

MINUTES OF THE CITY COUNCIL COMMITTEE
TUESDAY, SEPTEMBER 19, 2023

23-0017

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

PRESENT: [8] Atkins, West, Moreno, *Resendez, Blackmon, Stewart, Mendelsohn, Willis

ABSENT: [0]

The meeting was called to order at 3:02 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 4:13 p.m.

Chair

ATTEST:

City Secretary Staff

Date Approved

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

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

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

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

MINUTES OF THE CITY COUNCIL COMMITTEE
TUESDAY, SEPTEMBER 19, 2023

EXHIBIT A

RECEIVED

2023 SEP 15 AM 10:57

**CITY SECRETARY
DALLAS, TEXAS**

City of Dallas

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

Public Notice

230809

POSTED CITY SECRETARY
DALLAS, TX



Ad Hoc Committee on Pensions

September 19, 2023

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,	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

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 on Pensions Committee meeting will be held by videoconference and in the Council Chambers, 6th Floor at City Hall.

The public is encouraged to attend the meeting virtually; however, City Hall is available for those wishing to attend the meeting in person following all current pandemic-related public health protocols.

The Ad Hoc on Pensions Committee 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:

<https://dallascityhall.webex.com/dallascityhall/j.php?MTID=m0f19ffe5432a8feb12daece3fa23154d>

Call to Order

BRIEFING ITEMS

- A. 23-2466 Review of Report and Recommendations from the Dallas Police and Fire Pension System Study Group

Attachments: Presentation

- B. 23-2495 Plan of Work for the Ad Hoc Committee on Pensions

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
TUESDAY, SEPTEMBER 19, 2023

EXHIBIT B

OFFICIAL ACTION OF THE CITY COUNCIL COMMITTEE

SEPTEMBER 19, 2023

Item A: Review of Report and Recommendations from the Dallas Police and Fire Pension System Study Group

The following individuals briefed the committee on the item:

- Robert Walters, Senior Partner, Gibson Dunn & Crutcher LLP; and
- William Quinn, Vice Chairman, Dallas Police & Fire Pension System

OFFICIAL ACTION OF THE CITY COUNCIL COMMITTEE

SEPTEMBER 19, 2023

BRIEFING ITEMS

Item B: Plan of Work for the Ad Hoc Committee on Pensions

The following individuals briefed the committee on the item:

- Robert Walters, Senior Partner, Gibson Dunn &Crutcher LLP; and
- William Quinn, Vice Chairman, Dallas Police & Fire Pension System

MINUTES OF THE CITY COUNCIL COMMITTEE
TUESDAY, SEPTEMBER 19, 2023

EXHIBIT C

City of Dallas
Ad Hoc Committee on Pensions
September 19, 2023

Primary Causes of DPFP Insolvency Projections

Poor Real Estate Investments

- More than \$1 billion was invested in ill-advised direct real estate investments during the period 2005-2009, much of it with managers lacking the appropriate skills. The assets were written down by hundreds of millions of dollars, resulting in the first report of insolvency in 2015.

DROP Structure/Run-On-The-Bank

- Over the years, Plan amendment elections resulted in a structure for DROP that harmed the fund. The most damaging provisions included: 1) a floor of 8% interest annually on the DROP balance, 2) allowing retirees to defer their monthly deposit into DROP after retirement, 3) no limit on time in DROP or time the money could remain with DPFP, 4) allowing active members to take distributions from DROP, and 5) allowing unlimited distributions from DROP.
- DROP balances grew to more than \$1.5b (58%) of total assets by 2016. As members became worried about DPFP's solvency and the possible closing of access to their DROP accounts, a run-on-the-bank ensued. More than \$600 million was withdrawn before DROP was closed for withdrawals on December 8, 2016, as a consequence of the actions of the Board and an injunction issued in the Rawlings case.

2017 Legislative Session: HB 3158

- Governance – 6 mayoral appointees, 5 trustees elected by the members (including 1 police officer and 1 fire fighter).
- Provided 7 years of contribution certainty.
- Benefits were reduced or frozen for all active employees, retirees, and beneficiaries.
- HB 3158 reduced the unfunded liability by \$1 billion and increased the funding ratio to 49% with a years-to-fund period of 44 years. Even with the passage of HB 3158, funding levels were projected to decline until 2032.
- Legislation mandates an independent actuarial analysis and plan changes prior to the 2025 legislative session.
- The 2017 legislation was intended to avoid near-term insolvency and be a bridge to a permanent solution by 2025.

