

MINUTES OF THE CITY COUNCIL COMMITTEE  
THURSDAY, DECEMBER 14, 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 (\*\*3:06 p.m.), Moreno, \*Resendez, Blackmon, Stewart,  
Mendelsohn, Willis

ABSENT: [0]

The meeting was called to order at 3:05 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 5:14 p.m.

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Chair

ATTEST:

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City Secretary Staff

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Date Approved

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

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

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

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

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

MINUTES OF THE CITY COUNCIL COMMITTEE  
THURSDAY, DECEMBER 14, 2023

EXHIBIT A

**RECEIVED**

**2023 DEC 11 PM 1:59**

**CITY SECRETARY  
DALLAS, TEXAS**

**City of Dallas**

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

**Public Notice**

**23 11 22**

**POSTED** CITY SECRETARY  
DALLAS, TX



**Ad Hoc Committee on Pensions**

**December 14, 2023**

**3:00 PM**

## 2023 CITY COUNCIL APPOINTMENTS

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

(C) – Chair, (VC) – Vice Chair

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

## General Information

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

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

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

## Rules of Courtesy

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

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

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

## Información General

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

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

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

## Reglas de Cortesía

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

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

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

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

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

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

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

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

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

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

This City Council Ad Hoc Committee on Pensions meeting will be held by video conference and in the Auditorium, Floor L1 at City Hall.

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

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

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

<https://dallascityhall.webex.com/dallascityhall/j.php?MTID=m975daf207c3c433d018208873cf7ec6b>

### Call to Order

### MINUTES

1. [23-3272](#) Approval of the November 9, 2023 Ad Hoc Committee on Pensions Meeting Minutes

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

### BRIEFING ITEMS

- A. [23-3271](#) Employee Retirement Fund Funding Considerations and Discussion

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

- B. [23-3270](#) Dallas Police and Fire Pension System Funding Considerations and Discussion

**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, DECEMBER 14, 2023

EXHIBIT B

OFFICIAL ACTION OF THE CITY COUNCIL COMMITTEE

DECEMBER 14, 2023

Item 1: Approval of the November 9, 2023 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 absent when vote taken)

OFFICIAL ACTION OF THE CITY COUNCIL COMMITTEE

DECEMBER 14, 2023

BRIEFING ITEMS

Item A: Employee Retirement Fund Funding Considerations and Discussion

The following individuals briefed the committee on the item:

- Cheryl Alston, Executive Director; Employees' Retirement Fund;
- David Etheridge, Deputy Executive Director; Employees' Retirement Fund; and
- Jack Ireland, Chief Financial Officer, City Manager's Office

OFFICIAL ACTION OF THE CITY COUNCIL COMMITTEE

DECEMBER 14, 2023

BRIEFING ITEMS

Item B: Dallas Police and Fire Pension System Funding Considerations and Discussion

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;
- John Stephens, City of Dallas Economic Development Task Force

MINUTES OF THE CITY COUNCIL COMMITTEE  
THURSDAY, DECEMBER 14, 2023

EXHIBIT C



# City of Dallas

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

## Agenda Information Sheet

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**File #:** 23-3271

**Item #:** A.

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Employee Retirement Fund Funding Considerations and Discussion

# Employees' Retirement Fund of the City of Dallas



**City of Dallas**

**Ad Hoc Committee on Pensions  
December 14, 2023**

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

# Background/History

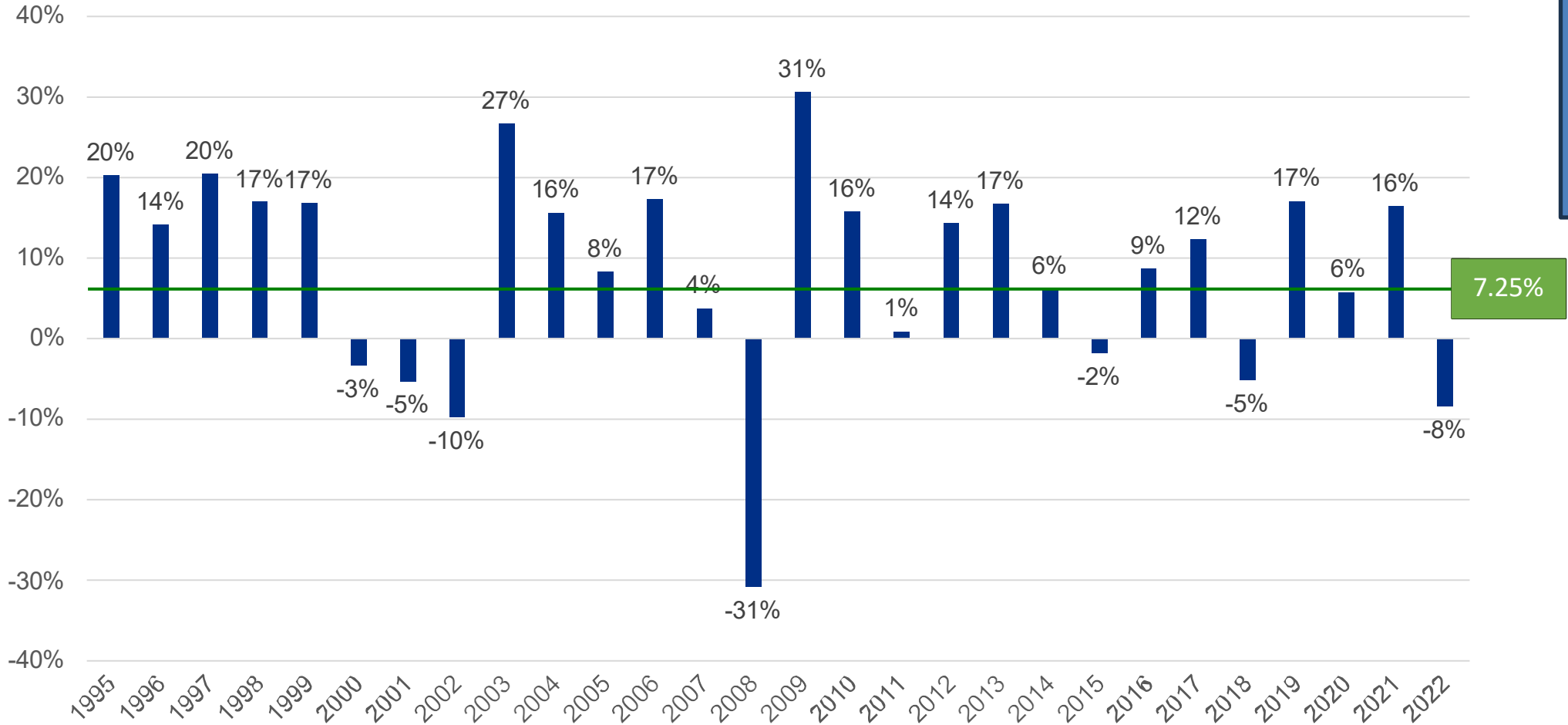


History	Established in 1944
Type Plan	Single employer defined benefit “Trust Plan” that provides retirement, disability and death benefits for the permanent civilian employees of the City of Dallas
Governance	Seven-member board consisting of three persons appointed by the City Council, three employees 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





# Long-Term Dallas ERF Investment History



As of  
November 30, 2023  
the YTD = 6.53%



# Dallas ERF Performance Results



- ❑ Conservative Global Investment Portfolio with 85% valued daily as of 11/30/2023
  - ❖ 1-year return – 4.33%
  - ❖ 3-year return – 5.28%
  - ❖ 5-year return – 6.05%
  - ❖ Since inception (1985) – 8.63%
  
- ❑ Assets under Management as of 11/30/2023 – \$3.55 billion
  
- ❑ Actuarial Valuation conducted annually, most recently as of 12/31/2022
  
- ❑ 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) = 73.1% as of 2022



# ERF Members Facts & Figures as of 12/31/2022



Average Annual Benefit  
\$40,883

Annual Benefit Paid to Beneficiaries  
\$317.5 Million

ERF Employee Member Headcount  
7,464

ERF Retiree Headcount  
7,766

Percent of ERF Active Members  
who are Dallas Residents  
44%

Percent of ERF Retirees  
who are Dallas Residents  
35%

Civilian Employee Turnover  
17%

Uniform Employee Turnover  
DPD = 1% | Fire = 2.4%

1,100 Active Employees eligible to retire  
Leave payout = \$12M est.

Tier B Restricted Prior Service Participants  
395

# 2023 Federal Poverty Guidelines



Number of people in your household	2023 income numbers
1	\$14,580
2	\$19,720
3	\$24,860
4	\$30,000
5	\$35,140
6	\$40,280
<b>Civilians' average retirement benefit as of December 31, 2022</b>	<b>\$40,883</b>
7	\$45,420

Dallas ERF retirees monthly benefit ranks among U.S. Department of Health and Human Services' poverty levels.

Source: The Department of Health & Human Services ("HHS") recently announced the 2023 Federal Poverty Level ("FPL") guidelines which, among other things, establish the FPL affordability safe harbor for purposes of the Affordable Care Act ("ACA") employer mandate issued 01/24/2023.



# Considerations & Action Plan



# 2016 Cost Impact of Studies



## Dallas Employees' Retirement Fund Benefit Changes for New Hires

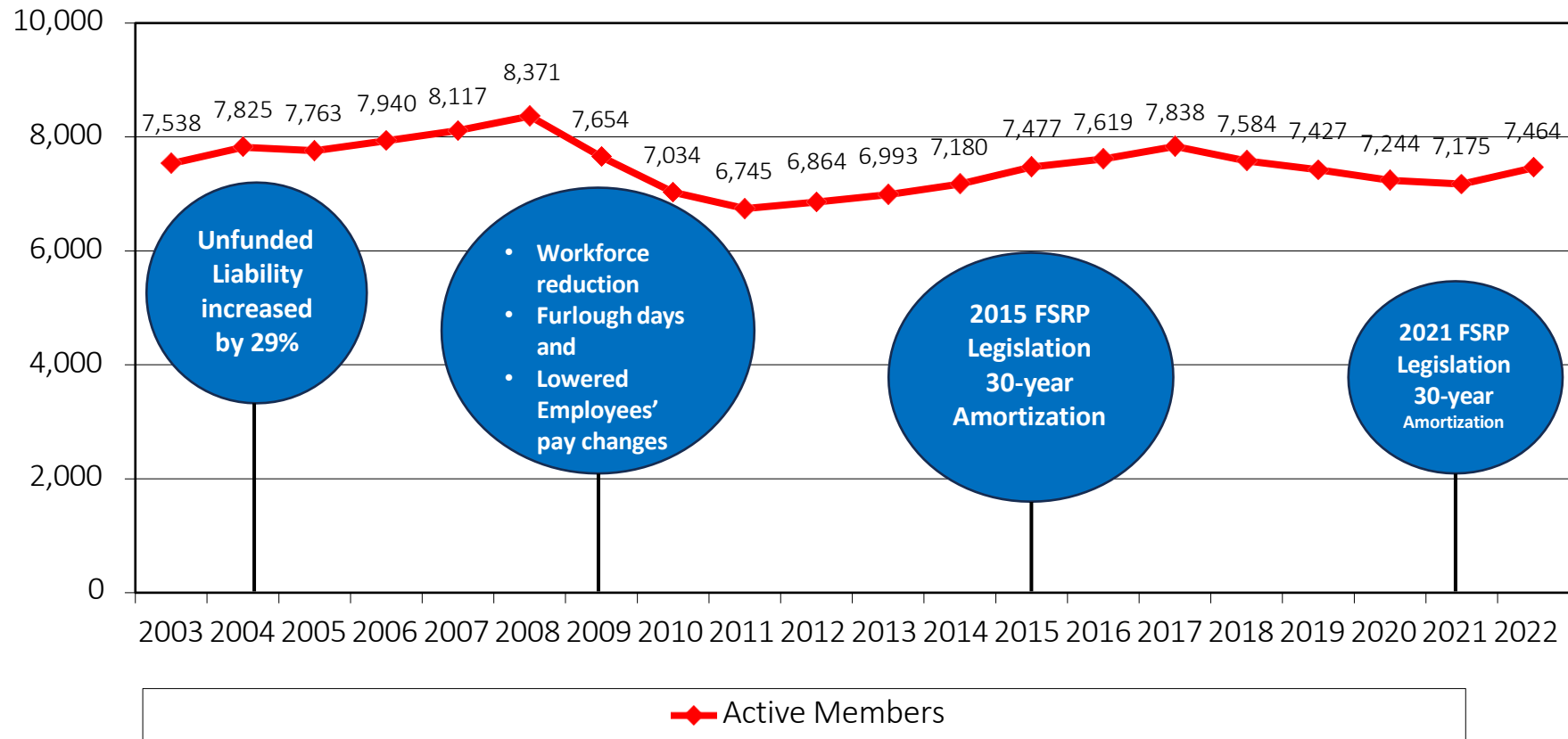
Preliminary Normal Cost Rate (NC%) as of 12/31/2015

