



**City of Dallas**

# **Dallas Police and Fire Pension System: Funding Soundness Restoration Plan Update**

**Ad Hoc Committee on Pensions  
April 11, 2024**

Jack Ireland  
Chief Financial Officer

# Purpose



- Provide an update on Dallas Police and Fire Pension System (DPFP) current funding
- Review Cheiron's recommendations from February 8 briefing to Ad Hoc Committee
- Review considerations for a Funding Soundness Restoration Plan (FSRP)



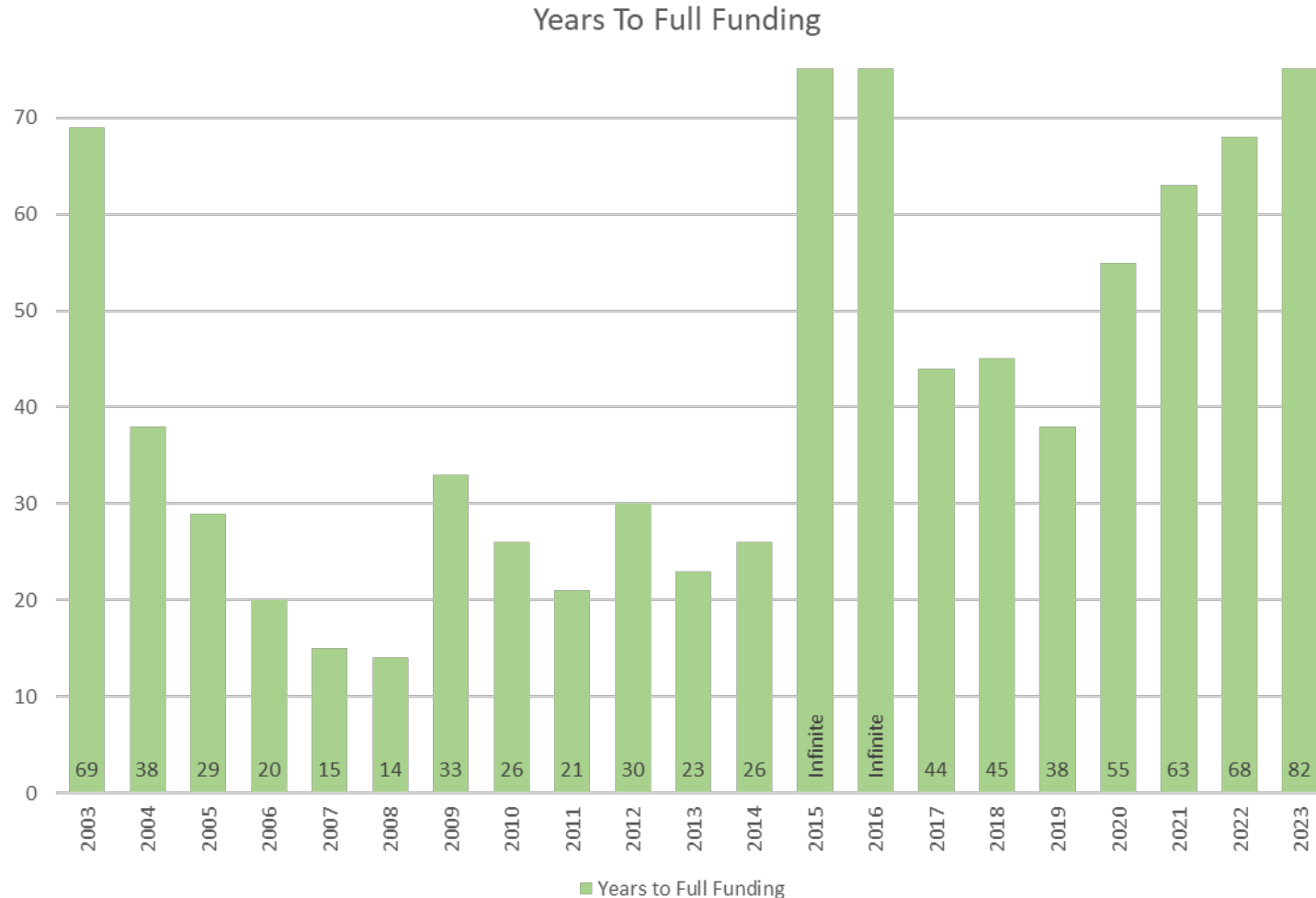
# Background



- Texas Pension Review Board (PRB) oversees all Texas public retirement systems, their actuarial soundness, and their compliance with state requirements
- PRB's funding guidelines require that actual contributions should be sufficient to cover the normal cost and to amortize the unfunded actuarial accrued liability and should not exceed 30 years
