

MINUTES OF THE CITY COUNCIL COMMITTEE
THURSDAY, JUNE 6, 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, Mendelsohn, Willis

ABSENT: [2] West, Resendez

The meeting was called to order at 3:11 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 5:43 p.m.

Chair

ATTEST:

City Secretary Staff

Date Approved

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

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

The briefing materials for this meeting are filed with the City Secretary's Office as EXHIBIT C.

MINUTES OF THE CITY COUNCIL COMMITTEE
THURSDAY, JUNE 6, 2024

EXHIBIT A

RECEIVED

2024 JUN -3 PM 1:04

**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

June 6, 2024

3:00 PM

2023 CITY COUNCIL APPOINTMENTS

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

(C) – Chair, (VC) – Vice Chair

* Updated:2/22/24

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

General Information

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 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 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.

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

Webex Link

Call to Order

MINUTES

1. [24-1937](#) Approval of the May 23, 2024 Ad Hoc Committee on Pensions Meeting Minutes

Attachments: [Minutes](#)

BRIEFING ITEMS

- A. [24-1939](#) Dallas Police and Fire Pension System (DPFP) and Employees' Retirement Fund (ERF): Investment Portfolio Review and Discussion [Dory Wiley, President & CEO, Commerce Street Investment Management; Grant Glover, Investment Analyst, Commerce Street Investment Management]

Attachments: [Presentation](#)

- B. [24-1940](#) Employees' Retirement Fund (ERF): Funding Soundness Restoration Plan Update and Consideration of Recommendations [Cheryl Alston, Executive Director, City of Dallas Employee Retirement Fund; David Etheridge, Deputy Executive Director, City of Dallas Employee Retirement Fund]

Attachments: [Presentation](#)

- C. [24-1942](#) Dallas Police and Fire Pension System (DPFP): Funding Soundness Restoration Plan Update and Consideration of Recommendations [Jack Ireland, Chief Financial Officer, City Manager's Office]

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, JUNE 6, 2024

EXHIBIT B

OFFICIAL ACTION OF THE CITY COUNCIL COMMITTEE

JUNE 6, 2024

Item 1: Approval of the May 23, 2024 Ad Hoc Committee on Pensions Meeting Minutes

Councilmember Willis moved to adopt the minutes as presented.

Motion seconded by Councilmember Moreno and unanimously adopted. (West, Resendez absent)

OFFICIAL ACTION OF THE CITY COUNCIL COMMITTEE

JUNE 6, 2024

BRIEFING ITEMS

Item A: Dallas Police and Fire Pension System (DPFP) and Employees' Retirement Fund (ERF): Investment Portfolio Review and Discussion

The following individuals briefed the committee on the item:

- Jack Ireland, Chief Financial Officer, City Manager's Office; and
- Dory Wiley, President & CEO, Commerce Street Investment Management

OFFICIAL ACTION OF THE CITY COUNCIL COMMITTEE

JUNE 6, 2024

BRIEFING ITEMS

Item B: Employee Retirement Fund (ERF): Funding Soundness Restoration Plan Update and Consideration of Recommendations

The following individuals briefed the committee on the item:

- Cheryl Alston, Executive Director, City of Dallas Employee Retirement Fund; and
- David Etheridge, Deputy Executive Director, City of Dallas Employee Retirement Fund

OFFICIAL ACTION OF THE CITY COUNCIL COMMITTEE

JUNE 6, 2024

BRIEFING ITEMS

Item C: Dallas Police and Fire Pension System (DPFP): Funding Soundness Restoration Plan Update and Consideration of Recommendations

The following individuals briefed the committee on the item:

- Jack Ireland, Chief Financial Officer, City Manager's Office; and
- Kimberly Tolbert, Interim-City Manager, City Manager's Office

MINUTES OF THE CITY COUNCIL COMMITTEE
THURSDAY, JUNE 6, 2024

EXHIBIT C

Dallas Police and Fire Pension and Employee Retirement Fund: Investment Portfolio Review and Discussion

Ad Hoc Committee on Pensions

Commerce Street Investment Management



Initial discussion



A few points most everyone can agree on:

- Both the Dallas Police & Fire Pension Fund and Dallas Employees' Retirement Fund are underfunded (~39% and ~73% funding ratios, respectively)
- The City of Dallas will have to contribute significant funds to improve the funding status
- The public, city officials, beneficiaries, and all stakeholders want assurance that the plans are being optimally managed

Source: Dallas Police and Fire Pension Actuarial Valuation and Review as of January 1, 2023 and Employees' Retirement Fund of the City of Dallas Actuarial Valuation Report as of December 31, 2022

What Commerce Street has been asked to do



The City requested a report comprised of the following objectives:

1. Assess the overall structure and asset allocation of the investment portfolio
2. Assess the overall performance and current/historical rate of return of the investment portfolio
3. Identify appropriate state and national benchmarking for asset allocation and investment performance
4. Identify areas of potential risk and propose risk mitigation strategies
5. Evaluate the effectiveness of the current asset allocation strategy
6. Evaluate the effectiveness of the current manager selection and their strategies
7. Review the adherence to investment policies and guidelines
8. Review the current fee structure and trading costs

Benchmarking basics



“If you can’t measure it, you can’t manage it” – Peter Drucker

We should define a strong peer group

- If peers are significantly outperforming us, then we should understand why we are underperforming
- Underperformance will show up in asset allocation and manager selection

Benchmarking helps the City and the Plans in many ways

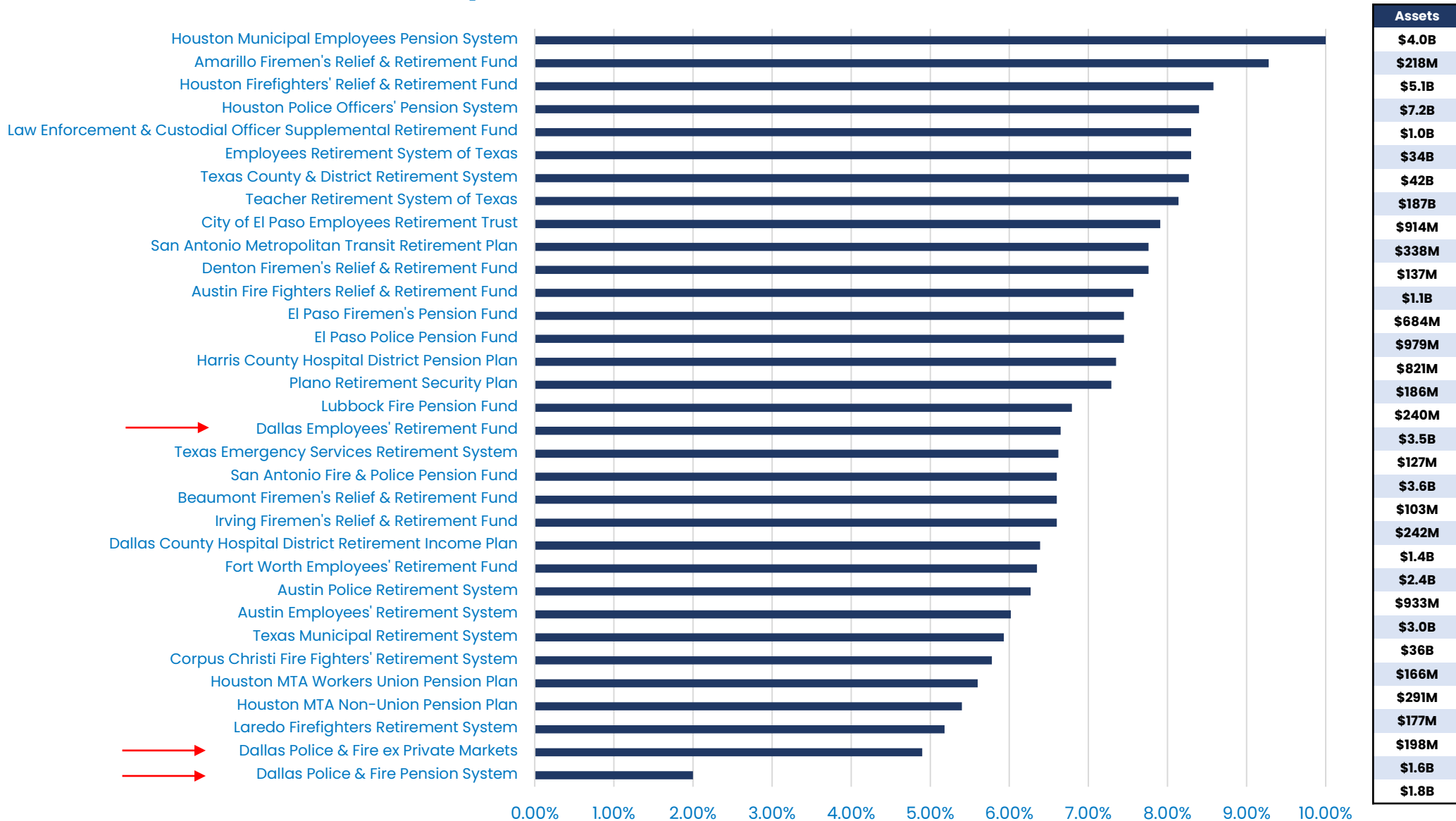
- It provides transparency for performance, management, and governance’s effectiveness
- It can give us new ideas and insight
- Done correctly, it lays the groundwork for outperformance

If we are below average, we must get to average, if we are average, let us work our way to above average

DPFP and ERF compared to their peers



10-Year Net Returns for pensions in the state of Texas with >\$100mm in assets



Source: Texas Pension Review Board. <https://data.prb.texas.gov/comparison/index.html> as of 12/31/22

DPFP and ERF vs. returns of largest Texas cities



Data as of 12/31/22	3-Year	5-Year	10-Year
Dallas Police and Fire	1.5%	2.8%	2.0%
DPFP ex Private Markets	2.3%	3.5%	4.9%
Dallas ERF	3.9%	4.7%	6.6%
Houston MEPS*	13.1%	11.1%	10.2%
Houston Firefighters*	11.0%	9.4%	8.7%
Houston Police*	9.6%	9.1%	8.4%
Texas County & District RS	8.3%	7.8%	8.3%
Austin Fire	5.8%	5.9%	7.2%
San Antonio Fire & Police	4.3%	4.6%	6.6%
Austin Police	5.1%	5.7%	6.3%
Austin ERS	1.9%	3.7%	6.0%

Source: Texas Pension Review Board. <https://data.prb.texas.gov/plans/index.html> and <https://publicplansdata.org/public-plans-database/browse-data/>

*Plans with fiscal years ending 6/30/22

DPFP and ERF vs. national and Texas returns for similar sized funds



Data as of 12/31/22	3-Year	5-Year	10-Year
Dallas Police and Fire	1.5%	2.8%	2.0%
DPFP ex Private Markets	2.3%	3.5%	4.9%
Dallas ERF	3.9%	4.7%	6.7%
National Bottom Quartile	3.8%	4.6%	6.6%
National Average	4.6%	5.5%	7.1%
National Top Quartile	5.8%	6.0%	7.7%
Texas Average*	4.1%	5.1%	6.1%
Texas Top Quartile*	4.9%	5.8%	7.0%
Texas Top Decile*	6.7%	6.7%	7.7%

