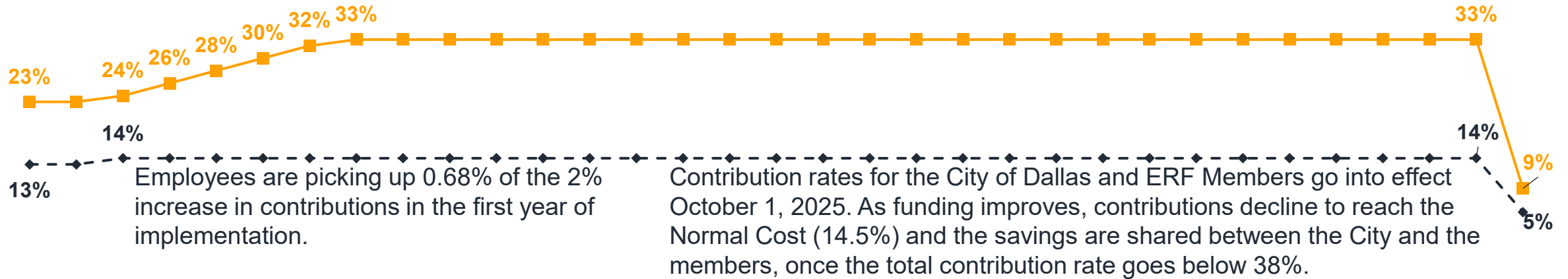


# ERF – FSRP Considerations



2% “phase-in” begins in 2025

■ Unfunded Liability    ■ City Contribution Rate    - ◆ - Employee Contribution Rate





# Section 4 – Preliminary Framework

# DPFP – Preliminary Framework



- Staff recommends that a preliminary framework for DPFP plan to be fully-funded in 30-years should consider the following:
  - Increase City contributions including a set dollar amount for a phase-in period of 3 to 5 years (no phase-down near the end of the 30 years)
  - City contributions should convert to ADC for remainder of 30-years and beyond with established guardrails to manage budget fluctuations
  - No change to employee contributions
  - No change to employee/retiree benefits including no adjustment to current guideline for COLA
  - Identify opportunities to provide either one or multiple significant lump sum contributions by the City which would reduce future annual contributions and/or result in reaching 70% funding sooner allowing for COLA
- City staff and DPFP are committed to try to reach a mutually acceptable plan





# ERF – Preliminary Framework



- Staff recommends preliminary framework for ERF plan to be fully-funded in 30-years should consider the following:
  - Eliminate maximum contribution cap in Chapter 40A and increase City contributions including a set dollar amount for a phase-in period of 3 to 5 years (no phase-down near the end of the 30 years)
  - City contributions should convert to ADC for remainder of 30-years and beyond with established guardrails to manage budget fluctuations
  - Increase employee contributions but set cap at 14%
  - No change to employee/retiree benefits including no adjustment to current guideline for COLA
  - Identify opportunities to provide either one or multiple significant lump sum contributions by the City which would reduce future annual contributions
- City staff and ERF are committed to try to reach a mutually acceptable plan







# Section 5 – Next Steps and Timeline

# Next Steps and Timeline – Option 1



## Option 1 – If decision is made to call May 2024 election for ERF

- 1/19/24 – Special Called City Council Meeting
  - Work with Deloitte and update presentation to include long-term cost comparisons of various scenarios
- 1/31/24 – Special Called City Council Meeting
  - Staff recommendation for final changes to ERF Chapter 40A
  - Staff recommendation for preliminary framework of changes to DPFP
- 2/14/24 – City Council action
  - Call May 2024 election for ERF
  - Authorize preliminary framework and support of changes to DPFP



# Next Steps and Timeline – Option 1



- February to May – continue work with various DPFP stakeholders including Ad Hoc Committee, DPFP staff/Board, Cheiron independent actuary, study group of financial experts, and leadership of police and fire associations to start with preliminary framework and finalize recommended changes to DPFP
- 5/4/24 – Citywide election to consider changes to ERF Chapter 40A
- 5/15/24 – City Council briefing on final recommended changes to DPFP
- June – City Council consideration and vote on changes to DPFP
- 8/13/24 – Present City Manager’s FY25 and FY26 biennial budget that includes increased contributions to both DPFP and ERF
- August/September – submit FSRP that complies with 30-year full-funding requirements for both DPFP and ERF to PRB; and meet requirements for submission to PRB in accordance with HB3158 for DPFP