- As of 1/1/23, DPFPP is projected to be fully funded in 82 years exceeding PRB's 30-year requirement
- FSRP for DPFPP must be submitted to PRB prior to 9/1/25 in accordance with Chapter 802 of the Texas Government Code
- Additionally, HB3158 mandates that DPFPP board must adopt a funding plan that complies with the 30-year amortization period and submit it to the PRB by 11/1/24
- City and DPFPP are working in cooperation and our goal is to submit FSRP to PRB in August or September 2024



# DPFP – History and Update



As of 1/1/23, DPFP is projected to be fully funded in 82 years.

HB3158 requires a funding plan be submitted to PRB by 11/1/24.

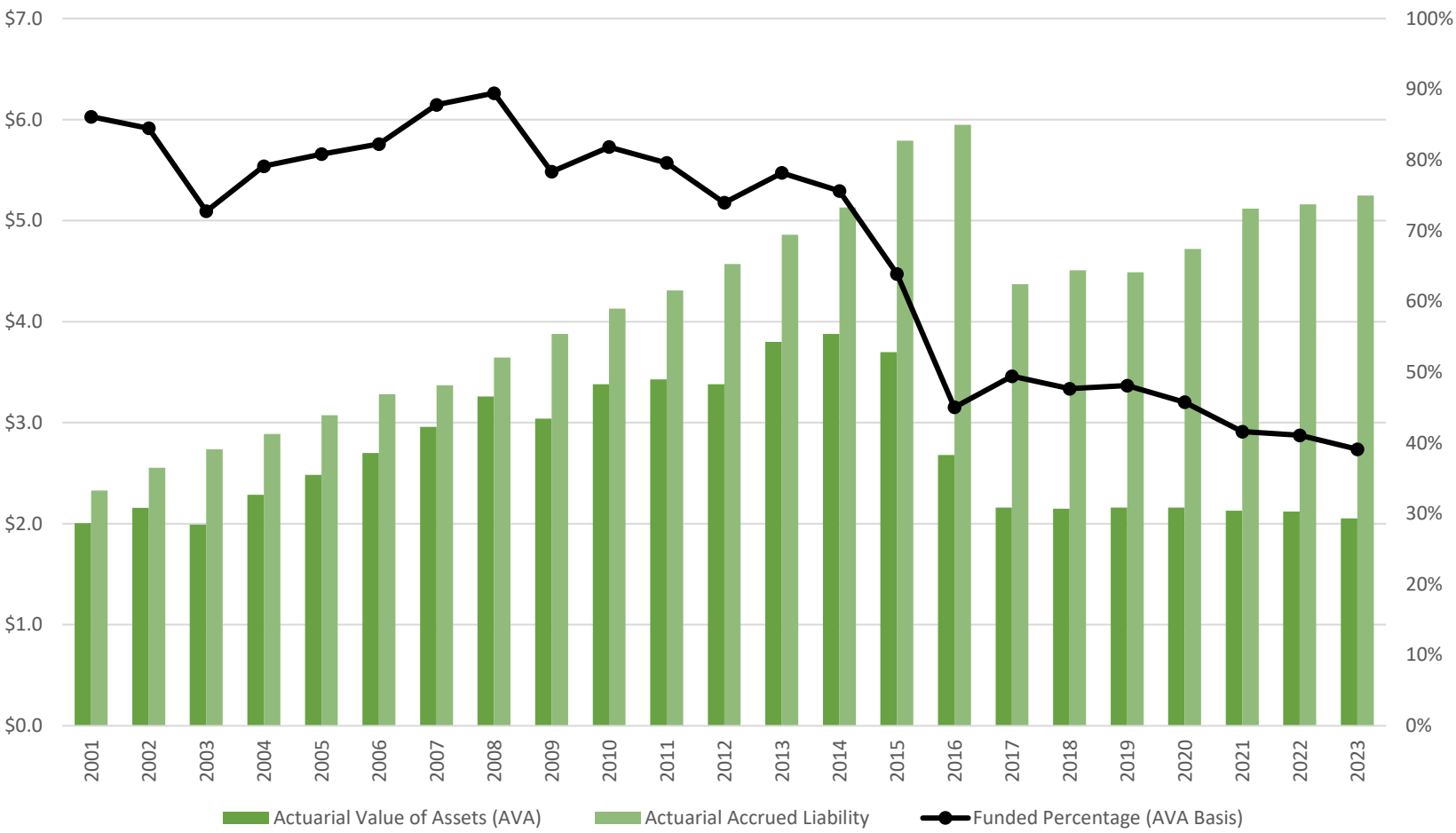
PRB requires a FSRP be submitted by 9/1/25 that achieves full-funding within 30-year.