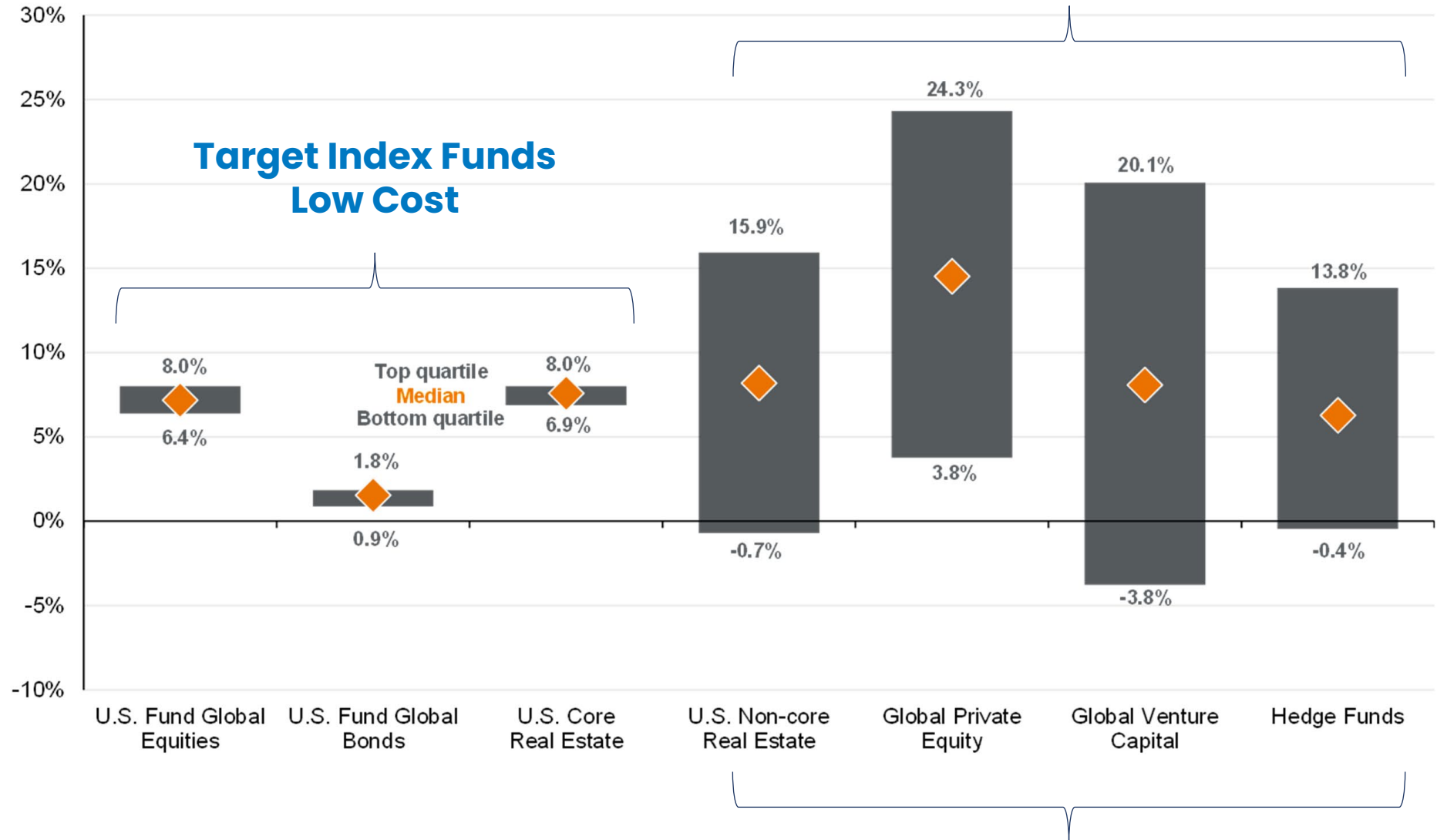
Source: <https://publicplansdata.org/public-plans-database/browse-data/>

National quartile rankings provided by Meketa

*Quartile rankings only taken from Texas Plans with fiscal years ending 12/31

Active managers are more valuable in private asset classes

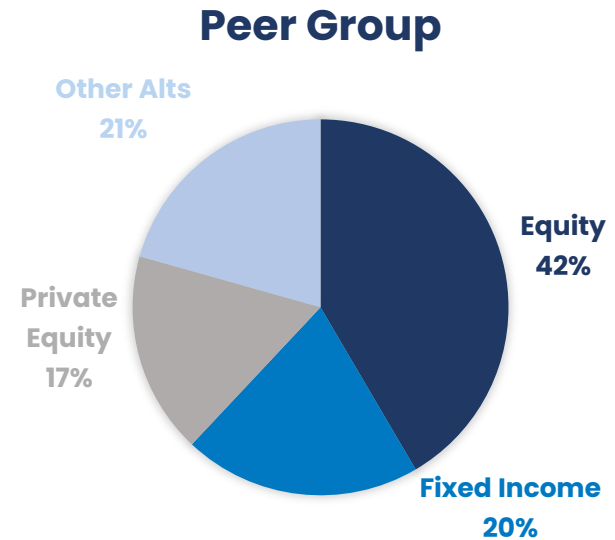
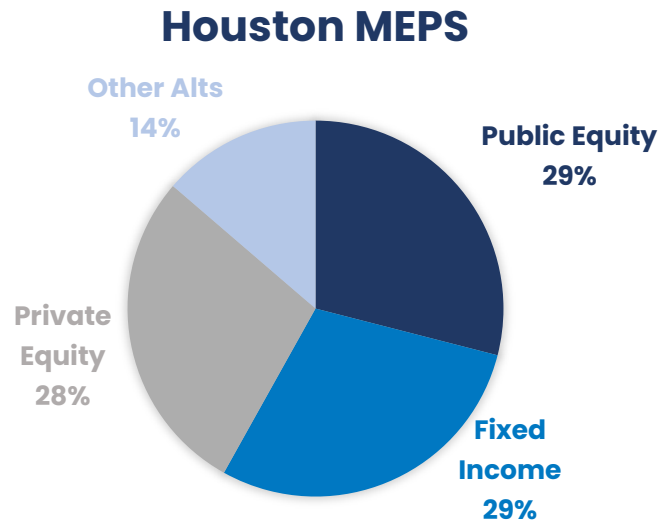
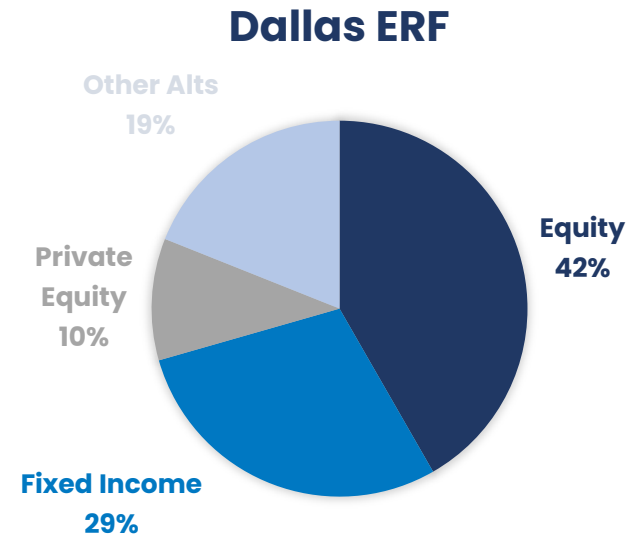
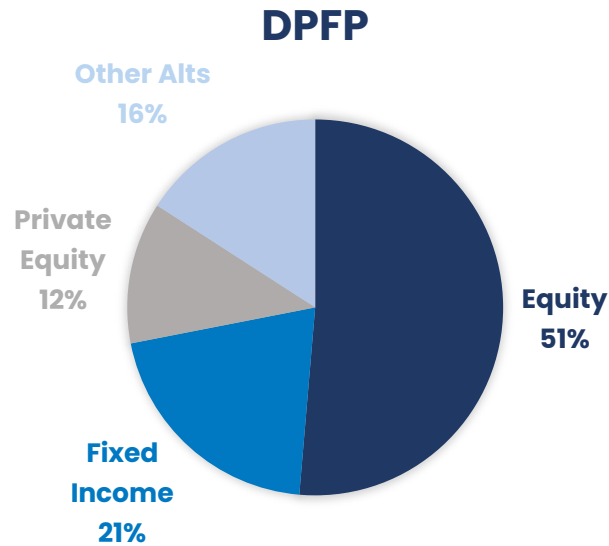
Public and private manager dispersion
Based on returns over a 10-year window*



Spend Time/Money

Source: JPMorgan Guide to the Markets

DPFP and ERF's asset allocations



Data as of 6/30/23

Peer Group consist of similar-size funds in Texas: Houston Firefighters Relief and Retirement Fund, Houston Police Officers' Pension System, Houston Municipal Employees' Pension System, Austin Police Retirement System, Austin Firefighters Retirement Fund, Fort Worth Employees' Retirement Fund, Texas County and District Retirement System

The biggest contributors to DFPF's underperformance is private equity allocation and performance

As of 6/30/23	Investment Weights		
	DFPF	HMEPS	Peer Group
Public Equity	51.4%	29.0%	43.3%
Private Equity	12.2%	28.2%	21.3%
Fixed Income	20.5%	25.8%	18.1%
Other Alts	15.8%	17.0%	21.5%

As of 6/30/23	Returns (5 Year)		
	DFPF	HMEPS	Peer Group
Public Equity	8.20%	6.90%	7.52%
Private Equity	4.80%	17.60%	17.47%
Fixed Income	1.14%	7.41%	2.64%
Other Alts	2.53%	8.02%	6.87%

Peer Group consist of similar-size funds in Texas: Houston Firefighters Relief and Retirement Fund, Houston Police Officers' Pension System, Houston Municipal Employees' Pension System, Austin Police Retirement System, Austin Firefighters Retirement Fund, Fort Worth Employees' Retirement Fund, Texas County and District Retirement System

The biggest contributor to ERF's underperformance is under-allocation to private equity

As of 6/30/23	Investment Weights		
	ERF	HMEPS	Peer Group
Public Equity	41.7%	29.0%	43.3%
Private Equity	10.5%	28.2%	21.3%
Fixed Income	28.9%	25.8%	18.1%
Other Alts	19.0%	17.0%	21.5%

As of 6/30/23	Returns (5 Year)		
	ERF	HMEPS	Peer Group
Public Equity	6.67%	6.90%	7.52%
Private Equity	14.86%	17.60%	17.47%
Fixed Income	2.05%	7.41%	2.64%
Other Alts	5.37%	8.02%	6.87%

Peer Group consist of similar-size funds in Texas: Houston Firefighters Relief and Retirement Fund, Houston Police Officers' Pension System, Houston Municipal Employees' Pension System, Austin Police Retirement System, Austin Firefighters Retirement Fund, Fort Worth Employees' Retirement Fund, Texas County and District Retirement System

A top quartile allocation with average returns would result in...