20.36%

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

**\$2.15 billion in savings through 2055**

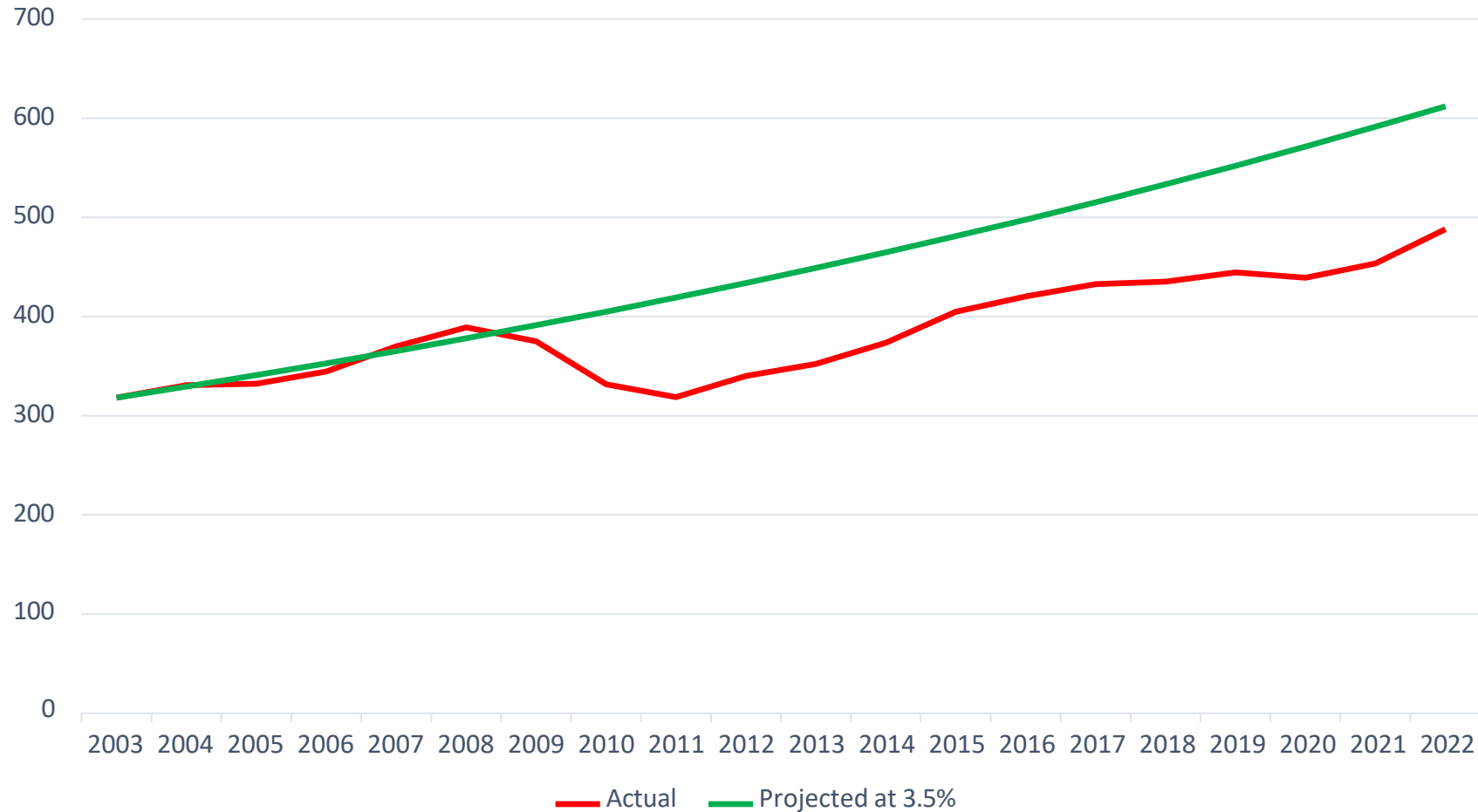
# Impact of Decrease in Active Employees



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





# 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. The PRBs 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-to-40-year range, rather than the otherwise applicable 30-year amortization period rule.

## **Risk / Alternative to Implementing by 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.**



# Considerations / Action Plan



- ❑ The consideration does not include a request for Bonds.
- ❑ Eliminate the maximum contribution cap of 36.00% of pay from Chapter 40-A Effective January 1, 2025, for the valuation period and replace it with the Actuarially Determined Contribution rate in the annual Valuation Report.
- ❑ Increase the employee contribution rate to a maximum of 14.00%
- ❑ 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.
- ❑ Amend draft changes to Chapter 40A by January 31, 2024. City Council votes in February 2024 to establish a May 2024 referendum for Dallas Citizens to consider.
- ❑ Contribution rates for the City of Dallas and ERF Members go into effect October 1, 2025.



# Funding Soundness Restoration Plan Scenario



Milliman reviewed the following scenarios produced by GRS (ERF's retained actuary):

## □ Current

- Deferred actuarial investment losses (2023 and prior) are recouped
- Assumed return of 7.25%
- POB debt service paid from contributions

## □ Phase-In Scenario

- 36% cap is removed, and member contributions capped at 14% of pay
- Phase-in to higher City contribution at 2% more per year until reaching ultimate level % of pay.
- City contribution projected to fully fund the plan 30 years from 12/31/2024 (FSRP requirement).
- For example, the increase in contributions is projected to be
  - 2025: \$7 million for the City, and employee contributions will be \$3.5 million.
  - 2026: \$10.5 million for the City over 2025.

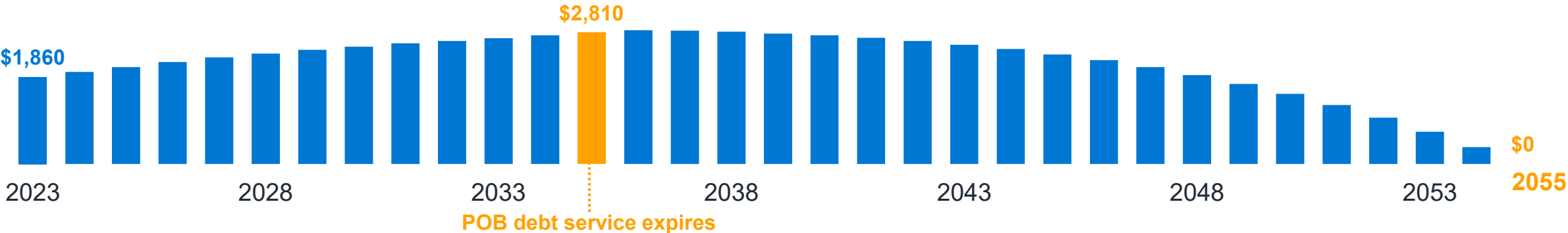
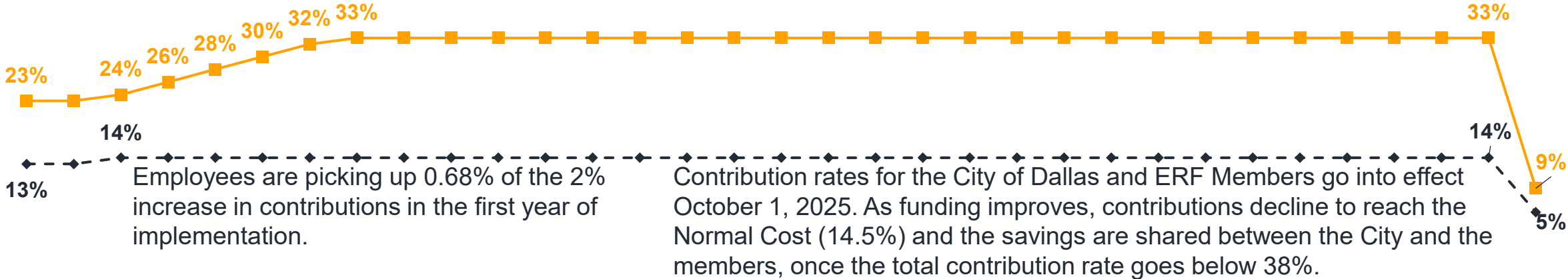


# Phase- In Scenario



2% "phase-in" begins in 2025

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



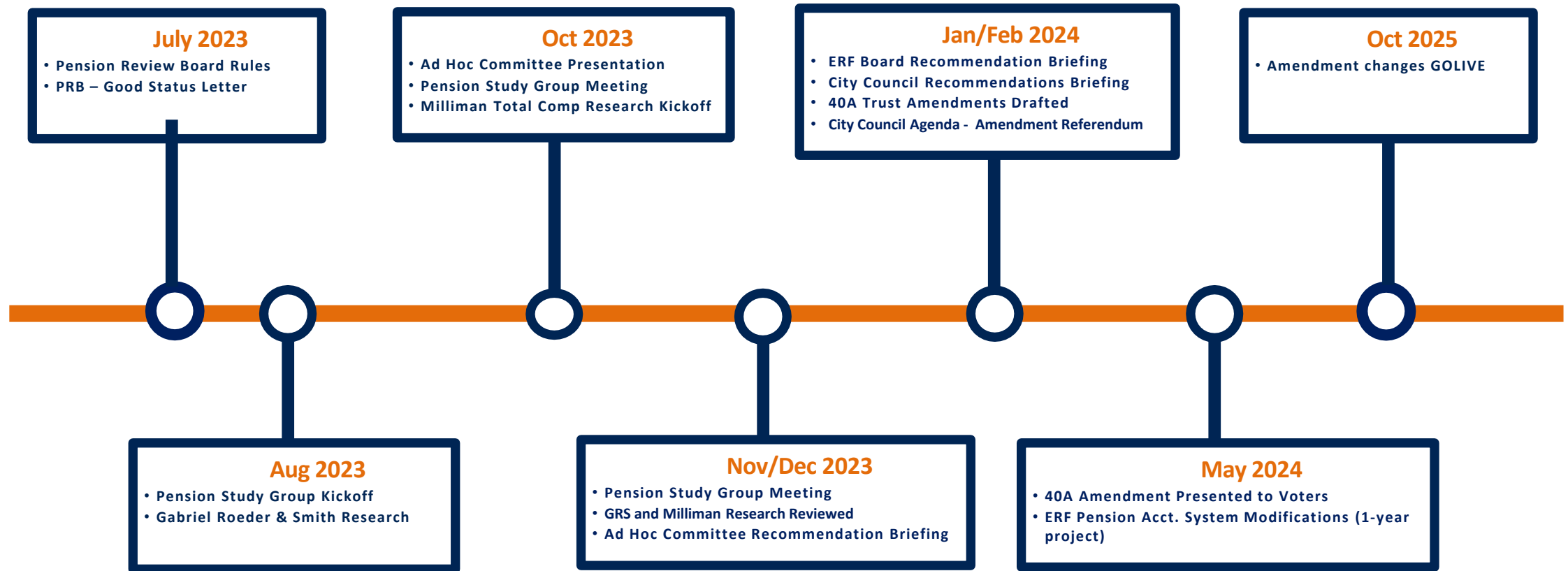
# Comparable Contribution Rates for Texas Cities



City/Retirement System	City Contribution to Retirement Plan	City Contribution to Social Security	Total City Contribution to Retirement
City of Dallas ERF (current)	22.68%	0.00%	22.68%
City of Austin Muni	20.47%	6.20%	26.67%
City of Fort Worth	31.59%	0.00%	31.59%
City of Dallas ERF (recommended)	24% - 33%	0.00%	24% - 33%
City of Houston Muni	28.86%	6.20%	35.06%



# Proposed 40A Amendment Timeline



# Summary of Considerations & Action Plan



- ❑ The consideration does not include a request for Bonds.
- ❑ Eliminate the maximum contribution cap of 36.00% of pay from Chapter 40-A Effective January 1, 2025, for the valuation period and replace it with the Actuarially Determined Contribution rate in the annual Valuation Report.
- ❑ Increase the employee contribution rate to a maximum of 14.00%
- ❑ Select the appropriate amortization schedule to meet budget expectations.
  - ❖ Any lump sum contribution from the City at any point in time will result in a recalculation in the City's contribution rate as determined by the actuary.
- ❑ Amend draft changes to Chapter 40A by January 31, 2024. City Council votes in February 2024 to establish a May 2024 referendum for Dallas Citizens to consider.
- ❑ Contribution rates for the City of Dallas and ERF Members go into effect October 1, 2025.







