

Memorandum



CITY OF DALLAS

DATE February 9, 2024

TO Honorable Mayor and Members of the City Council

SUBJECT **Dallas Police and Fire Pension System Update**

On Thursday, February 8, 2024, the city of Dallas Ad Hoc Committee on Pensions (the Committee) received a briefing from the Texas Pension Review Board's selected independent actuary, Cheiron, on their independent actuarial analysis and preliminary recommendations regarding the Dallas Police and Fire Pension System (DPFP). As required by House Bill 3158, Cheiron was hired by DPFP to perform an independent actuarial analysis of the DPFP's most recently completed actuarial valuations. The Committee also received an overview of DPFP's investment policy, oversight, and performance.

As noted in my January 26, 2024 memorandum, the DPFP Board recently adopted their preliminary 2023 financial report. The preliminary 2023 financial report notes the funding level of the DPFP has decreased from 41.1% as of January 1, 2022, to 39.1% as of January 1, 2023.

Yesterday, the Committee learned more about the DPFP's performance. While the DPFP fund has improved its performance since major reforms were introduced in 2017, legacy investments in private equities continue to negatively impact the overall plan performance. Given the complexity of the investment portfolio, the Committee asked for additional information to better understand DPFP's historical and projected performance.

Cheiron representatives presented recommendations to fully fund DPFP within the required 30 years, including phasing in an actuarially determined contribution (ADC). The ADC is the percentage rate the city will contribute to the DPFP, calculated based on various financial feasibility and risk factors. Additionally, Cheiron suggested that employee contributions should be reduced once the DPFP funding status has improved and suggested that cost of living adjustments (COLA) should be accelerated before DPFP reaches 70% funding, which is the current requirement. Cheiron acknowledged that both of these recommendations are policy decisions that increase the cost to the city and the current unfunded liability.

Committee members made clear that the priority remains taking actions that will fully fund the DPFP within the 30-year requirement without taking on additional liability, and that a funding plan should be developed in collaboration with the city and the DPFP Board, as requested by the Pension Review Board.

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The next meeting of the Ad Hoc Committee on Pensions is scheduled for Thursday, April 11. Based on the information we have today, the city will continue to work with DPFP staff to develop a schedule for City Council consideration and approval of **(1)** a plan, required under HB 3158 that complies with the funding and amortization period requirements required under Texas Government Code Chapter 802(C) (due November 1, 2024) and **(2)** a funding soundness restoration plan, required under Texas Government Code Section 802(C) (due September 1, 2025). Staff's goal is to reach joint approval by the DPFP Board and the City, no later than June 27, 2024.

City staff continues to meet regularly with active and retired police and fire representatives, and the city remains committed to working collaboratively with our partners to satisfy the financial obligations of DPFP.

The city is equally committed to jointly adopting a funding soundness restoration plan with the Dallas Employees' Retirement Fund (ERF) that will meet the requirements of Texas Government Code Chapter 802(c). The proposed amendments to the ERF ordinance will likely go to the voters in November 2024, so both DPFP and ERF will be on a parallel track.

If 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 L. Palomino, City Attorney
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Biliera Johnson, City Secretary
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Dr. Robert Perez, Assistant City Manager
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