As of 9/30/23	Weighting*	3-Year	5-Year	10-Year
Public Equity	39.6%	6.9%	6.5%	7.6%
Fixed Income	21.5%	0.9%	3.6%	8.0%
Private Equity	17.4%	18.0%	17.0%	16.3%
Other Alts	17.5%	11.7%	6.1%	7.0%
Commodities	4.1%	16.2%	6.1%	-0.8%
Total	100.0%	8.8%	7.6%	8.7%
DPFP	100.0%	4.2%	3.2%	1.6%
DPFP ex Privates	100.0%	3.8%	4.4%	5.0%
ERF	100.0%	6.5%	4.7%	5.9%

*Weightings come from top quartile pensions nationally according to <https://publicplansdata.org/public-plans-database/browse-data/>

Indexes used: Public Equity – MSCI ACWI, Fixed Income – 50% Bloomberg Agg + 50% ICE BofA US High Yield, Private Equity – Cambridge Associates Private Equity Index, Other Alts – Indxx Private Credit TR + S&P Global Infrastructure + Cambridge Associates Real Estate Index (equal-weighted), Commodities – Bloomberg Commodity

Thoughts for the City of Dallas



In order to improve the performance of both funds, the City should consider:

1. Analyze in detail what top performing peers have done
2. Collaborate with both plans to identify strategies for improvement
3. Work to improve their governance policies and procedures as needed
4. Work to improve the working relationships of the key fiduciaries to these plans as needed
5. Prepare ongoing reports for the City of Dallas with the findings
6. Provide concrete recommendations for consideration to achieve best practice to improve the performance of DPFP & ERF for all stakeholders – beneficiaries, taxpayers and staff

Give confidence to citizens and stakeholders of good fiduciary stewardship when confronted with additional contributions to the pension funds

LIMITATIONS & DISCLAIMER

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NOT AN OFFER TO SELL: This presentation is for informational purposes only and is not an offer to sell nor solicitation of an offer to invest in any entity or other investment vehicles. Should an offer be made in the future, each prospective investor shall be provided with a Private Placement Memorandum (“PPM”) disclosing the nature and extent of the offering. Further, any interest in any investment has not and will not be registered under the Securities Act of 1933, as amended (the “Securities Act”), the securities laws of any state, or the securities laws of any other jurisdiction. If offered, the interests will only be offered and sold in the United States under the exemption provided by Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder.”

Although we have taken reasonable care to ensure the statements of facts and opinion contained within this presentation are fair and accurate, such accuracy cannot be guaranteed. Commerce Street Investment Management (“CSIM”) does not necessarily have access to information from industry data and in some cases we must use data from third parties and there we cannot ensure the accuracy of the information presented and any information received from third parties may be incomplete or inaccurate. Certain information presented is of high-level summary, condensed and aggregated in nature, and is inherently limited, incomplete, and required the application of simplifications, generalizations and assumptions to produce. CSIM expressly disclaims any representation or warranty as to the accuracy, completeness, availability or timeliness of the information presented.

This document may contain statements that are not purely historical in nature but are “forward-looking statements.” These include, among other things, projections, forecasts, estimates of income, yield or return or future performance targets. These forward-looking statements are based upon certain assumptions, some of which are described herein. Actual events are difficult to predict and may substantially differ from those assumed. All forward-looking statements included herein are based on information available on the date hereof and CSIM assumes no duty to update any forward-looking statement. Accordingly, there can be no assurance that estimated returns or projections can be realized, that forward-looking statements will materialize or that actual returns or results will not be materially lower than those presented.

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Past Performance is no Guarantee of Future Results

Diversification of your overall investment portfolio does not assure a profit or protect against a loss in declining markets

**EMPLOYEES' RETIREMENT FUND
OF THE CITY OF DALLAS**



City of Dallas

AD HOC COMMITTEE ON PENSIONS
June 6, 2024

Cheryl D. Alston, Executive Director
David K. Etheridge, Deputy Executive Director
Employees' Retirement Fund of the
City of Dallas

Background/History



HISTORY

Established in 1944

TYPE PLAN

Single employer defined benefit that provides retirement, disability and death benefits for the permanent civilian employees of the City of Dallas

GOVERNANCE

Seven-member board consisting of three persons appointed by the City Council, three employees elected by the membership, and the City Auditor, ex officio

DESIGN

City of Dallas does not participate in Social Security.
Dallas ERF does not have a Deferred Retirement Option Program (“DROP”).
Cost of Living Adjustments based on Consumer Price Index (CPI)

BOARD CONSULTANTS

Actuary:	Gabriel Roeder Smith & Company
Investment Consultant:	Wilshire
Legal Firms:	BakerHostetler LLP Foster Garvey PC Locke Lord LLP



Dallas ERF has a Long-Term Horizon

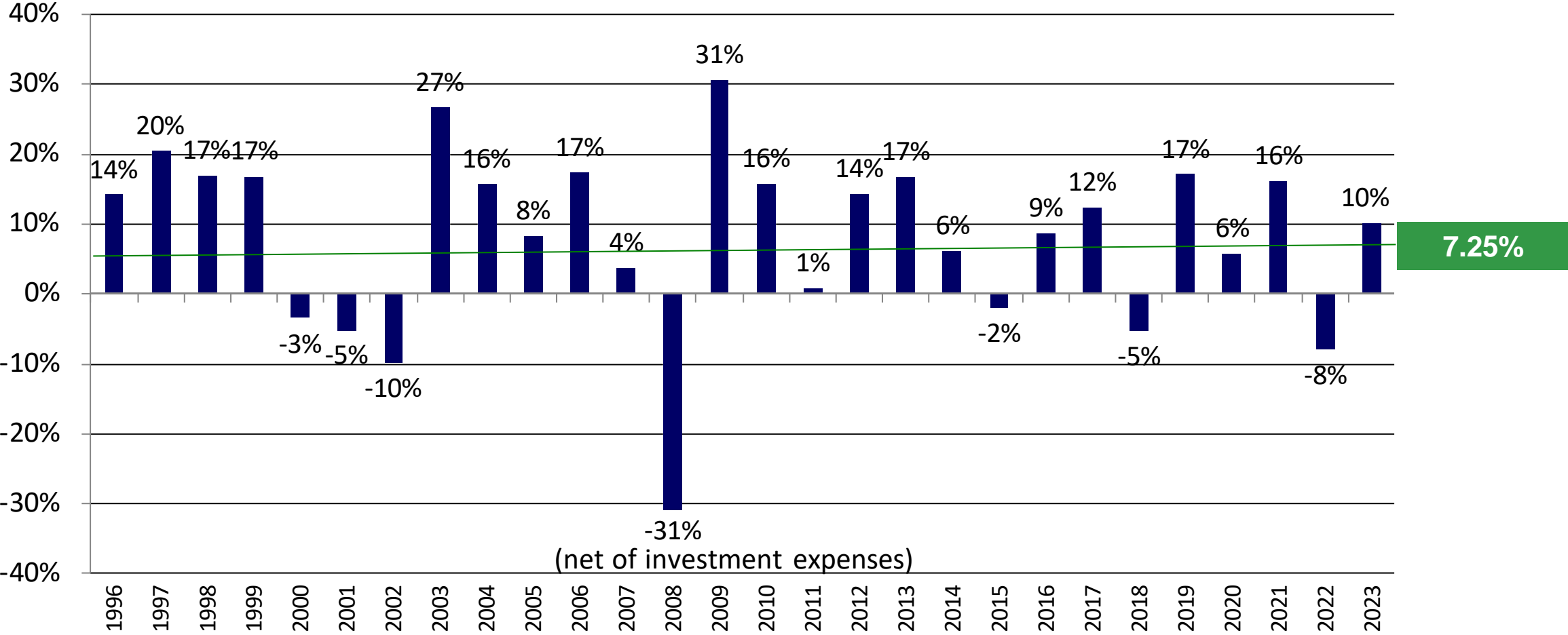


Source: FactSet, NBER, Robert Shiller, J.P. Morgan Asset Management.

Data shown in log scale to best illustrate long-term index patterns. Past performance is not indicative of future returns. Chart is for illustrative purposes only.

Guide to the Markets – U.S. Data are as of March 31, 2021.

Long Term Investment Performance - 25 Year History



Relative Performance: Dallas ERF vs. Global 60/40



40-Quarter Rolling Return: December 31, 1989 - December 31, 2023

34 - Year History



+ Quarterly data; Net of Investment Management Fees



ERF At A Glance



- ❑ Dallas ERF recognized as “Visionary of the Year” by Institutional Investor Magazine in May 2024

- ❑ Fund is in good standing
 - Conservative Global Investment Portfolio with 80% valued daily
 - Investment Returns as of 12/31/2023
 - 1-year return – 10.1%
 - 10-year return – 6.0%
 - From 1985 – 8.7%

- ❑ Assets under Management (12/31/2023) – \$3.65 billion
- ❑ Actuarial Valuation conducted annually, most recently as of 12/31/2023
- ❑ Experience study conducted every five years, and the most recent study was conducted in 2020.
- ❑ An independent peer review audit of the ERF’s actuary is conducted every five years.
- ❑ Funded ratio (actuarial assets divided by actuarial accrued liability) - 70% as of 12/31/2023*

****The City’s payroll growth increased by 5.3% greater than the assumption of 2.5% which increased the unfunded liability and thus reduced the funding level.***

ERF Members Facts & Figures as of 12/31/2023



Average Annual Benefit
\$42,789

Annual Benefit Paid to Beneficiaries
\$327 Million

ERF Employee Member Headcount
7,894

ERF Retiree Headcount
7,914

Percent of ERF Active Members
who are Dallas Residents
44%

Percent of ERF Retirees
who are Dallas Residents
35%

900+ Active Employees eligible to
retire Leave payout = \$11.7M est.
(as of 01/05/2024)

Tier B Restricted Prior Service
Participants = **410**



ERF Membership Statistics as from 12/31/2022 to 12/31/2023



- Oldest employee born in 1939 - **84 years old**
- Youngest employee born in 2005 - **18 years old**
- 900+** employees are eligible to retire
- Oldest service retiree born in 1922 - **101 years old**
- Oldest beneficiary born in 1912 - **111 years old**
- Disabled retiree has been in payment status for 58 years - **91 years old**
- 19** Service retirements have been in payment status for more than 40 years (member or joint annuitant)



How Do Civilian Employees' Serve the City of Dallas?



CODE ENFORCEMENT OFFICERS (PAY RANGE: \$42,485 - \$55,748)

- The Code Enforcement Officer investigates, inspects, and enforces municipal, land development, and property maintenance codes.

MAINTENANCE WORKERS III (PAY RANGE: \$40,035 - \$48,157)

- The Senior Maintenance Worker performs a variety of skilled difficult or complex maintenance tasks in field and ground maintenance for the City;
 - ✓ Parks and Recreation - Repair of parks, playgrounds, facilities, public spaces, and landscaping
 - ✓ Water Department - Repairs water lines regionally
 - ✓ Public Works Department - Performs asphalt/pothole repair

WATER PLANT OPERATORS (PAY RANGE: \$45,085 – \$64,535)

- The Water Plant Operator performs operational activities at a water purification plant, wastewater treatment plant, or at a system of pumping stations to ensure water supply meets customer needs and quality meets established guidelines of regulatory agencies.

