

Memorandum



CITY OF DALLAS

DATE January 26, 2024

TO Honorable Mayor and Members of the City Council

SUBJECT **Texas Pension Review Board Actuarial Committee Meeting – January 25, 2024**

Yesterday, at the invitation of the Texas Pension Review Board’s Actuarial Committee, I traveled to Austin with members of the city council and the Ad Hoc Committee on Pensions. The Actuarial Committee requested an update from the independent actuary, the Dallas Police and Fire Pension System (DPFP), and the city regarding progress toward adopting a plan that complies with the 30-year funding requirements. Jack Ireland, Chief Financial Officer, spoke on behalf of the city. Those remarks are posted at dallas.gov/pensions.

Representatives from Cheiron, the actuarial firm hired by DPFP – and required by [House Bill 3158](#) – briefed the Actuarial Committee on [similar information](#) provided last November to the city’s Ad Hoc Committee on Pensions.

Following Cheiron’s briefing, Kelly Gottschalk, Executive Director of DPFP, and Nicholas Merrick, Chairman of the DPFP Board, provided remarks regarding the solvency of the fund based on their recently adopted [preliminary 2023 financial report](#). The preliminary 2023 financial report notes the funding level of the DPFP system has decreased from 41% as of January 1, 2022, to 34% as of January 1, 2023. Ms. Gottschalk stated that some of the reduced value is based on degraded assets they are still working to transition out of the fund. We expect to learn more about the DPFP’s performance at the next Ad Hoc Committee on Pensions meeting on Thursday, February 8. I have asked the DPFP Board Chair, Mr. Merrick, to provide information on the fund’s investment policy and performance and oversight.

Members of the Actuarial Committee questioned Ms. Gottschalk’s statement that only a plan approved by the DPFP Board is required and that a funding soundness restoration plan, required under Texas Government Chapter 802, which requires joint approval by the DPFP Board, and the city is not. One member stated that it is incumbent upon the city council to agree to a plan as they would be making contributions. They also sought clarification regarding any circumstance in which DPFP and the city of Dallas did not agree. While Ms. Gottschalk responded that their obligations were to DPFP independent of the city, the Actuarial Committee stated that no plan could be valid without the city’s commitment, as the city would be responsible for the necessary dollars to make the plan whole. The Actuarial Committee asked the group to consider whether segmentation of beneficiaries could be considered for the various benefits, whether for active or retiree participants.

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Ms. Gottschalk said she expected to have DFPF’s funding plan, prescribed by HB 3158 and due by November 1, 2024, submitted to the Texas Pension Review Board earlier than the deadline.

The Actuarial Committee asked that I provide comments as the Chairman of the Ad Hoc Committee on Pensions regarding the city’s commitment, and I emphasized the city’s desire to work collaboratively toward a plan.

The joint funding soundness restoration plan required by DFPF and the city under [Texas Government Code Section 802](#) is due by September 1, 2025. Chapter 802 governs public retirement systems and requires a jointly formulated (the city and the pension board) funding soundness restoration plan if the system’s actuarial valuation shows that the system’s expected funding period has exceeded 30 years for three consecutive annual actuarial valuations. The Pension Review Board has notified both the DFPF and the Employees’ Retirement Fund in 2024, given the similarities of the plans.

Mr. Ireland stated that because of the similarities in both the HB 3158 and Chapter 802 requirements, the city and the Board could jointly submit a plan that would comply with both requirements, and that the city wanted to complete the plan by July of this year. The Actuarial Committee acknowledged the city of Dallas’ commitment to working collaboratively with our partners to satisfy the financial obligations of the DFPF System.

The city is equally committed to meeting the fiscal requirements of the Employees’ Retirement Fund. We will continue to meet our obligations and will keep you updated.

Should you have any questions, please contact Jack Ireland, Chief Financial Officer, or Tammy Palomino, City Attorney.



Tennell Atkins
Mayor Pro Tem
Chairman, Ad Hoc Committee on Pensions

c: T.C. Broadnax, City Manager
Tammy Palomino, City Attorney
Mark Swann, City Auditor
Biliera Johnson, City Secretary
Kimberly Bizer 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
Jack Ireland, Chief Financial Officer
Genesis D. Gavino, Chief of Staff to the City Manager
Carrie Rogers, Director, Office of Government Affairs