# DPFP – History and Update



Assets vs Liabilities ( \$ Billions)



DPFP dropped from 41.1% funded as of 1/1/22 to 39.1% funded as of 1/1/23.



# Cheiron's Primary Recommendations – 2/8/24

Independent Actuary Selected by PRB and Contracted by DPFP



## Adopt an Actuarially Determined Contribution

- Contribution amounts adjust to circumstances
- Always comply with funding guidelines
- Start contributions effective either 10/1/2024 or 1/1/2025 based on 1/1/2023 valuation

Implementing ADC will enable City to address unfunded liability and comply with PRB requirements.

## Reduce Employee Contribution Rate as Funding Improves

- Current rate is high compared to competitors and as proportion of benefit cost
- As funding improves, grade employee rate down to 50% of normal cost rate

Reducing employee contributions will increase cost to City. This is not a PRB requirement.

## Provide Some COLA Earlier Than Current Provisions Permit

- Members are not covered by Social Security, so they have no inflation protection in retirement
- Lack of COLA is likely to create a recruitment and retention issue

Providing COLA earlier than current provision will increase unfunded liability and increase cost to City. This is not a PRB requirement.





# **Adopt an Actuarial Determined Contribution (ADC)**

# ADC Core Elements



## Element #1 – Unfunded Actuarial Liability (UAL)

- Amortize current unfunded liability over 30 years
- Include expected future administrative expenses
- Amortization schedule will be fixed and not change
- Future lump sum contributions will reduce UAL amortization schedule

## Element #2 – Normal Cost

- Ongoing City normal cost
- Reflects value of additional accrued liability of active employees in the plan
- Normal Cost can be forecasted for 30 years, but will be affected by pay increases and changes to other actuarial assumptions, such as Discount Rate

## Element #3 – Additional Layers for Gains/Losses

- As asset or liability experience deviates from assumptions, or assumptions are changed, new gains or losses emerge
- New amortization layers are added for emerging gains or losses
- Will be amortized to 2055, or over 20 years beginning in 2036
- Cost of additional layers are not yet known







# Cheiron's Modeled Amortization Options – 2/8/24

Most Preferred

All Are Reasonable

Least Preferred

## Traditional

- Single initial 30-year amortization layer for entire UAL
- 2.5% annual increase in payments
- No step up or down in payments

## 3-Year Step Up/Down

- 30-year base amortization layer approximating current contribution rate for 2024
- 2.5% annual increase in payments
- 30-year amortization layer for remainder of UAL
- Payments step up over 3 years to full payment level
- 2.5% annual increase in payments once at full payment level
- Payments step down over 3 years at end of amortization