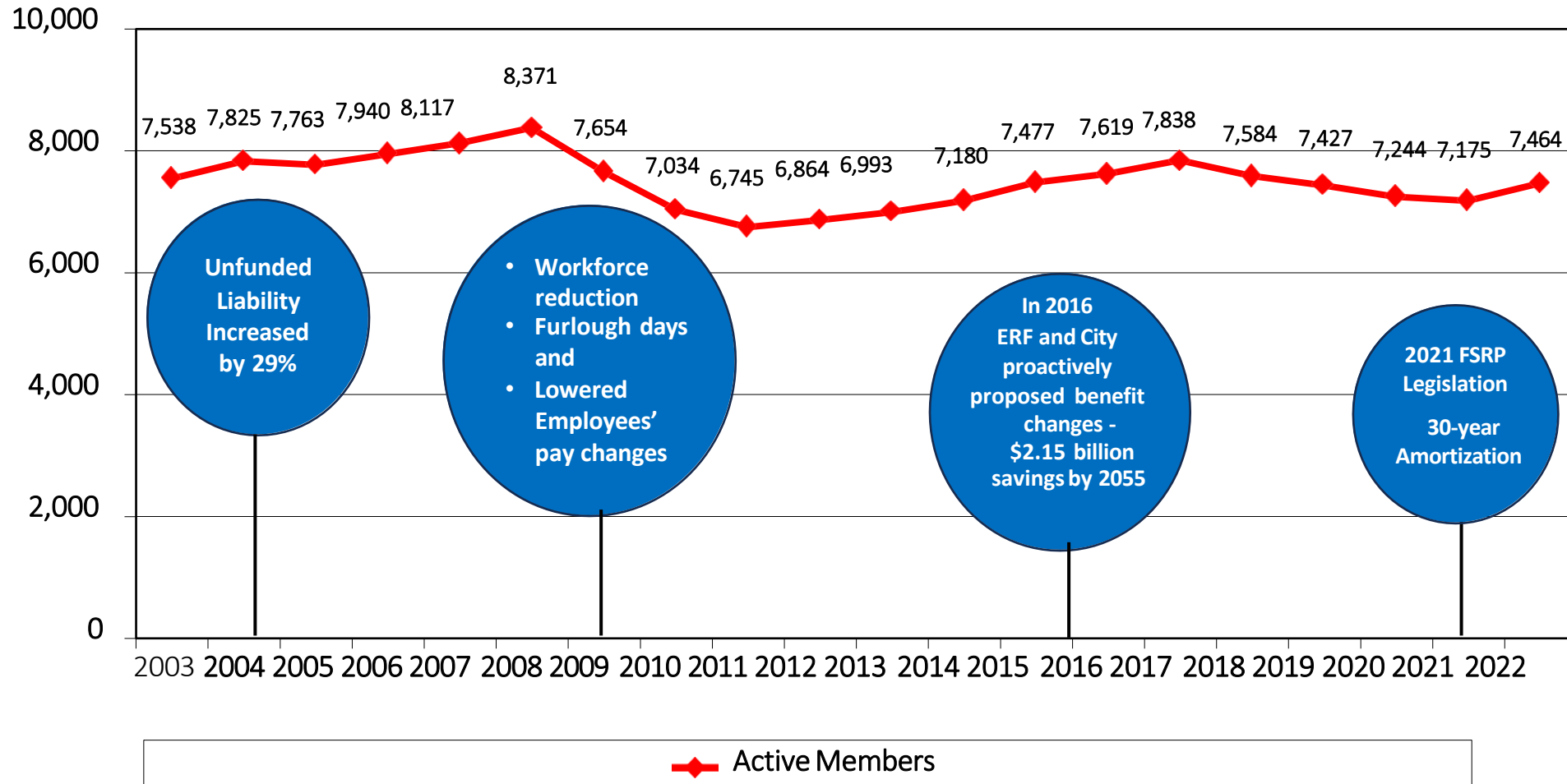
311 CUSTOMER SERVICE AGENT II (PAY RANGE: \$42,485 - \$55,748)

- The Customer Service Agent II provides non-emergency communication and response to residents requesting city services.

Civilian base pay was below market value as of 2023.



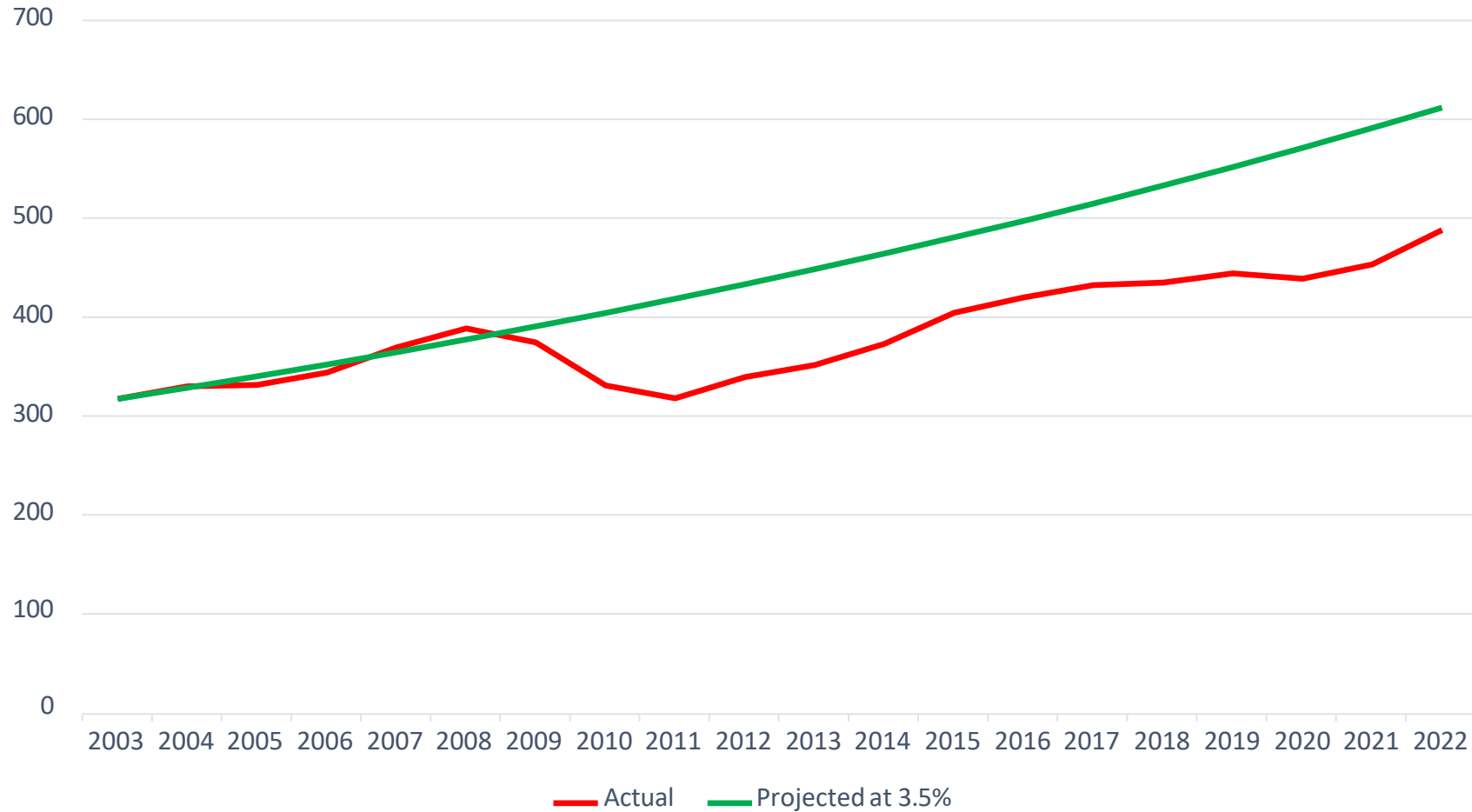
Impact of Decrease in Active Employees



Note: active membership increased 4.0% versus last year



Actual Versus Projected Payroll Growth



Total cumulative decrease in payroll from 2008 to 2022: \$1.3 billion



2016 Cost Impact of Studies



DALLAS EMPLOYEES' RETIREMENT FUND BENEFIT CHANGES FOR NEW HIRES

As of 12/31/2023
18.58%
(10% reduction)

Preliminary Normal Cost Rate (NC%) as of 12/31/2015 20.36%

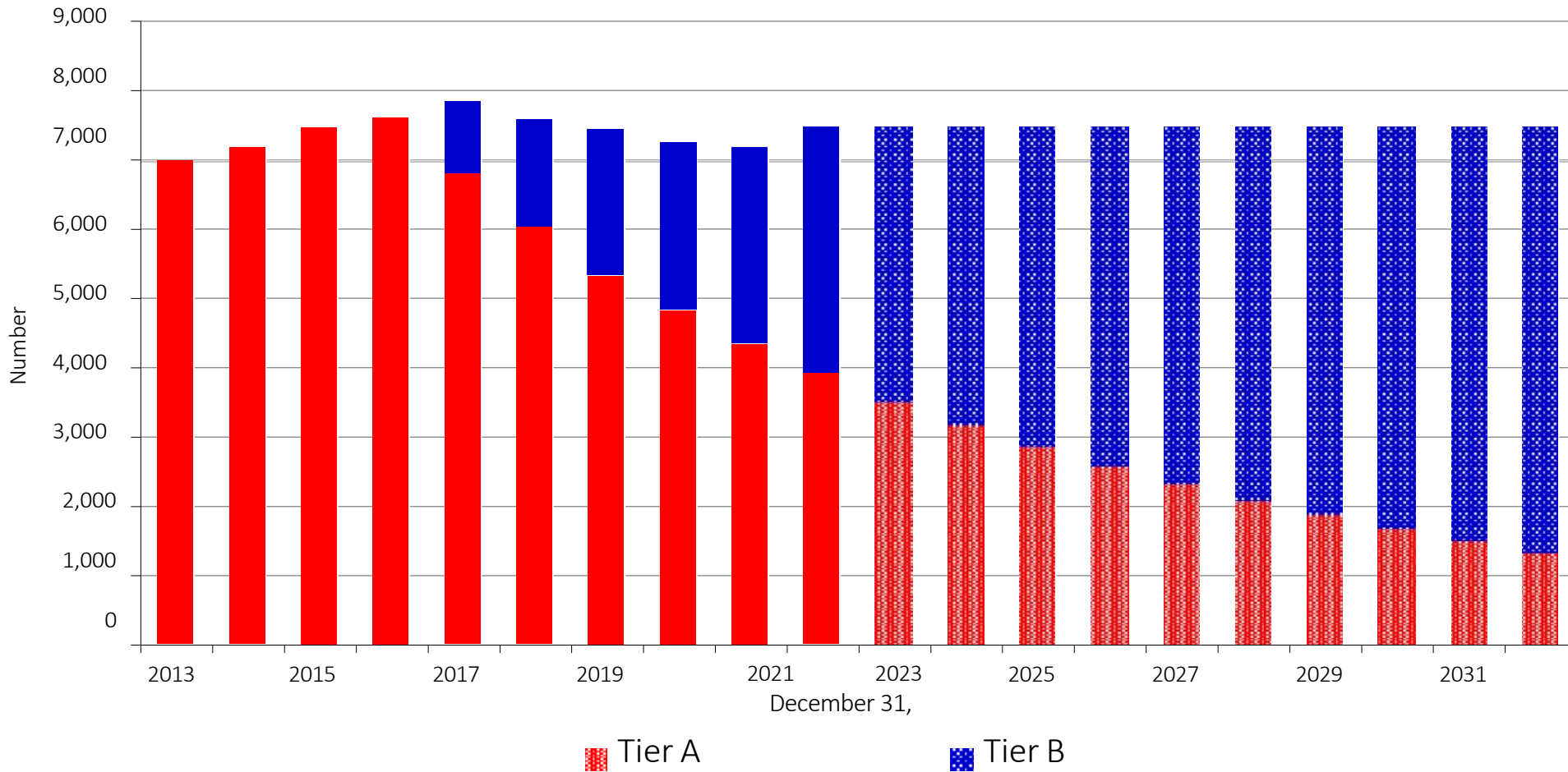
Study # and Description of Benefit Modification	Decrease in NC%	Percentage Decrease
1. Age 65 with 5 years of service Normal Retirement and	4.90%	24.1%
2. CPI COLA, with maximum of 3.00% (valued as 2.50% COLA)	0.62%	3.0%
3. Average Monthly Earnings period changed from 3 to 5 years	0.62%	3.0%
4. Normal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

