

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.

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

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

EXHIBIT 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*

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**POSTED** CITY SECRETARY  
DALLAS, TX



**Ad Hoc Committee on Pensions**

**February 8, 2024**

**3:15 PM**

## 2023 CITY COUNCIL APPOINTMENTS

<b>COUNCIL COMMITTEE</b>	
<b>ECONOMIC DEVELOPMENT</b> Atkins (C), Narvaez (VC), Arnold, Bazaldua, Ridley, Stewart, West	<b>GOVERNMENT PERFORMANCE AND FINANCIAL MANAGEMENT</b> West (C), Blackmon (VC), Mendelsohn, Moreno, Resendez
<b>HOUSING AND HOMELESSNESS SOLUTIONS</b> Moreno (C), Mendelsohn (VC), Gracey, West, Willis	<b>PARKS, TRAILS, AND THE ENVIRONMENT</b> Stewart (C), Moreno (VC), Arnold, Bazaldua, Blackmon, Narvaez, West
<b>PUBLIC SAFETY</b> Mendelsohn (C), Stewart (VC), Atkins, Moreno, Willis	<b>QUALITY OF LIFE, ARTS, AND CULTURE</b> Bazaldua (C), Resendez (VC), Blackmon, Gracey, Ridley, Schultz, Willis
<b>TRANSPORTATION AND INFRASTRUCTURE</b> Narvaez (C), Gracey (VC), Atkins, Mendelsohn, Resendez, Schultz, Stewart	<b>WORKFORCE, EDUCATION, AND EQUITY</b> Schultz (C), Arnold (VC), Bazaldua, Blackmon, Resendez, Ridley, Willis
<b>AD HOC COMMITTEE ON ADMINISTRATIVE AFFAIRS</b> Atkins (C), Mendelsohn, Moreno,	<b>AD HOC COMMITTEE ON GENERAL INVESTIGATING AND ETHICS</b> Mendelsohn (C), Gracey, Johnson, Schultz, Stewart
<b>AD HOC COMMITTEE ON JUDICIAL NOMINATIONS</b> Ridley (C), Resendez, West	<b>AD HOC COMMITTEE ON LEGISLATIVE AFFAIRS</b> Mendelsohn (C), Atkins, Gracey, Narvaez, Stewart
<b>AD HOC COMMITTEE ON PENSIONS</b> Atkins (C), Blackmon, Mendelsohn, Moreno, Resendez, Stewart, West, Willis	<b>AD HOC COMMITTEE ON PROFESSIONAL SPORTS RECRUITMENT AND RETENTION</b> 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=m7e9cd0383c038e8178f1fcc9bfde72e3>

### 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

**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, FEBRUARY 8, 2024

EXHIBIT 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

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

EXHIBIT C



# City of Dallas

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

## Agenda Information Sheet

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**File #:** 24-462

**Item #:** A.

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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



## 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





## Background

## Primary Recommendations

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

## Questions

## Appendix



# Independent Actuarial Analysis

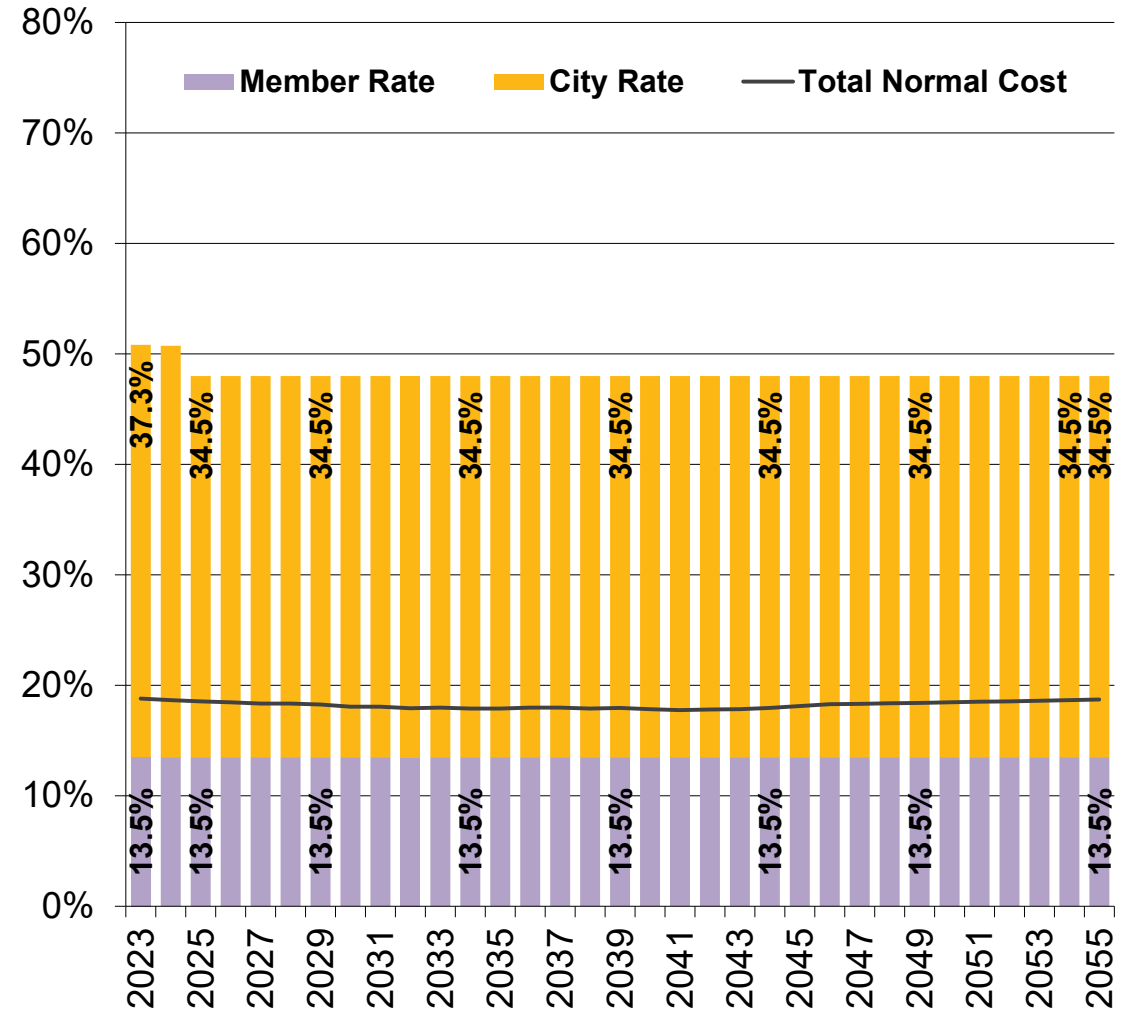
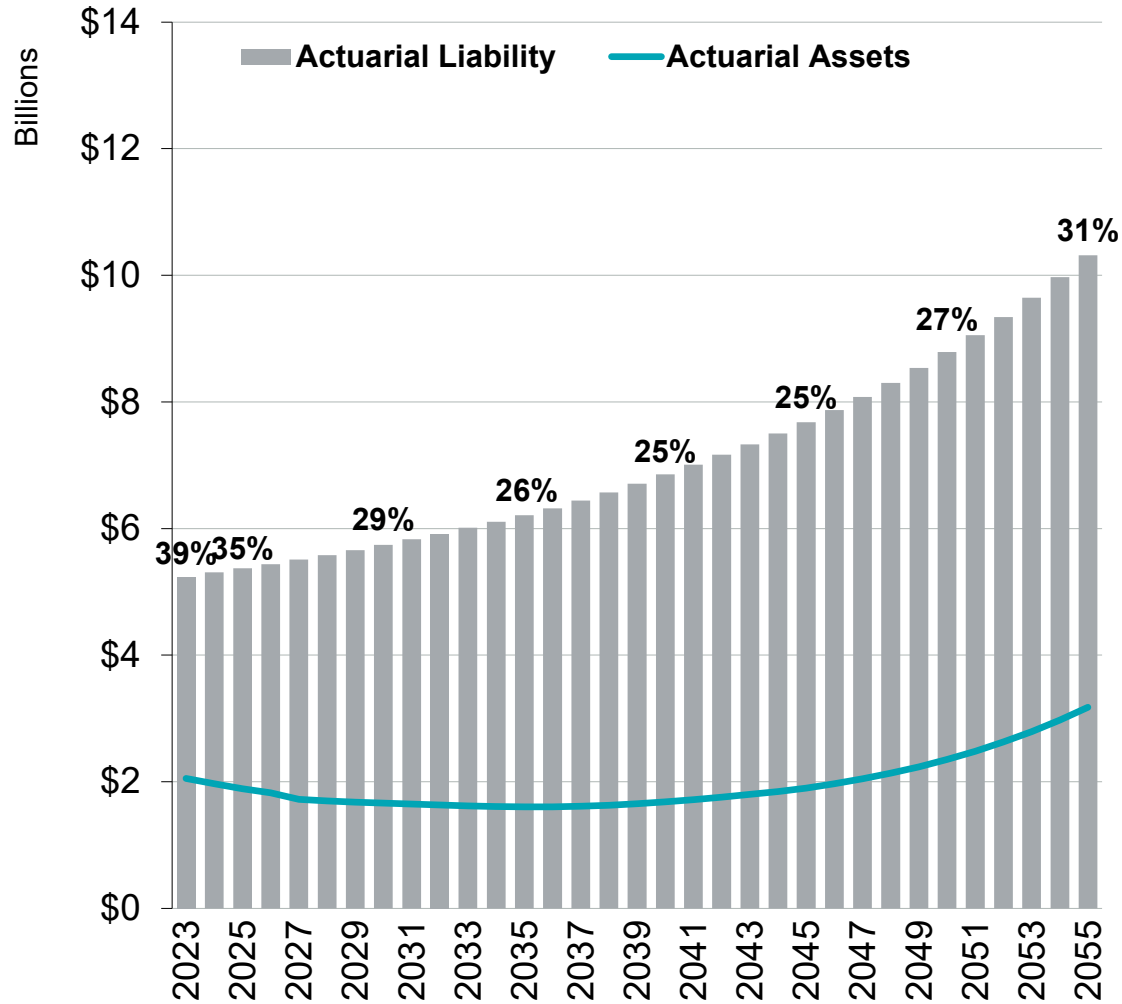


- Pension Review Board selected Cheiron as the Independent Actuary
- Analysis required
  - Does system meet funding guidelines of Chapter 802 of Texas Government Code?
    - Funding period achieved and maintained  $\leq$  30 years
  - Make recommendations regarding:
    - Changes to benefits
    - Changes 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



- ✓ 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

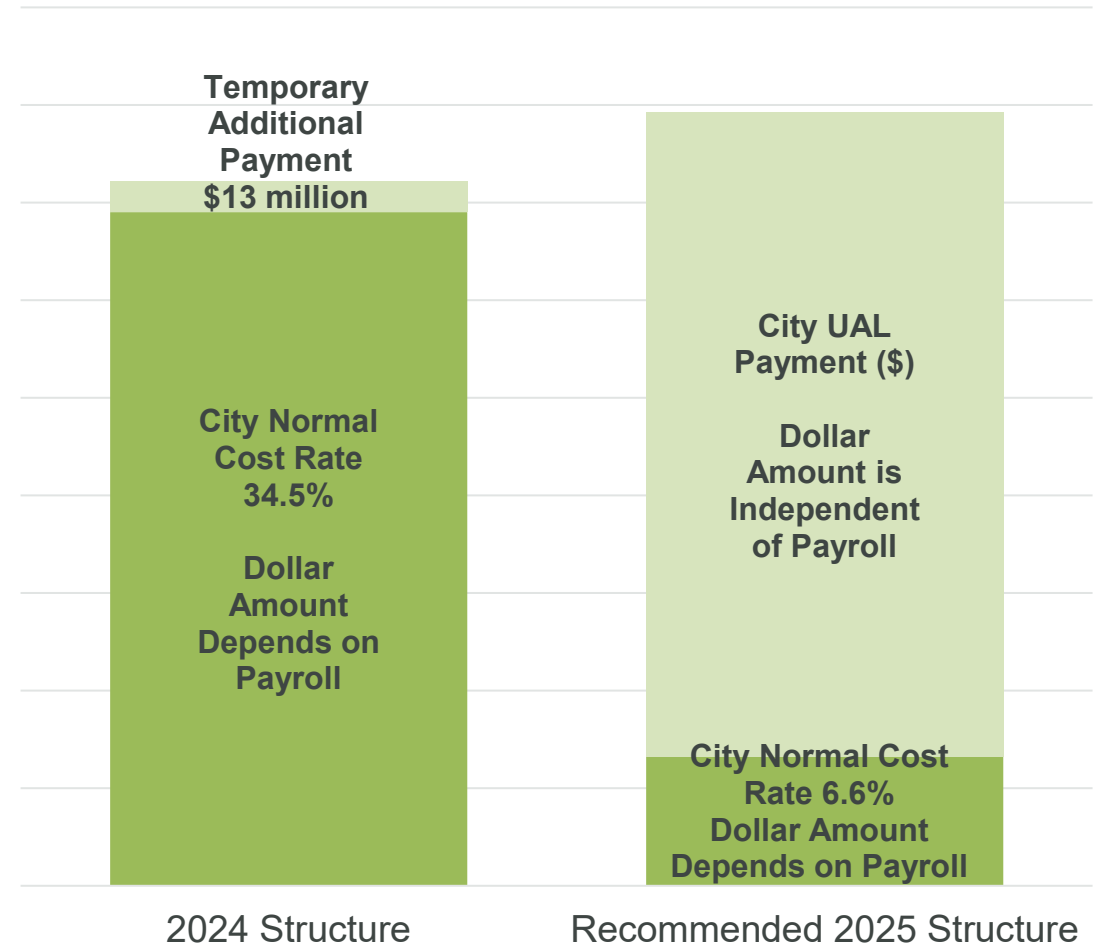


# Actuarially Determined Contribution (ADC)



- 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

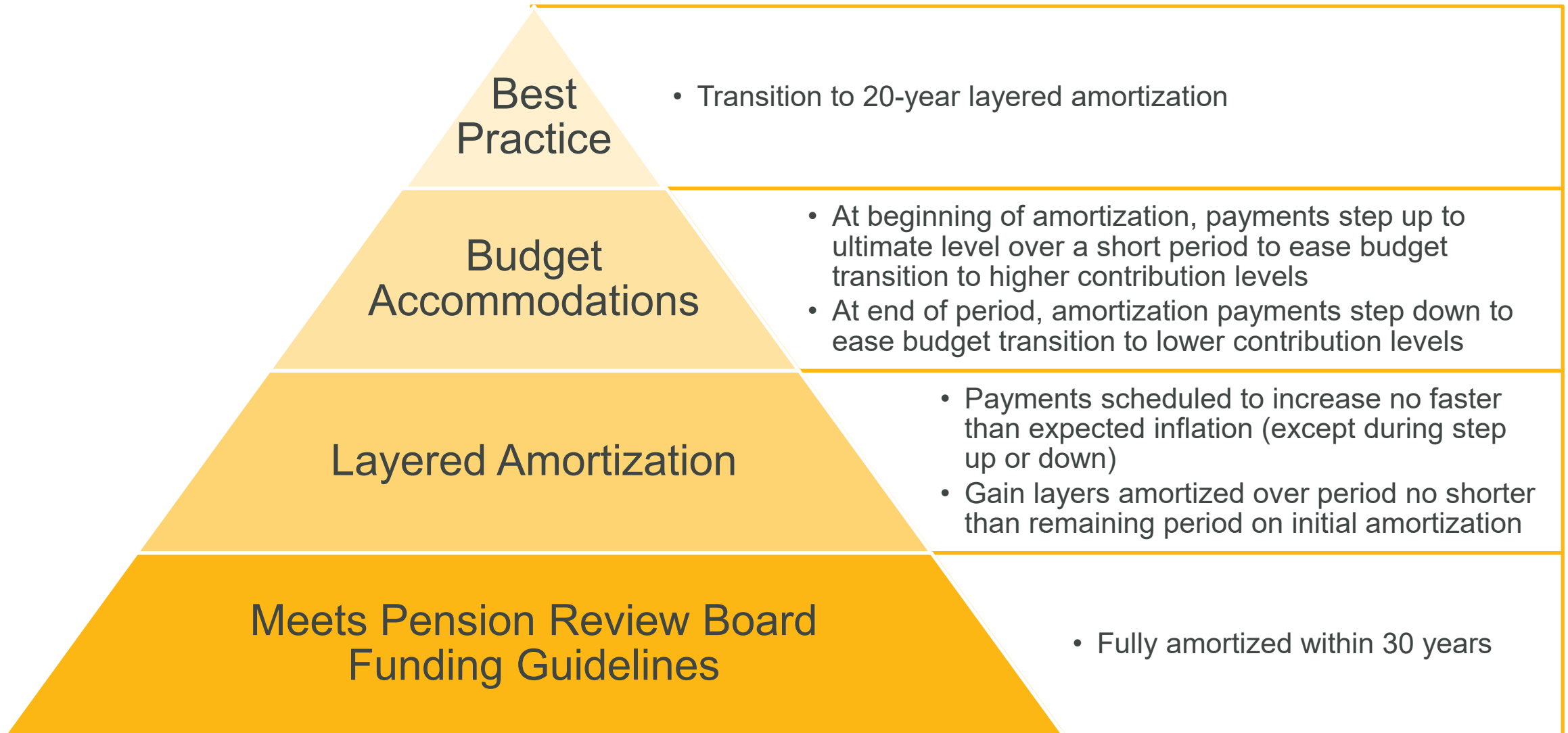
10/1/2024 or 1/1/2025  
City Begins Contributing  
ADC From  
2023 Valuation

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





# Modeled Amortization Options



Most Preferred

All Are Reasonable

Least Preferred

## Traditional

- Single initial 30-year amortization layer for entire UAL
- 2.5% annual increase in payments
- No step up or down in payments