## 5-Year Step Up/Down

- 30-year base amortization layer approximating current contribution rate for 2024
- 2.5% annual increase in payments
- 30-year amortization layer for remainder of UAL
- Payments step up over 5 years to full payment level
- 2.5% annual increase in payments once at full payment level
- Payments step down over 5 years at end of amortization

## 3-Year Step Up

- 30-year base amortization layer approximating current contribution rate for 2024
- 2.5% annual increase in payments
- 30-year amortization layer for remainder of UAL
- Payments step up over 3 years to full payment level
- 2.5% annual increase in payments once at full payment level
- No step down at end of amortization

## 5-Year Step Up

- 30-year base amortization layer approximating current contribution rate for 2024
- 2.5% annual increase in payments
- 30-year amortization layer for remainder of UAL
- Payments step up over 5 years to full payment level
- 2.5% annual increase in payments once at full payment level
- No step down at end of amortization



# ADC Scenarios



Fiscal Year	Cheiron Revised Traditional ADC 3/29/24	Year over Year Variance	Cheiron Revised 3-Year Step-Up & Step-Down 4/2/24	Year over Year Variance	Cheiron Revised 5-Year Step-Up & Step-Down 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)

City Contribution to DFPF is \$184.7m in FY24 and \$190.9m in FY25 planned budget.

Any cost above this amount will increase the FY25 budget.



# ADC Scenarios



- According to Cheiron, all five scenarios are reasonable and meet PRB requirements to be fully-funded in 30 years
- Immediate implementation of ADC will require an increase in funding of \$67m in FY25 from \$184.7m to \$251.4m
  - Results in greater amounts of cash deposited in DPFPP sooner
  - Will require reduction to other City services, foregoing other planned expenses, or increased revenue (property tax rate) to fund increased City contributions



# ADC Scenarios



- Step-up and step-down scenarios require greater amounts of funding in early years to allow for a step-down in last 3-5 years of 30-year amortization
- Step-up, with no step-down scenarios increase at a slower rate, and have a significant contribution reduction after year 30
- These scenarios provide great flexibility for City to manage contribution increases with less negative impact on other parts of budget
- Any future cash infusion will reduce amortization schedule of initial unfunded actuarial liability (element #1) and reduce City's future cost





# **Reduce Employee Contribution Rate as Funding Improves**

# Employee Contributions



- Employees and City both make contributions into DPF to support pension benefits
- As result of HB3158, contribution rates increased including required contributions by City
- Once DPF is fully-funded, employee contribution rate is scheduled to decrease to 50% of normal cost
- Cheiron suggested as funding improves, grade employee rate down to 50% of normal cost rate beginning in 2039, and shift more cost to City sooner
- City management prefers this feature not be built into current unfunded actuarial liability but will reconsider once DPF funding is improved
- This is low priority for both DPF and City, and neither recommend

Year (1/1)	City Contribution Rate	Employee Contribution Rate
2003	29%	6%
2004	31%	7%
2005	31%	6%
2006	31%	6%
2007	32%	6%
2008	32%	6%
2009	31%	6%
2010	29%	5%
2011	28%	5%
2012	30%	6%
2013	29%	7%
2014	29%	8%
2015	30%	7%
2016	33%	7%
2017	35%	9%
2018	43%	14%
2019	43%	14%
2020	41%	14%
2021	39%	14%
2022	39%	14%





**Provide Some COLA Earlier Than  
Current Provisions Permit**

# 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, the current assumption of an 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	COLA
	on Market Value of Assets	
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%