**City of Dallas**

# **Appendix**



# 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, 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.



# Civilian Base Pay Compensation Study



- ❑ The City of Dallas' Human Resources Department originally contracted Milliman Inc. to conduct a citywide Total Compensation Study in 2014.
  
- ❑ In October 2023, Dallas ERF contracted with Milliman Inc. to conduct the following Scope of Work:
  - 1) Evaluate City of Dallas' Civilian Base Pay to the Market and update the City's Study from 2014
    - ❖ Market comparison: Dallas pay range midpoints versus market base 50<sup>th</sup> percentile
    - ❖ Market comparison: Dallas average base pay versus market base 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> percentiles
    - ❖ Civilian jobs evaluated using published survey sources
  - 2) Evaluate ERF Tier A – Total retirement plan value as a percent (%) of pay, private sector
  - 3) Evaluate ERF Tier B – Total retirement plan value as a percent (%) of pay, private sector
  - 4) Validate pension plan cost models presented by Gabriel Roeder and Smith.



# 72 City of Dallas Civilian Job Titles Studied

The following jobs were provided by the City of Dallas' Human Resources Departments data sources

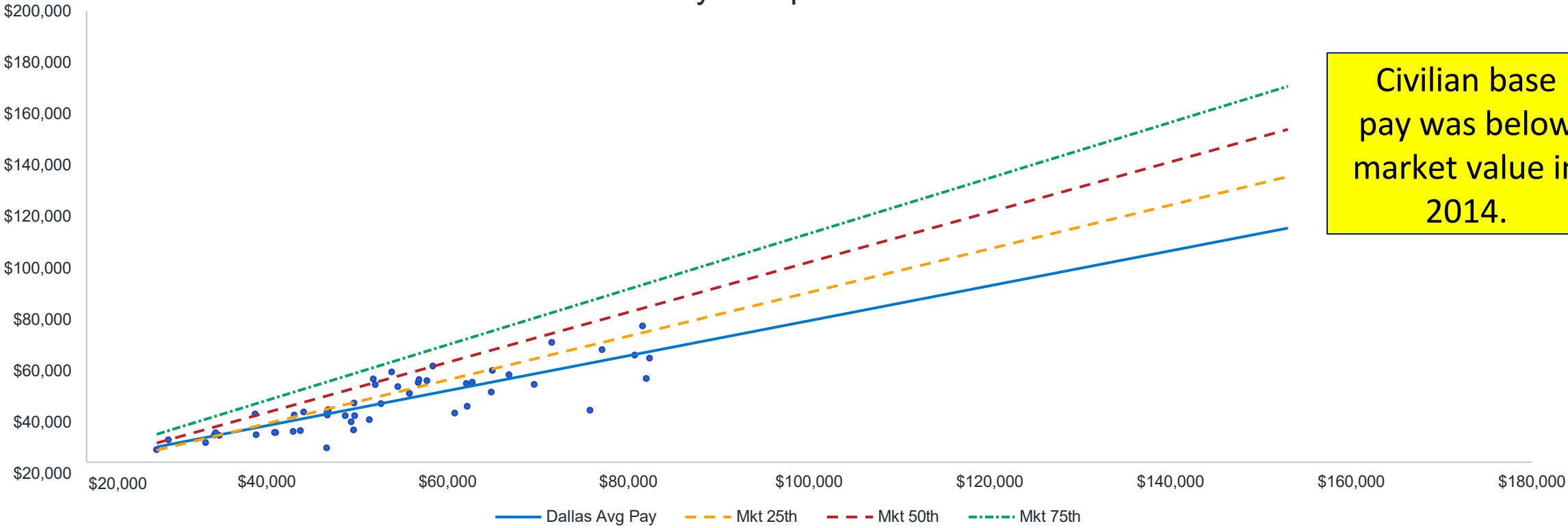
Animal Services Officer	Executive Assistant	Risk Analyst	Senior Risk Analyst
Assistant City Attorney I	Greens Superintendent	Safety Officer	Supervisor - Airport Maintenance
Assistant City Attorney IV	Heavy Equipment Operator	Senior Accountant	Supervisor - Animal Field Services
Bailiff	Human Resources Assistant	Senior Carpenter	Supervisor - Facilities
Chemist	HVAC Technician	Senior Community Service Worker	Supervisor - Heavy Equipment Operation
Chief Planner	Inspector II - Various	Senior Contract Compliance Administrator	Supervisor - Office
Community Service Worker	Inspector III - Building Inspection	Senior Design Technician	Supervisor - Park Maintenance
Contract Compliance Administrator	Irrigation Technician	Senior Electronic Technician	Supervisor - Warehouse
Court Specialist II	Laborer I	Senior Engineer	Supervisor WWTP Maintenance
Crew Leader - MISC	Laborer II	Senior HVAC Technician	Truck Driver II
Crime Technician	Legal Office Administrator	Senior Legal Secretary	Water Field Representative I
Custodian	Manager - Code Enforcement	Senior Maintenance Worker	Water Meter Reader
Customer Service Agent I	Manager - Environmental Quality	Senior Mechanic	Water Plant Operator
Customer Service Representative II	Manager - Facilities	Senior Payroll Specialist	Worker's Compensation Coordinator
Deputy City Marshal	Master Electrician	Senior Planner	
Electronic Technician	Mechanic II	Senior Plans Examiner	
Engineer Assistant I	Painter	Senior Plumber	
Engineer I	Plumber	Senior Real Estate Specialist	
Equipment Operator	Recreation Program Specialist		

# 2014 Market Study Results for City of Dallas Civilian Base Pay



2014 chart reproduced, Base salaries for civilian jobs average **17% below the 50<sup>th</sup> percentile** and **4% below the 25<sup>th</sup> percentile**.

Base Pay Comparisons -Civilian Jobs



Civilian base pay was below market value in 2014.



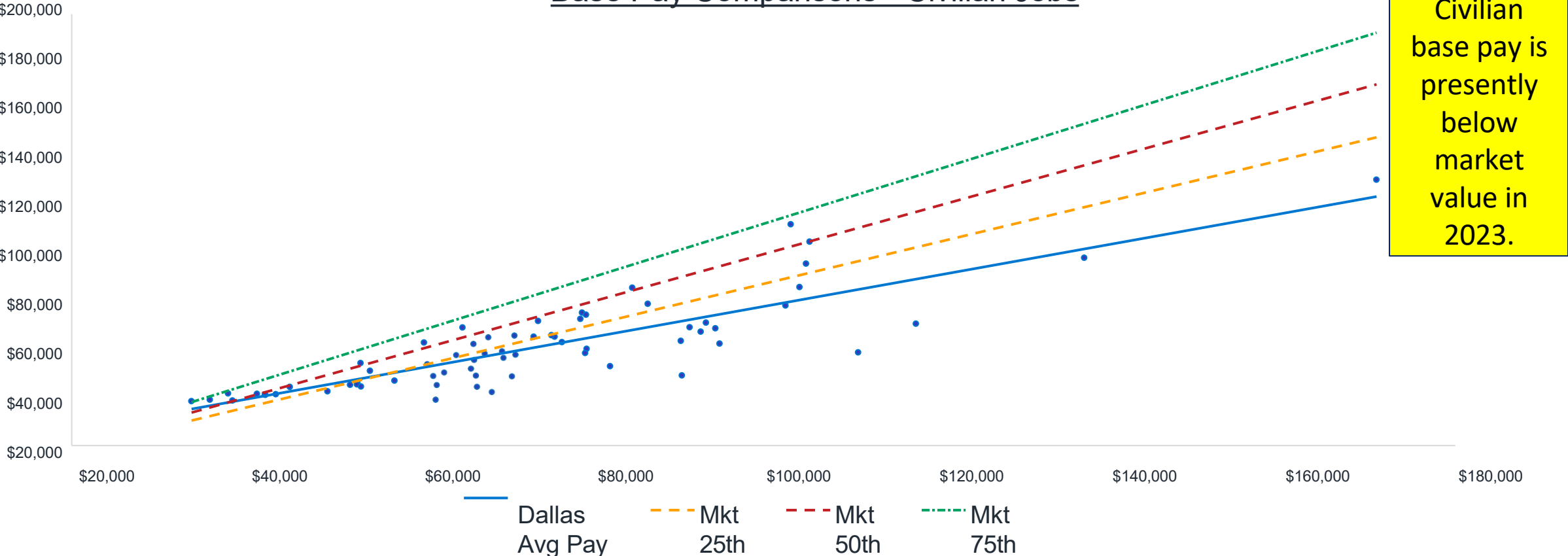
\*Dallas Average Pay provided by the City of Dallas

# 2023 Market Study Results for City of Dallas Civilian Base Pay



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

Base Pay Comparisons - Civilian Jobs



# Formula to Calculate Dallas ERF Benefits



## Pension Formula

$$\begin{aligned} & 2.5\% \\ & \times \text{ multiplied by } \text{Service Credit (Full \& Partial Years)} \\ & \times \text{ multiplied by } \text{Average Monthly Pay} \\ \hline & = \text{Calculated Monthly Benefit} \end{aligned}$$



# Civilians Turnover Rate vs. National Rate



## City of Dallas' Civilian Turnover Rate = 17%

As of Dec. 31, 2022

## National Avg = 3.6 to 4.2%

Oct. 2021 – Oct. 2022

### NEWS RELEASE BUREAU OF LABOR STATISTICS U. S. DEPARTMENT OF LABOR



For release 10:00 a.m. (ET) Tuesday, December 5, 2023

Technical information: (202) 691-5870 • [JoltsInfo@bls.gov](mailto:JoltsInfo@bls.gov) • [www.bls.gov/jlt](http://www.bls.gov/jlt)

Media contact: (202) 691-5902 • [PressOffice@bls.gov](mailto:PressOffice@bls.gov)

USDLS-23-2528

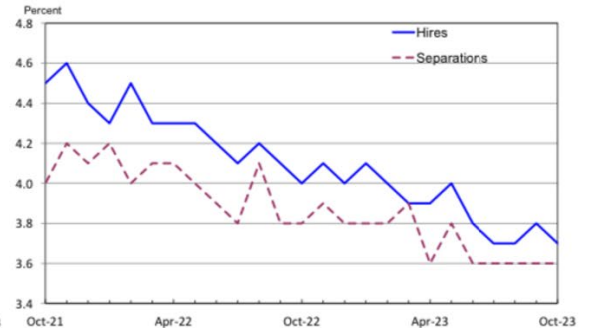
### JOB OPENINGS AND LABOR TURNOVER – OCTOBER 2023

The number of job openings decreased to 8.7 million on the last business day of October, the U.S. Bureau of Labor Statistics reported today. Over the month, the number of hires and total separations changed little at 5.9 million and 5.6 million, respectively. Within separations, quits (3.6 million) and layoffs and discharges (1.6 million) changed little. This release includes estimates of the number and rate of job openings, hires, and separations for the total nonfarm sector, by industry, and by establishment size class.