# Next Steps and Timeline – Option 2



## Option 2 – If decision is made to call November 2024 election for ERF

- 1/19/24 – Special Called City Council Meeting
  - Work with Deloitte and update presentation to include long-term cost comparisons of various scenarios
- 1/31/24 – Special Called City Council Meeting
  - Staff recommendation for preliminary framework of changes to ERF
  - Staff recommendation for preliminary framework of changes to DPFP
- February to May – continue work with various DPFP stakeholders including Ad Hoc Committee, DPFP staff/Board, Cheiron independent actuary, study group of financial experts, and leadership of police and fire associations to finalize recommended changes to DPFP
- February to May – continue work with various ERF stakeholders including Ad Hoc Committee and ERF staff/Board to finalize recommended changes to ERF



# Next Steps and Timeline – Option 2



- 5/15/24 – City Council briefing on final recommended changes to DPFP and ERF
- June – City Council consideration and vote on changes to DPFP and ERF
- 8/13/24 – Present City Manager’s FY25 and FY26 biennial budget that includes increased contributions to both DPFP and ERF
- 8/14/23 – City Council action to call November 2024 election for ERF
- August/September – submit FSRP that complies with 30-year full-funding requirements for both DPFP and ERF to PRB; and meet requirements for submission to PRB in accordance with HB3158 for DPFP
- 11/5/24 – Citywide election to consider changes to ERF Chapter 40A
- November – supplement submission to PRB for ERF including results of citywide election



# Next Steps and Timeline



- September through December 2023 – Ad Hoc Committee has heard how a cash infusion could benefit both DPFM and ERF, and lower future pension contributions
- February to April 2024 – Staff will identify top 5-10 City assets (real property) that could potentially be monetized through long-term lease, public-private partnership, or sale as surplus property
- May to September 2024 – Engage consultant to assist with property valuation and develop recommendation of options to monetize assets
- October to December 2024 – Present findings to GPFM, and then to City Council
- Beginning in January 2025 – Proceed based on Council approval







**City of Dallas**

## **Coming Soon!**

**DPFP & ERF information and the work of  
the Ad Hoc Committee on Pensions will  
be available on Friday, 1/19/24**

**Visit us at – [Dallas.gov/pensions](https://dallas.gov/pensions)**



# Appendix



# DPFP – Involved Stakeholders



- DPFP staff – Kelly Gottschalk and Josh Mond
- DPFP actuary – Segal
- Independent actuary – Cheiron (selected by PRB and under contract with DPFP)
- Independent industry experts – Rob Walters, Bill Quinn, and John Stephens
- City staff – Jack Ireland, Janette Weedon, and Sheri Kowalski
- City actuary – Deloitte Consulting LLP
- Employee participation – Leadership of employee associations