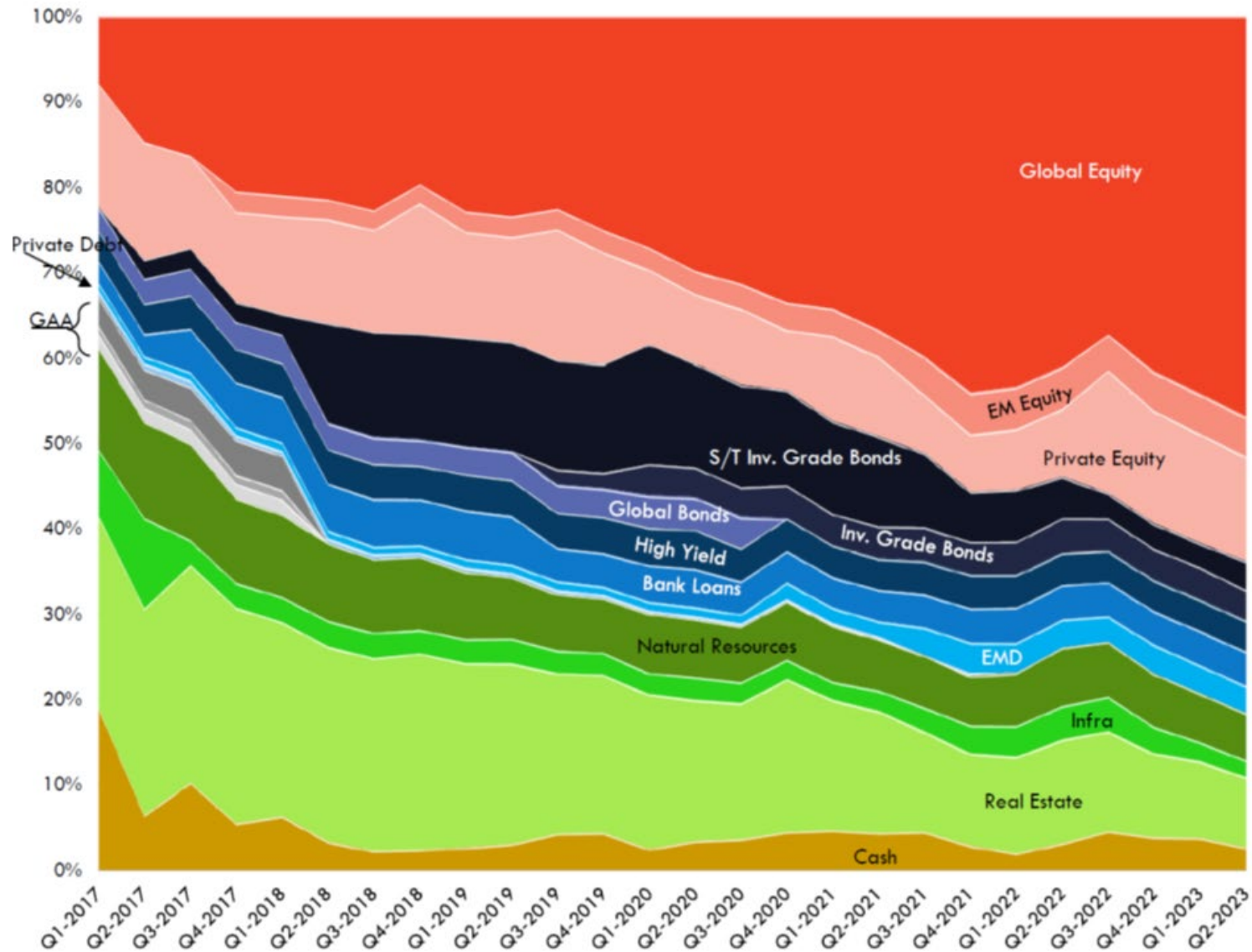
HB 3158 Mandates

- Before 7/1/2024, the PRB must select an independent actuary to be hired by DFPF to analyze the most recently completed valuation. The PRB has selected the actuary (Cheiron) and the work is underway.
- The independent actuary must submit a report to the PRB not later than 10/1/2024; the report must include:
 - A conclusion regarding whether the pension meets State Pension Review Board pension funding guidelines; and
 - Recommendations regarding changes to benefits or to member or city contribution rates.
- Not later than 11/1/2024, the DFPF Board must adopt rules that:
 - Comply with the funding and amortization period requirements under 802 of the Government Code (fully funded in 30 years); and
 - Take into consideration the actuary's recommendations.
- Not later than 12/1/2024, the PRB must submit a report to the Legislature containing the actuary's report and the DFPF Board's plan changes adopted to meet the legislative funding requirements.