Chart 1. Job openings rate, seasonally adjusted, October 2021 - October 2023



Chart 2. Hires and total separations rates, seasonally adjusted, October 2021 - October 2023





# 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

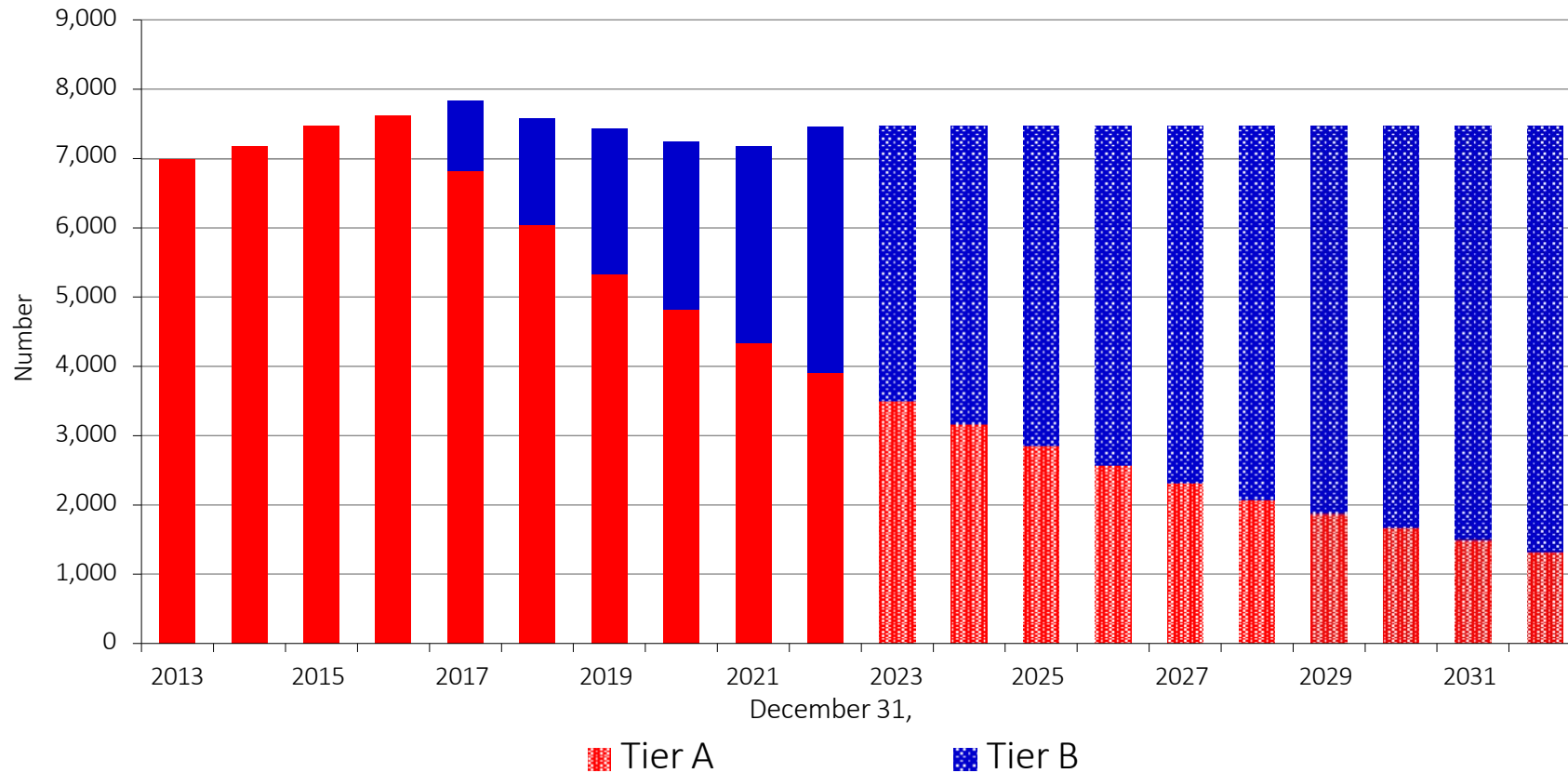
**Reducing Dallas  
ERF pension  
benefits will  
likely increase  
the employee  
Turnover Rate  
of 17%.**



# Projected Active Membership



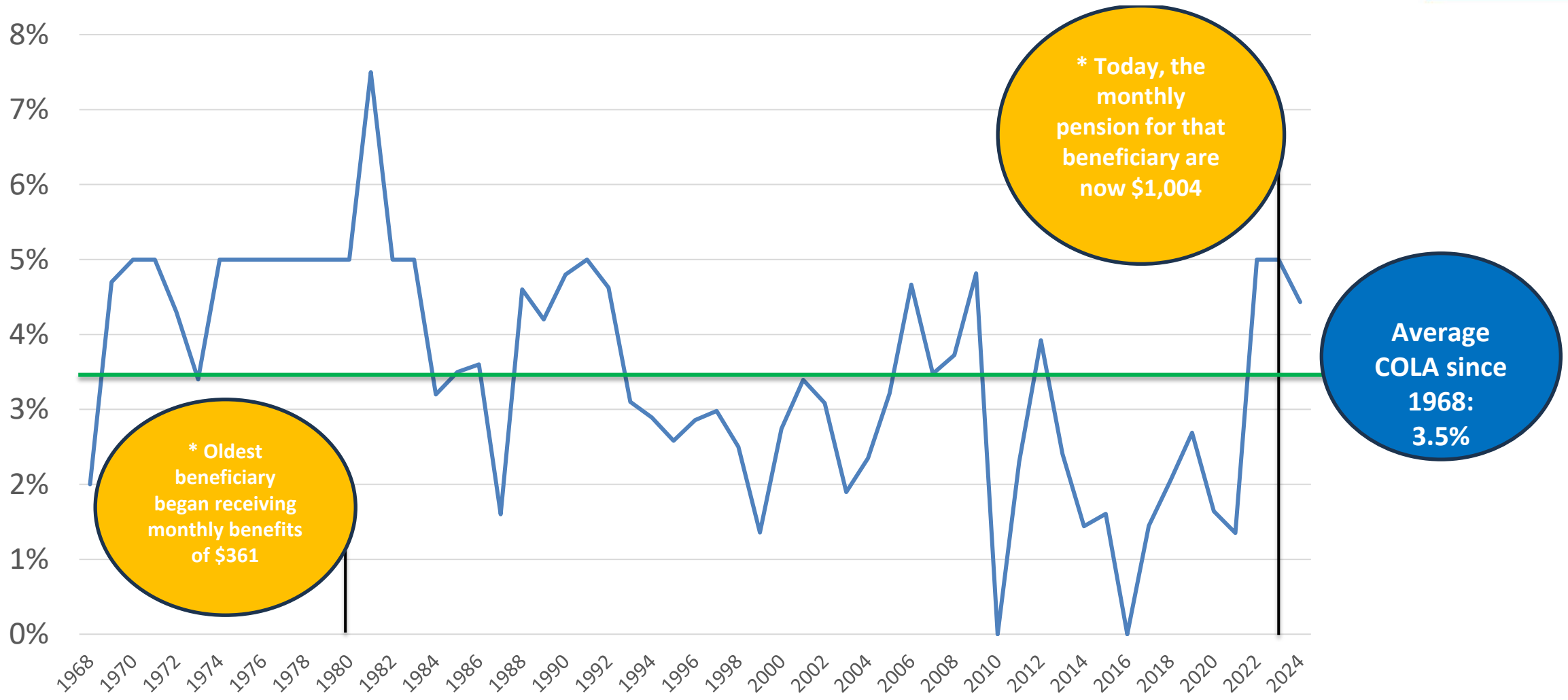
Projected Number of Tier A and Tier B Employees



**Tier A = 52%**  
**Tier B = 48%**



# Annual COLA Since 1968



Beneficiaries receive a simple, non-compounding COLA based on CPI to help offset the effects of inflation without social security.

# Retirees Benefit as a Percent of Earnings



Years of Service for Retirement Eligibility	Tier A % of Pay	Tier B % of Pay
20 years	55%	50%
25 years	68.75%	62.5%
30 years	82.5%	75%
36.36 years	100%	91%
40 years	100%	100%

Note:

1. Tier A members must be age 50 or greater to avoid an actuarial retirement benefit reduction.
2. Tier B members must be age 65, and 5 years of service or have RSPS credit to avoid an actuarial retirement benefit reduction.

# Civilian Overtime Information



- Dallas ERF receives salary pay information for all participating civilian employees including overtime as a file feed from the City Controller's Office.
- Overtime pay for Tier A and Tier B members are included in the final average calculation for every employee transitioning to retirement.
- Dallas ERF does not have the reporting capabilities in the City's HRIS System (Workday) to monitor or manage overtime as a preventative measure.



# 2023 Federal Poverty Guidelines




**2023 Federal Poverty Guidelines Announced** Issued date: 01/24/23

The Department of Health & Human Services ("HHS") recently announced the 2023 Federal Poverty Level ("FPL") guidelines which, among other things, establish the FPL affordability safe harbor for purposes of the Affordable Care Act ("ACA") employer mandate.

For plan years beginning February 1, 2023 or later, the 2023 FPL safe harbor is \$110.80/month in the lower 48 states and DC, \$138.39/month for Alaska, and \$127.45/month for Hawaii.

As a reminder, a plan can use poverty guidelines in effect within 6 months before the first day of the plan year for purposes of using an affordability safe harbor. Because the 2023 FPL guidelines were announced after the start of the calendar year, plans with plan years beginning on January 1, 2023 use \$103.28/month for the lower 48 states and DC (\$129.12/month for Alaska and \$118.78/month for Hawaii), which is 9.12% of the applicable 2022 FPL. The increased threshold of \$110.80/month for the lower 48 states and DC based on the 2023 FPL applies to plan years beginning on or after February 1, 2023.

**Background and FPL Safe Harbor**

Large employers may be subject to the employer mandate penalty under the ACA if they do not offer affordable, minimum value coverage to all full-time employees, and at least one full-time employee receives a subsidy in the Marketplace.

A large employer's offer of coverage will be considered "affordable" under the FPL safe harbor if the employee's required monthly contribution for the lowest cost self-only coverage that provides minimum value does not exceed 9.5% (as indexed) of a monthly amount determined as the FPL for a single individual for the applicable calendar year, divided by 12.

**2023 FPL Affordability Safe Harbor**

For FPL affordability safe harbor purposes, the applicable FPL is the FPL for the state in which the employee is employed. The 2023 FPL is \$14,580 for a single individual in every state (and Washington D.C.) except Alaska or Hawaii. Thus, if the employee's required monthly contribution for the lowest cost self-only coverage that provides minimum value is \$110.80 (9.12% of \$14,580/12, rounded down) or less, the employer's offer of coverage meets the FPL affordability safe harbor for a plan year beginning February 1, 2023 or later in the lower 48 states and DC.