\$2.15 billion in savings through 2055

Projected Active Membership



Projected Number of Tier A and Tier B Employees



Tier A = 42%
Tier B = 58%
(as of May 2024)





CONSIDERATIONS & ACTION PLAN



Funding Soundness Restoration Plan Requirements



Section 802.2015(d) of the TX Government Code provides that the Dallas ERF must formulate a revised funding soundness restoration plan (FSRP). The PRB's guidelines in response to the Government Code are:

- 1) the system's (ERF) actuarial valuation shows that the plan's expected funding period exceeds 30 years but is less than or equal to 40 years; and
- 2) the system (ERF) is:
 - (A) adhering to an existing funding soundness restoration plan that was formulated before September 1, 2025; or
 - (B) implementing a contribution rate structure that uses or will ultimately use an actuarially determined contribution structure and the system's actuarial valuation shows that the system is expected to achieve full funding.

Therefore, by adhering to a FSRP before 9/1/25, the ERF would be eligible for the exception that allows analysis to be based on a 30 year period.

Risk / Alternative to Implementing after September 1, 2025

- Dallas ERF will lose the benefit of the special exception, which means the funding period moves from a 30 to a 25-year amortization schedule and increases the cost significantly.**
- Missing September 1, 2025 will cost the City an additional \$150 million over 10 years.**



Assumptions

- ❑ The following scenarios are based on the December 31, 2023 ERF Actuarial Valuation
- ❑ All ADCs shown are level contribution rates that produce full funding over 30 years from 12-31-2025
 - The level contribution rate includes the debt service, which means that the debt service is paid out of the level contribution rate until the debt service is retired; then all of the contribution rate goes to the ERF
- ❑ The market value of assets is assumed to grow at 7.25%
 - Deferred investment losses are recognized
- ❑ The payroll is assumed to grow at approximately 3.0% per year
- ❑ All scenarios assume that the maximum contribution rate under Chapter 40A will increase beginning in 2025
 - 2% per year until it no longer applies at which point it is eliminated

Contribution Calculation



	<u>2022</u>	<u>2023</u>
1. Prior Adjusted Total Obligation Rate	36.00%	36.00%
2. Actuarially Required Contribution Rate	34.61%	35.50%
3. Debt Service		
a) Scheduled Debt Service Payment	\$ 38,843,241	\$ 40,142,080
b) Projected Payroll	\$453,934,344	\$488,516,155
c) Pension Obligation Bond Credit (a/b)	8.56%	8.22%
4. Current Total Obligation Rate (2+3c)	43.17%	43.72%
5. Current Adjusted Total Obligation Rate	36.00%	36.00%
6. Allocation of Contribution Rates for Fiscal Year Beginning October 1 st		
a) Employee (5 x .37)	13.32%	13.32%
b) City (5 x .63)	22.68%	22.68%
7. City Contribution to Fund (6.b. – 3.c)	14.12%	14.46%



Considerations / Action Plan



- Eliminate the maximum contribution cap of 36.00% of pay from Chapter 40-A effective October 1, 2025, for the valuation period and replace it with the Actuarially Determined Contribution (ADC) rate in the annual Valuation Report.
- Increase the employee contribution rate to a maximum of Tier A=14.00% (\$1.6 Million); Tier B=13.32%
- Select the appropriate amortization schedule to meet budget expectations.
 - Any lump sum contribution from the City, at any point in time will have a positive effect on the City's contribution rate as determined by the actuary.
- The consideration does not include a request for Bonds.
- Amend draft changes to Chapter 40A by June 2024. City Council votes in August 2024 to establish a November 2024 referendum for Dallas Voters to consider.
- Contribution rates for the City of Dallas and ERF Members go into effect January 1st (calendar) or October 1 (fiscal).



Board Recommendation: Increase Tier A Members Contribution by 0.68%

ERF BOARD RECOMMENDATION:

- Assumes the member contribution rate will be 37% of the total contribution.
- This scenario assumes an actuarially determined contribution (ADC). It has a five-year step-up plan and requires the City to increase its contribution by 2% for the first five years.
- It also assumes that Tier A employees will pay 0.68% more than Tier B employees.
- The contribution rate for employees will be capped as follows:
 - Tier A = 14.00% of pay
 - Tier B = 13.32% of pay

FSRP Preliminary Determination



TEXAS PENSION REVIEW BOARD

February 8, 2024

Employees' Retirement Fund of the City of Dallas

Re: 2024 Preliminary Funding Soundness Restoration Plan (FSRP)

We are writing to notify you that the Pension Review Board (PRB) has received your materials submitted for preliminary review to fulfill the FSRP requirements, including the separate analysis. The PRB staff actuary has reviewed this analysis and determined it is consistent with actuarial standards of practice and that, if adopted as presented, the system would be projected to be 100 percent funded by 2055, which would meet the 30-year required funding period as of September 1, 2025. Please note this letter is a **preliminary determination only** and does not constitute a final approval of the FSRP.

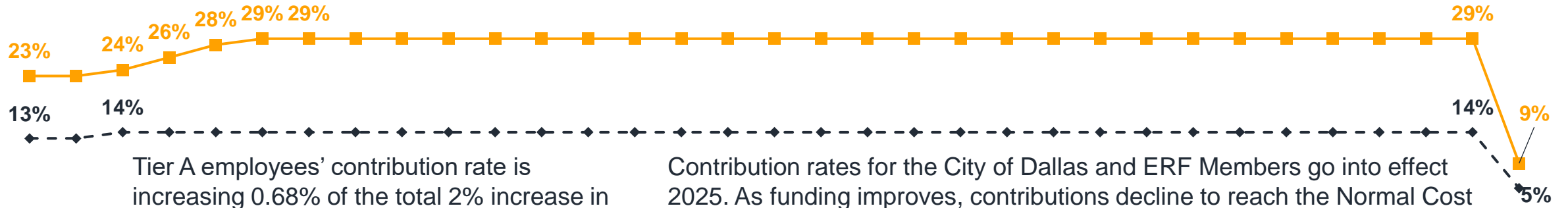


City Contribution Phase- In



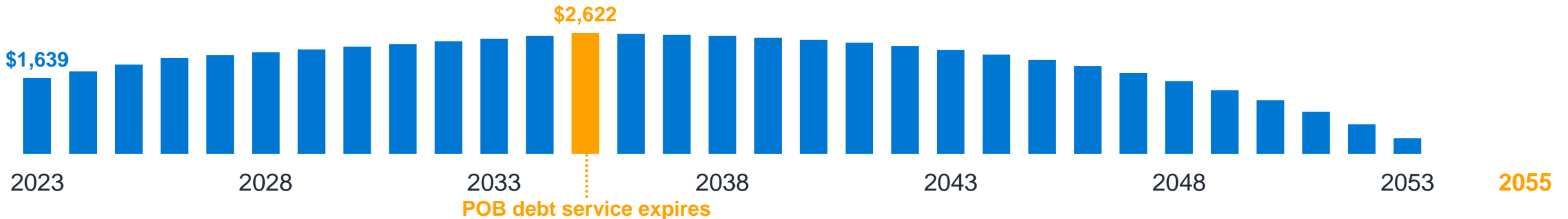
Five Year "phase-in" begins in 2025

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



Tier A employees' contribution rate is increasing 0.68% of the total 2% increase in contributions in the first year of implementation.

Contribution rates for the City of Dallas and ERF Members go into effect 2025. As funding improves, contributions decline to reach the Normal Cost (14.38%). Once the total contribution rate goes below 38%, the savings are shared between the City and the members.



5-Year Projection of City Contributions - ERF Board Recommendation

Projected City Contributions \$ in millions
Includes POB Debt Service Payment

	Current State			Board Recommendation (Increase Tier A contribution by 0.68%)		
Year	City Contribution to ERF	Debt Service on Pension Obligation Bonds	Total	City Contribution to ERF	Debt Service on Pension Obligation Bonds	Total
2025	\$79.2	\$44.8	\$124.0	\$85.5	\$44.8	\$130.4
2026	81.9	46.2	128.1	96.8	46.2	143.0
2027	84.6	47.6	132.2	108.5	47.6	156.1
2028	87.2	49.1	136.3	120.7	49.1	169.8
2029	89.9	50.6	140.5	133.5	50.6	184.1
Assumptions						
Contribution Cap			36%			Removed
Tier A:						
• Contribution Rate			13.32%			14.0%
• Benefit Multiplier			2.75%			2.75%

Average increase in Tier A member contribution due to member rate increasing from 13.32% to 14.00% is \$515 (annually).

Alternative Scenario:

Cap the COLA for All Retirees and Reduce the Multiplier for Tier A Active Members

CITY STAFF REQUESTED AN ADDITIONAL SCENARIO:

☐ Assumes the member contribution rate will be 37% of the total contribution rate be capped as follows:

- 13.32% of pay for Tier A
- 13.32% of pay for Tier B
- In addition, this scenario assumes the benefit multiplier for all service earned beginning January 1, 2026, will be 2.5% (applies to Tier A and Tier B)
- COLA maximum to 3.0% effective January 1, 2026, for all members (including current retirees)
- Cost savings for City contributions in five years is approximately \$10 million; and cost savings over 30 years is approximately \$300 million.