# ERF – Involved Stakeholders



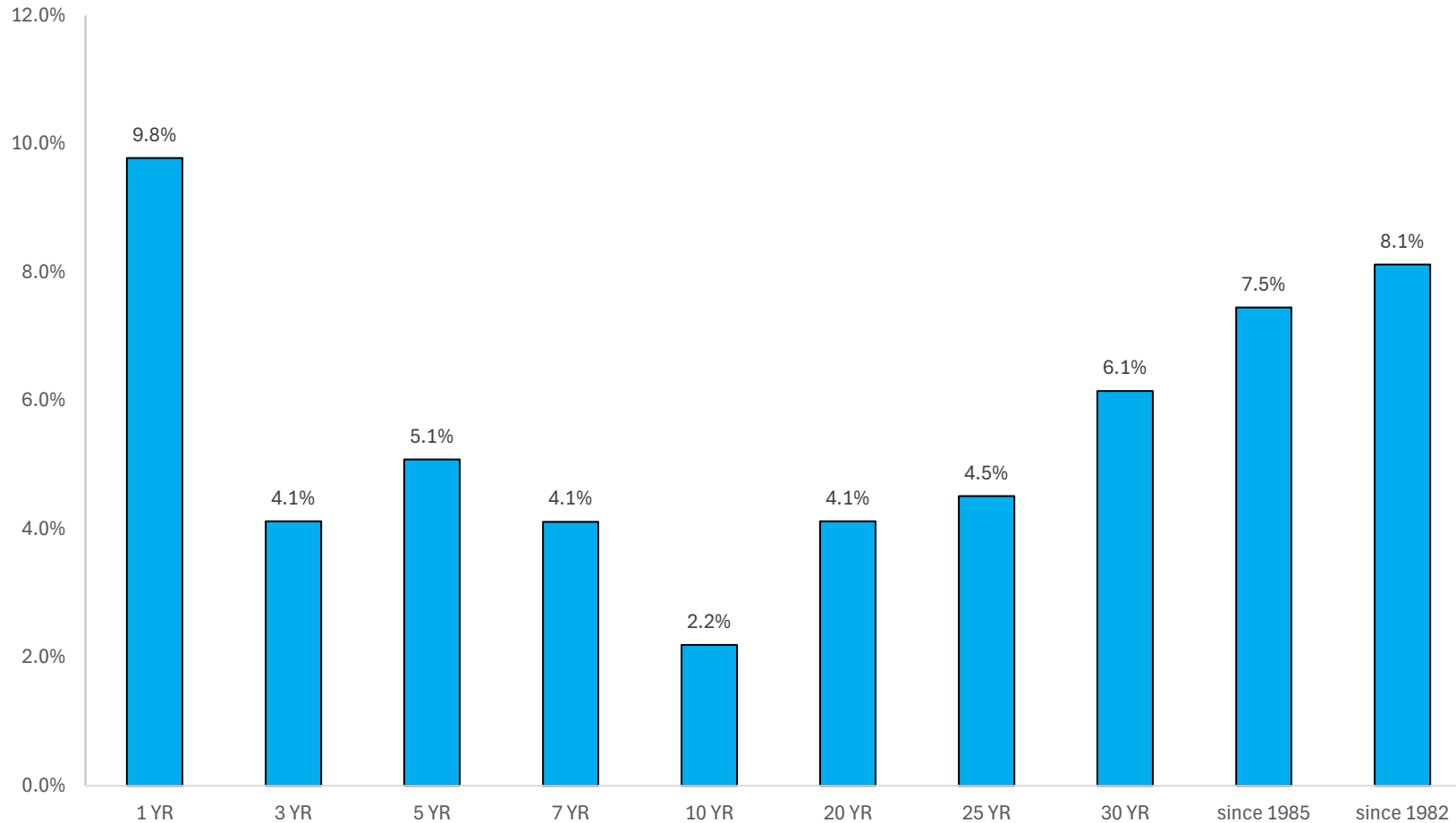
- ERF staff – Cheryl Alston, David Etheridge, and Edward Scott
- ERF actuary – Gabriel Roeder Smith & Company (GRS)
- Independent actuary – Milliman, Inc. (selected by and under contract with ERF)
- Independent industry experts – Rob Walters, Bill Quinn, and John Stephens
- City staff – Jack Ireland, Janette Weedon, and Sheri Kowalski
- City actuary – Deloitte Consulting LLP
- Employee participation – None