## 3-Year Step Up/Down

- 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

## 5-Year Step Up/Down

- 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

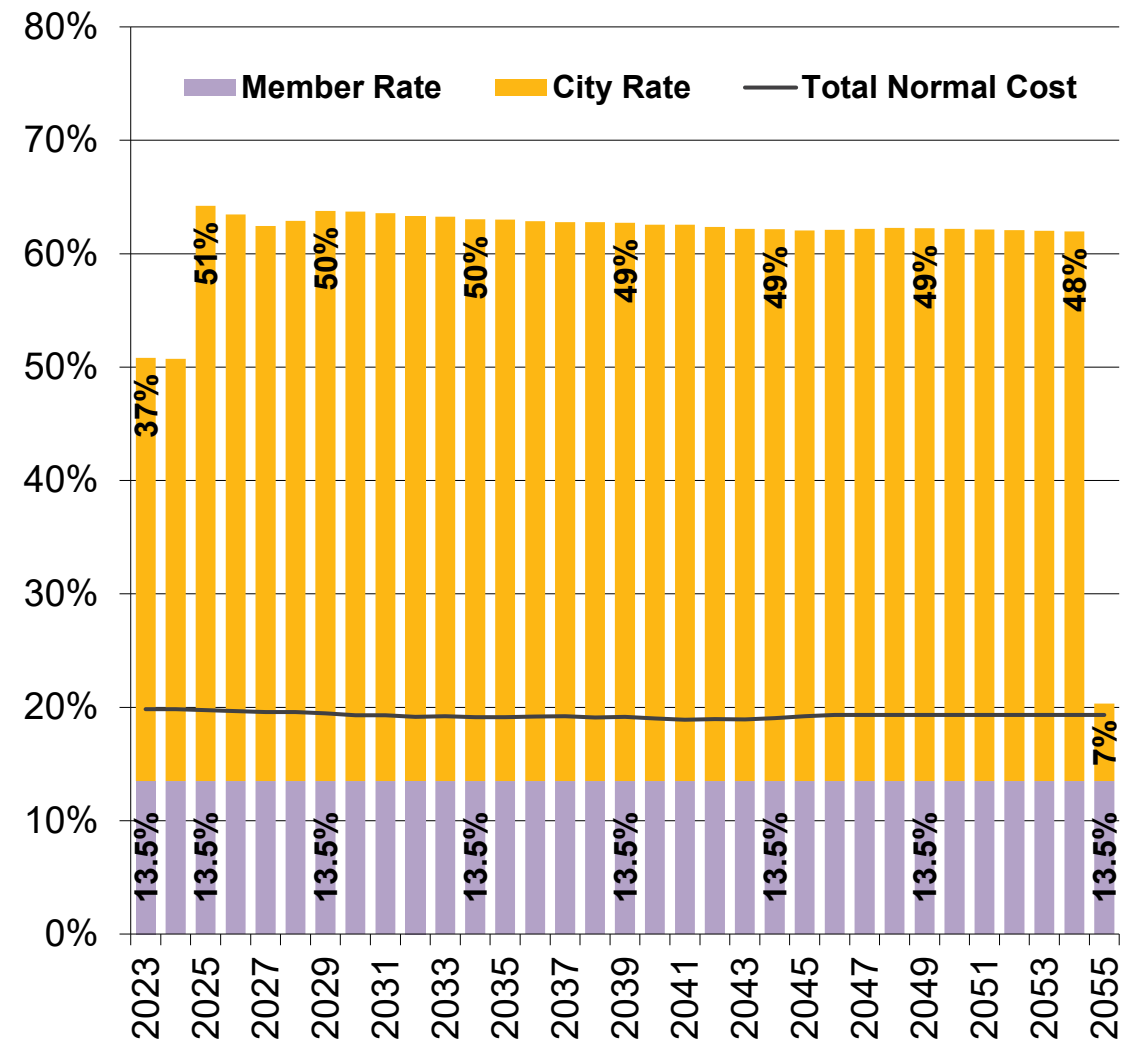
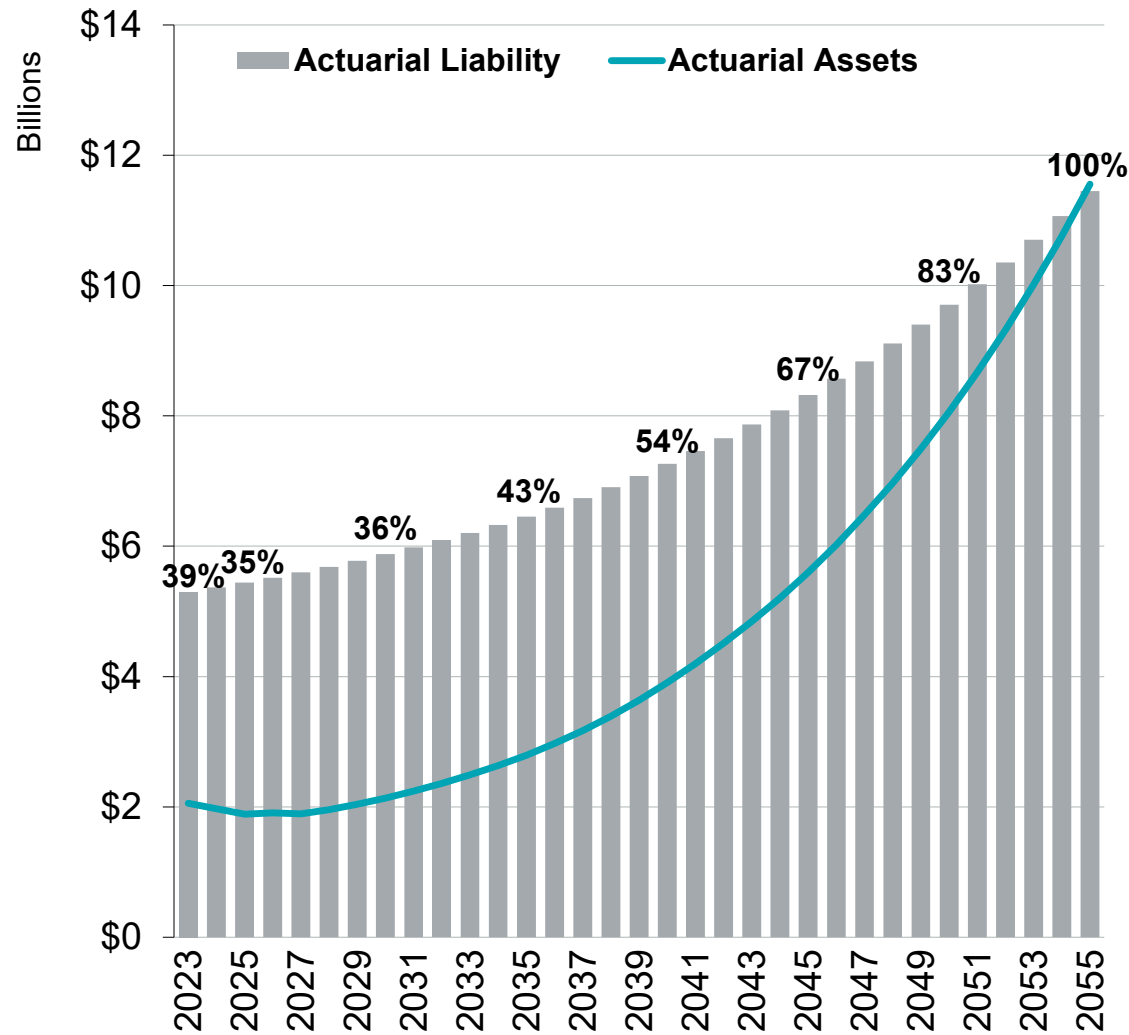
## 3-Year Step Up

- 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

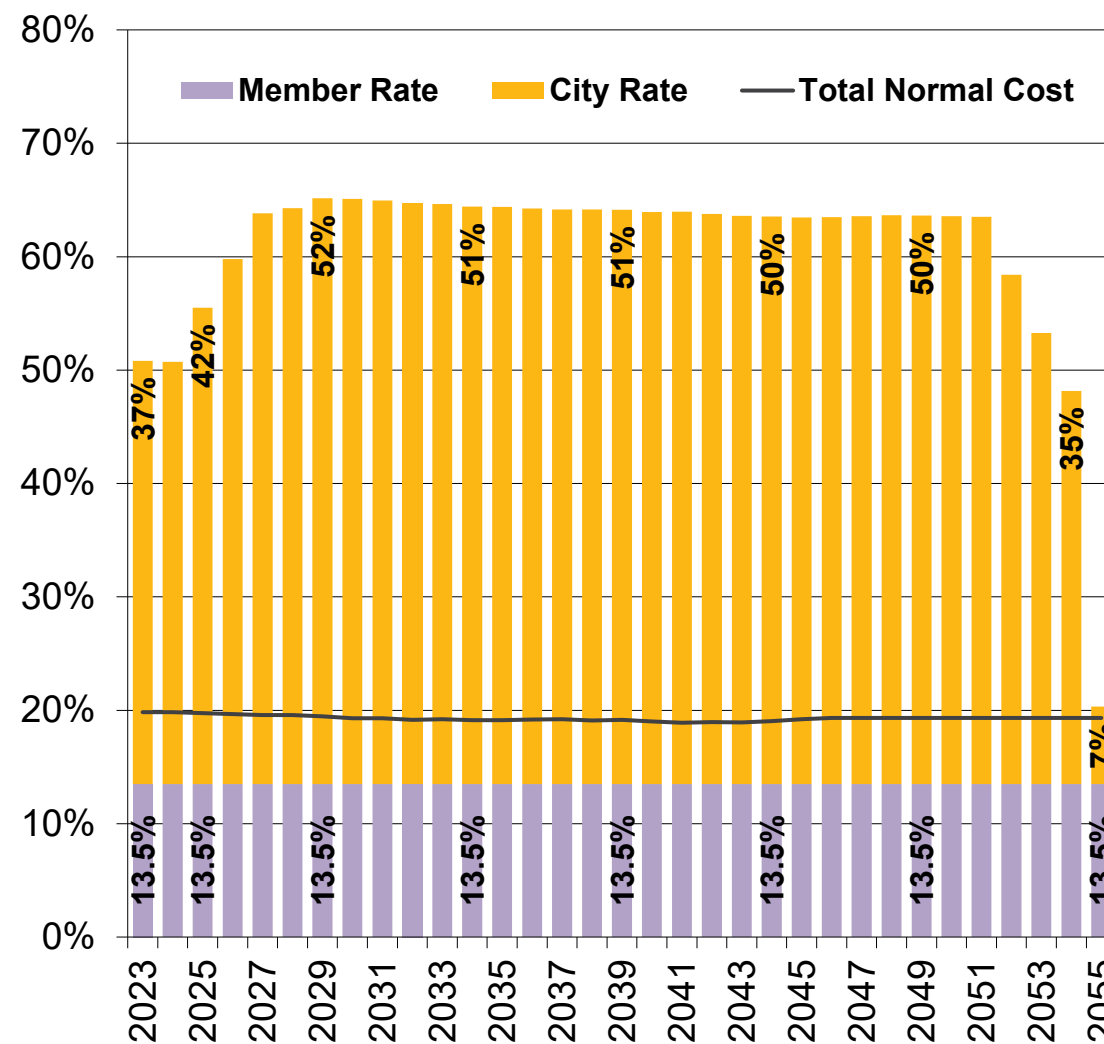
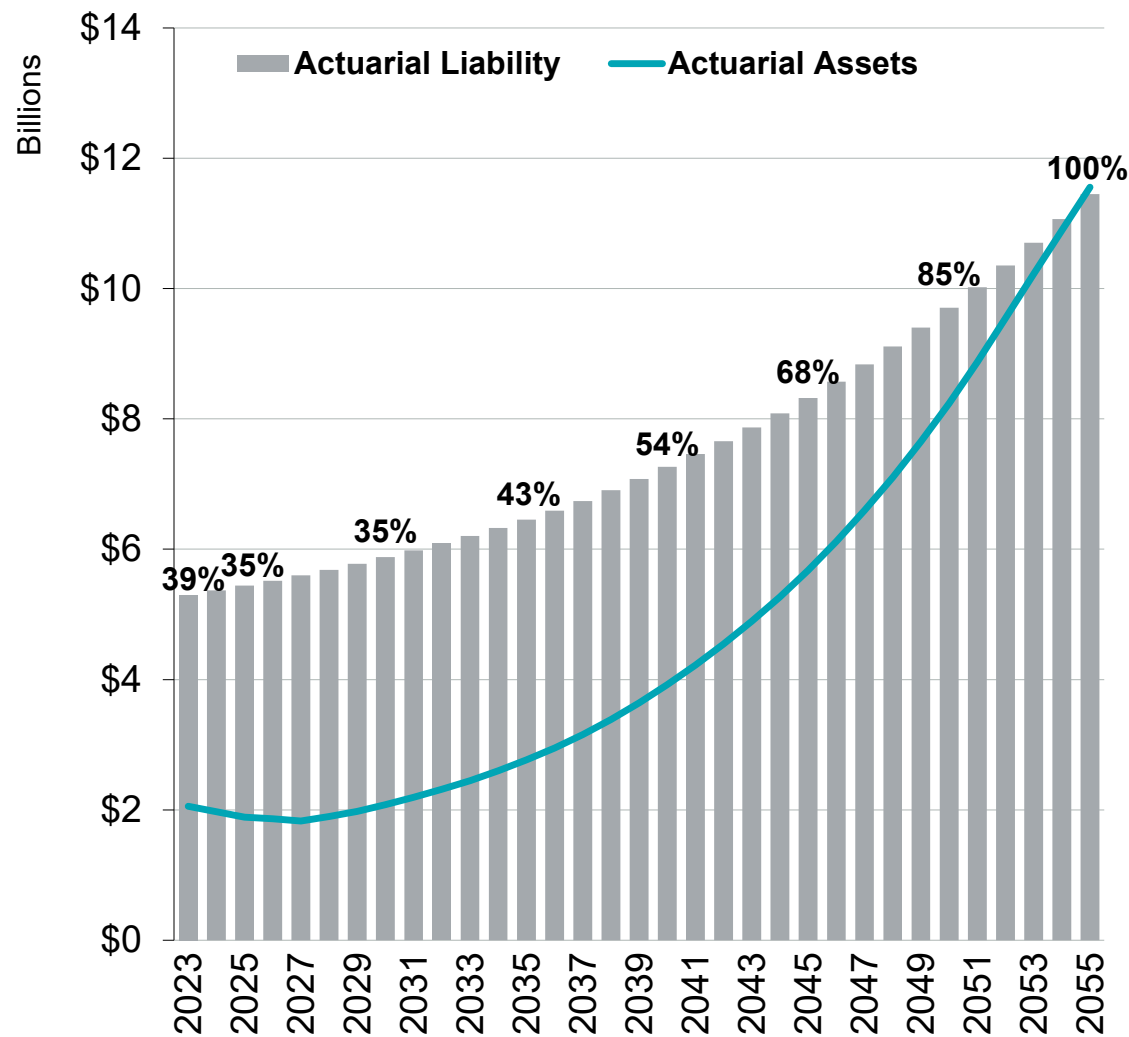
## 5-Year Step Up

- 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

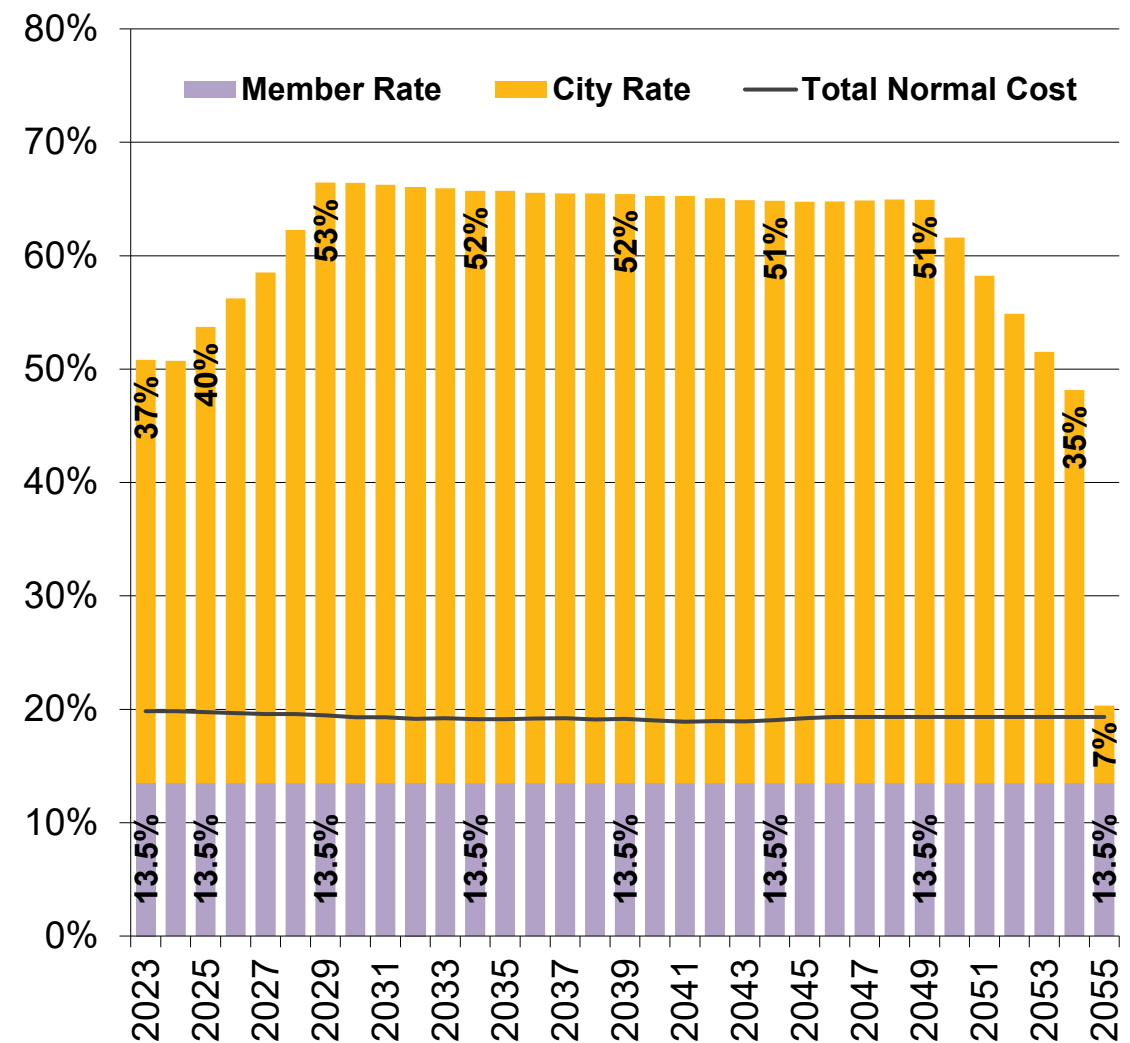
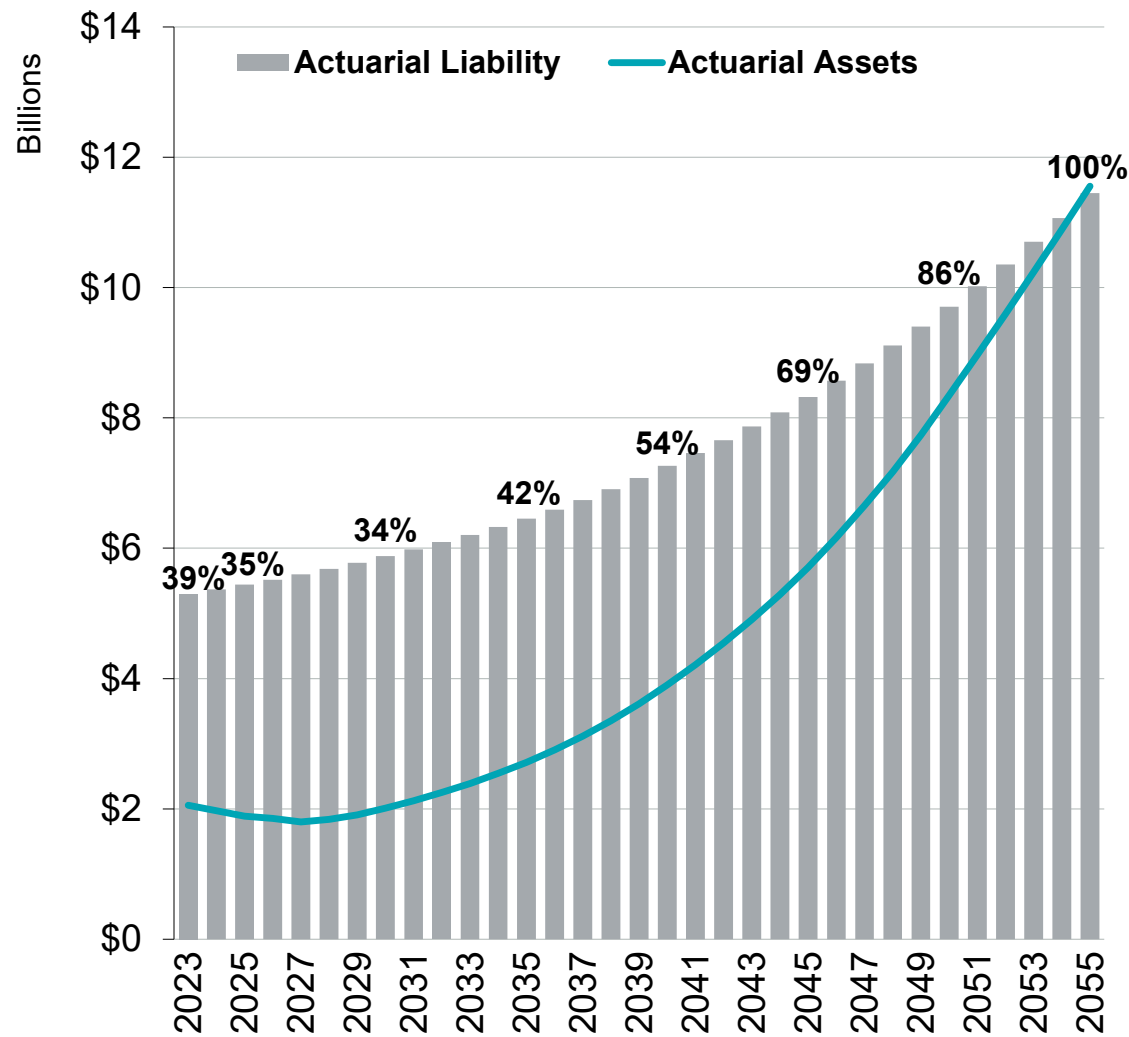
# Option 1A – Traditional ADC