**FPL Guidelines**

The following are the 2023 HHS poverty guidelines:

2023 Poverty Guidelines for the 48 Contiguous States and DC		2023 Poverty Guidelines for Alaska		2023 Poverty Guidelines for Hawaii	
Persons in family/household	Poverty Guideline	Persons in family/household	Poverty Guideline	Persons in family/household	Poverty Guideline
1	\$14,580	1	\$18,210	1	\$16,770
2	\$19,720	2	\$24,640	2	\$22,680
3	\$24,860	3	\$31,070	3	\$28,590
4	\$30,000	4	\$37,500	4	\$34,500
5	\$35,140	5	\$43,930	5	\$40,410
6	\$40,280	6	\$50,360	6	\$46,320
7	\$45,420	7	\$56,790	7	\$52,230
8	\$50,560	8	\$63,220	8	\$58,140
For families/households with more than 8 persons, add \$5,140 for each additional person.		For families/households with more than 8 persons, add \$6,430 for each additional person.		For families/households with more than 8 persons, add \$5,910 for each additional person.	

For the new poverty guidelines, visit: <https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines>.

The document is designed to highlight across employee benefit matters of general interest to our readers. It is not intended to interpret laws or regulations, or to address specific client situations. You should not act on any or any information contained herein without seeking the advice of an attorney or tax professional. ©2023 My Benefit Advisor. All Rights Reserved. CA Insurance License #022244





# City of Dallas

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

## Agenda Information Sheet

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**File #:** 23-3270

**Item #:** B.

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Dallas Police and Fire Pension System Funding Considerations and Discussion

City of Dallas  
Ad Hoc Committee on Pensions  
December 14, 2023

Bill Quinn  
John Stephens  
Rob Walters

# What Caused the DPFP's Challenges?

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## **Poor Real Estate Investments**

- The DPFP invested more than \$1 billion in ill-advised direct real estate investments during 2005-2009 (exacerbated by 2008-2009 real estate decline), much of it with managers who lacked appropriate skills. The DPFP had to write down the assets by hundreds of millions of dollars, resulting in the first report of its financial challenges in 2015.

## **DROP Structure/Run-On-The-Bank**

- Over the years, the pre-2017 DPFP board had authorized a structure for DROP that severely 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 deposits 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 the possible closing of access to their DROP accounts, a “run-on-the-bank” ensued. More than \$600 million (25% of the fund) was withdrawn before DROP was closed for withdrawals on December 8, 2016, as a result of actions of the Board and a court injunction initiated by Mayor Mike Rawlings.



# The 2017 Legislation: HB 3158

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- The Texas Legislature passed HB 3158 in 2017 in response to the DFPF's financial challenges.
- The legislation didn't fully resolve DFPF's long-term challenges. HB 3158 recognized that further efforts would be necessary and mandated a 2024 analysis.
- The actuarial work done when the Legislature enacted HB 3158 projected that the funded level of the Plan would decline for several years, even if all assumptions were achieved.
- Change of Governance – from police and fire and Council dominated board, to 6 mayoral appointees, 5 trustees elected by the members (including 1 police officer and 1 fire fighter).
- Provided 7 years of contribution certainty to DFPF.
- Benefits were frozen for 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 increased funding under HB 3158, funding levels were projected to decline until 2032 based on anticipated withdrawals and contributions.
- HB 3158 mandates an independent actuarial analysis and plan changes before the 2025 legislative session.
- The 2017 legislation was intended to avoid near-term financial challenges and bridge to a solution by 2025.

# What Does HB 3158 Mandate?

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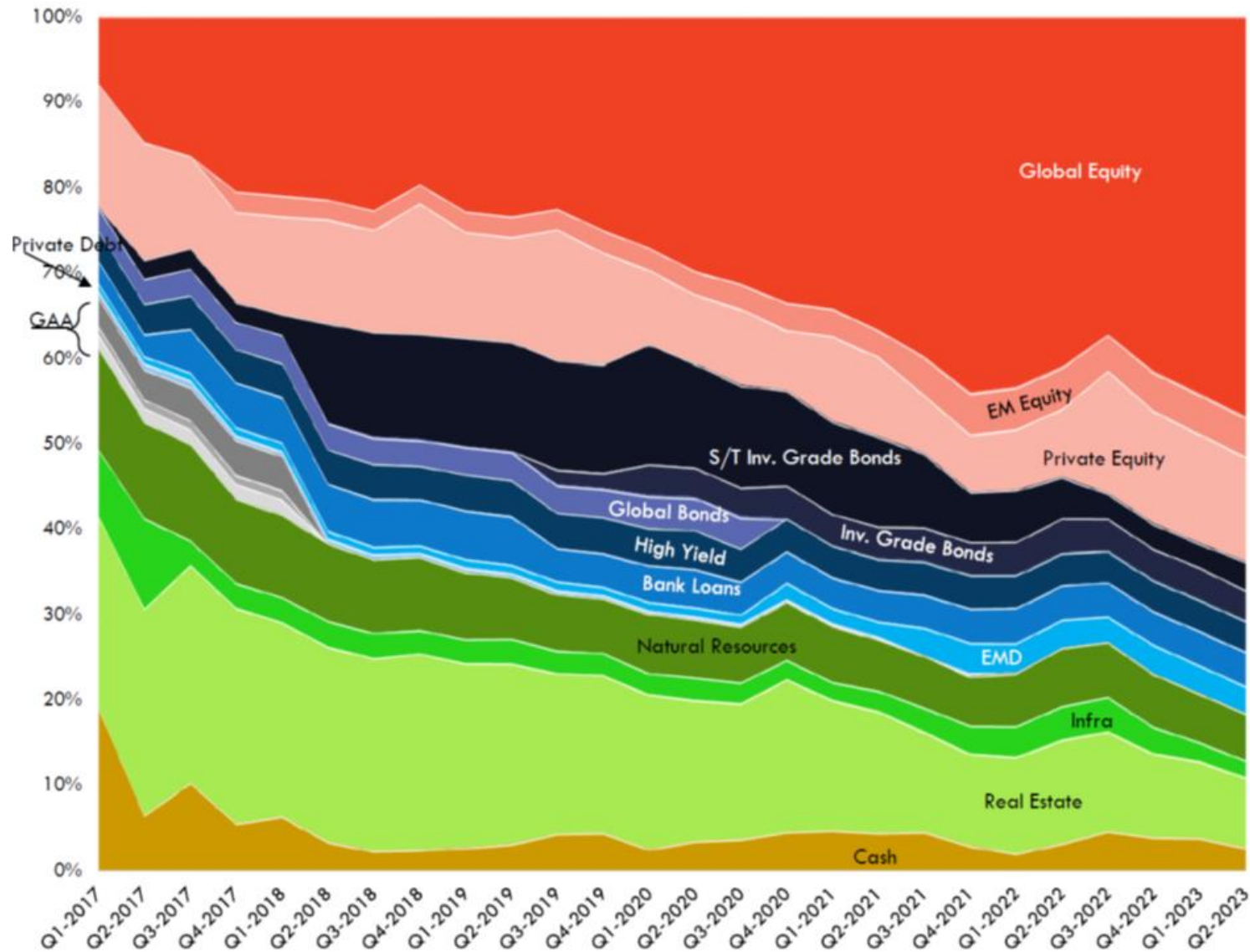
- Before July 1, 2024, the PRB must select an independent actuary to be hired by DFPF to analyze the most recently completed valuation. The PRB selected the actuary (Cheiron), which has provided its preliminary report.
- The independent actuary must submit a final report to the PRB by October 1, 2024; the report must include:
  - A conclusion regarding whether the pension meets State Pension Review Board pension funding guidelines; and
  - Recommendations regarding changes to member or city contributions.
- Not later than November 1, 2024, the DFPF Board must adopt rules that:
  - Comply with the funding and amortization period requirements under 802 of the Government Code; and
  - Take into consideration the actuary's recommendations and City funding commitments.
- Not later than December 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.

# What Has the DPFP Board Accomplished Since 2017?

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- Implemented more than 30 specific requirements mandated by HB 3158.
- Developed a Board of Trustees that works together regardless of whether trustees were appointed or elected to the Board.
- Managed several 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.
- Strides have been made to transform an 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 to maximize the long-term 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 public equities 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 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 thorough investment managers search and due diligence process, liquidated \$135 million of high-cost GAA funds, and modified fee arrangements.