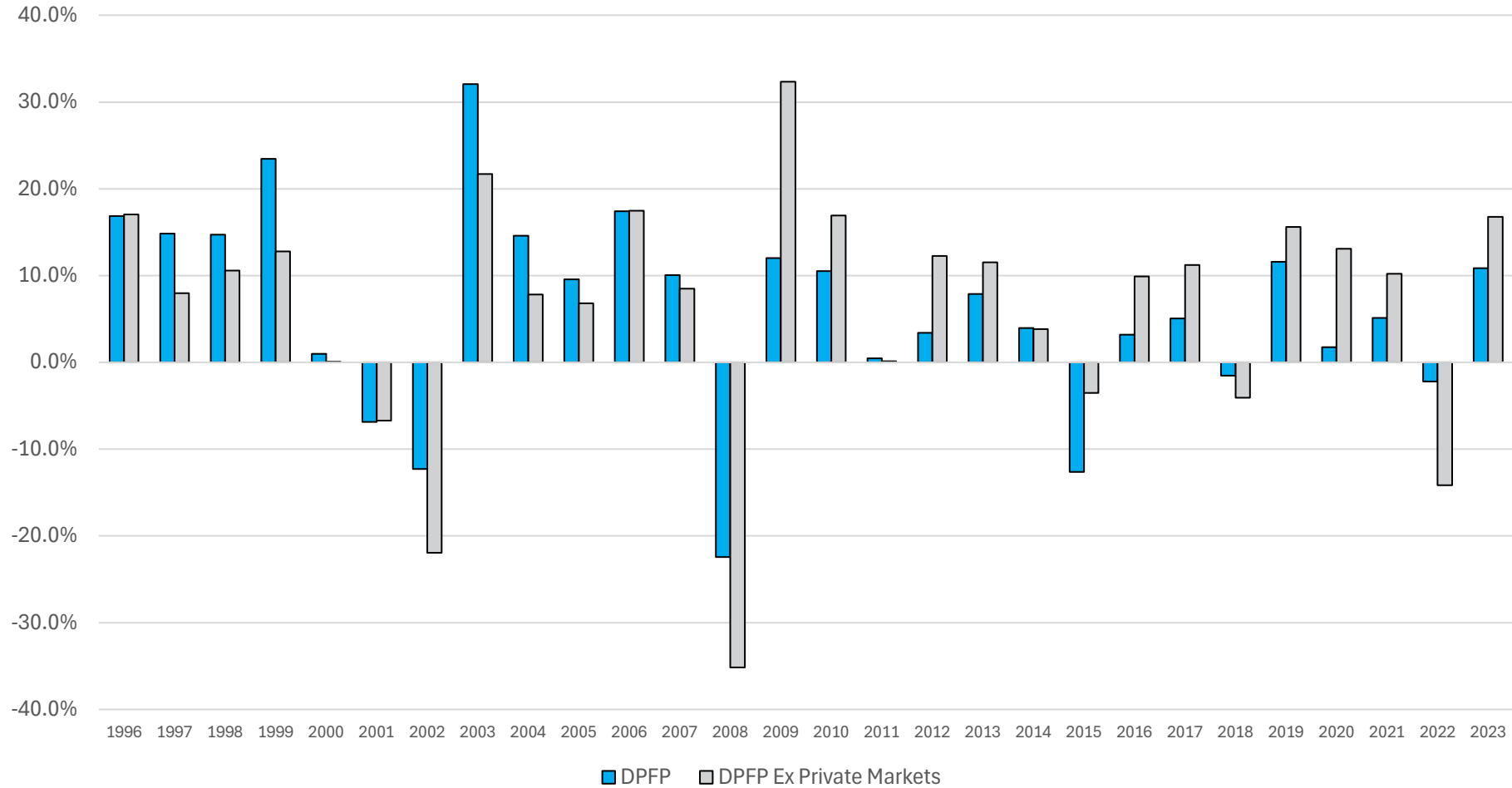
# **Investment History and Return Data provided by DPFP as requested**