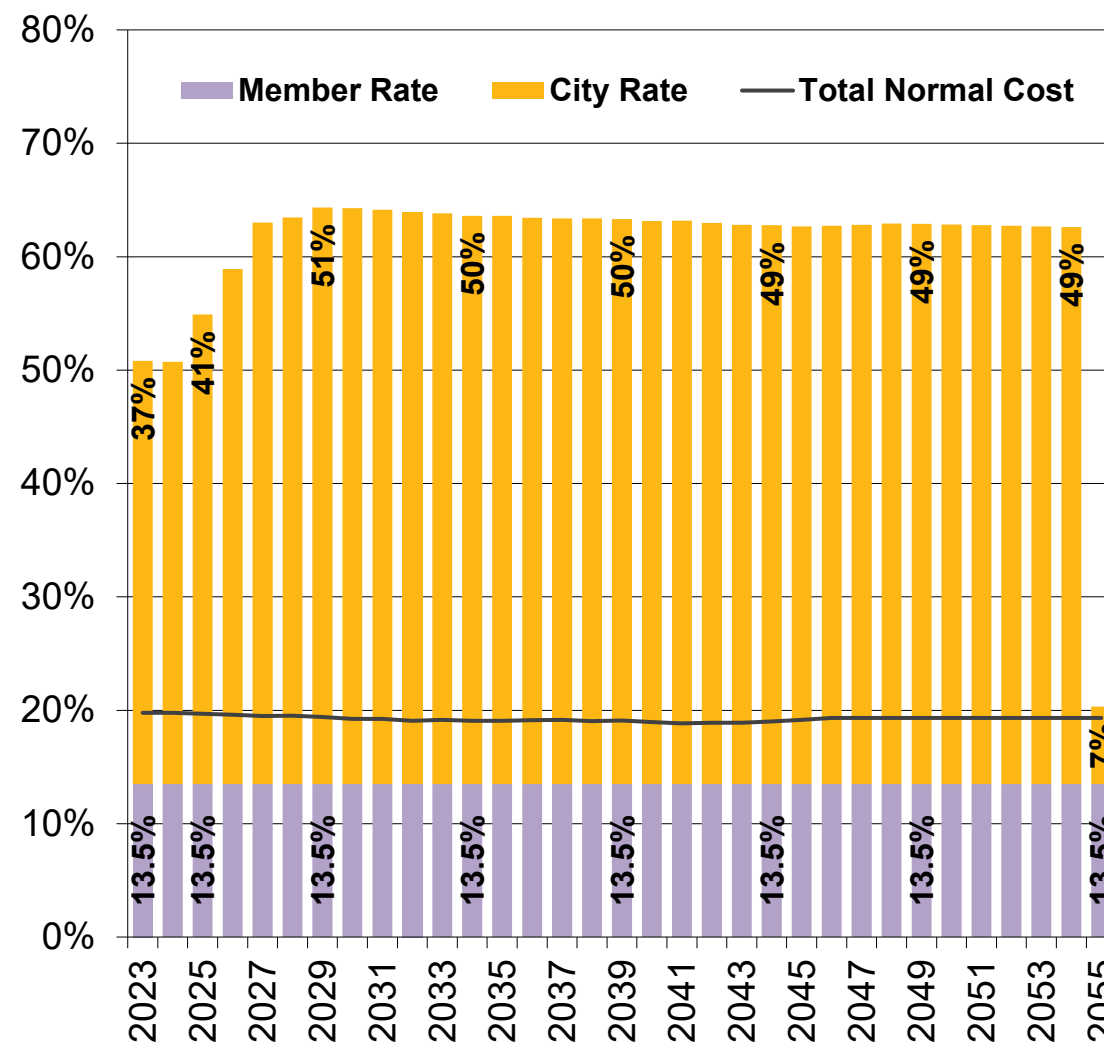
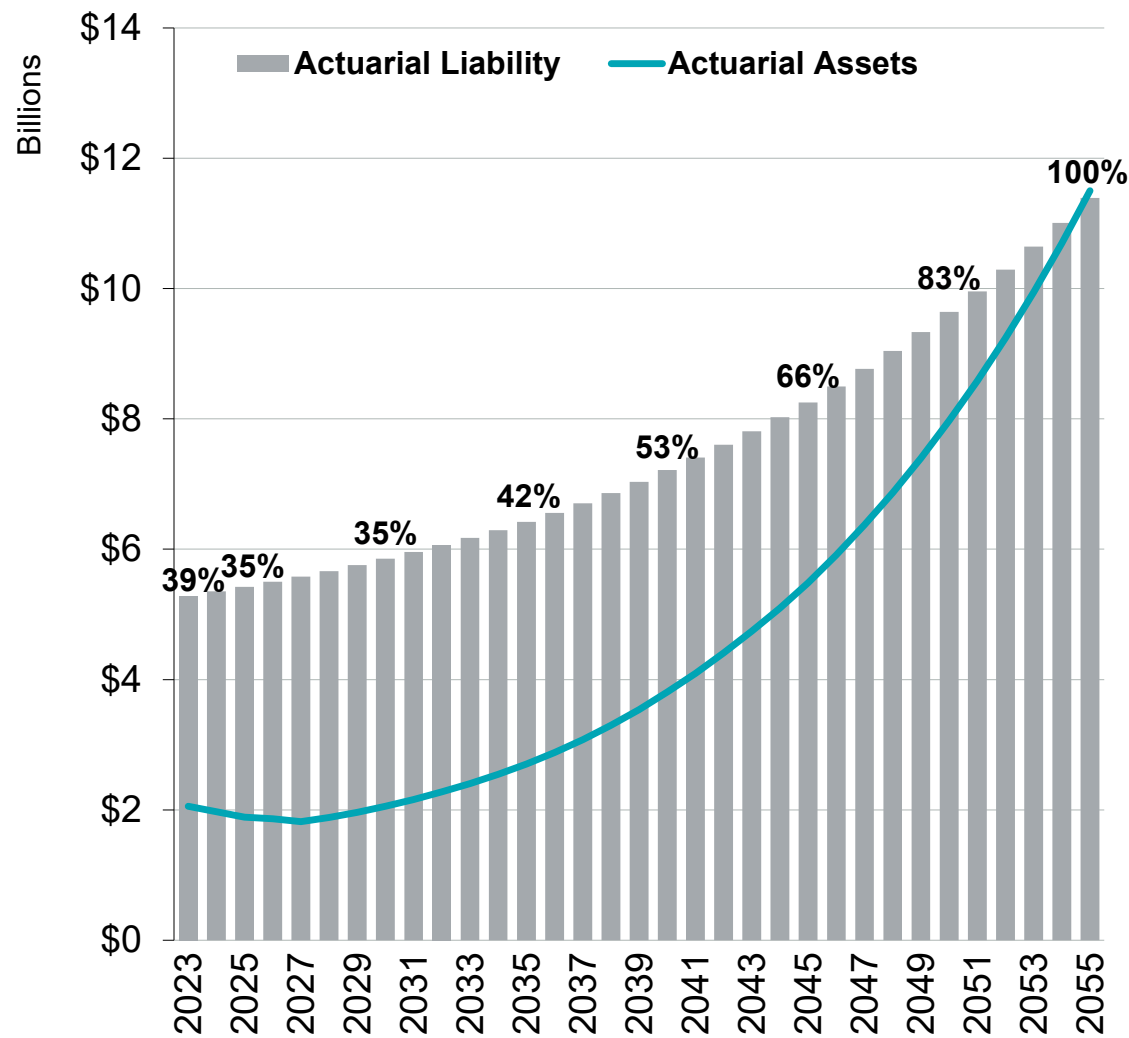
# Option 1B – 3-Year Step Up/Step Down ADC



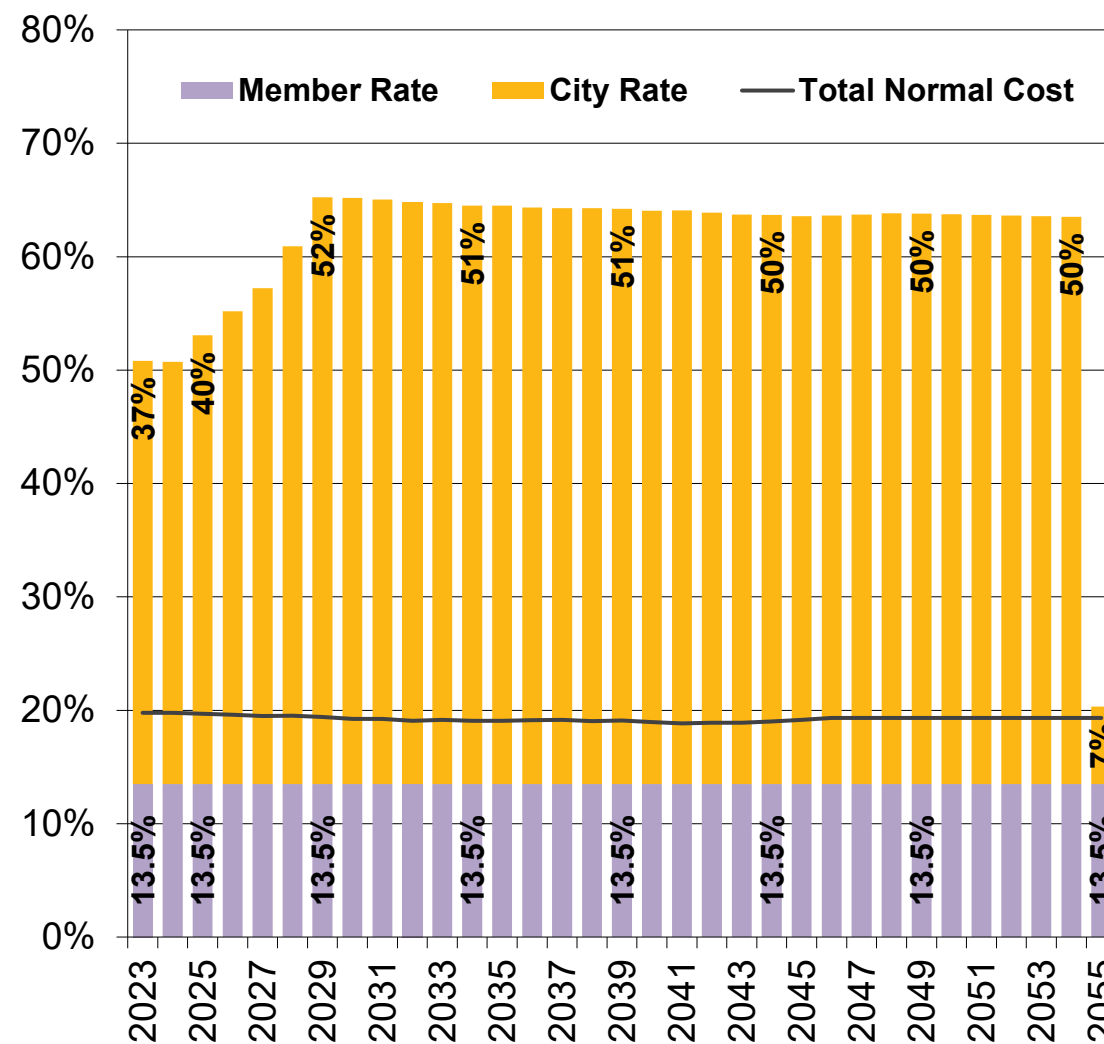
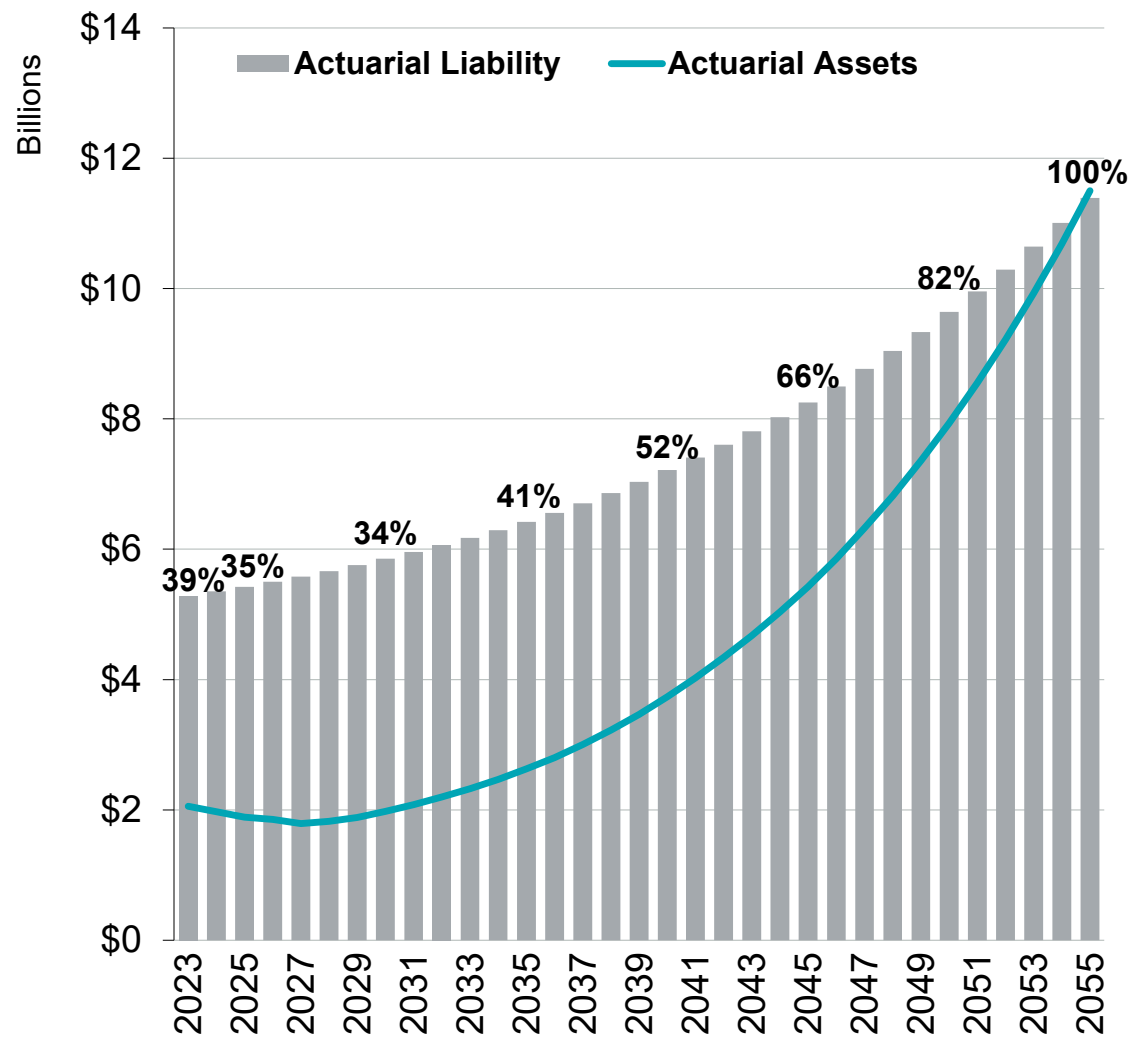
# Option 1C – 5-Year Step Up / Step Down ADC