Potential Risks:

- **Potential \$11.4 Million payout to 900+ current employees who are eligible to retire**
- **Reduction in workforce reduces contributions to ERF and increases liabilities thus, eliminating savings**

Summary



- ❑ ERF has averaged a long-term investment performance exceeding 7.25% since 1985.
- ❑ In 2016, the Dallas City Council and the ERF Board were proactive for researching more than 40 scenarios and reduced benefits for new hires resulting in a \$2.15 Billion savings over 30 years.
 - The City Council, ERF Board and the Dallas voters reduced benefits
 - 69% of the Dallas Voters approved the amendment to Dallas City Code Chapter 40A

ERF Board Recommendation

- Assumes the member contribution rate will be 37% of the total contribution.
 - This scenario assumes an actuarially determined contribution (ADC). It has a five-year step-up plan and requires the City to increase its contribution by 2% for the first five years.
 - It also assumes that Tier A employees will pay 0.68% more than Tier B employees.
 - The contribution rate for employees will be capped as follows:
 - Tier A = 14.00% of pay
 - Tier B = 13.32% of pay
- ❑ In February 2024, the Pension Review Board gave a preliminary determination regarding the Funding Soundness Restoration Plan.

- PRB Preliminary Determination:

We are writing to notify you that the Pension Review Board (PRB) has received your materials submitted for preliminary review to fulfill the FSRP requirements, including the separate analysis. The PRB staff actuary has reviewed this analysis and determined it is consistent with actuarial standards of practice and that, if adopted as presented, the system would be projected to be 100 percent funded by 2055, which would meet the 30-year required funding period as of September 1, 2025. Please note this letter is a **preliminary determination only** and does not constitute a final approval of the FSRP.

- ❑ With City Council approval, it is recommended that the proposed plan be placed on the November 2024 ballot for Dallas Voters' consideration.

Proposed Chapter 40A Amendment Timeline - Revised





City of Dallas

Appendix

Q1 2024 Correlation Matrix

	Equity						Fixed Income						Real Assets						
	US Stock	Dev ex-US Stock	Emg Stock	Global ex-US Stock	Global Stock	Private Equity	Cash	Core Bond	LT Core Bond	TIPS	High Yield	Private Credit	Dev ex-US Bond (Hdg)	US RES	Global RES	Private RE	Cmdty	Real Assets	US CPI
Compound Return (%)	4.50	5.50	5.75	5.85	5.10	7.65	4.00	5.05	5.00	4.35	6.25	8.20	3.05	5.80	5.95	6.15	6.30	6.90	2.30
Expected Risk (%)	17.00	18.00	26.00	19.00	17.05	29.65	0.75	4.70	9.85	6.00	10.00	12.75	4.00	17.50	16.45	13.90	16.00	12.60	1.75
Cash Yield (%)	1.35	2.90	2.45	2.75	1.90	0.00	4.00	5.35	5.40	4.65	9.70	5.10	3.95	4.05	4.05	2.60	4.00	3.60	0.00
Growth Exposure	8.00	8.00	8.00	8.00	8.00	14.00	0.00	-0.90	-2.40	-3.00	4.00	5.10	-1.00	6.00	6.00	3.50	0.00	2.70	0.00
Inflation Exposure	-3.00	-1.00	3.00	0.10	-1.85	-4.25	0.00	-2.55	-6.85	2.50	-1.00	-1.50	-3.00	1.00	1.80	1.00	12.00	5.25	1.00
Correlations																			
US Stock	1.00																		
Dev ex-US Stock (USD)	0.81	1.00																	
Emerging Mkt Stock	0.74	0.74	1.00																
Global ex-US Stock	0.84	0.95	0.89	1.00															
Global Stock	0.95	0.91	0.84	0.94	1.00														
Private Equity	0.72	0.63	0.61	0.67	0.73	1.00													
Cash Equivalents	-0.05	-0.09	-0.05	-0.08	-0.06	0.00	1.00												
Core Bond	0.28	0.13	0.00	0.08	0.20	0.30	0.18	1.00											
LT Core Bond	0.31	0.15	0.01	0.11	0.24	0.31	0.11	0.94	1.00										
TIPS	-0.05	0.00	0.15	0.06	-0.01	-0.03	0.20	0.60	0.48	1.00									
High Yield Bond	0.54	0.39	0.49	0.46	0.53	0.31	-0.10	0.24	0.32	0.05	1.00								
Private Credit	0.67	0.55	0.57	0.59	0.67	0.44	0.00	0.24	0.30	0.00	0.75	1.00							
Dev ex-US Bond (Hdg)	0.16	0.25	-0.01	0.16	0.17	0.26	0.10	0.67	0.65	0.39	0.26	0.22	1.00						
US RE Securities	0.57	0.47	0.44	0.49	0.56	0.49	-0.05	0.17	0.22	0.10	0.56	0.61	0.05	1.00					
Global RE Securities	0.63	0.56	0.54	0.59	0.64	0.55	-0.05	0.17	0.21	0.11	0.60	0.67	0.04	0.97	1.00				
Private Real Estate	0.55	0.45	0.45	0.49	0.54	0.50	-0.05	0.19	0.25	0.09	0.57	0.62	0.05	0.78	0.77	1.00			
Commodities	0.25	0.34	0.39	0.38	0.32	0.28	0.00	-0.03	-0.03	0.25	0.29	0.29	-0.10	0.25	0.28	0.25	1.00		
Real Assets	0.61	0.62	0.66	0.68	0.66	0.56	-0.03	0.24	0.26	0.32	0.64	0.69	0.05	0.78	0.83	0.76	0.62	1.00	
Inflation (CPI)	-0.10	-0.15	-0.13	-0.15	-0.13	-0.10	0.10	-0.12	-0.12	0.15	-0.08	0.00	-0.08	0.05	0.04	0.05	0.44	0.21	1.00

Dallas ERF - Benchmarking



Asset Class	Target	Benchmark
Domestic Equity	12.00%	Russell 2000 Index, S&P 500
International Equity	11.50%	MSCI ACWI ex US, MSCI EAFE
Global Equity	5.00%	MSCI ACWI
Global Low Volatility Equity (GLV)	10.00%	MSCI ACWI Min Vol Index
Private Equity	10.00%	
Total Growth/Equity	48.50%	
Global listed Infrastructure	5.00%	FTSE Global Listed Infrastructure, Alerian MLP
Real Estate Investment Trust (REIT)	2.50%	Wilshire US Real Estate Securities Index
Private Real Estate	7.50%	
Total Inflation Hedging	15.00%	
Global Fixed Income	17.50%	
Opportunistic Credit	4.00%	
High Yield	10.00%	FTSE High Yield Market Capped Index
Marketable Alternatives	2.50%	HFRI Event Driven Total Value Index, HFRI Relative Value Total Index
Private Credit	2.50%	
Total Risk Reduction / Mitigation	36.50%	
Total	100.00%	

A benchmark should be representative of the investment it is chosen to represent, the asset class.

Example

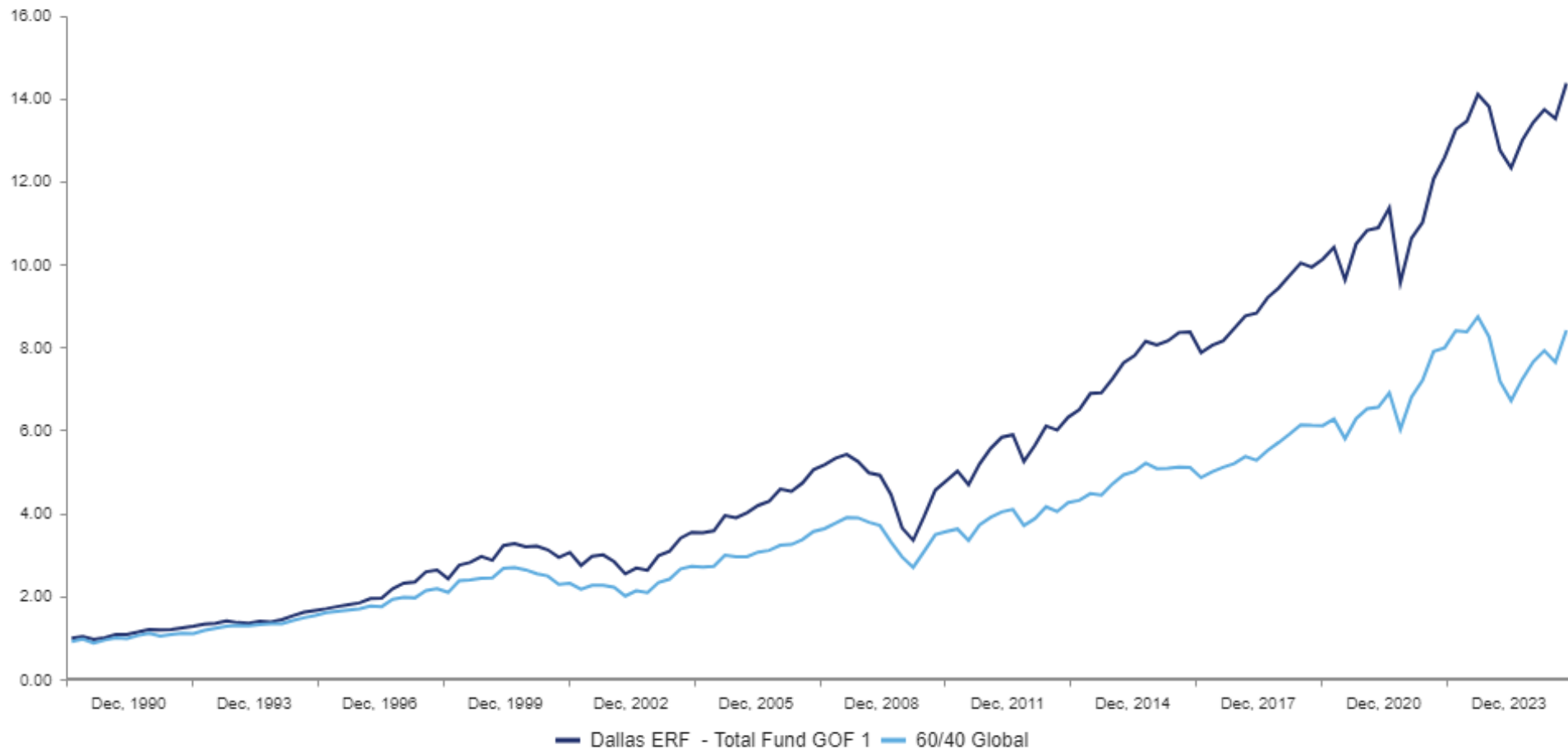
Domestic Equity Composite Benchmark reflects managers at target percentage

Small Cap – Russell 2000 (22%)
Large Cap – S&P 500(78%)

Growth of \$1: Dallas ERF vs. Global 60/40



Growth of \$1: December 31, 1989 - December 31, 2023



+ Quarterly data; Net of Investment Management Fees





- ❑ The goal of asset allocation is to select a diversified mix of suitable asset classes that minimize risk for a given level of expected return.

- ❑ Key Determinants
 - Return Expectations
 - Cash Flow
 - Risk Tolerance
 - Liabilities
 - Financial Goals

- ❑ Every organization makes the appropriate decisions for their situation.