# 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.

# DPFP Calendar Year 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.

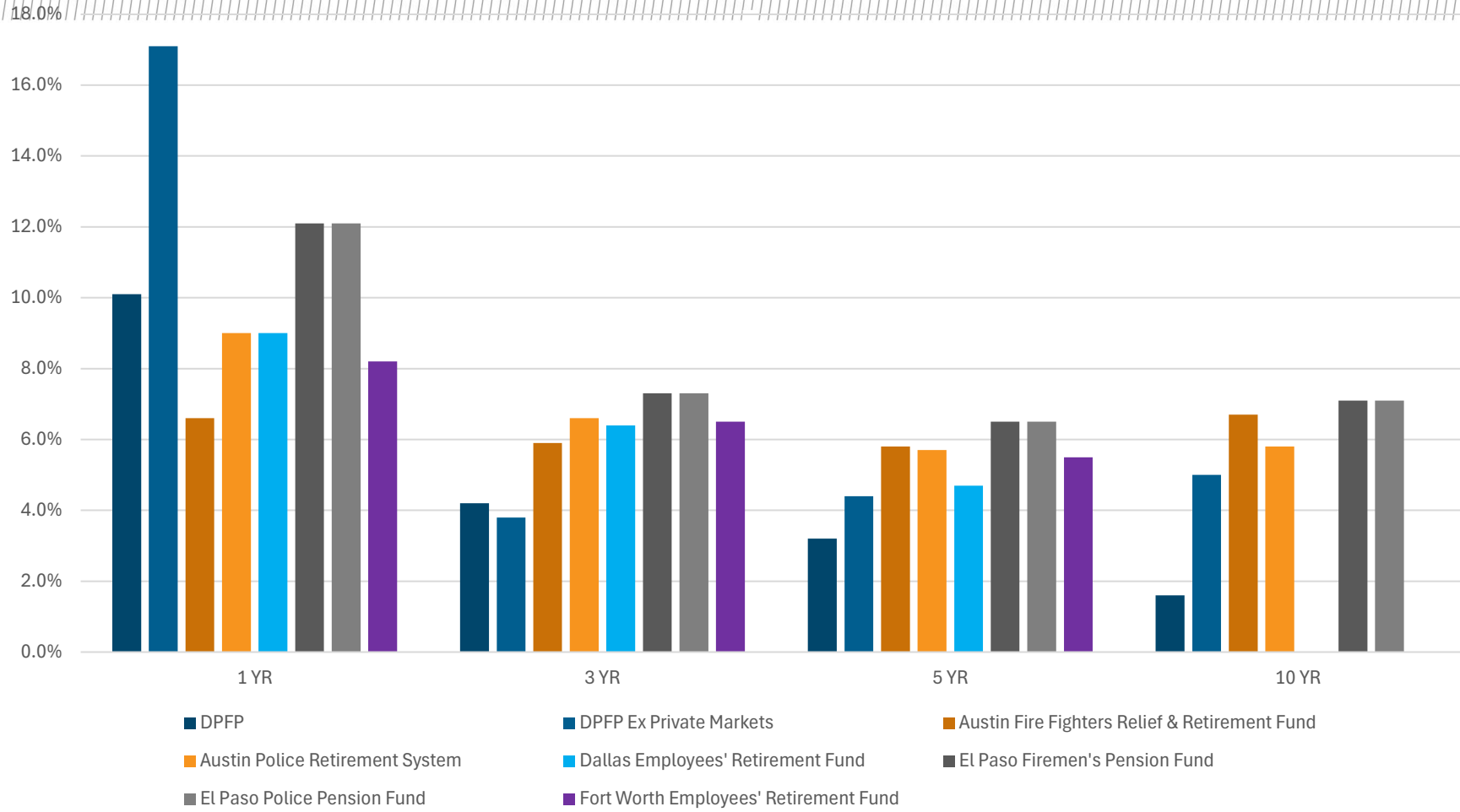
# DPFP Trailing Performance Summary vs. Peers – as of 9/30/23



| Net Annualized Returns                                | 1 Yr  | 3 Yrs | 5 Yrs | 7 Yrs |
|---|-------|-------|-------|-------|
| DPFP  | 10.1% | 4.2%  | 3.2%  | 3.3%  |
| DPFP ex Private Markets                               | 16.9% | 3.8%  | 4.4%  | 5.1%  |
| <i>InvMetrics Public DB &gt; \$1B Median</i>          | 10.0% | 5.5%  | 5.5%  | 6.8%  |
| <i>60% MSCI ACWI IMI/40% Bloomberg Global Agg</i>     | 12.8% | 1.3%  | 3.2%  |       |
| DPFP Global Equity                                    | 22.0% | 7.4%  | 6.6%  | 9.2%  |
| <i>InvMetrics Public DB Global Equity Median</i>      | 19.5% | 6.9%  | 6.4%  | 8.4%  |
| <i>MSCI ACWI IMI Net</i>                              | 20.2% | 6.9%  | 6.1%  |       |
| DPFP EM Equity  | 16.5% | -0.1% | 2.2%  | --    |
| <i>InvMetrics Public DB EM Equity Median</i>          | 13.9% | 0.5%  | 1.1%  | 2.3%  |
| <i>MSCI Emerging Markets IMI Net</i>                  | 13.2% | -0.3% | 1.3%  |       |
| DPFP Fixed Income                                     | 7.7%  | -1.0% | 0.9%  | 2.1%  |
| <i>InvMetrics Public DB Total Fixed Income Median</i> | 3.1%  | -3.1% | 1.1%  | 0.9%  |
| <i>Bloomberg Multiverse</i>                           | 2.7%  | -6.6% | -1.5% |       |

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.