# Option 1D – 3-Year Step Up ADC



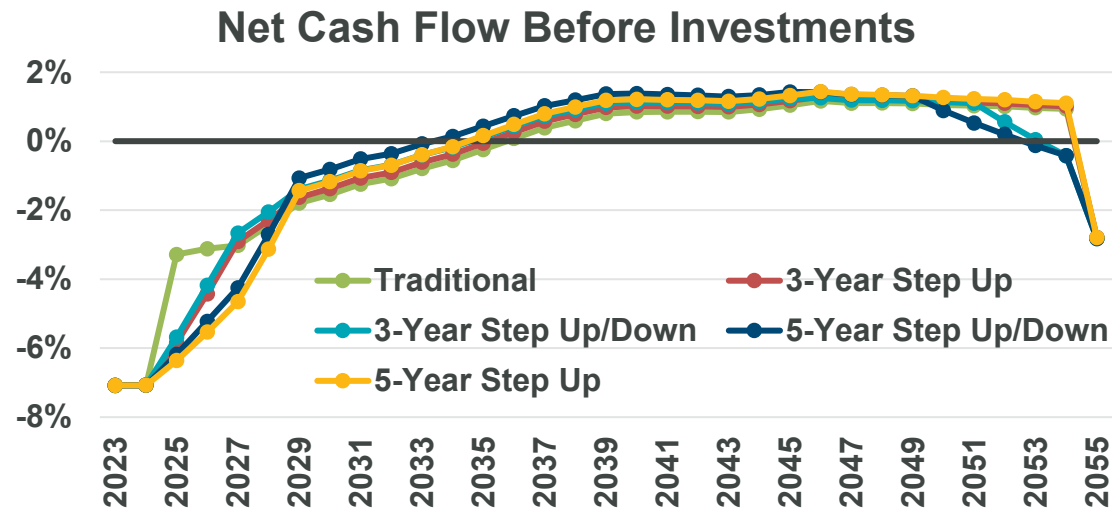
# Option 1E – 5-Year Step Up ADC



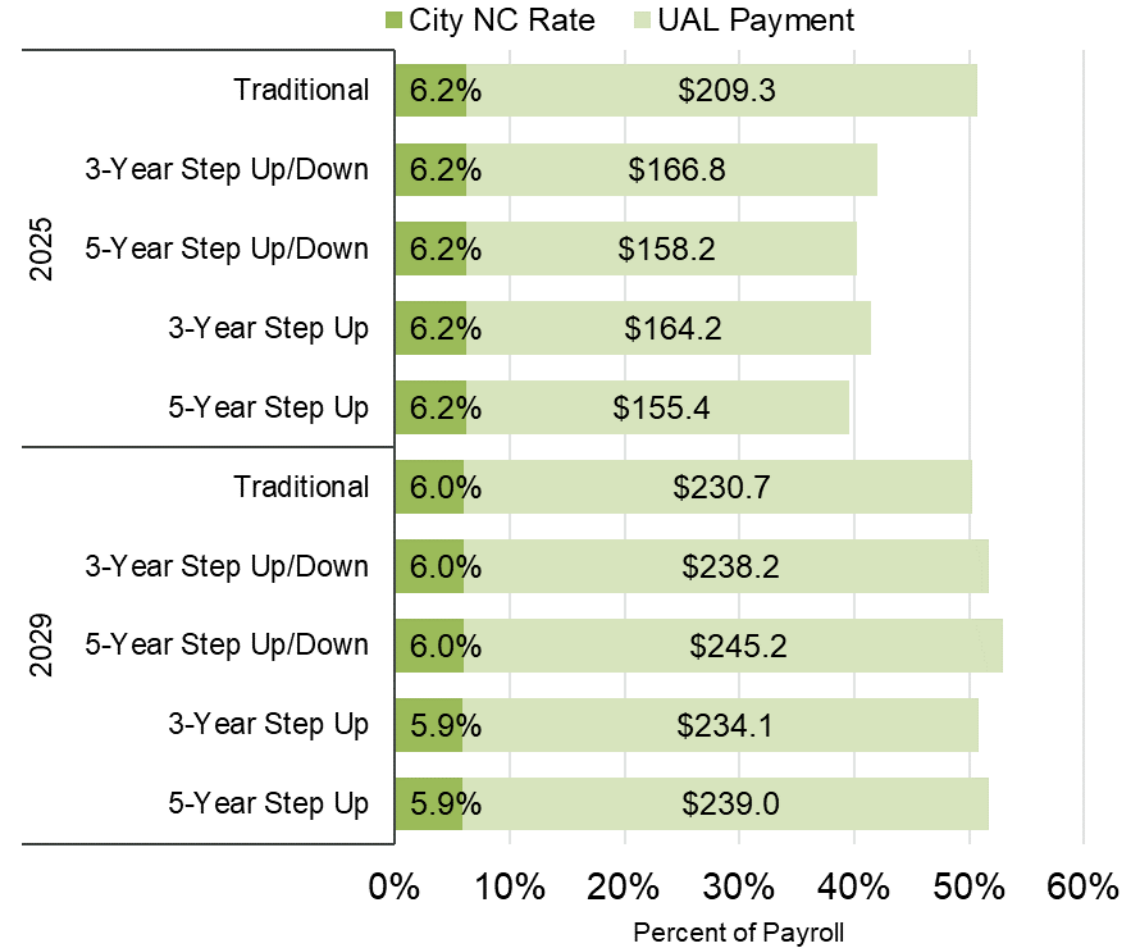
# Comparison of ADC Options



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



## City Contributions





- 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



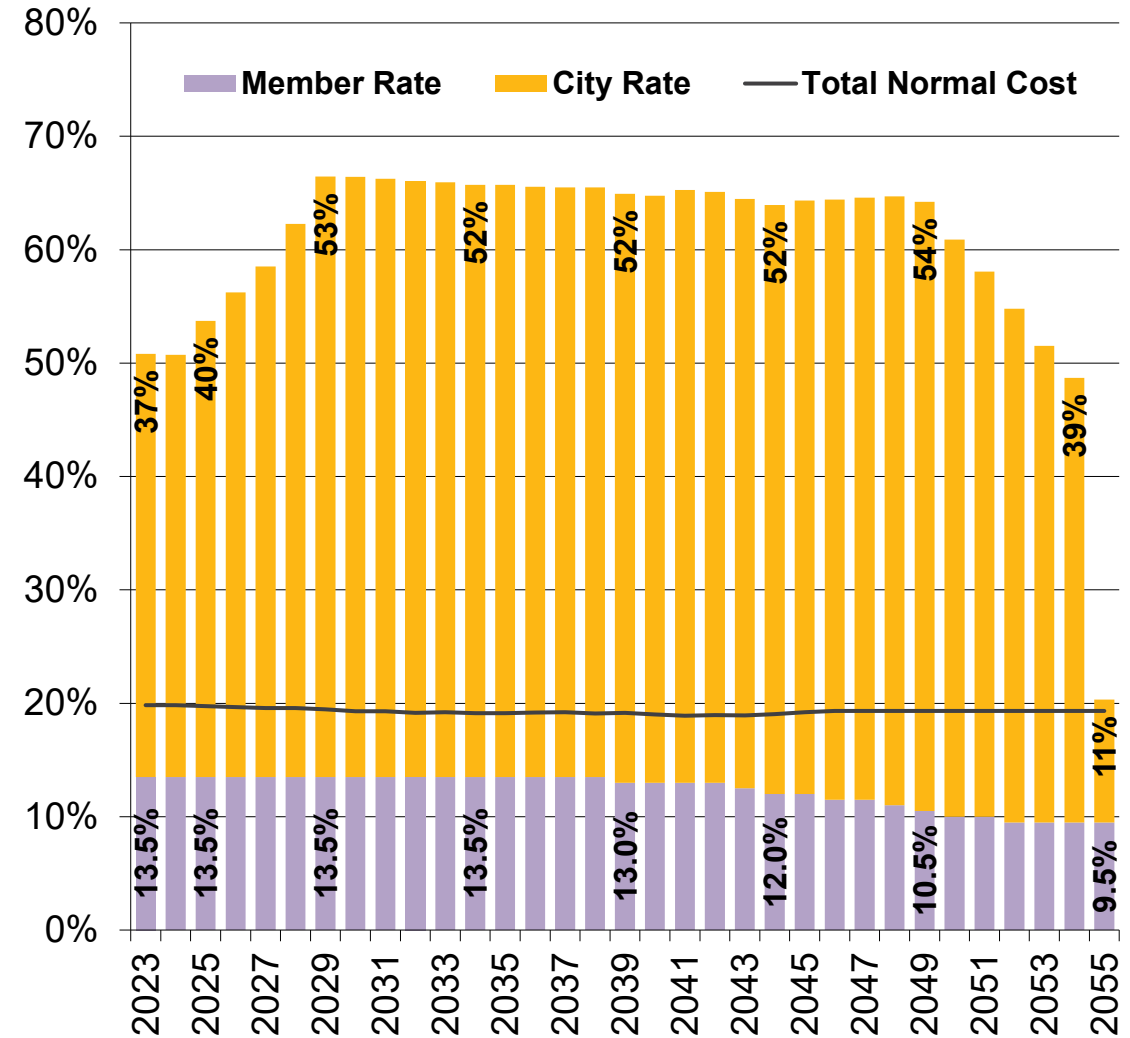
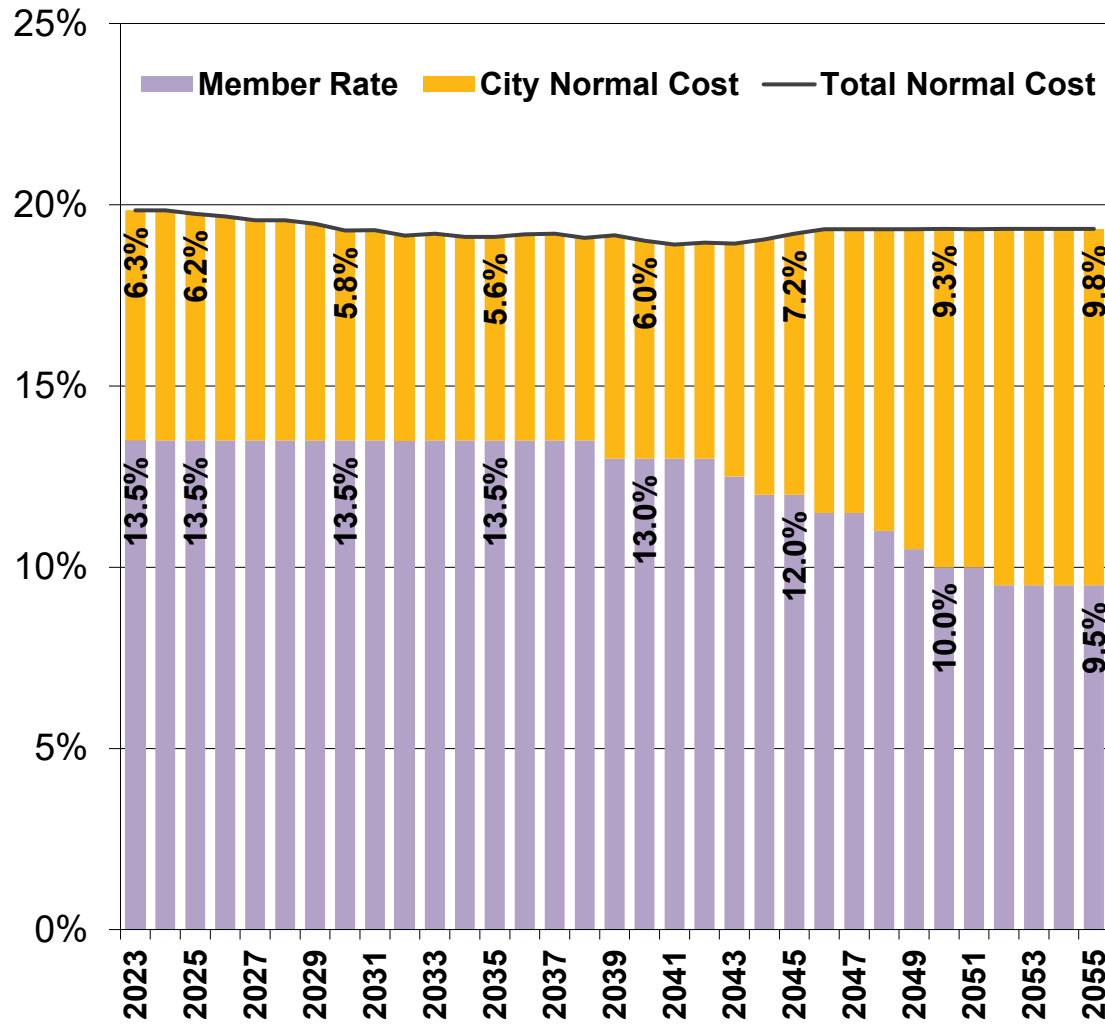
# Scenario 2 – Adjustable Employee Contribution Rate



- 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



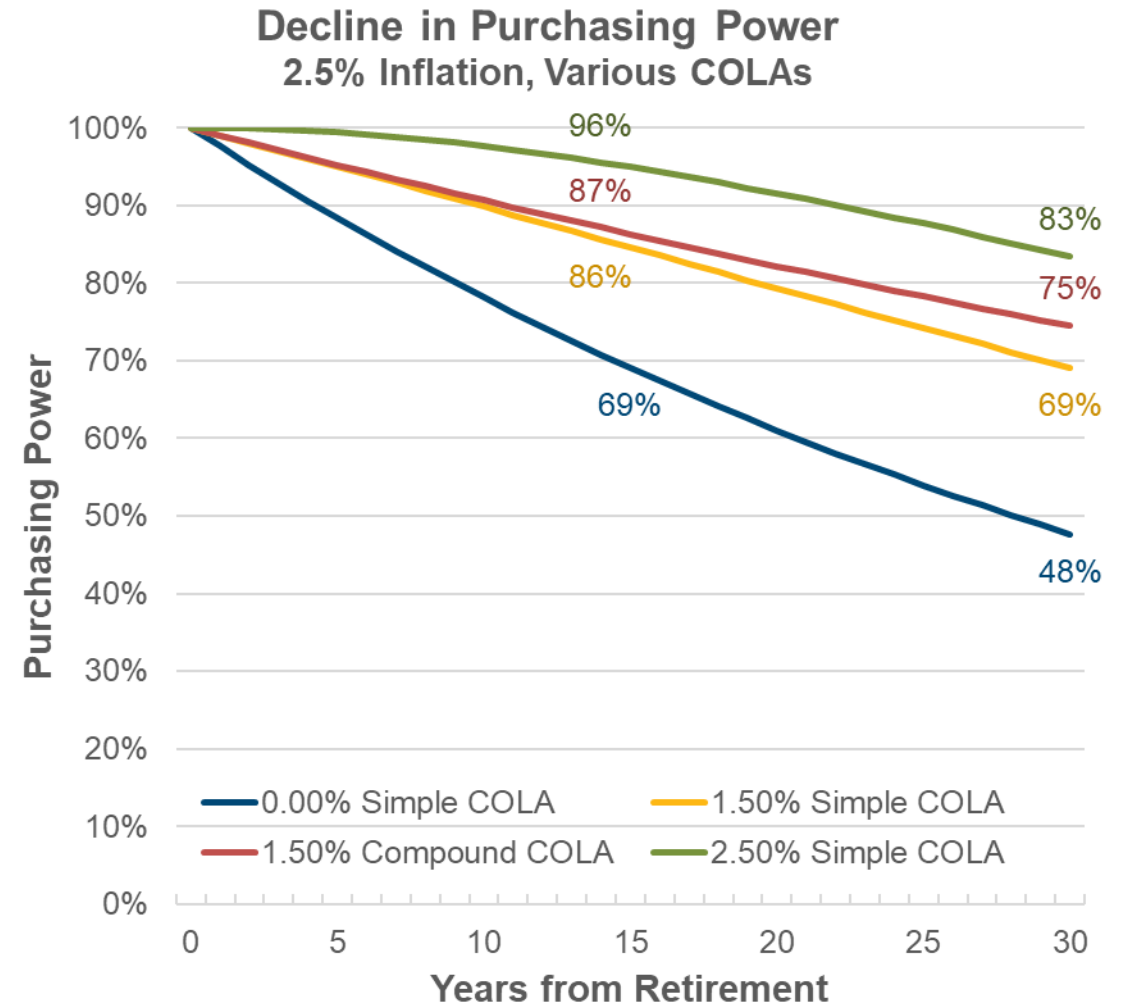


- Prior to HB 3158
  - Automatic 4% Simple COLA if hired prior to 1/1/2007
  - Ad Hoc Simple COLA up to 4% if hired after 12/31/2006
- After HB 3158
  - Ad Hoc Simple COLA that depends on investment returns (not inflation)
    - 5-year average return minus 5%
    - Maximum of 4%
  - COLA can only be 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

- Retirees living expenses vary with CPI
- Resources to pay for COLA depend on investment returns

## Simple vs. Compound

- 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

## Funded Status Requirement

- 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

## Purchasing Power Protection

- 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

## Expected and Maximum Amounts

- 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





## 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
      - $6.5\% \text{ expected return} - 5.0\% = 1.5\%$
    - 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	<b>CPI</b>	Investment	Investment / <b>CPI</b>	Investment / <b>CPI</b>	Investment / <b>CPI</b>	Investment / <b>CPI</b>
Simple vs. Compound	Simple	Simple	Simple	Simple / <b>Compound</b>	Simple / <b>Compound</b>	Simple / <b>Compound</b>	<b>Compound</b>
Funded Status	70%	<b>0%</b>	<b>0%</b>	70%	70%	<b>0%</b>	<b>0%</b>
Purchasing Power (PP) Protection	None	None	None	<b>70% of 2024 PP</b>	<b>80% of 2024 PP</b>	<b>80% of 2024 PP</b>	<b>80% of 2024 PP</b>
Expected Amount / Maximum	1.5% / 4.0%	<b>2.5% / 3.0%</b>	<b>1.5% times Funded % / 4.0%</b>	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

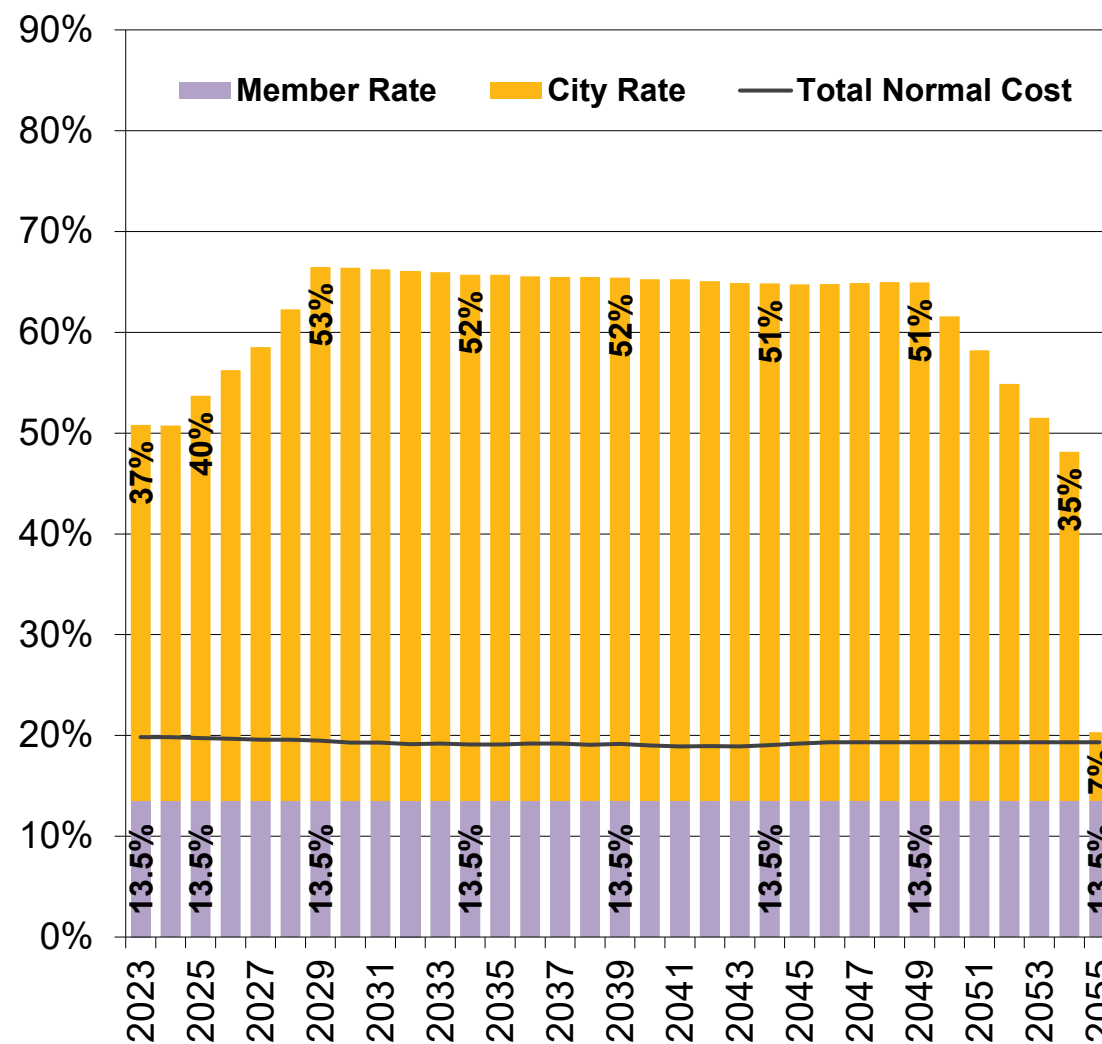
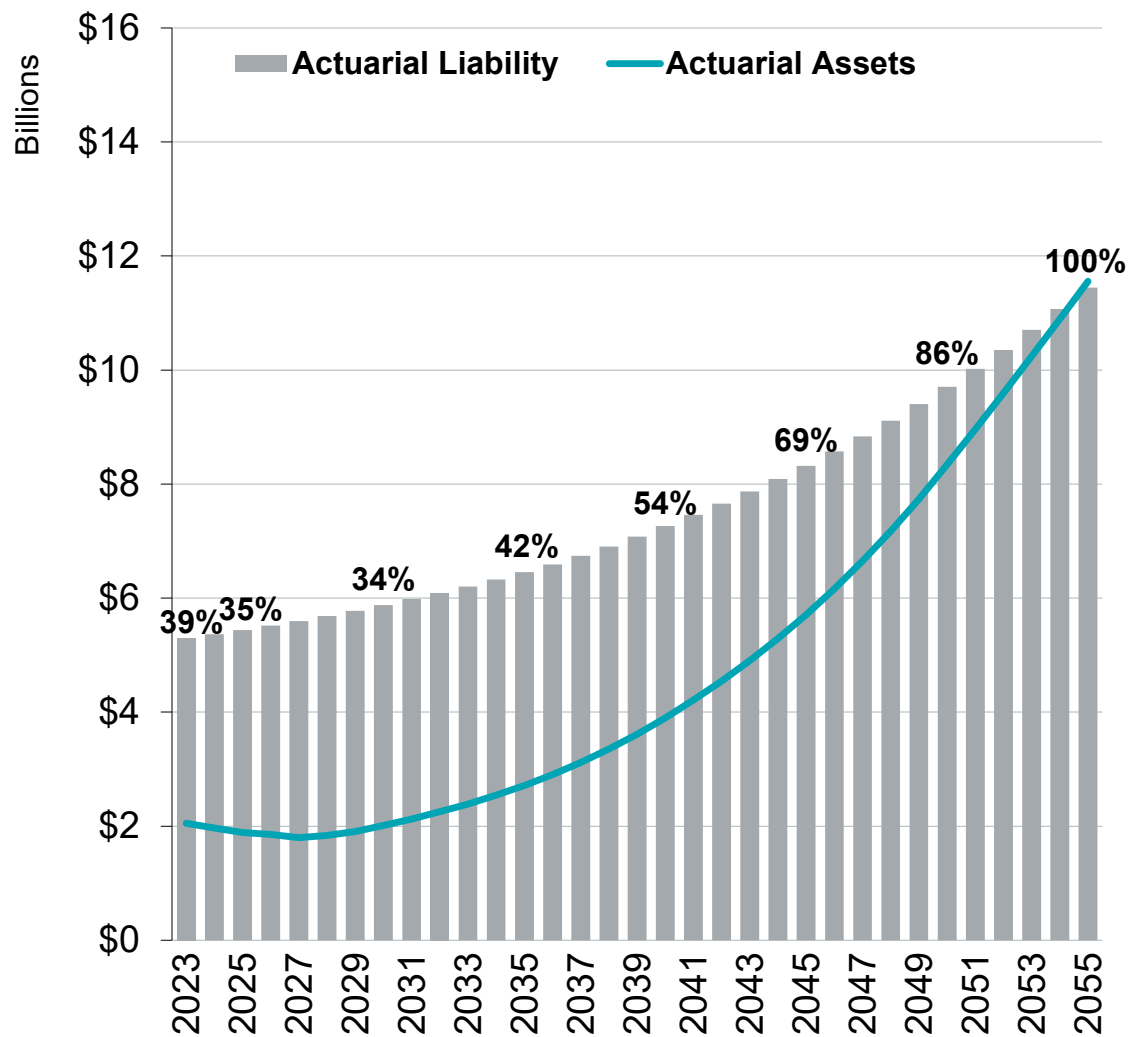
### Retirement

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



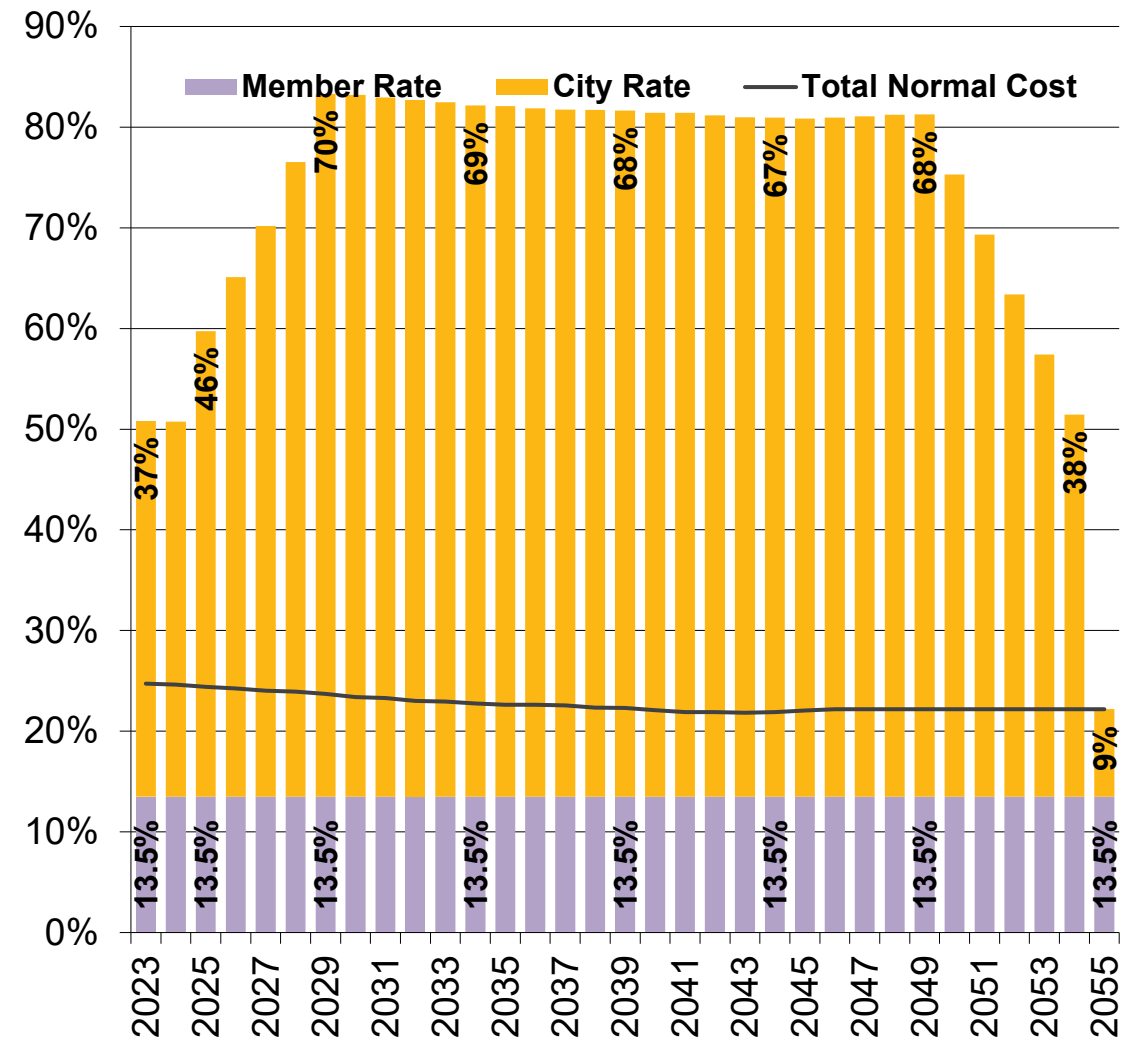
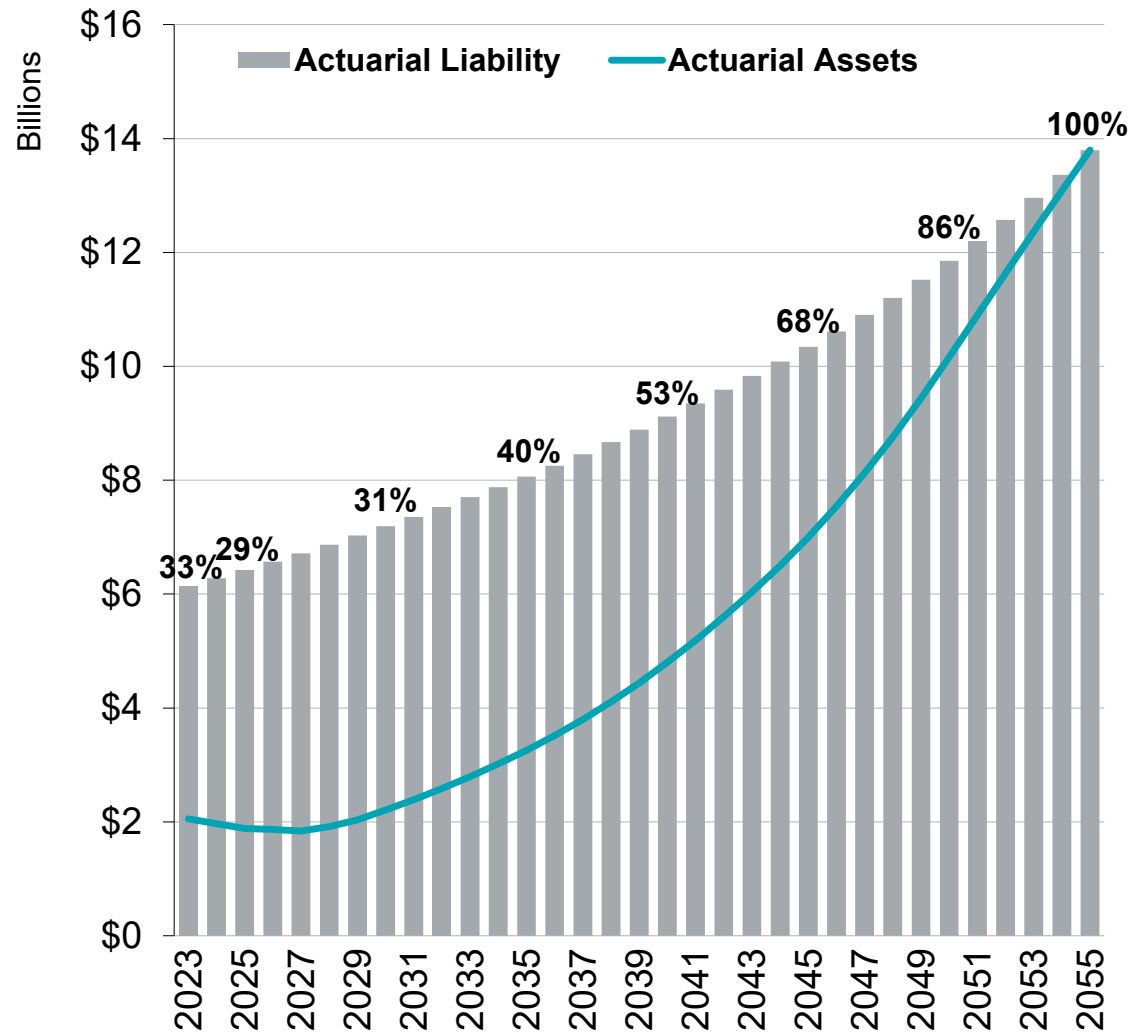
### Purchasing Power