# How Has the DPFP Realigned its Portfolio since 2017?

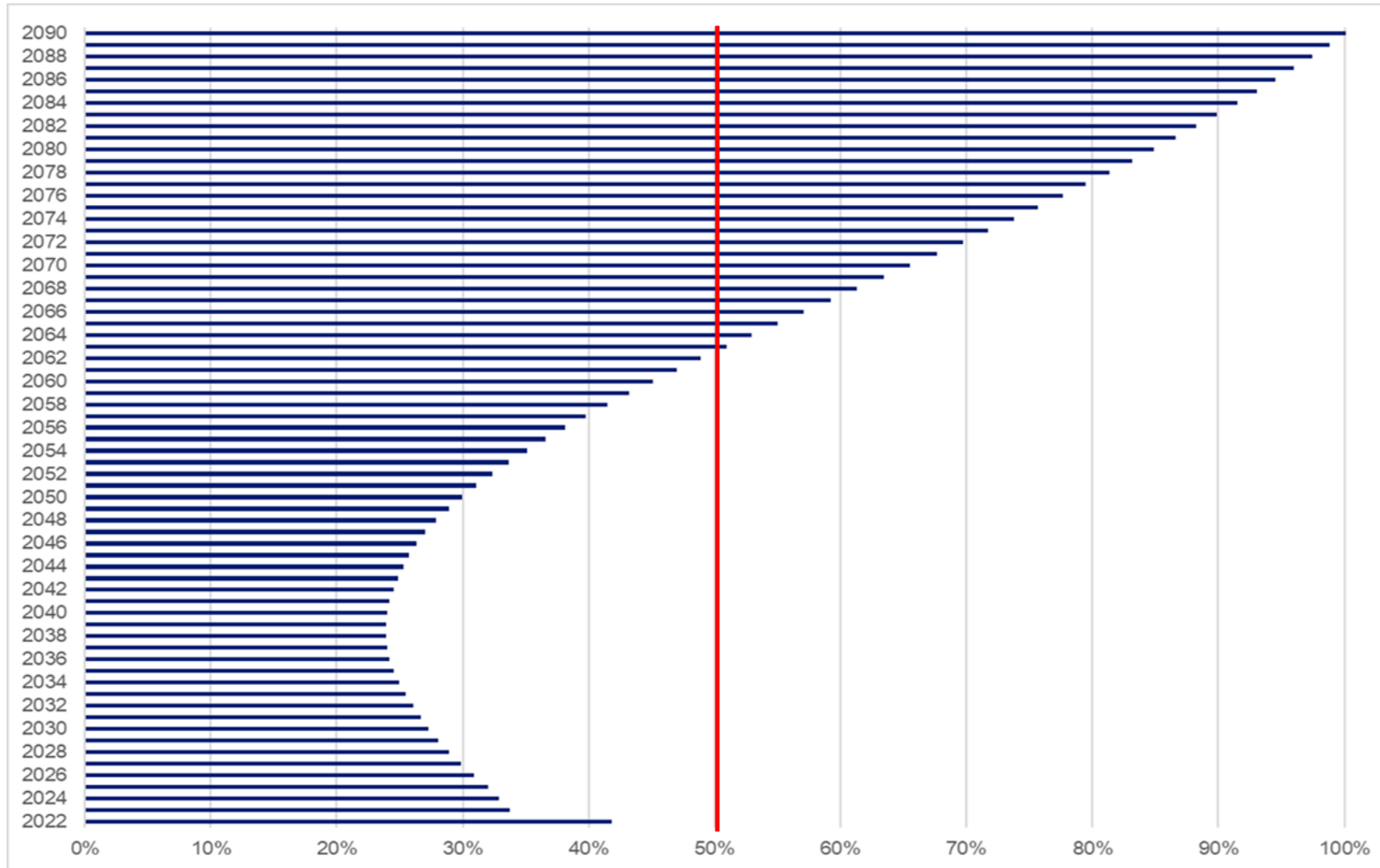


# What is the DPFP Funding Status as of January 1, 2022?

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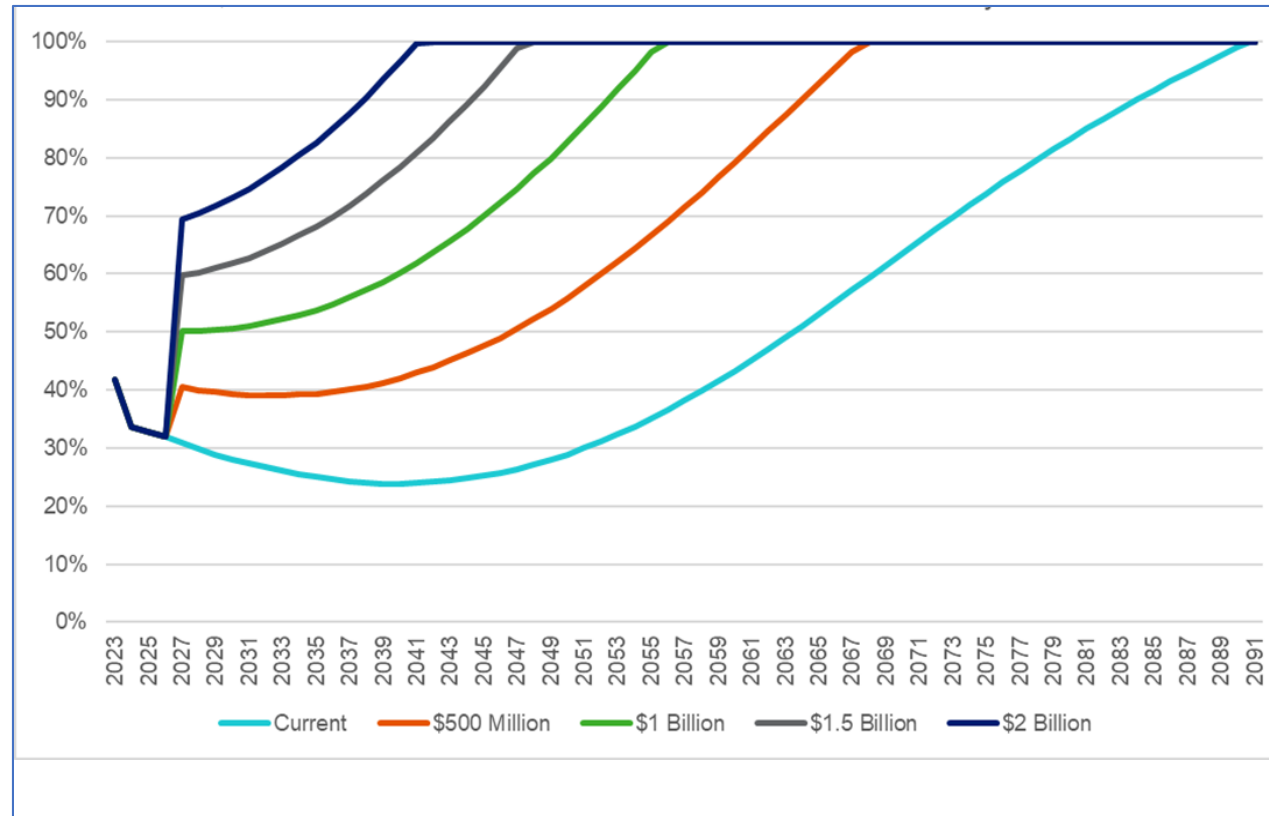
- DPFP is 41% funded
- The total DPFP liability is \$5.2 billion, of which \$3.4 billion is unfunded. Over 70% of the liability is due to retirees and beneficiaries.
- The funding period is 2090 (68 years) based on current assumptions.
- The City current contribution rate is 34.5% of regular pay, plus \$13 million annually. (The City's contribution rate would need to be 52.3% [an additional \$63 million and increasing over time] for the plan to fully fund within 30 years.)
- Active members contribute 13.5% of regular pay each pay period.
- DPFP paid benefits of \$100 million more (received \$224m; paid \$324m) than contributions in 2022.

# What are the DFP's Funding Projections (1/1/2022)?



# What Are Projected Funded Levels with One-time Cash Infusion in 2025?

Projected Funded Level based on the 1/1/2022 Actuarial Valuation with an additional \$500m, \$1b, and \$2b of cash contributions received mid-year 2025



Note: This information is based on the most recent available Actuarial Valuation (1/1/2022)

# Council Ad Hoc Committee Fall 2023 Schedule

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September 19th	Initial Ad Hoc Committee Background Briefing
October 26th	DPFP and ERF Staff Briefing to Ad Hoc Committee
November 9th	Cheiron's Briefing on its Initial DPFP Report
December 14 <sup>th</sup>	Task Force Recommendations for DPFP



# Recommendations Regarding the DPFP

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Bill Quinn:

Former Chair of DPFP Board (2017-2022)

Retired Founder and CEO of American Beacon Advisors (American Airlines)

John Stephens:

Former Chief Financial Officer of AT&T

Head of City of Dallas Economic Development Task Force

Rob Walters

Gibson Dunn, Senior Partner

Former DPFP Board Member (2017-2020)

Immediate Past Chair, Dallas Citizens Council

# The Work Undertaken

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The Task Force has studied options throughout 2022 and 2023

The Task Force has consulted with both national and local experts in public pensions, finance, infrastructure, actuarial analysis, and law (e.g., Reason Foundation, Arnold Foundation, Pew Charitable Trusts, Goldman Sachs)

The Task Force has canvassed the views of various stakeholders, including the DPFP executive team and board members, police and fire association heads, police and fire retirees, City Council members, and Dallas city staff

The Task Force has collected data and information on Dallas assets, tax revenues, bonding capacity, and other pertinent metrics

# The Goals

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Devise and recommend a plan that:

- satisfies the mandates of HB3158 and Chapter 802 of the Texas Government Code
- meets the objectives of the principal stakeholders
- underpins Dallas's public safety objectives
- gives Dallas optionality in funding its pension obligations
- provides Dallas with incentives to monetize assets to fund DFPF
- gives Dallas's elected leadership the opportunity not to strain traditional revenue sources that drive the City's general fund

# Recommendations

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## I. Additional Fixed Contributions

The City would make contributions in addition to its current annual contributions of 34.5% of regular pay plus \$13M.

The City's additional contributions (amounts consistent with Cheiron's recommendation) would begin with fixed incremental payments that increase by \$20 million per year over the initial three years of the plan period in the following amounts:

FY 2024-2025: \$20M

FY 2025-2026: \$40M

FY 2026-2027: \$60M

# Recommendations

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## II. Additional Funding with Monetizing Assets

The City should promptly begin the process of exploring opportunities to monetize existing assets for the benefit of DPFP.

The plan's contribution schedule would incentivize the City to monetize appropriate assets as soon as practicable and within the first three years to reduce, or even eliminate, future pension obligations.

The City should work with appropriate private-sector firms to maximize the value of its assets.

# Recommendations

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The assets the City should consider for monetization could include, among others:

City land and real estate assets

City parking and waste/landfill assets

Underutilized City facilities

City bonding capacity (e.g., pension obligation bonds)

City sales tax revenues dedicated to other undertakings

All city assets, including aviation

# The Recommendations of the Task Force

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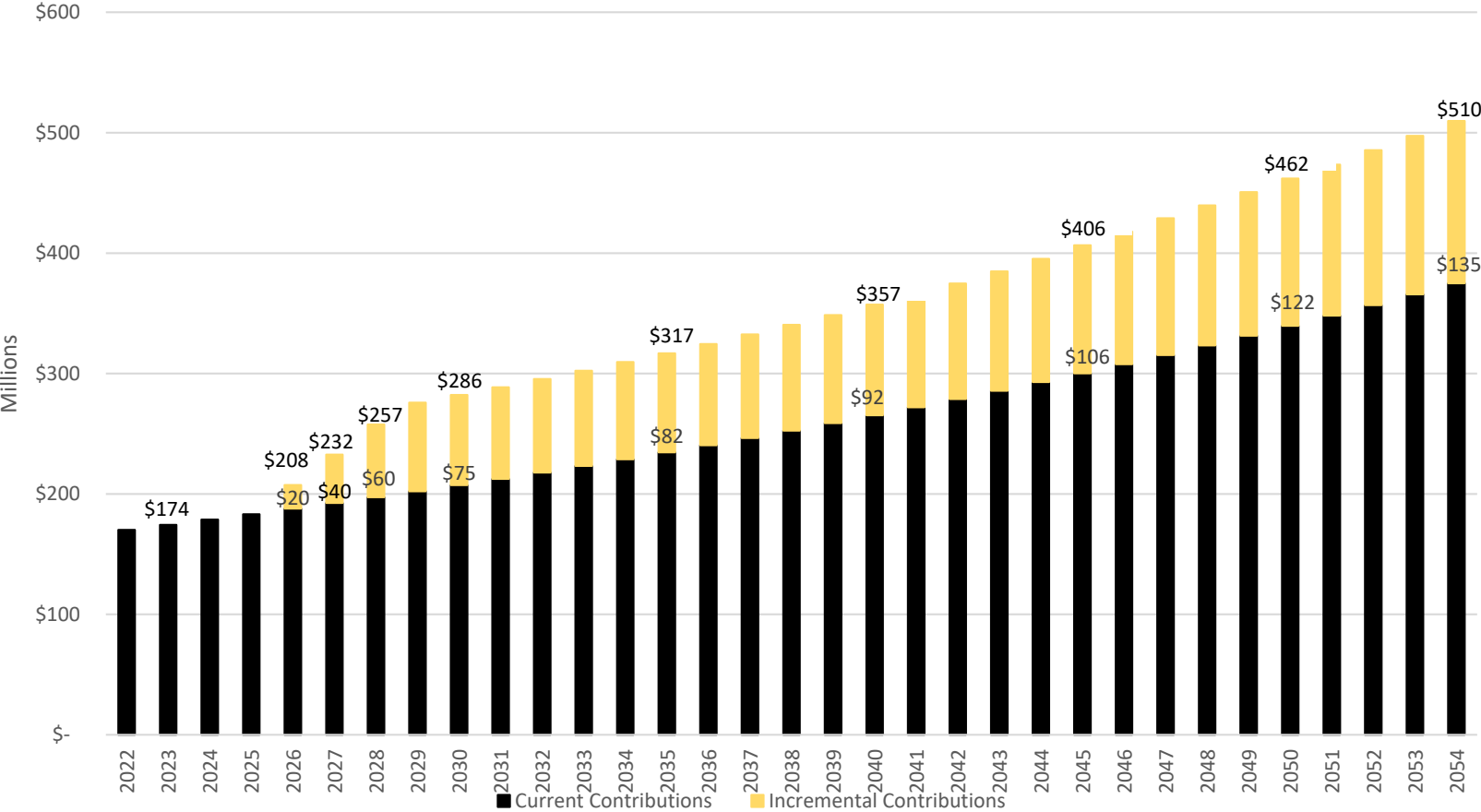
## III. Actuarial Determined Contributions (ADCs)

--Beginning FY 2027-2028, the City fixed-rate contribution would move to an Actuarially Determined Contribution (ADC) for the balance necessary to reach statutory funding.

--These ADCs would be subject to a “corridor” (i.e., increases no greater than 10% over previous annual contributions) to provide the City with greater funding predictability.