# DPFP Returns<sup>1</sup> vs Texas Peer Plans<sup>2</sup> - as of 9/30/23



1 - DPFP Return Data from Meketa Investment Group

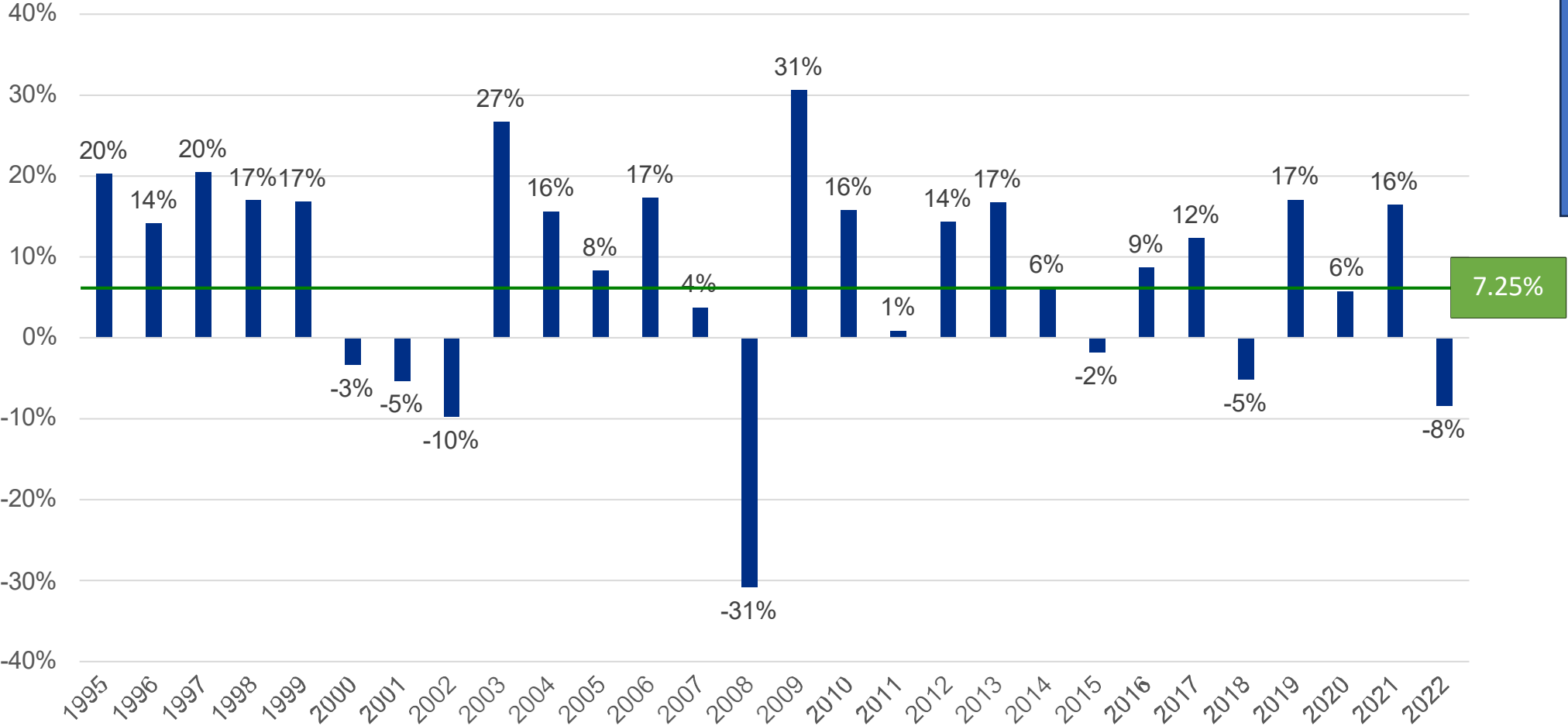
2 - Texas Peer Plans include Texas Municipal Plans above \$700M with return information updated as of 9/30/23, Return data sourced from publicly available information.



# **Investment History and Return Data provided by ERF as requested**



# Long-Term Dallas ERF Investment History



As of  
November 30, 2023  
the YTD = 6.53%



# ERF Performance Results



## Dallas ERF Returns as of 12/31/2023 (preliminary)

1 year – 10.21%

3 year – 5.45%

5 year – 7.72%

7 year – 6.65%

Since inception (1/1/1985) – 8.70%

By asset class, it is the following as of 12/31/23:

- Domestic equity – 23.07%
- Global equity – 17.00%
- International equity – 16.30%
- High Yield – 13.46%
- Global Listed Infrastructure – 12.91%
- Opportunistic Credit – 10.94%
- Fixed Income – 5.72%