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 DFPF 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



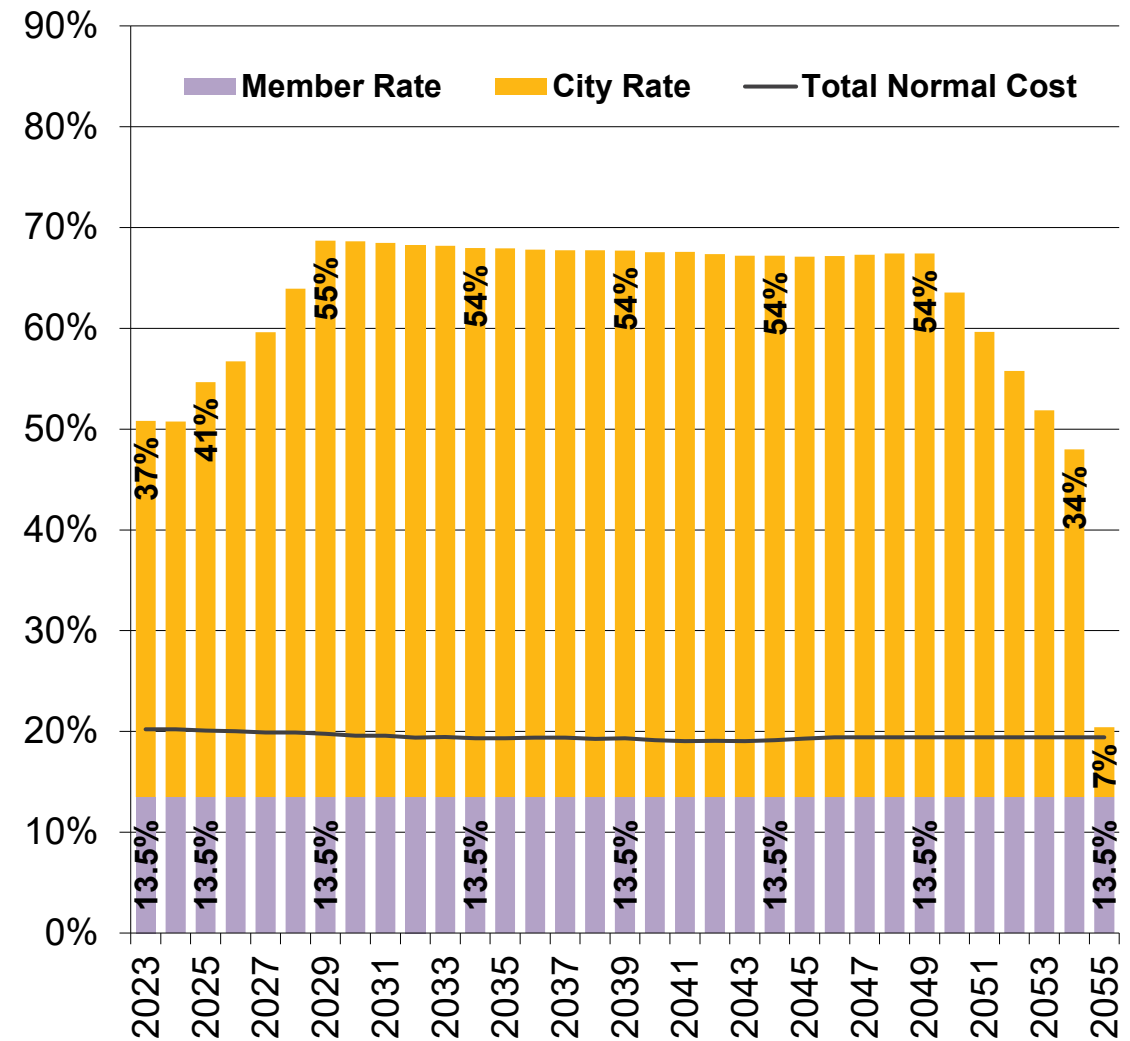
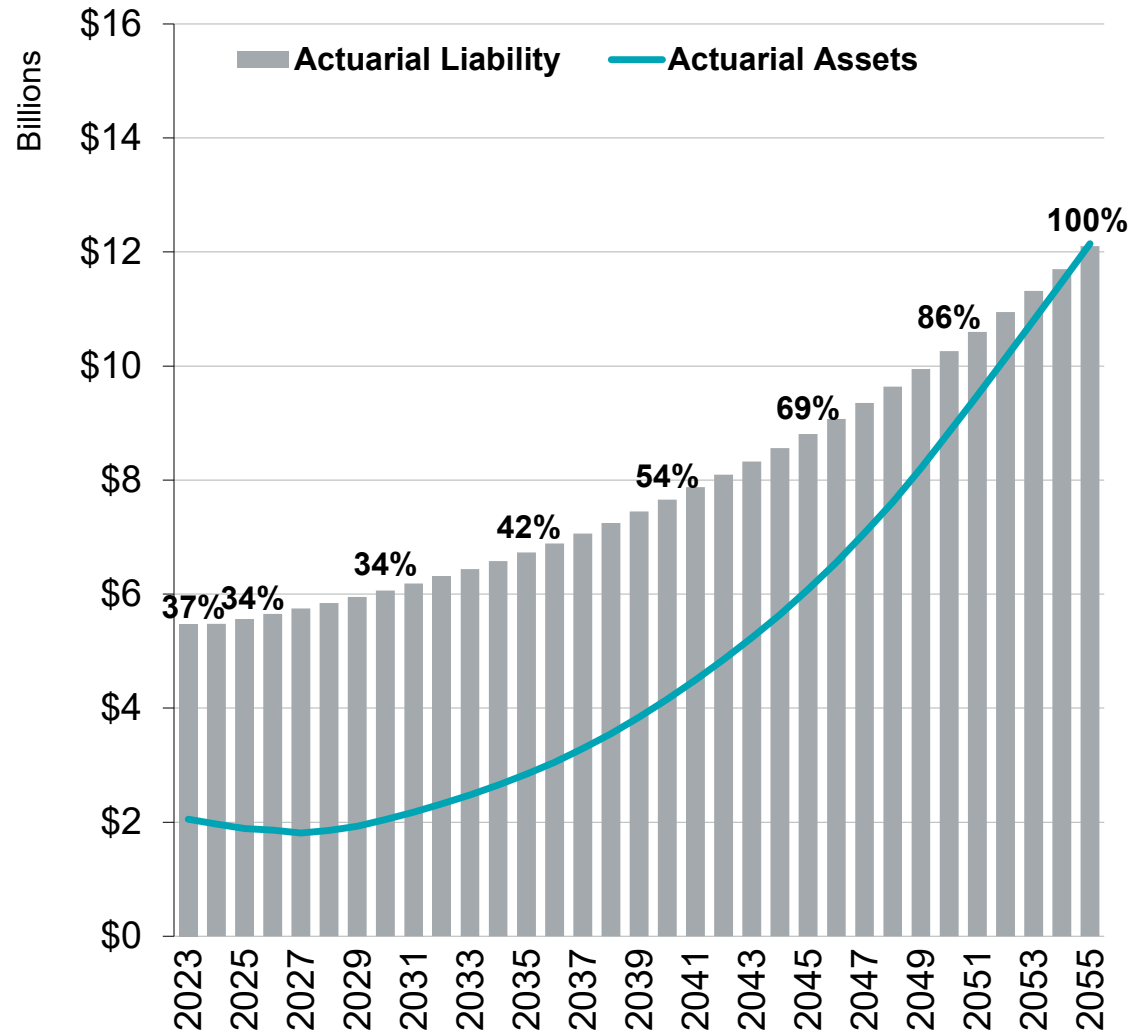
### Purchasing Power

#### 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

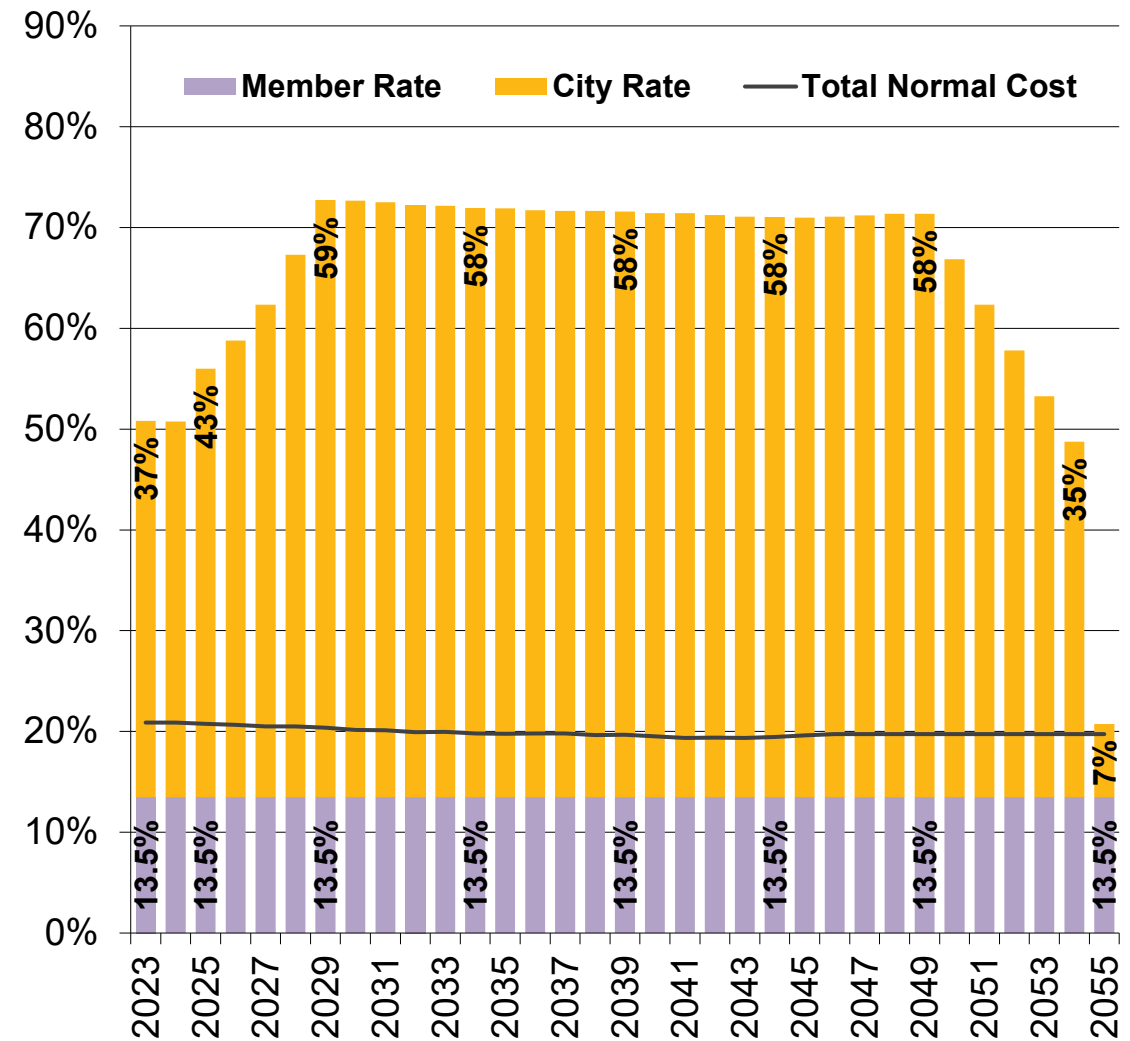
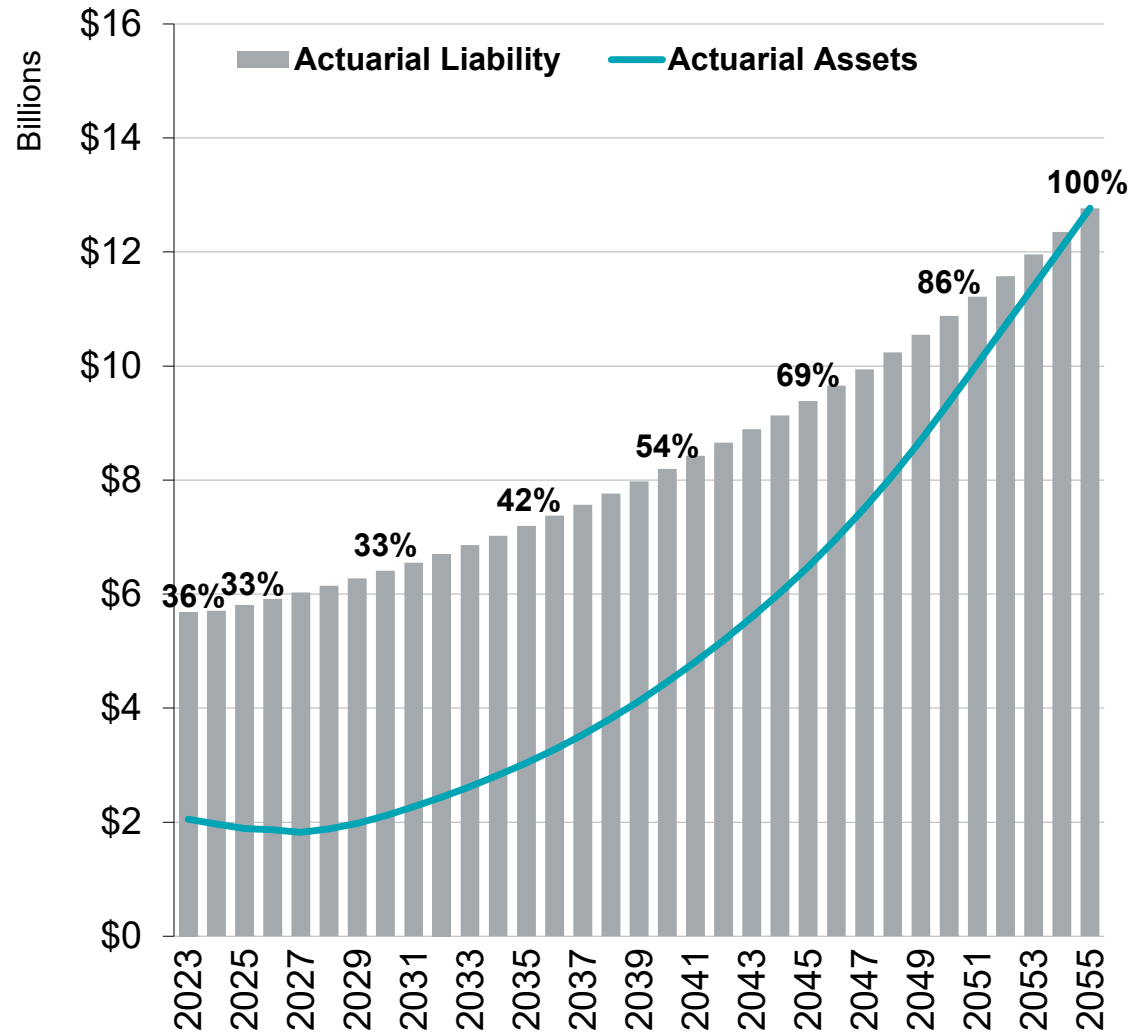


### Purchasing Power

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

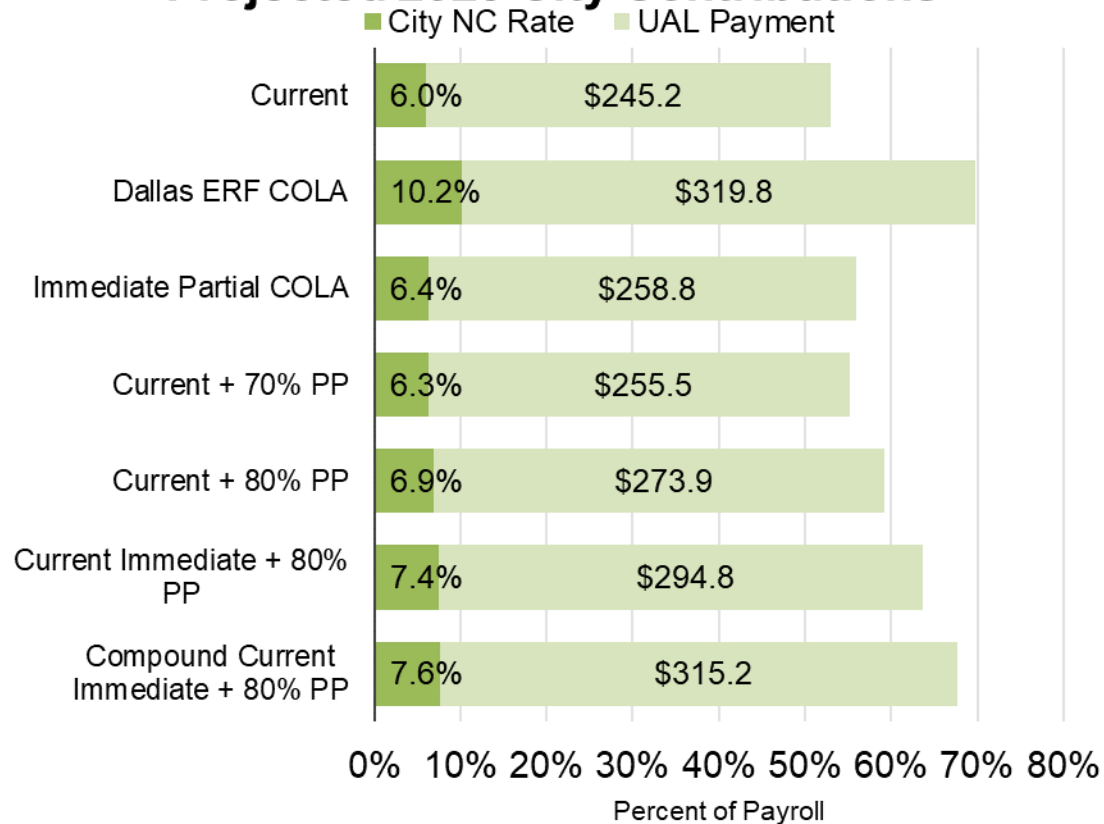


# Summary of COLA Options



## Estimated Cost Impact

### Projected 2029 City Contributions



## 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%



- 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



## 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





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



- 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





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	<u>31</u>	<u>31</u>	0.0%
Total	\$ 6,088	\$ 6,105	0.3%