--The plan submitted to the Pension Review Board should not include adjustments to pension benefits. (No DPFP Plan COLAs permitted until DPFP 70% funded)

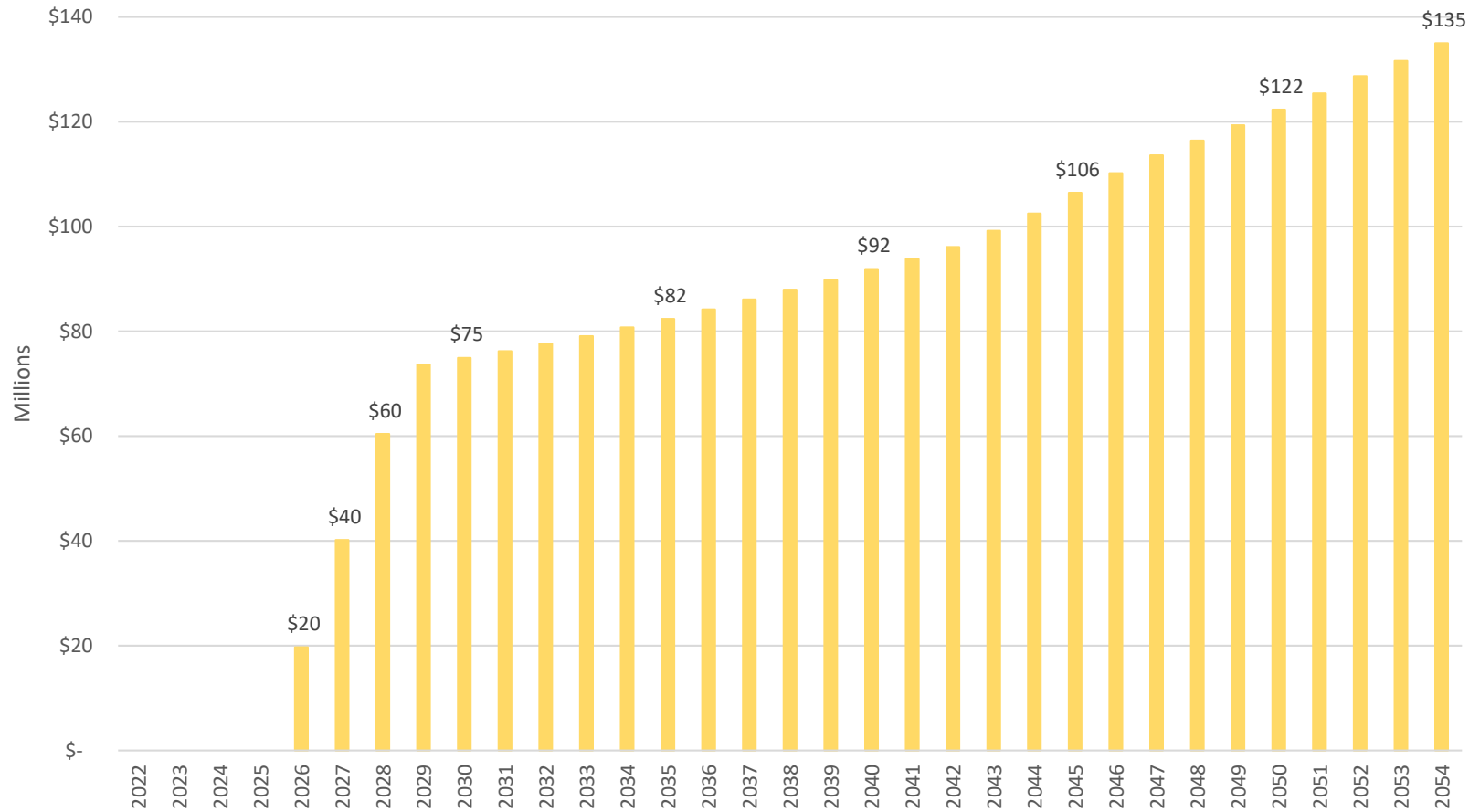
# Current and Incremental Contributions to Meet Funding Requirements



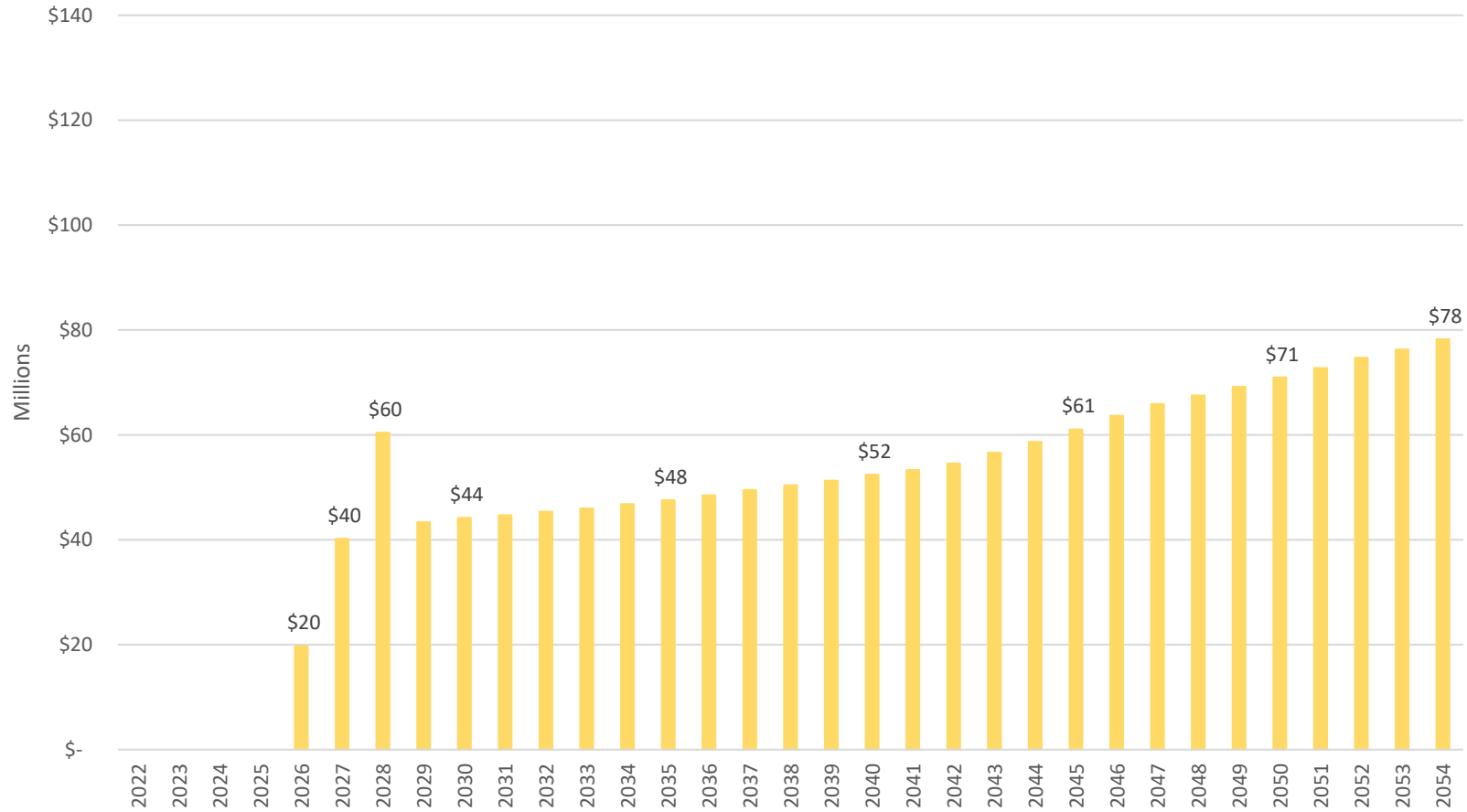
Based on Cheiron 12-7-2023 Report Modified (Graded ADC and no grade down at the end of the projection period).



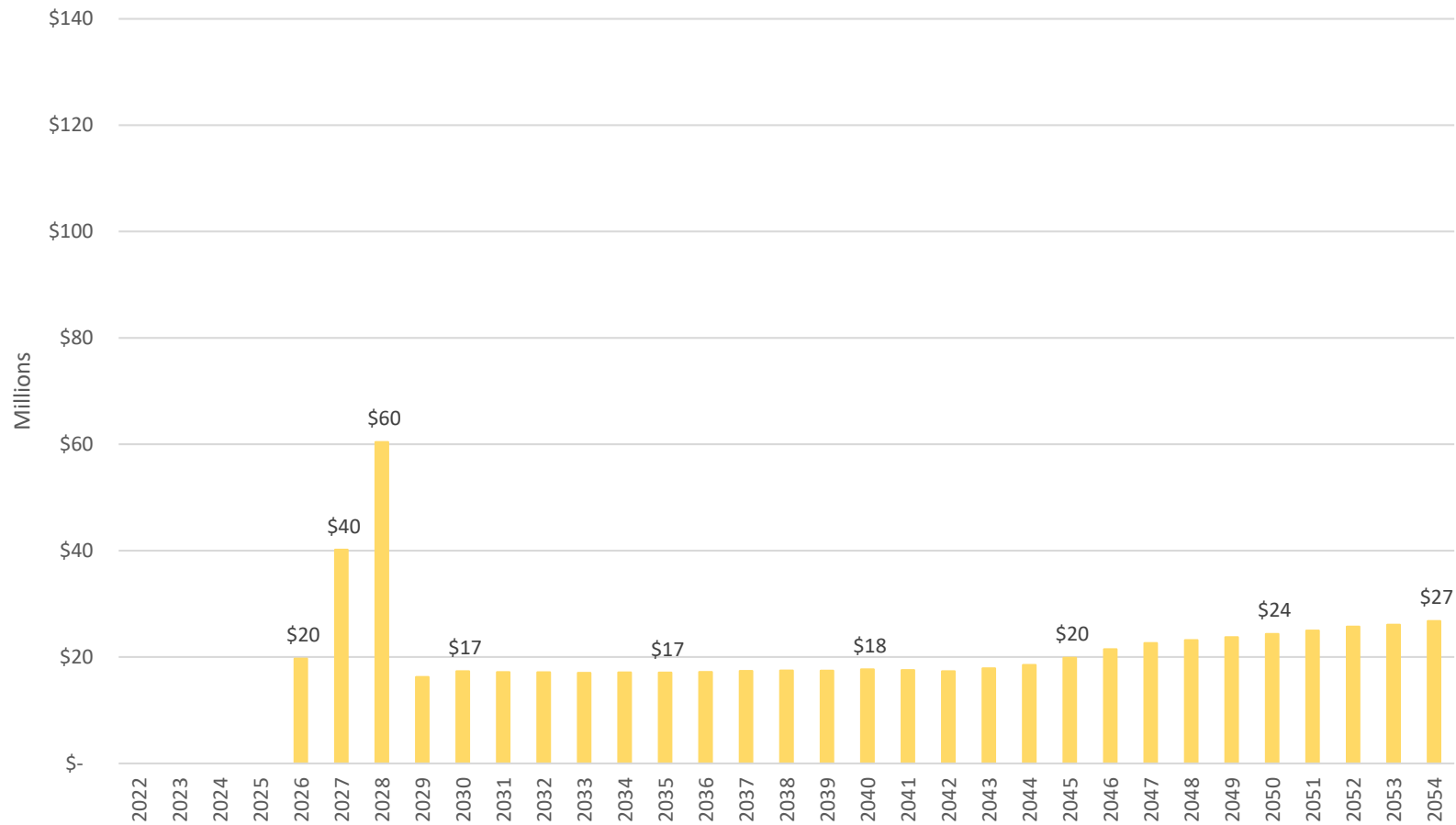
# Incremental Contributions to Meet Funding Requirements