Governance - Dallas ERF Board Composition



- ❑ The Board of the Employees' Retirement Fund of the City of Dallas is composed of seven Trustees consisting of:
 - (A) three persons appointed by the City Council: Henry Talavera (Chair), Dr. John Peavy III (Vice Chair), and T. Dupree Scovell
 - (B) three employee members from different departments of the City who are elected by members of the Retirement Fund - Carla D. Brewer, Tina Richardson, and Sunil King; and
 - (C) the City Auditor (ex-officio)– Mark Swann.

- ❑ Dallas ERF Trustees are charged with fiduciary responsibilities to act solely in the best interest of the Fund's membership.

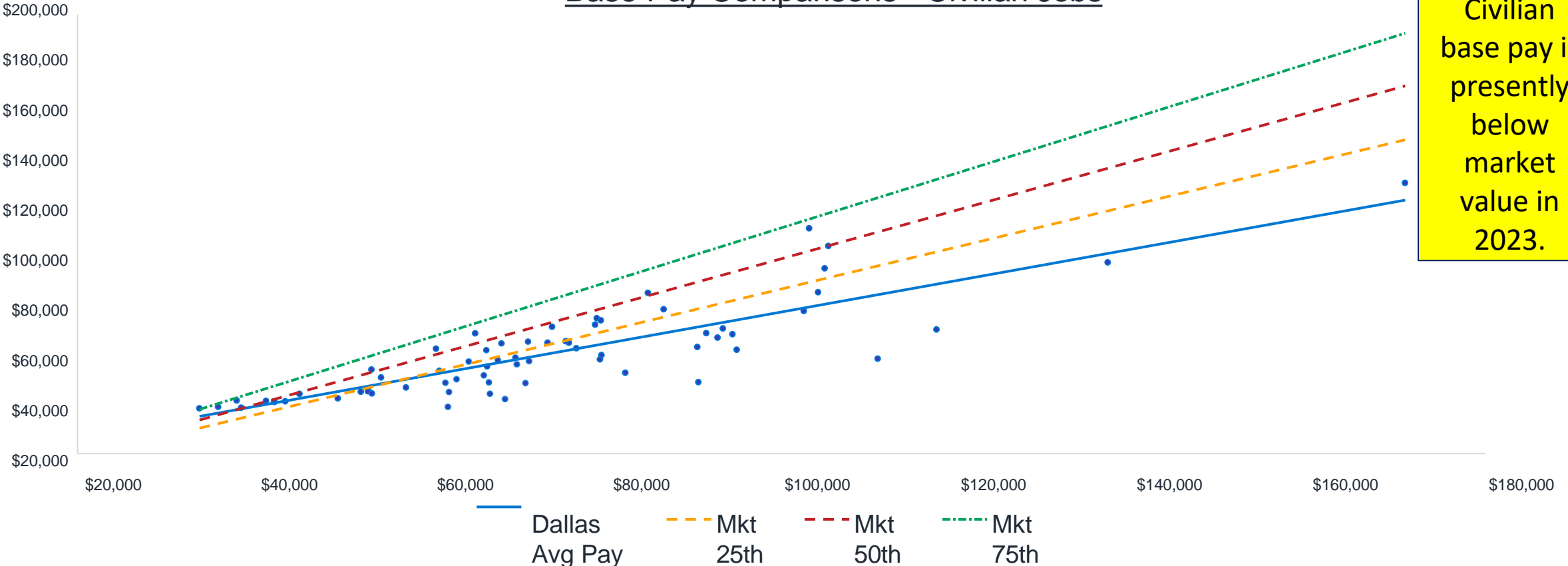


2023 Market Study Results for City of Dallas Civilian Base Pay



- ❑ Base salaries for civilian jobs average 15% below the 50th percentile and 4% below the 25th percentile.
- ❑ Base salaries decline in competitiveness as pay increases.

Base Pay Comparisons - Civilian Jobs



Dallas ERF Provides Two Tiers of Benefits



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 significantly
reduced
employee
benefits in 2017.**



City of Dallas

**Dallas Police and Fire
Pension System:
Funding Soundness
Restoration Plan Update
and Consideration of
Recommendations**

**Ad Hoc Committee on Pensions
June 6, 2024**

Jack Ireland
Chief Financial Officer

Purpose



- Continue discussion of components of a Funding Soundness Restoration Plan (FSRP) for Dallas Police and Fire Pension System (DPFP)
- Consider City staff recommendations reviewed with the Ad Hoc Committee on Pensions on May 23



Summary of City Staff Recommendations from May 23



- Actuarial Determined Contribution (ADC) methodology with five-year step-up
- No change to employee contribution rates
- Continue compliance with HB3158 that requires 70% funding before ad hoc simple COLA is available
 - Modify COLA methodology to be based on CPI not to exceed 1.5% *
 - Increase COLA to not to exceed 3% contingent on either lump sum contribution or additional revenue stream from the City *
- Offer supplemental pay to bridge 2025 to 2046 (forecast 70% funding threshold)
 - 1% increase added to retiree base in 2025
 - Additional 1% per year as stipend contingent on DFPF positive returns (not added to base)
- Strengthen City oversight
- Continue efforts to realize lump sum contribution and/or on-going revenue stream
- Continue work with DFPF staff towards consensus on plan



*Note: May require legislative change.

Comparison of Recommendations



- City staff recommendation
 - ADC with five-year step-up
 - Modify COLA based on CPI not to exceed 1.5%
 - Future opportunity to increase COLA based on CPI not to exceed 3.0% contingent on additional City funding
 - Supplemental pay 1% increase to pension base in 2025
 - Supplemental pay 1% per year stipend 2026 until 70% funded contingent on positive return
- DPFP staff recommendation
 - ADC with three-year step-up
 - Modify COLA based on 70% Purchasing Power
 - Supplemental Pay (\$5 x year of service x year retired since 2017)



Comparison of Cost

- City will contribute approximately \$11.2B over 30-year period
- DFPF recommended changes will require City to contribute over \$11.6B over 30-years
- DFPF recommendation costs \$419M more over 30-year period than recommended by City staff

	DPFP Staff Recommendation	Year over Year Increase	City Staff Recommendation	Year over Year Increase	Annual Variance - City & DFPF Recommendations
2024	\$ 184,000,000		\$ 184,000,000		\$ -
2025	\$ 215,433,000	\$ 31,433,000	\$ 202,509,000	\$ 18,509,000	\$ 12,924,000
2026	\$ 247,449,000	\$ 32,016,000	\$ 221,214,000	\$ 18,705,000	\$ 26,235,000
2027	\$ 280,885,000	\$ 33,436,000	\$ 240,683,000	\$ 19,469,000	\$ 40,202,000
2028	\$ 286,316,000	\$ 5,431,000	\$ 261,176,000	\$ 20,493,000	\$ 25,140,000
2029	\$ 291,926,000	\$ 5,610,000	\$ 282,632,000	\$ 21,456,000	\$ 9,294,000
2030	\$ 297,706,000	\$ 5,780,000	\$ 288,274,000	\$ 5,642,000	\$ 9,432,000
2031	\$ 304,579,000	\$ 6,873,000	\$ 294,993,000	\$ 6,719,000	\$ 9,586,000
2032	\$ 311,599,000	\$ 7,020,000	\$ 301,867,000	\$ 6,874,000	\$ 9,732,000
2033	\$ 318,876,000	\$ 7,277,000	\$ 308,971,000	\$ 7,104,000	\$ 9,905,000
2034	\$ 326,342,000	\$ 7,466,000	\$ 316,262,000	\$ 7,291,000	\$ 10,080,000
2035	\$ 334,018,000	\$ 7,676,000	\$ 323,752,000	\$ 7,490,000	\$ 10,266,000
2036	\$ 341,937,000	\$ 7,919,000	\$ 331,457,000	\$ 7,705,000	\$ 10,480,000
2037	\$ 350,083,000	\$ 8,146,000	\$ 339,379,000	\$ 7,922,000	\$ 10,704,000
2038	\$ 358,397,000	\$ 8,314,000	\$ 347,471,000	\$ 8,092,000	\$ 10,926,000
2039	\$ 366,956,000	\$ 8,559,000	\$ 355,791,000	\$ 8,320,000	\$ 11,165,000
2040	\$ 375,723,000	\$ 8,767,000	\$ 364,322,000	\$ 8,531,000	\$ 11,401,000
2041	\$ 384,807,000	\$ 9,084,000	\$ 373,168,000	\$ 8,846,000	\$ 11,639,000
2042	\$ 394,230,000	\$ 9,423,000	\$ 382,337,000	\$ 9,169,000	\$ 11,893,000
2043	\$ 403,850,000	\$ 9,620,000	\$ 391,694,000	\$ 9,357,000	\$ 12,156,000
2044	\$ 413,855,000	\$ 10,005,000	\$ 401,422,000	\$ 9,728,000	\$ 12,433,000
2045	\$ 424,215,000	\$ 10,360,000	\$ 411,491,000	\$ 10,069,000	\$ 12,724,000
2046	\$ 434,920,000	\$ 10,705,000	\$ 421,896,000	\$ 10,405,000	\$ 13,024,000
2047	\$ 445,792,000	\$ 10,872,000	\$ 432,443,000	\$ 10,547,000	\$ 13,349,000
2048	\$ 456,938,000	\$ 11,146,000	\$ 443,254,000	\$ 10,811,000	\$ 13,684,000
2049	\$ 468,361,000	\$ 11,423,000	\$ 454,336,000	\$ 11,082,000	\$ 14,025,000
2050	\$ 480,070,000	\$ 11,709,000	\$ 465,697,000	\$ 11,361,000	\$ 14,373,000
2051	\$ 492,073,000	\$ 12,003,000	\$ 477,337,000	\$ 11,640,000	\$ 14,736,000
2052	\$ 504,374,000	\$ 12,301,000	\$ 489,272,000	\$ 11,935,000	\$ 15,102,000
2053	\$ 516,983,000	\$ 12,609,000	\$ 501,503,000	\$ 12,231,000	\$ 15,480,000
2054	\$ 529,908,000	\$ 12,925,000	\$ 514,041,000	\$ 12,538,000	\$ 15,867,000
2055	\$ 72,072,000	\$ (457,836,000)	\$ 71,007,000	\$ (443,034,000)	\$ 1,065,000
Total	\$ 11,614,673,000		\$ 11,195,651,000		\$ 419,022,000



Comparison of Budget Impact (In Million Dollars)



City Staff Recommendation

	FY25	FY26	FY27	FY28
GF Revenues	\$1,914.6	\$1,995.3	\$2,076.5	\$2,160.5
Other Expenses	1,750.5	1,812.6	1,875.8	1,938.2
DPFP Expense	202.5	221.2	240.7	261.2
GF Expenses	1,953.0	2,033.8	2,116.5	2,199.4
Surplus/(Shortfall)	(38.4)	(38.5)	(40.0)	(38.9)