## Actuarial Liability

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	<u>31</u>	<u>31</u>	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	<u>33.9</u>	<u>33.2</u>	-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

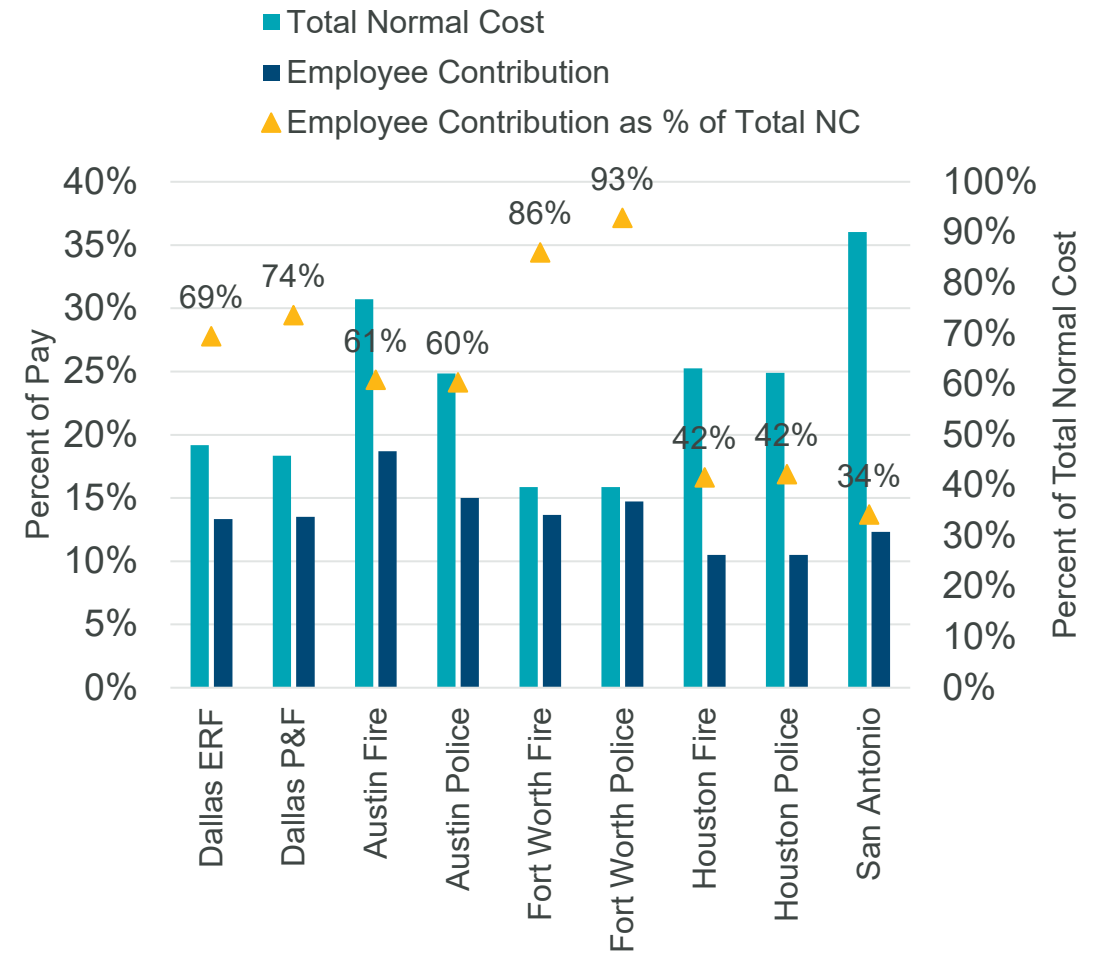
February 8, 2024

# 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

## Employee Contributions vs. Normal Cost

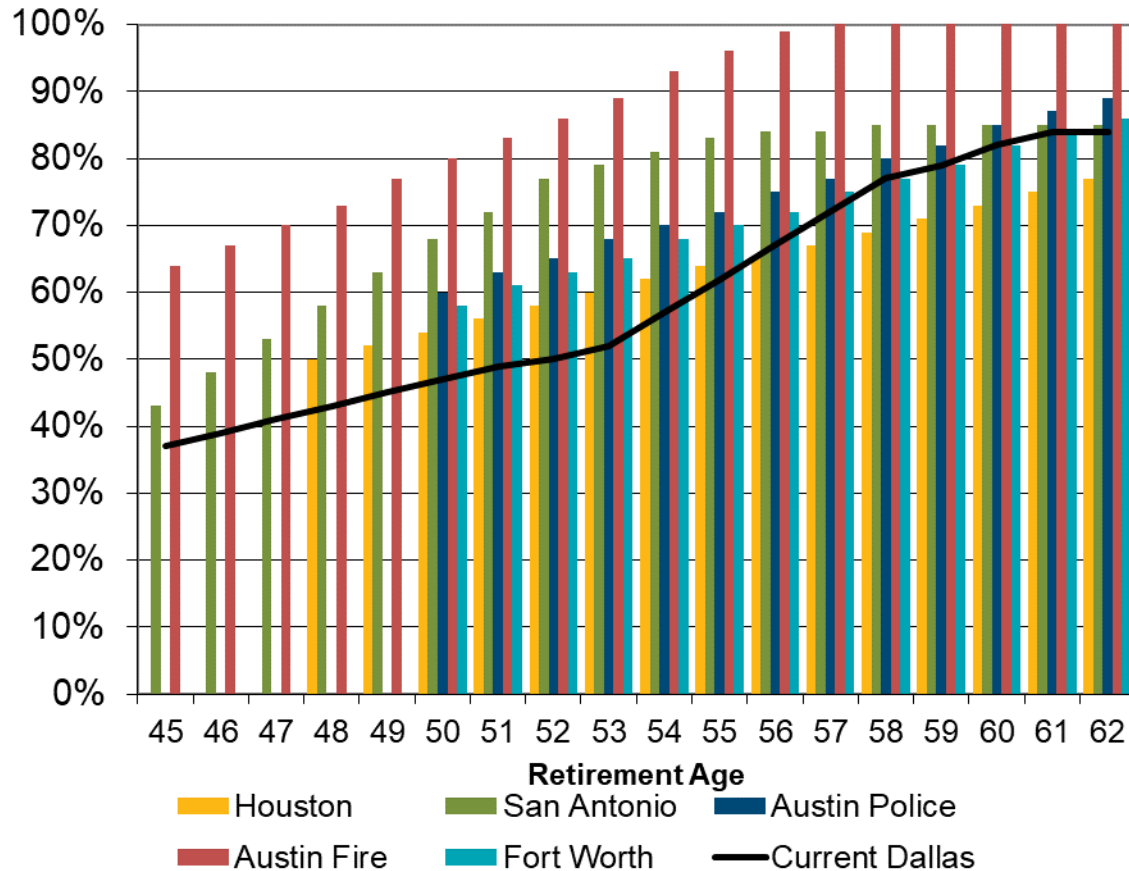


Fort Worth valuation doesn't report total normal cost for Police and Fire separate from general employees, but benefits are similar.

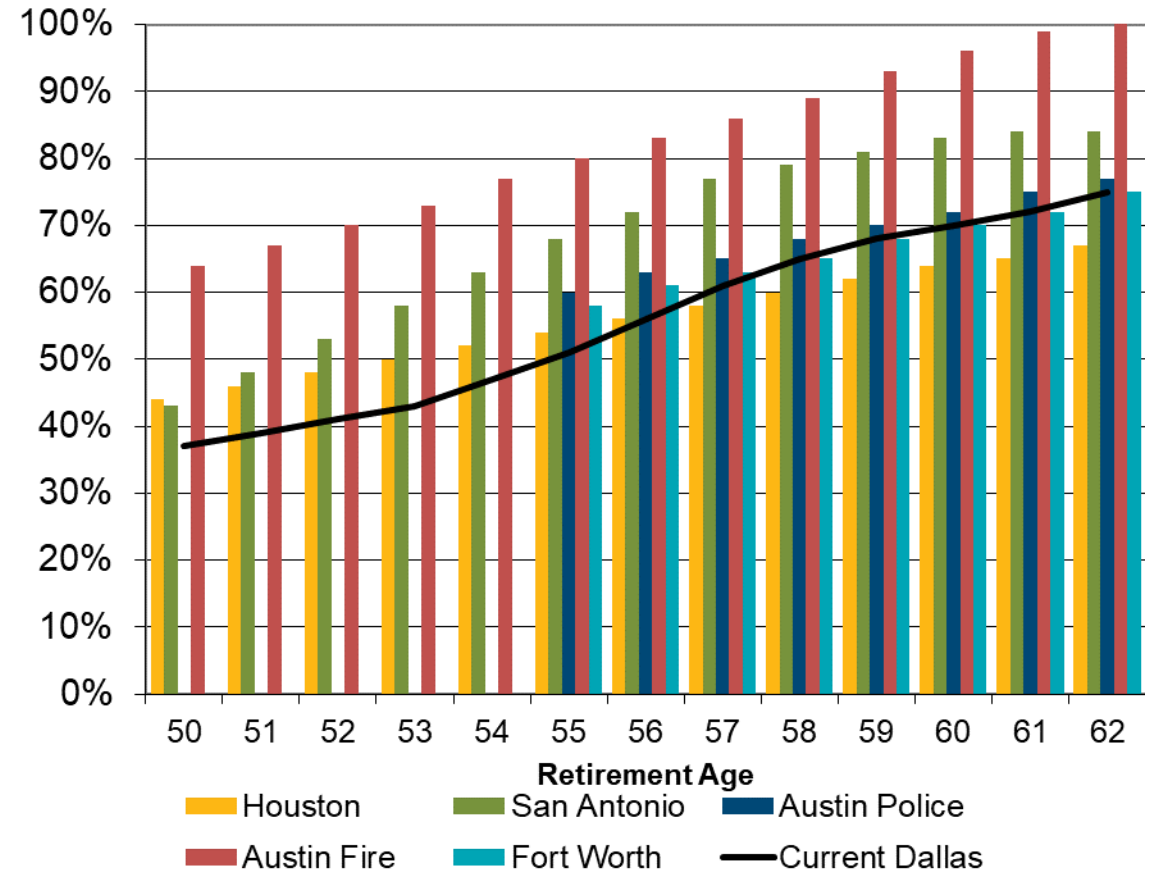
# Appendix - Income Replacement Ratios\* – Most Recent Safety Tiers



## Hired at Age 25



## Hired at Age 30



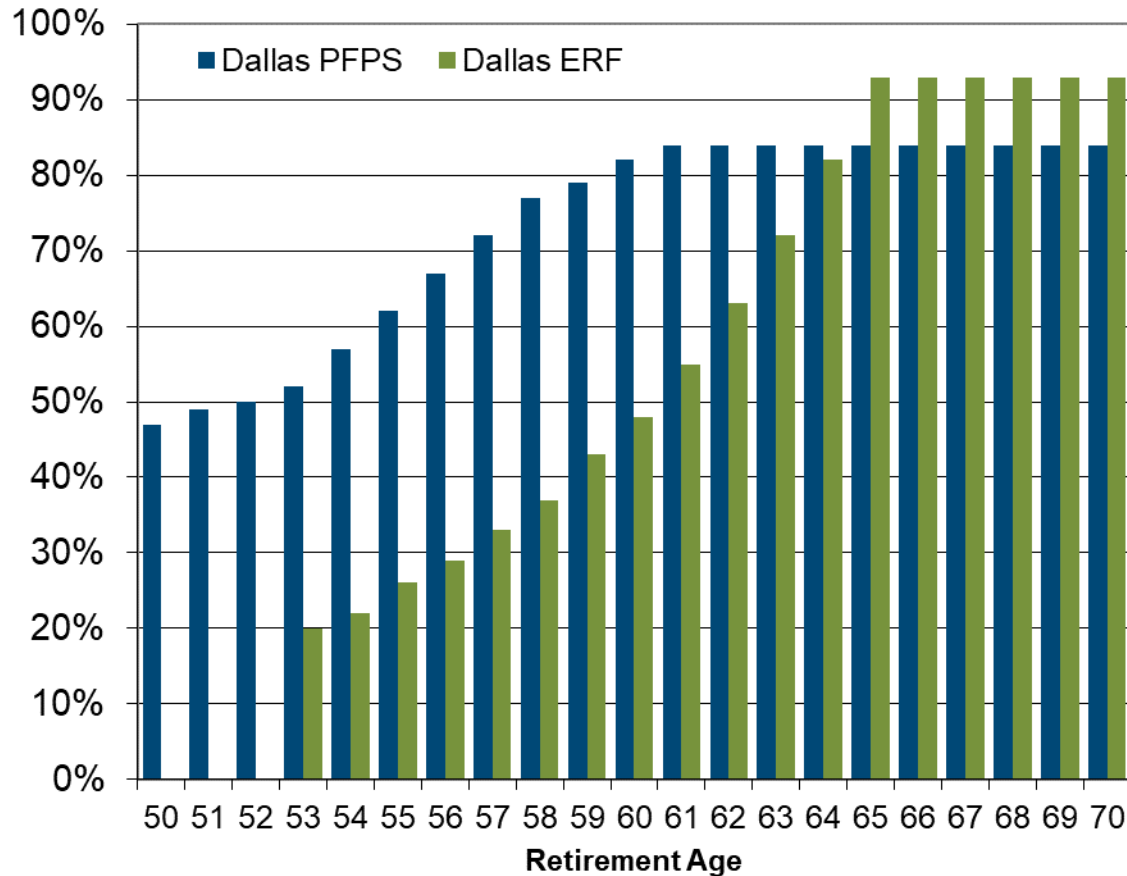
Fort Worth Police can retire after 25 years of service, but Fire must satisfy the Rule of 80

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

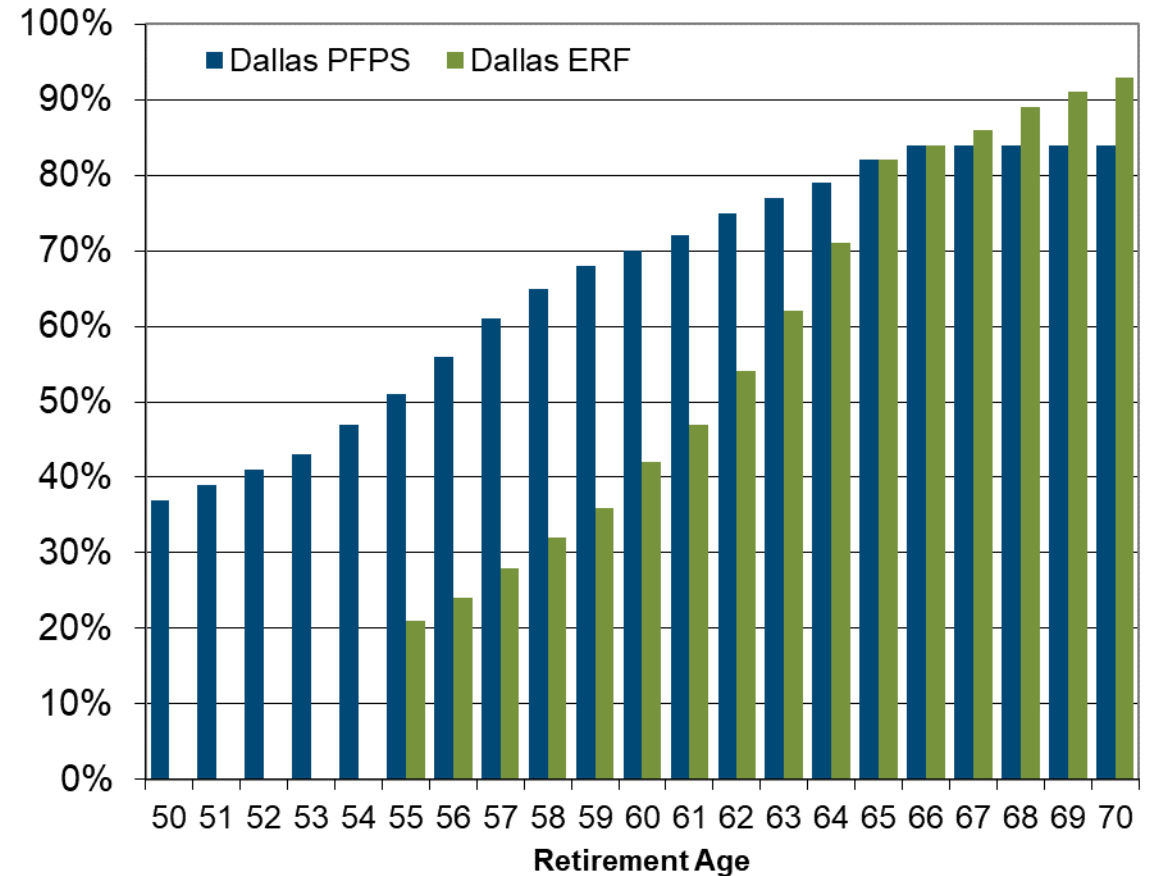
# Appendix - Income Replacement Ratios\* – Dallas Newest Tiers



## Hired at Age 25



## Hired at Age 30



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



- 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<sup>th</sup> check if five-year average return exceeds assumption by at least 100 basis points
    - 14<sup>th</sup> check if five-year average return exceeds assumption by at least 300 basis points