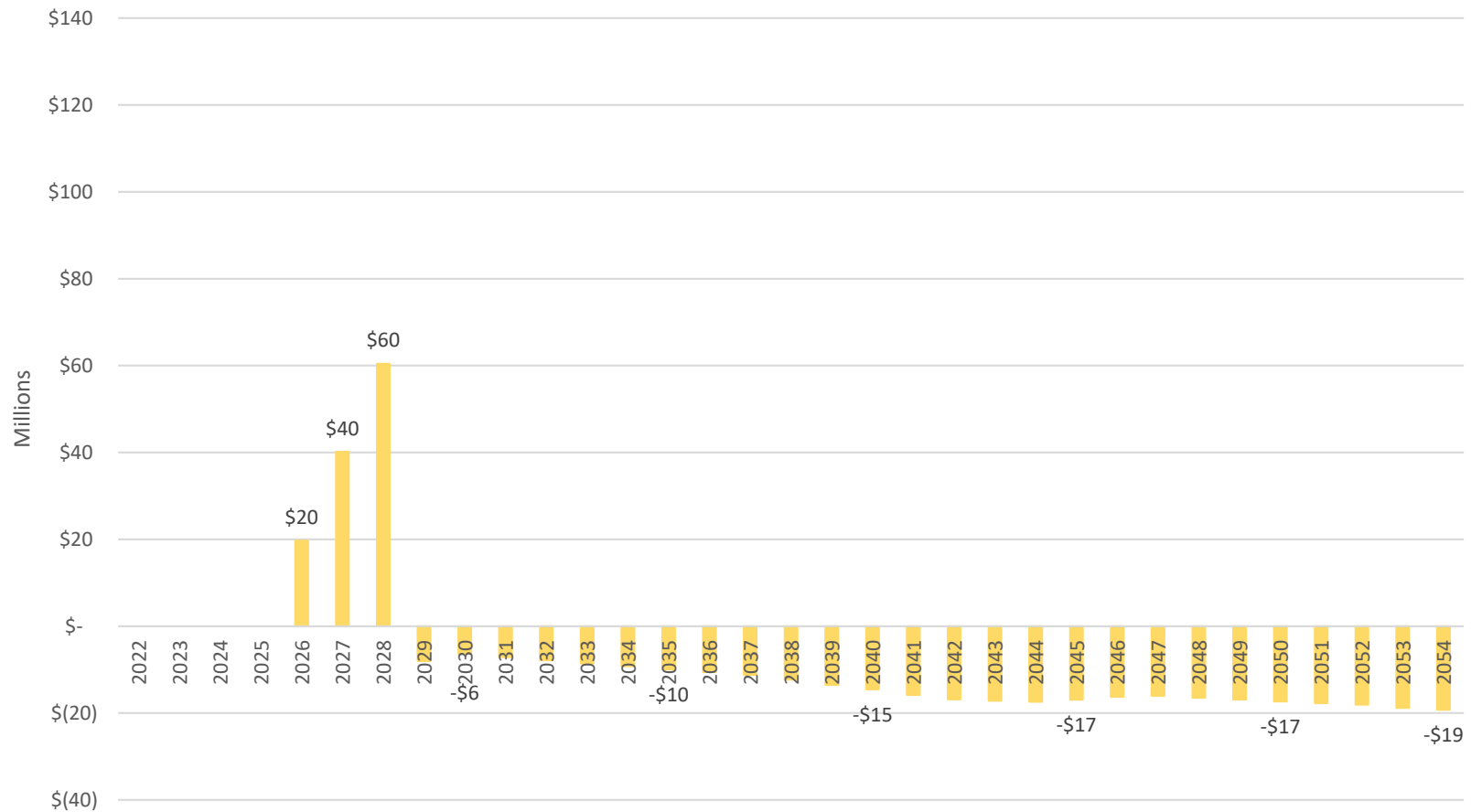
# Incremental Contribution Requirements with 2028 \$500 million Lump Sum



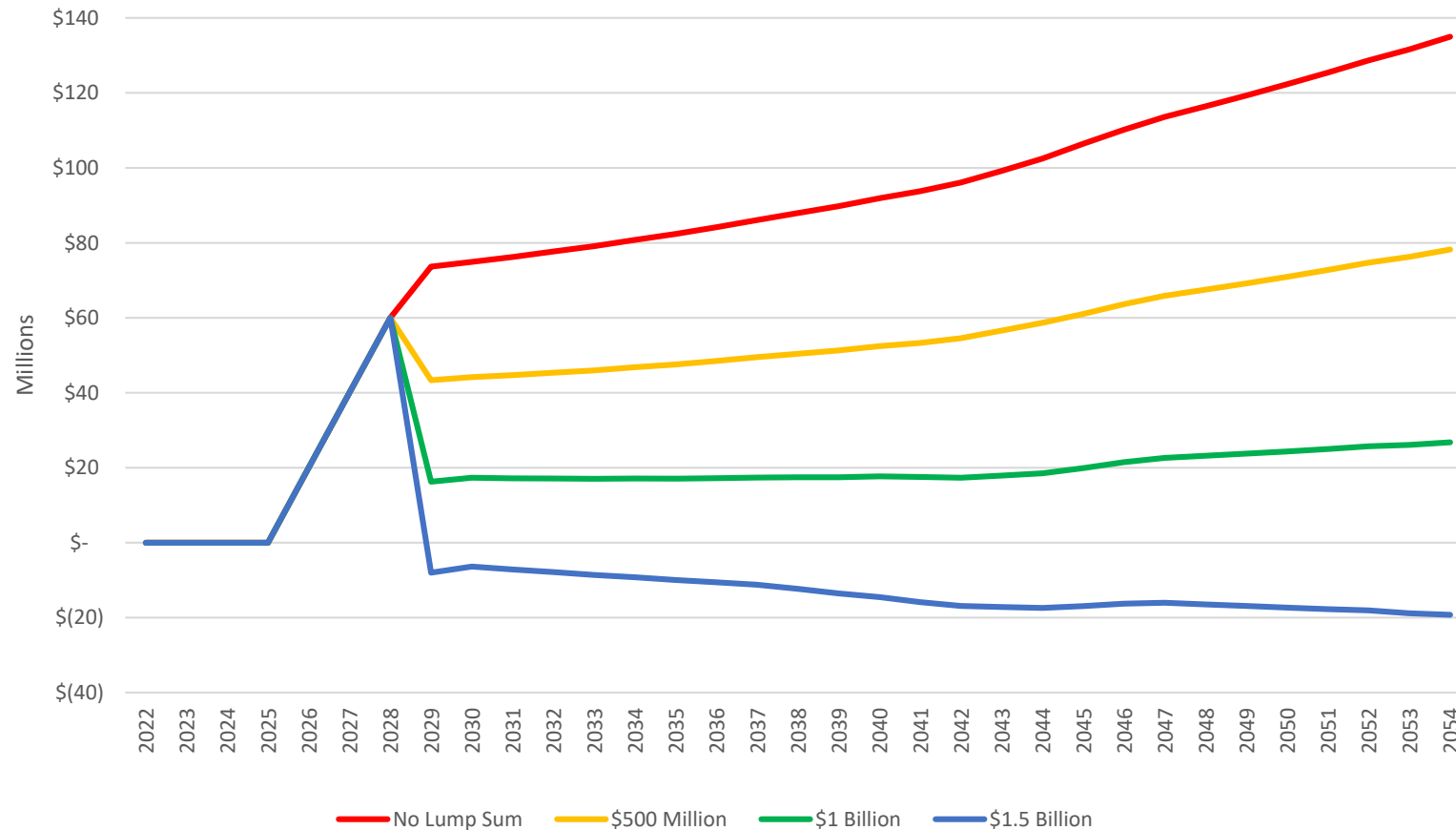
# Incremental Contribution Requirements with 2028 \$1 billion Lump Sum



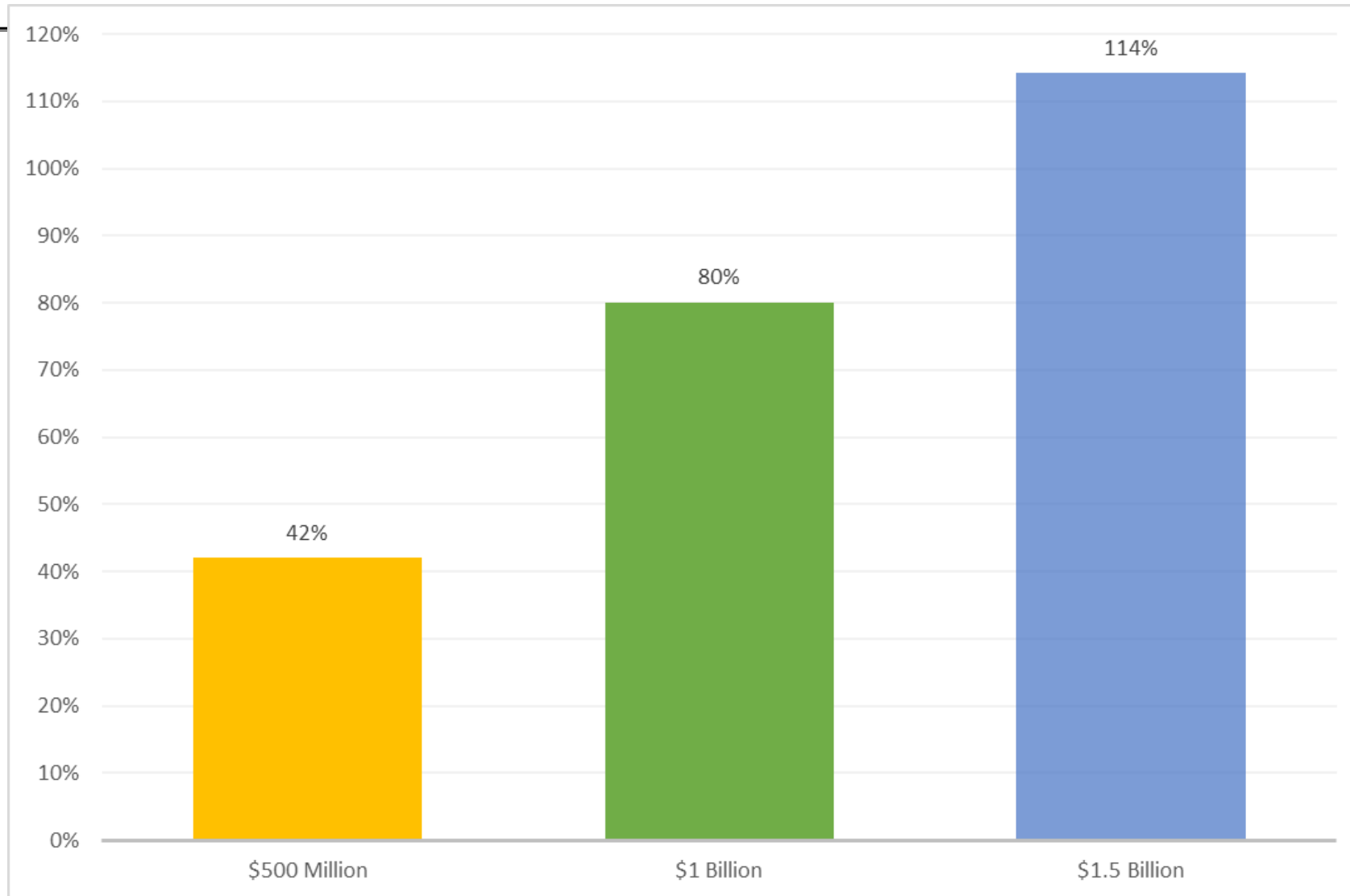
# Incremental Contribution Requirements with 2028 \$1.5 billion Lump Sum



# Incremental Contribution Requirements with Various Lump Sums in 2028



# Reduction to Incremental Contributions with Various Lump Sums in 2028



# Risks of Inaction

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- That State of Texas would impose additional funding requirements and benefits changes
- Greater difficulty in hiring and retaining first responders
- Imposition of additional financial burdens on future taxpayers
- DPFPS would not achieve timely full funding and City would fail to reduce long-term costs.