DPFP Staff Recommendation

	FY25	FY26	FY27	FY28
GF Revenues	\$1,914.6	\$1,995.3	\$2,076.5	\$2,160.5
Other Expenses	1,750.5	1,812.6	1,875.8	1,938.2
DPFP Expense	215.4	247.4	280.9	286.3
GF Expenses	1,965.9	2,060.0	2,156.7	2,224.5
Surplus/(Shortfall)	(51.3)	(64.7)	(80.2)	(64.0)



Next Steps



- June 6 – Ad Hoc Committee meeting
 - Committee consideration of City staff recommendations and move recommendations forward to full City Council
- June 18 – City Council briefing on pension funding
- June 26 – City Council action to approve funding soundness restoration plan which will provide staff with direction for development of FY25 and FY26 biennial budget
- August 7 – City Council briefing (if necessary related to November 2024 election)
- August 14 – City Council action to call November 2024 election (if necessary)

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





City of Dallas

**Dallas Police and Fire
Pension System:
Funding Soundness
Restoration Plan Update
and Consideration of
Recommendations**

**Ad Hoc Committee on Pensions
June 6, 2024**

Jack Ireland
Chief Financial Officer



Appendix



Actuarial Determined Contribution (ADC) Scenarios



- Cheiron presented five scenarios and indicated that all five scenarios are reasonable and meet PRB requirements to be fully-funded in 30-years
 1. Traditional ADC
 2. Three-year step-up and step-down
 3. Five-year step-up and step-down
 4. Three-year step-up (with no step-down)
 5. Five-year step-up (with no step-down)
- City staff recommends five-year step-up (with no step-down) which allows the City to phase-in increased contributions while managing other budget needs and limitations



ADC Scenarios



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

When comparing the 5-year step-up and 3-year step-up scenarios, City staff's recommendation is lower annual City contributions in FY25, FY26, FY27, and FY28, but higher contributions beginning in FY29.



Cost of Living Adjustment (COLA) Background



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

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



COLA – City Staff Recommendation



- City staff recommends continued compliance with HB3158 that provides ad hoc COLA once DFPF is 70% funded
- Staff supports modifying the HB3158 COLA methodology
 - Current: 5-year average return less 5%, not to exceed 4% per year
 - Current actuarial assumption is 1.5% per year
 - Alternative: based on CPI, not to exceed 1.5% per year
 - No change to current actuarial assumption
 - Future adjustment: contingent on City providing significant lump sum contribution or providing additional ongoing source of revenue, City may increase maximum ad hoc simple COLA based on CPI from 1.5% to 3.0%
 - Since contingent on new funding sources, will not be reflected in current actuarial assumption



COLA – DFPF Staff Recommendation



- DFPF staff recommends modifying current COLA methodology
 - Change ad hoc COLA to automatic COLA
 - Implement minimum 70% Purchasing Power model presented by Cheiron that sets retirees' base pension in 2024
 - Provide 1.5% annual COLA once 70% funded
 - Value of pension will erode over time and as 1.5% COLA may not keep up with inflation
 - Once value of pension is 70% of base year, provide at least 1.5% COLA or higher amount based on CPI with no maximum or cap which will ensure that the value of pension does not fall below 70% purchasing power



Supplemental Pay – City Staff Recommendation



- HB3158 suspended COLA until DFPF reaches 70% funding (forecast to be 2046)
- City staff recommends two-part supplemental pay to bridge 2025 to 2046
 - Provide 1% increase to retiree base pension in 2025 (for all retirees as of December 31, 2024)
 - Provide additional 1% per year as stipend that does not add to retiree base pension, and contingent on DFPF having a positive return (2026-2046)



Supplemental Pay – DPFP Staff Recommendation



- DPFP staff supports automatic annual 13th check based on \$5 x years of service x years in retirement since 2017, payable until plan is 70% funded
 - While it does not add to base, it increases each year as each retiree has an additional year in retirement
 - Cost to City is forecast to be more than three times the cost of City's recommendation for supplemental pay



Additional Oversight Recommendation



- City's current oversight of DPFP is through 6 of 11 board members that are appointed by the Mayor
 - Board members have fiduciary responsibility to DPFP not City
- Additional oversight will ensure City can manage pension contribution increases that become a liability of City – examples include:
 - City approval required for items that substantially increase City's liability including changes to benefits, changes to actuarial assumptions such as discount rate, settling lawsuits, etc.
 - In any year, City contributions (in excess of the baseline 30-year UAL schedule) exceeding +/-5% will be layered and amortized within the ADC model
 - Annually, DPFP and City will separately calculate ADC, and City will make contributions according to DPFP calculation unless a 2% or greater variance exists in which case an average will be used if not resolved through a reconciliation period



Oversight & Governance Recommendation



- FSRP Governance subject to the following:
 - a. Changes to the actuarial assumptions, including the discount rate of 6.5%, that increases the DPFPS fund liability must be approved prospectively by DPFPS and Dallas City Council.
 - b. Settlement of any lawsuit by DPFPS that increases the DPFPS fund liability must be approved prospectively by DPFPS and city council.
 - c. Any proposed increase by DPFPS in benefits, including cost of living adjustments, that would increase the DPFPS fund liability must be approved prospectively by the DPFPS and the city council.
 - d. Annually, DPFPS and the City will each calculate the ADC. The City will adjust its annual ADC according to the DPFPS calculation unless DPFPS proposes a greater than two percent increase in the annual ADC. If DPFPS proposes a greater than two percent increase in the annual adjusted ADC, DPFPS and City shall engage in a 30-day reconciliation period. If no resolution is reached after 30 days, an average of the DPFPS and City's ADC calculations will be used for the City's contributions for the upcoming year.
 - e. If in any year the ADC (excluding the original unfunded actuarially accrued liability (UAL) amortization schedule) exceeds +/- 5% of the previous year's ADC (excluding the original UAL amortization schedule) dollar amount, the excess amount will be amortized over a period not to exceed 30 years.



Cities in the State of Texas Comparable to Dallas: Pension Overview

FORT WORTH:

- All uniform and non-uniform employees are included in this plan (City employees and First Responders).
- Employee contributions: 12.7%, City contributions: 26.87%.
- Currently, the plan has a 27-year funding period.
- Funding ratio is approximately 55%.
- Discount Rate is 7%
- Non-Social Security participation.
- Changes made in 2019 to rectify a \$1.6 billion dollar liability are attached.
- City council is authorized to make benefit reductions with 90 days-notice to the board.

FORTH WORTH COLA:

- Retain the current COLA level (2%) for service through 7/19/2019 for members who are retired or entered DROP by 1/1/2021, including early retirement.
- Current employees with a combination of Blue and Orange Service who do not retire or enter DROP by January 1, 2021, will transition to a variable COLA. This means the COLA will fluctuate based on the performance of the fund.
- Any increase in a single year may not exceed a 4% increase of the base pension.
- Fund returns would need to consistently be 9-10% for a COLA to be triggered, which is highly unlikely

AUSTIN:

Austin Fire Fighters Pension Plan Highlights:

- Currently, at a 35-year funding period.
- Funded ratio is 87%.
- Discount rate is 7.25%.
- Fire Fighters are covered (The plan's funding period increased from 17 to 35 years in 2022).

Cities in the State of Texas Comparable to Dallas: Pension Overview

- Non-Social Security participation.
- Firefighters contribute 18%, City contributes 22% (Contribution is based on fixed % of payroll).
- COLA is available only if approved by the actuary without impairing financial stability.
- COLA: While there isn't an automatic COLA, they have granted COLAs 7 of the last 10 years, 11 out of the last 20 years. Valuation does not include a COLA assumption.
- Drop available for a maximum of 5 years with a 5% interest, employee contribution, and credited COLA.
- Decision making rests partly in statutory language and the board. Any changes the council wants to make to the plans has to be done at the legislature.

Austin Police Pension Breakdown:

- Currently, at a 29-year funding period.
- Funding ratio is near 60%.
- Discount rate is 7.25%.
- Social Security Participant.
- Contribution is determined actuarially.
- Legislative fixes made in 2019, without additional debt, are attached.

COLA PLAN:

- None of the Austin systems offer automatic COLAs; ad-hoc COLAs are allowed based on funding condition and approval.

SAN ANTONIO (The premiere plan in the country):

City of San Antonio Police and Fire Pension:

- Considered the model municipal pension for the state and country, with an average 12-year funding period over the past decade and an 85% funding ratio.
- Net position of \$3.5 million in the black as per the 2022 annual report.

Cities in the State of Texas Comparable to Dallas: Pension Overview

- COLA trends equally to CPI for retirees before 10/1/1999; 75% of CPI for retirees on or after 10/1/1999.
 - Discount rate is 7.25%.
 - Contribution is based on fixed % of payroll.
 - Non-Social Security Participation.
- Contributions: 12% employee, 24% employer.
 - The governing statute guides all decisions, and the board has exclusive power to disburse benefits or order payments from the fund as required by statute.

COLA PLAN

- San Antonio Fire and Police have an automatic COLA ranging from 75-100% of CPI (<https://www.safppf.org/performance-history>). But the board has the discretion to issue a 13th check and because the 5-year historical investment return performance was less than 1% above the actuarial assumption rate, the board decided not to issue a 13th Check for 2022 (https://www.safppf.org/Pub_AgendasMinutesInfo.aspx?AgendMintypeid=2&MeetingCatID=1&RecordId=1392).

HOUSTON:

- Police pension: 24-year funding period.
 - Fire pension: 8-year funding period.
 - Discount rate is 7%.
 - Contribution is determined actuarially.
 - Non-Social Security Participation.
- Both plans had a combined \$8.2 billion deficit.
 - Reforms included cutting benefits, infusing \$1 billion in cash from voter-approved bonds into two pension systems, and recalculating and capping city payments.
 - Cuts valued at \$2.8 billion focused on cost-of-living adjustments and survivability instead of earned benefits for retirees.
 - Recalculated city payments based on more realistic projections of investment returns (7%), shared market risk, and aimed to eliminate debt within 30 years.

Cities in the State of Texas Comparable to Dallas: Pension Overview

- Reforms include a "cash balance" system trigger and a "cost corridor" for benefit adjustments.
- Houston will carry at least \$4 billion in pension debt after reforms.
- Houston Fire Fighter's COLA is now distributed based on the 5-year asset return less 4.75 percent.
- Houston Police's COLA is now based on the 5-year asset return less 5 percent.
- Police contribution: 10% City, 32%.
- Fire contribution: 10% City, 26%.
- Police and Fire's funding ratio is approximately 95%.
- The governing statute states that neither the city nor the pension board can make any unilateral changes to the pension plan.

COLA provisions for the three Houston systems vary:

- Houston Muni has COLAs ranging from 0-2% based on returns.
- Houston Fire and Police COLAs are based on the 5-year asset return less 4.75% and 5% respectively.
- Before a cost-of-living adjustment or additional payment to retirees, beneficiaries, or other payees may be provided:
 - (1) the retirement system's actuary must certify in writing that, based on the sound application of actuarial assumptions and methods consistent with sound actuarial principles and standards, it is demonstrable that the fund has and likely will continue to have the ability to pay such an amount after all other obligations of the fund have been paid;
 - (2) the retirement board must approve the adjustment or additional payment.
 - (3) the governing body must approve the adjustment or additional payment.