## 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

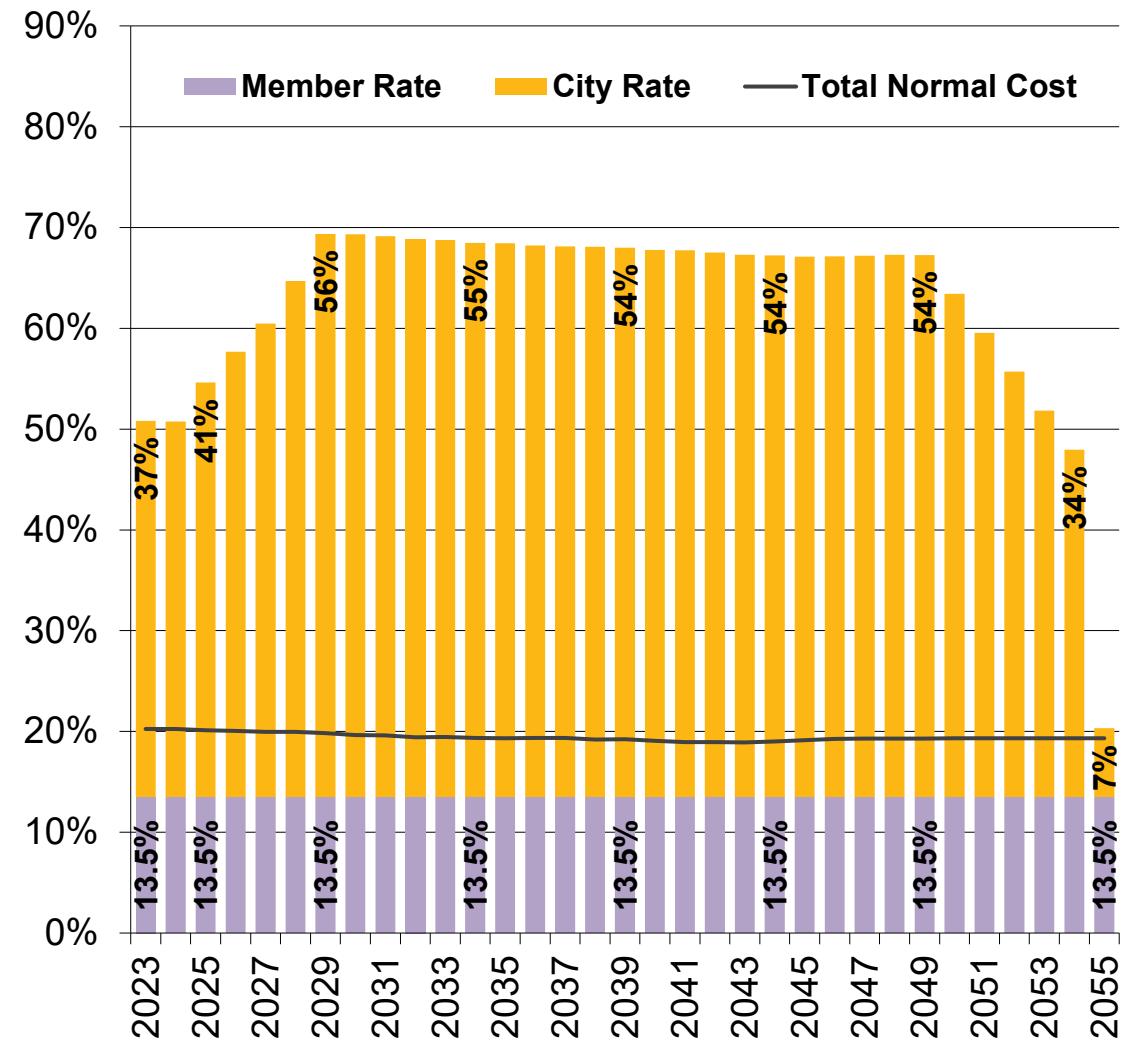
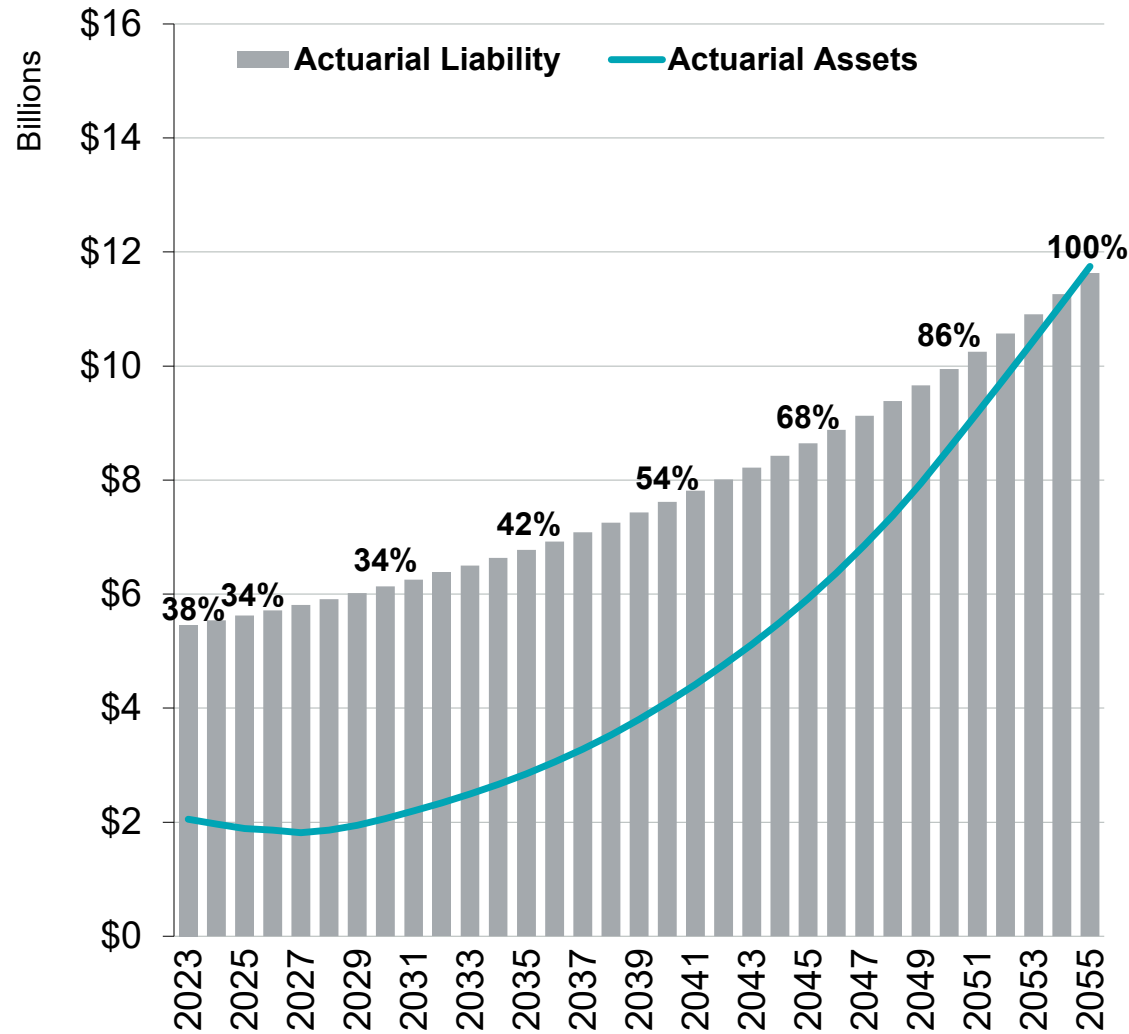
#### Retirement

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 =  $(5\text{-Year Ave Return} - 5.0\%) \times \text{Funded Percentage}$   
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



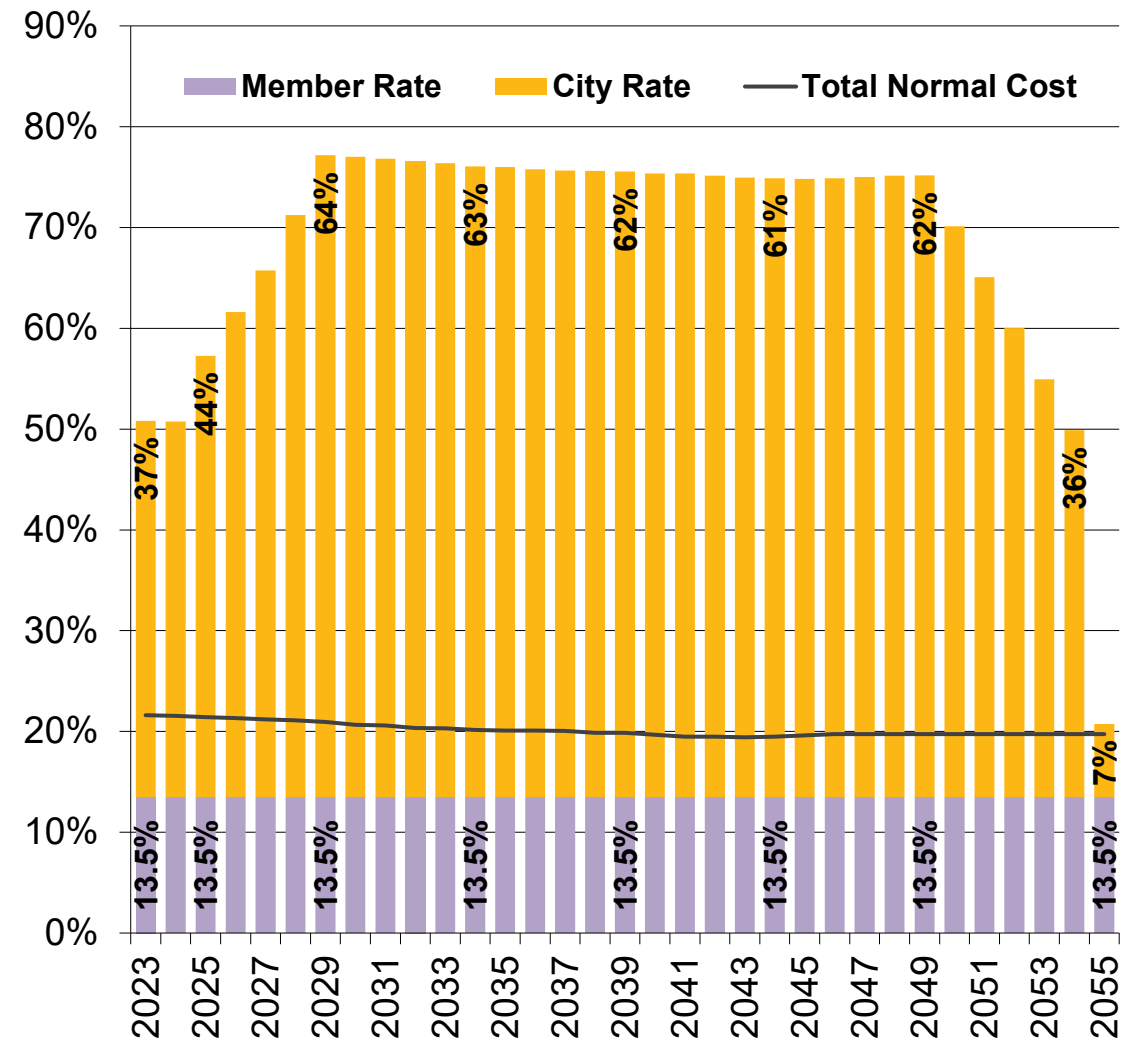
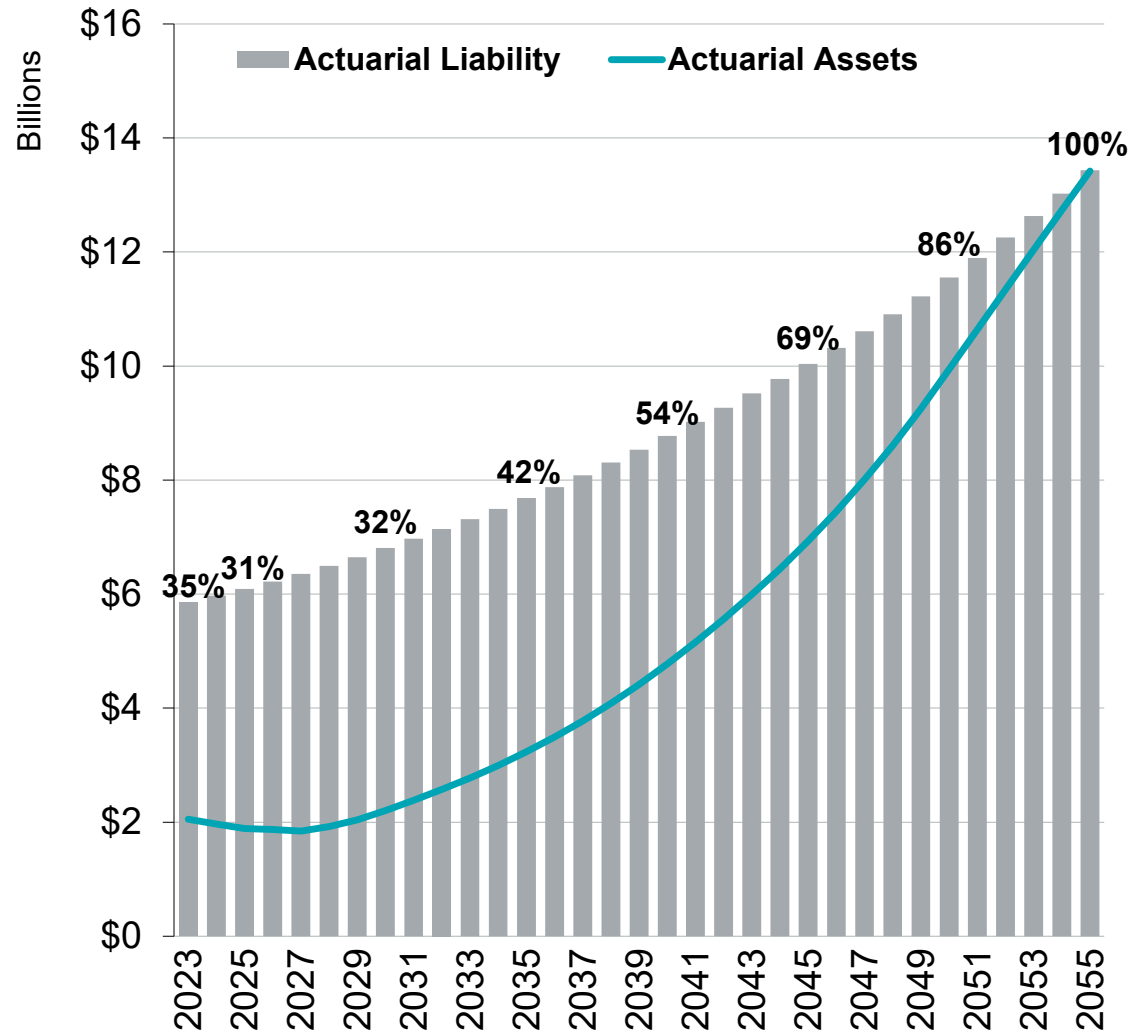
## Purchasing Power

### 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



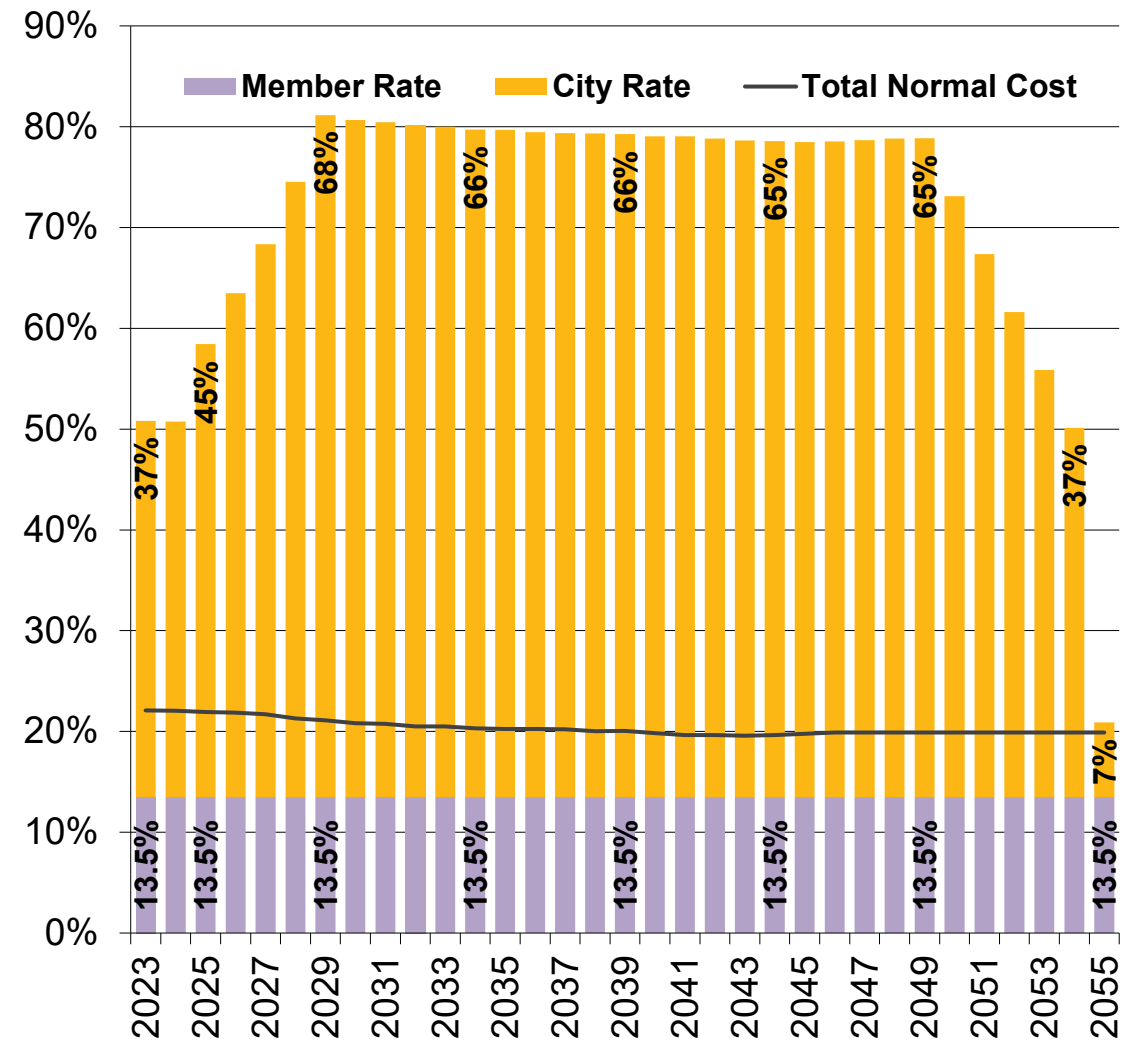
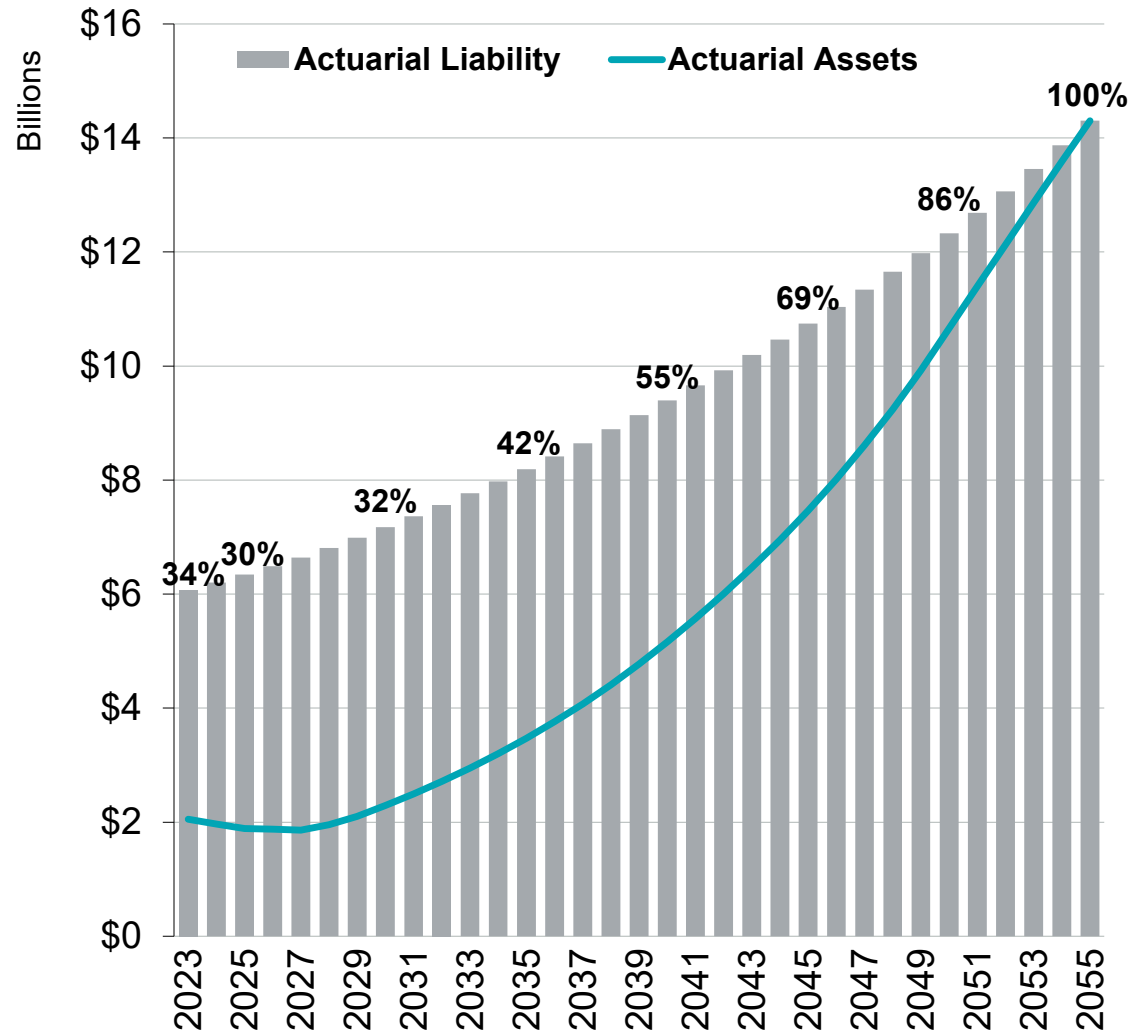
## Purchasing Power

### 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





# City of Dallas

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

## Agenda Information Sheet

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**File #:** 24-463

**Item #:** B.

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



D A L L A S  
**POLICE & FIRE**  
PENSION SYSTEM



## 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

# DPFP Governance

## DPFP Board of Trustees

With Support From:

**Adopts Investment Policy**

Investments Staff

Investment Consultant  
– *Meketa*

Investment Advisory  
Committee (IAC)

**Sets Asset Allocation**

Investments Staff

Investment Consultant  
– *Meketa*

Investment Advisory  
Committee (IAC)

**Hires & Terminates  
Investment  
Managers**

Investments Staff

Investment Consultant  
– *Meketa & Albourne*

Investment Advisory  
Committee (IAC)

**Monitors Portfolio  
& Performance**

Investments Staff

Investment Consultant  
– *Meketa & Albourne*

Investment Advisory  
Committee (IAC)

# 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.

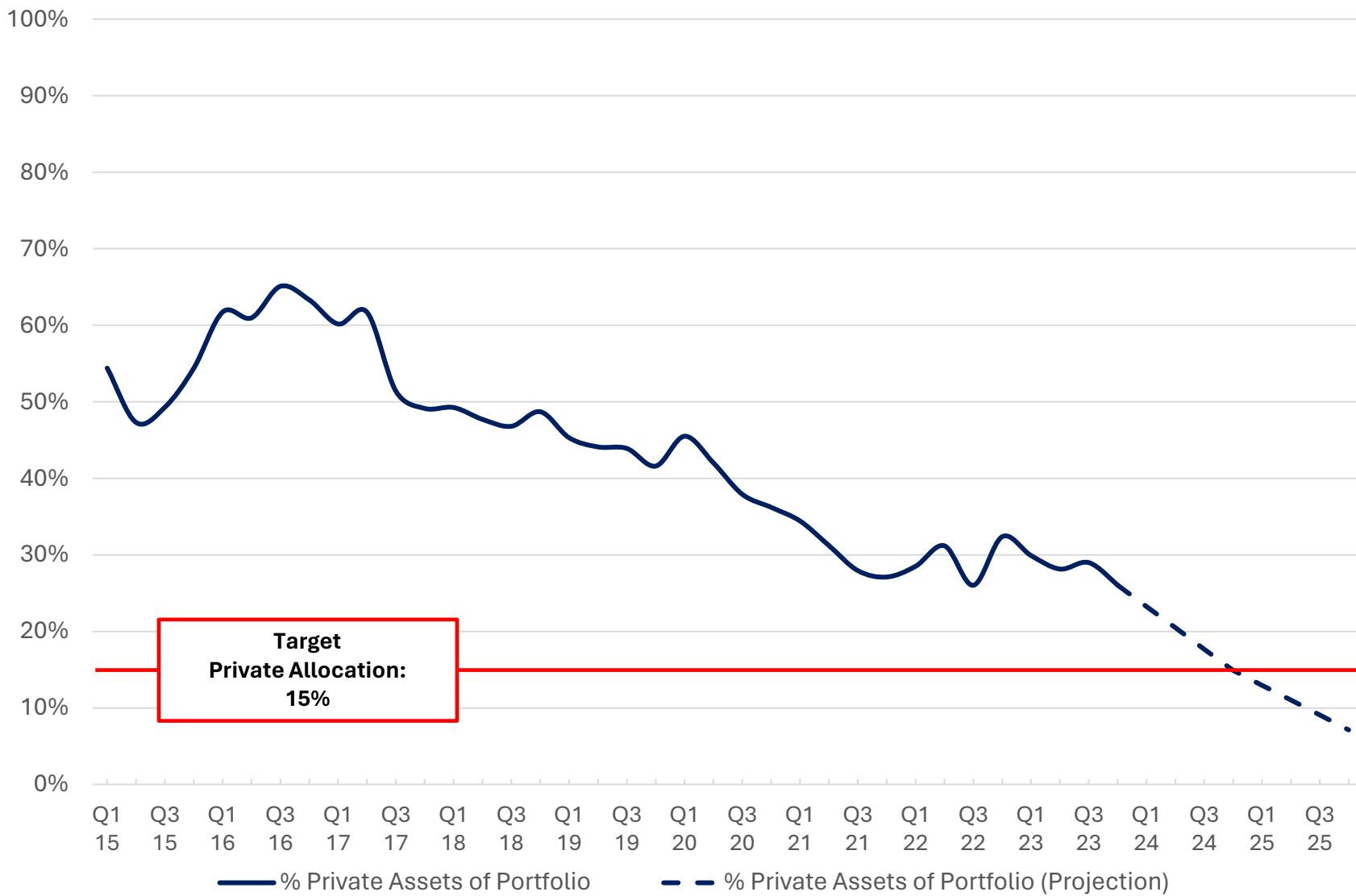
# DPFP Service Providers

- **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.