DPFP Board Accomplishments 2017-2023

- Timely implemented more than 30 specific requirements mandated by HB 3158.
- Developed a cohesive Board of Trustees that seamlessly works together regardless of whether appointed or elected to the Board.
- Managed several important HB 3158 litigation challenges and other litigation.
- Lowered the assumed rate of return to 6.5% to ensure the funding status reported is the most realistic estimate. Working with the City, developed a funding policy with a closed amortization period to comply with the PRB rules.
- Significant strides have been made to transform the underperforming, highly illiquid investment portfolio into a more typical public pension portfolio.
 - \$900M in private market distributions were received from the sale of complicated and unique investments. Assets were sold in a prudent manner (not a “fire-sale”) to maximize the value for DPFP. The legacy portfolio has three material assets remaining.
 - Private market proceeds have covered over 105% of net benefit outflows since 2017.
 - Given the high level of monthly outflows (~\$10M), designed an asset allocation that included a Safety Reserve (Cash and short-term Bonds) to serve as the primary liquidity source during periods of market distress. The Safety Reserve is designed to cover 18 months of benefit outflows to ensure growth assets would not need to be sold during market downturns.
 - Restructured the portfolio from having over 65% in private market assets and less than 10% in the Public Equity asset class to a portfolio that now has 70% of assets or ~\$1.3B in liquid, public markets assets (Public Equity and Fixed Income).
 - Public markets assets, which are the portion the Board can control, have outperformed their benchmark by 1.1% annually since 6/30/2018.
 - Established an Investment Advisory Committee with a majority of outside investment professionals with considerable investment experience.
 - Revised the asset allocation, hired new consultants, modified the Investment Policy Statement, developed a robust and thorough investment managers search and due diligence process, liquidated \$135 million of high-cost GAA funds, and modified fee arrangements.