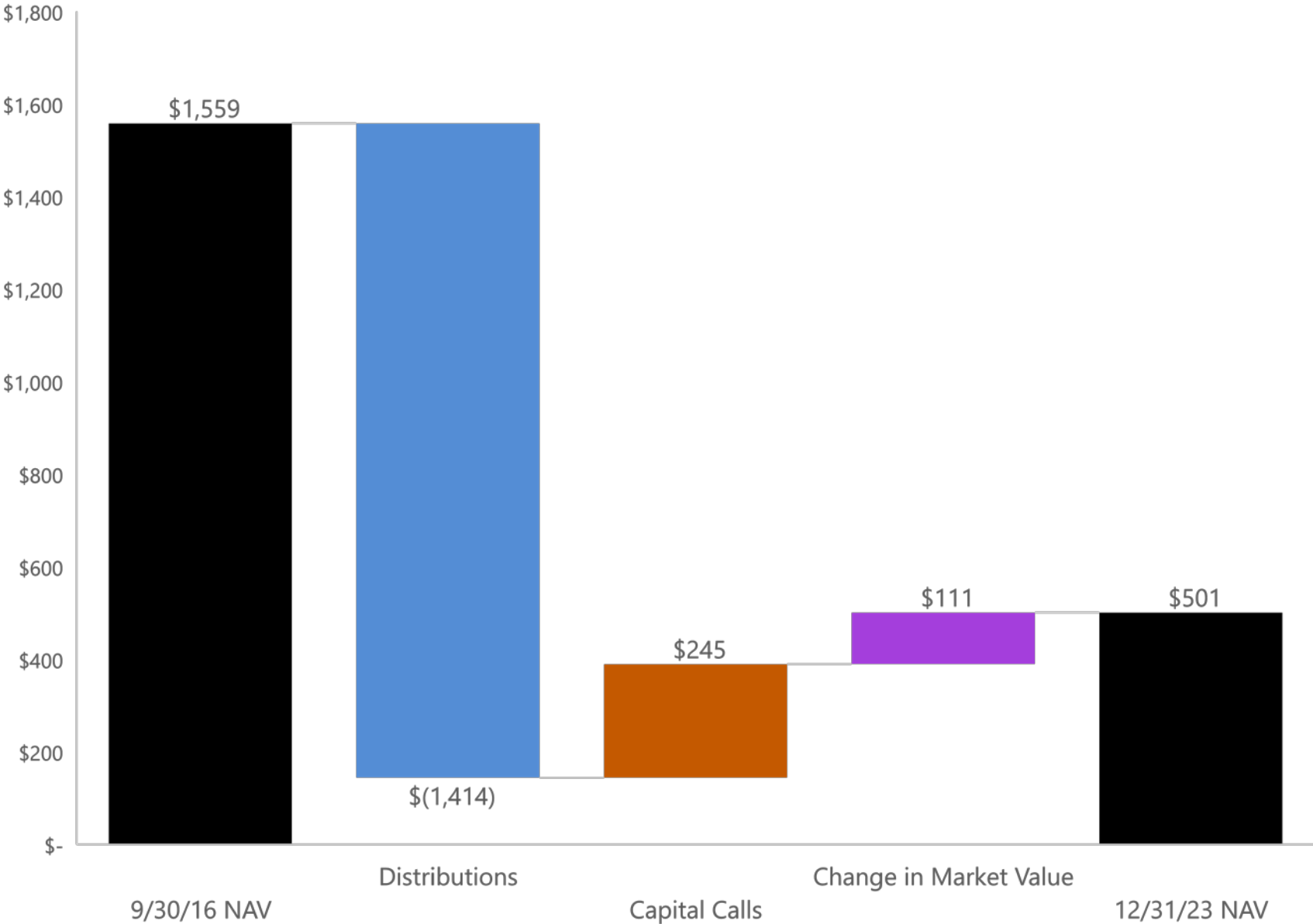


# Asset Allocation Private Markets Over Time

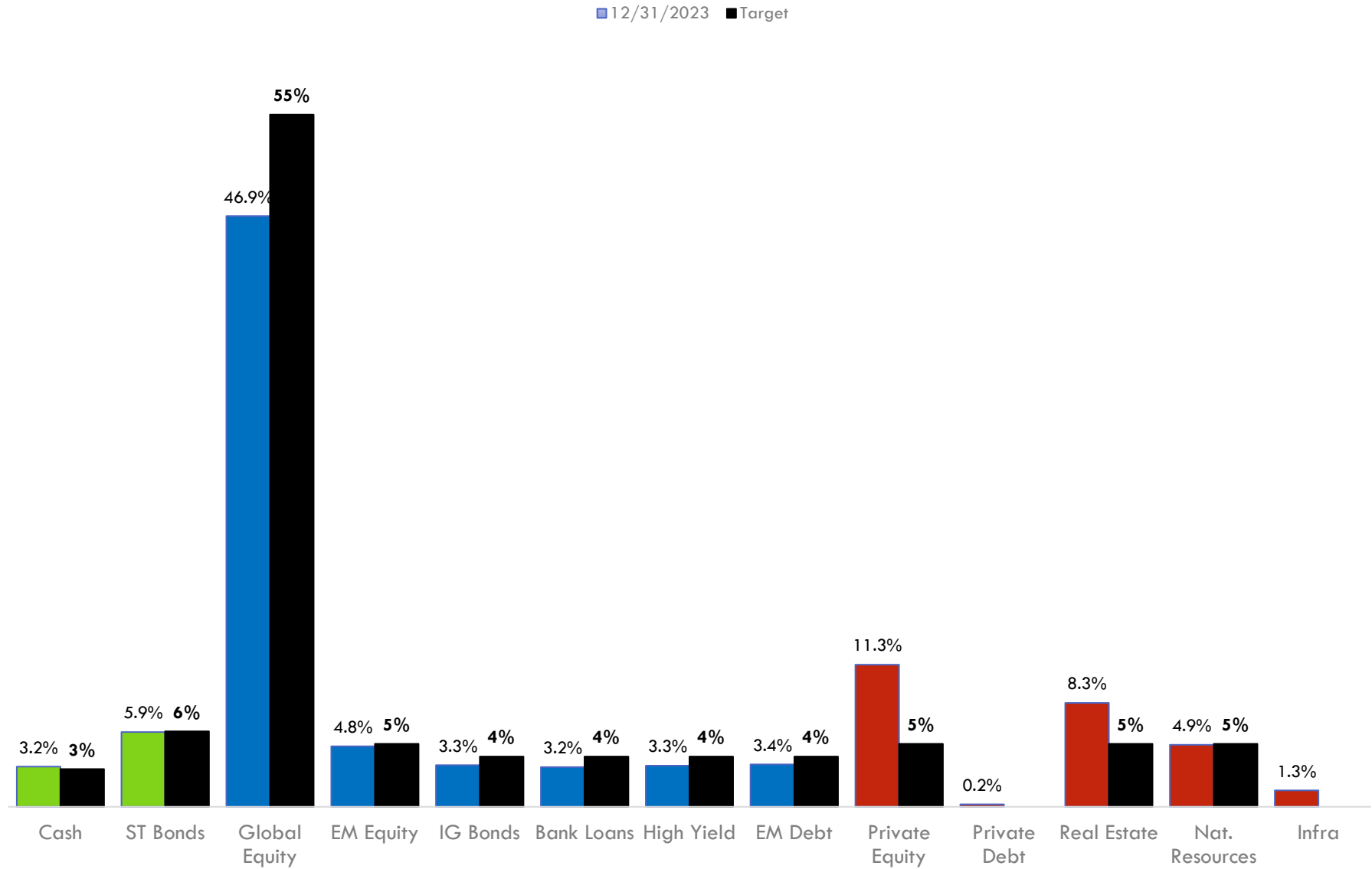
Private asset cash flow projections are based on either in-process/planned sales, if available, or a gradual disposition through 2025.  
Assumes 100% of private asset proceeds are reinvested into liquid investments and flat fund NAV



# Private Markets Bridge Chart – Since 9/30/16

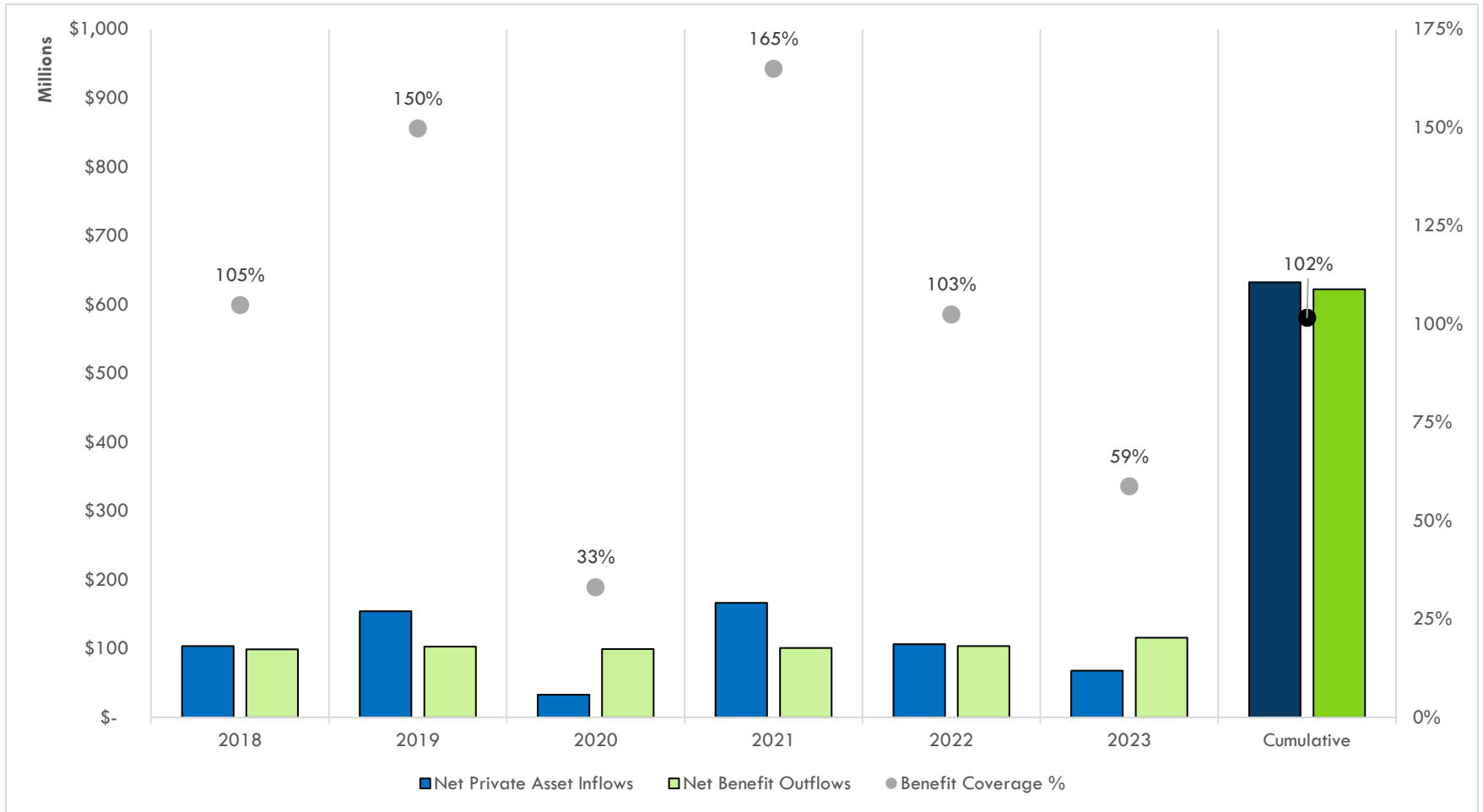


# Asset Allocation – Actual vs. Target



# 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



WCM  
INVESTMENT MANAGEMENT

Manulife  
Investment Management

NORTHERN TRUST  
ASSET MANAGEMENT



EASTERN SHORE  
CAPITAL MANAGEMENT

## Fixed Income



LS LOOMIS | SAYLES



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

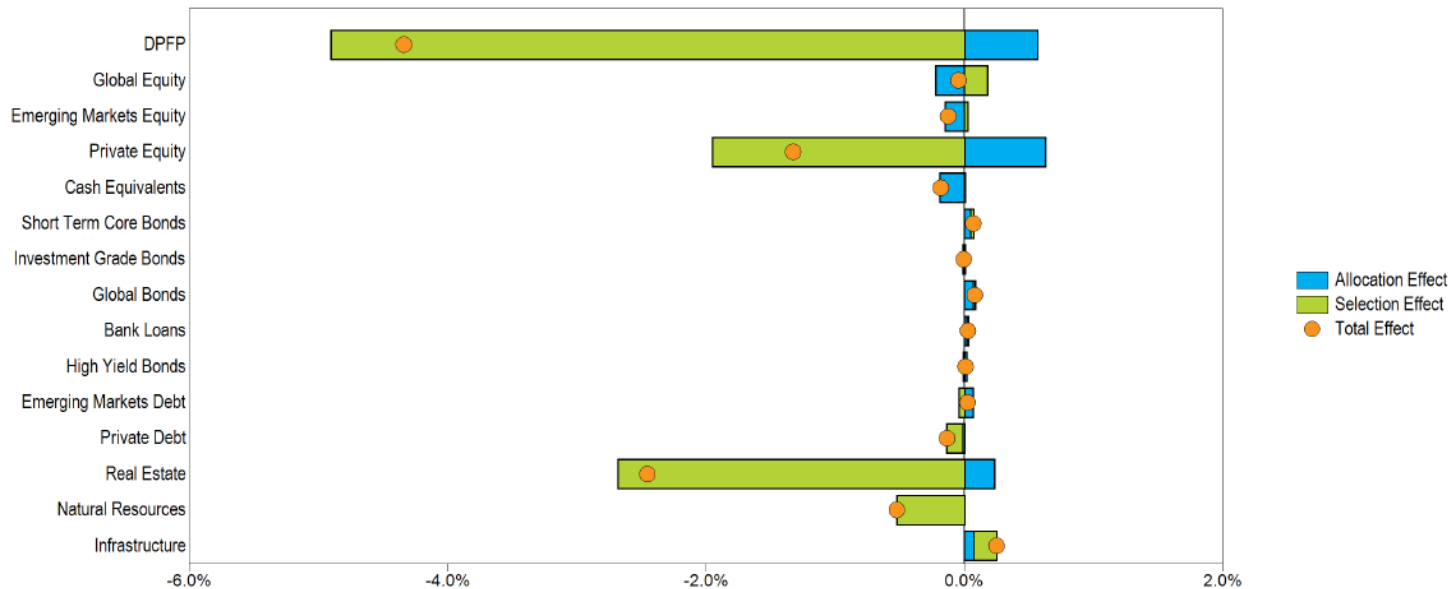
# 10-year Return Attribution - as of 9/30/23



Dallas Police & Fire Pension System

DPFP | As of September 30, 2023

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

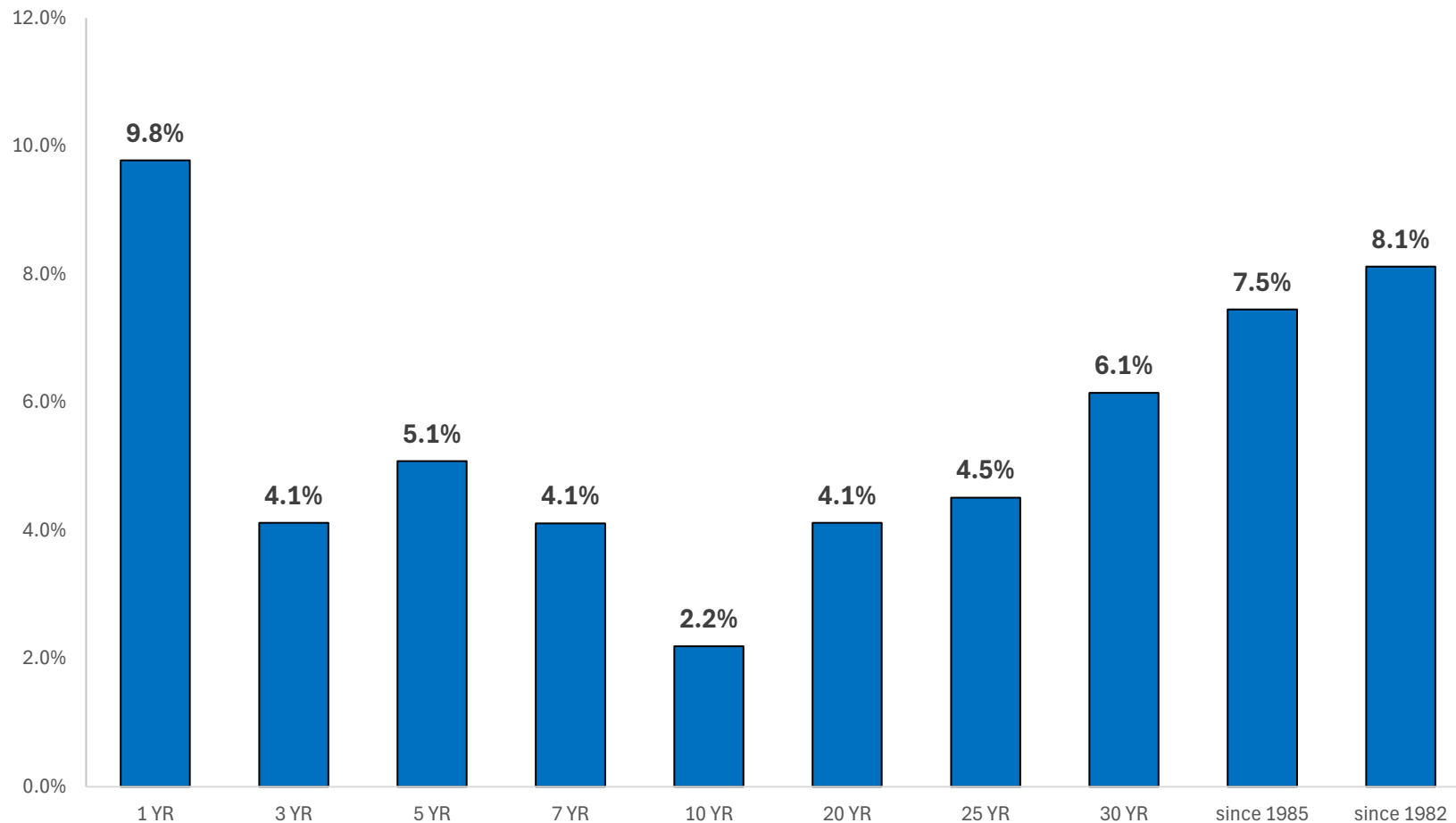


Attribution Summary						
10 Years Ending September 30, 2023						
	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Total Effects
<b>Total</b>	<b>1.6%</b>	<b>5.4%</b>	<b>-3.8%</b>	<b>-4.9%</b>	<b>0.6%</b>	<b>-4.3%</b>

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.

MEKETA INVESTMENT GROUP

# 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.