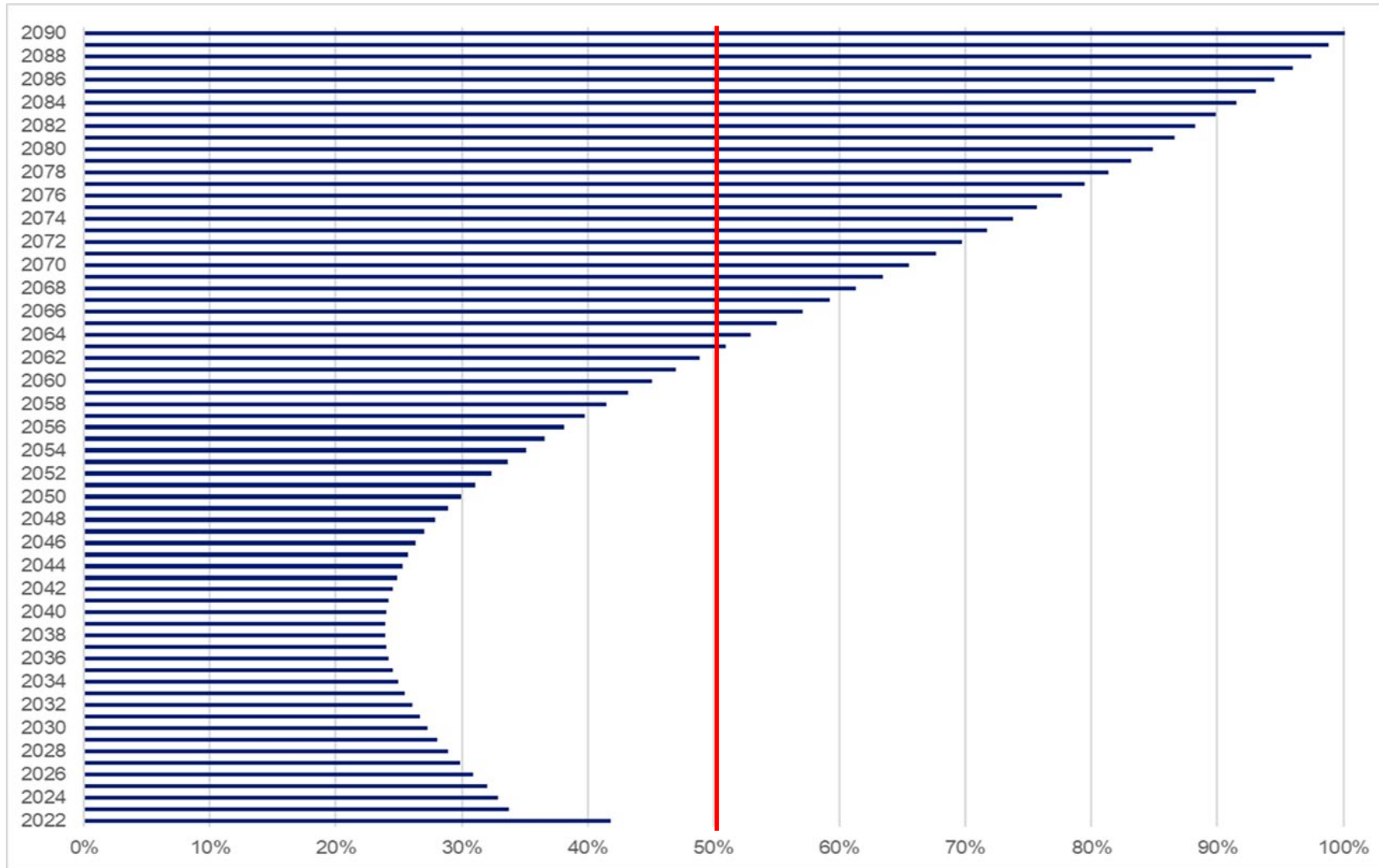
Portfolio Realignment since 2017



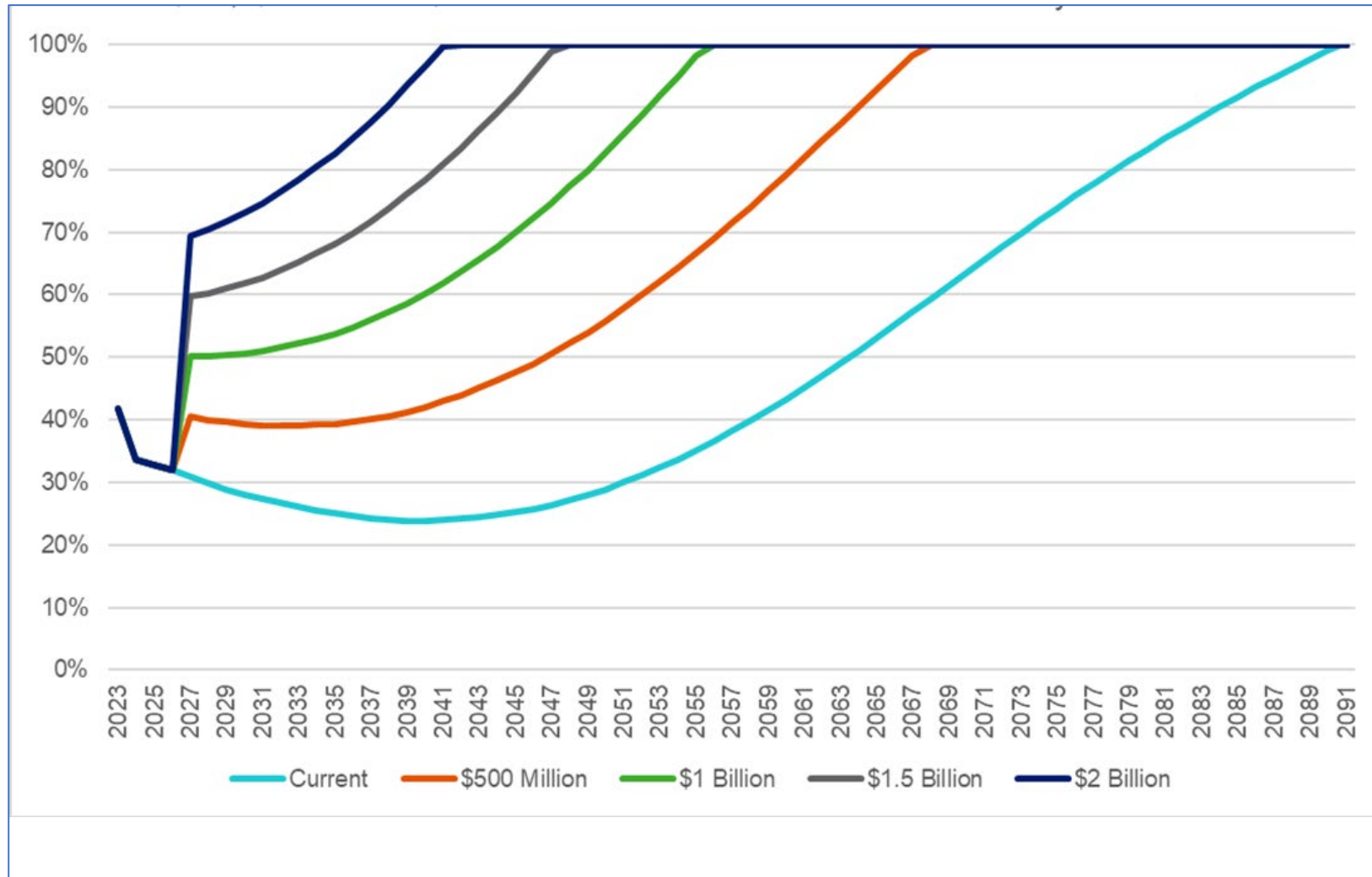
Funding Status as of 1-1-2022

- DFPF is 41% funded
- The total DFPF liability is \$5.2 billion, of which \$3 billion is unfunded. Over 70% of the liability is due to retirees and beneficiaries.
- The funding period is 2090 (68 years). Under HB 3158, a plan that results in a funding period of 30 years or less is required in advance of the 2025 legislative session.
- The City contribution rate is 34.5% of regular pay, plus \$13 million annually; the City's contribution rate would need to be 52.3% (currently an additional \$63 million) for the plan to fully fund within 30 years.
- Active members contribute 13.5% of regular pay each pay period.
- DFPF paid benefits of \$100 million more (received \$224m; paid \$324m) than contributions it received in 2022. Benefit payments are expected to exceed contributions until 2047.

DPPF Funding Projections (based on 1-1-2022 valuation)



Projected Funded Levels with One-time Cash Infusion in 2025



Ad Hoc Committee on Pensions Fall 2023 Schedule

September 19th	Initial Ad Hoc Committee Background Briefing
October _____	DPFP & ERF Staff Briefing to Ad Hoc Committee
November 9th	Cheiron's Briefing on its Initial DPFP Report
December _____	Review possible funding options for DPFP

Memorandum



CITY OF DALLAS

DATE September 19, 2023
TO Honorable Members of the Ad Hoc Committee on Pensions: Tennell Atkins (Chair), Paula Blackmon, Cara Mendelsohn, Jesse Moreno, Jaime Resendez, Kathy Stewart, Chad West, and Gay Donnell Willis
SUBJECT **Plan of Work for the Ad Hoc Committee on Pensions**

Based on Mayor Johnson's memo dated August 18, the new Ad Hoc Committee on Pensions is formed with a policy priority as follows:

Receive recommendations from the Dallas Police and Fire Pension System Study Group to put the Dallas Police and Fire Pension System on a path to solvency and propose concrete steps to address the unfunded liability of the Dallas Police and Fire Pension System.

After consulting with the committee chair, Mayor Pro Tem Atkins, the first meeting is scheduled for Tuesday, September 19. The committee will have the opportunity to review and discuss the funding issues of both the Dallas Police and Fire Pension System (DPFP) and the Employee Retirement Fund (ERF). Below is a tentative plan for the next three months or through the end of the calendar year.

	DPFP	ERF
October	Discuss DPFP background	Discuss ERF background
November	Review preliminary report prepared by Cheiron (independent actuary). Final report due in February 2024	Review options prepared by ERF leadership, City staff, and actuaries
December	Receive updated report from the Dallas Police and Fire Pension System Study Group	Consider recommendations for changes to Chapter 40A

If you need additional information, please contact me.

Jack Ireland
Chief Financial Officer

c: Honorable Mayor and Members of the City Council
T.C. Broadnax, City Manager
Tammy Palomino, Interim City Attorney
Mark Swann, City Auditor
Billierae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizzor Tolbert, Deputy City Manager

Jon Fortune, Deputy City Manager
Majed A. Al-Ghafry, Assistant City Manager
M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Dr. Robert Perez, Assistant City Manager
Carl Simpson, Assistant City Manager
Genesis D. Gavino, Chief of Staff to the City Manager
Directors and Assistant Directors