# Cheiron's Modeled COLA Options – 2/8/24



	Current	Dallas Employees Retirement Fund COLA	Immediate Partial COLA	Current + 70% PP	Current + 80% PP	Current Immediate + 80% PP	Compound Current Immediate + 80% PP
CPI vs. Investment	Investment	CPI	Investment	Investment / CPI	Investment / CPI	Investment / CPI	Investment / CPI
Simple vs. Compound	Simple	Simple	Simple	Simple / Compound	Simple / Compound	Simple / Compound	Compound
Funded Status	70%	0%	0%	70%	70%	0%	0%
Purchasing Power (PP) Protection	None	None	None	70% of 2024 PP	80% of 2024 PP	80% of 2024 PP	80% of 2024 PP
Expected Amount / Maximum	1.5% / 4.0%	2.5% / 3.0%	1.5% times Funded % / 4.0%	1.5% / 4.0%	1.5% / 4.0%	1.5% / 4.0%	1.5% / 4.0%



# COLA Considerations



Fiscal Year	Annual Cost of Assumed 1.5% COLA included in Scenario 3A (Deloitte)	Scenario 3A: Current COLA (same as Scenario 1C) Revised 2/2/24	Scenario 3B: Current Employee Retirement Fund COLA Revised 2/2/24	Variance to Scenario 3A	Scenario 3C: Immediate Partial COLA Revised 2/2/24	Variance to Scenario 3A	Scenario 3D: Current COLA w/ 70% 2024 PP Protection Revised 2/2/24	Variance to Scenario 3A	Scenario 3E: Current COLA w/ 80% 2024 PP Protection Revised 2/2/24	Variance to Scenario 3A	Scenario 3F: Immediate Current COLA w/ 80% 2024 PP Protection Revised 2/2/24	Variance to Scenario 3A	Scenario 3G: Immediate Compound Current COLA w/ 80% 2024 PP Protection Revised 2/2/24	Variance to Scenario 3A
Year		Total	Total		Total		Total		Total		Total		Total	
2024		\$ 184,733,285	\$ 184,733,285		\$ 184,733,285		\$ 184,733,285		\$ 184,733,285		\$ 184,733,285		\$ 184,733,285	
2025	\$ 3,843,241	\$ 198,288,000	\$ 225,096,000	\$ 26,808,000	\$ 202,440,000	\$ 4,152,000	\$ 201,954,000	\$ 3,666,000	\$ 207,973,000	\$ 9,685,000	\$ 214,099,000	\$ 15,811,000	\$ 216,738,000	\$ 18,450,000
2026	\$ 8,018,327	\$ 219,586,000	\$ 259,734,000	\$ 40,148,000	\$ 225,843,000	\$ 6,257,000	\$ 225,548,000	\$ 5,962,000	\$ 234,823,000	\$ 15,237,000	\$ 244,269,000	\$ 24,683,000	\$ 248,763,000	\$ 29,177,000
2027	\$ 12,550,629	\$ 241,989,000	\$ 296,090,000	\$ 54,101,000	\$ 250,439,000	\$ 8,450,000	\$ 250,351,000	\$ 8,362,000	\$ 263,029,000	\$ 21,040,000	\$ 275,956,000	\$ 33,967,000	\$ 282,393,000	\$ 40,404,000
2028	\$ 17,400,091	\$ 265,499,000	\$ 334,275,000	\$ 68,776,000	\$ 276,256,000	\$ 10,757,000	\$ 276,397,000	\$ 10,898,000	\$ 292,652,000	\$ 27,153,000	\$ 309,246,000	\$ 43,747,000	\$ 317,723,000	\$ 52,224,000
2029	\$ 22,582,476	\$ 290,065,000	\$ 374,154,000	\$ 84,089,000	\$ 303,217,000	\$ 13,152,000	\$ 303,611,000	\$ 13,546,000	\$ 323,593,000	\$ 33,528,000	\$ 344,014,000	\$ 53,949,000	\$ 354,626,000	\$ 64,561,000
2030	\$ 23,406,480	\$ 296,845,000	\$ 382,578,000	\$ 85,733,000	\$ 310,149,000	\$ 13,304,000	\$ 310,616,000	\$ 13,771,000	\$ 330,914,000	\$ 34,069,000	\$ 351,733,000	\$ 54,888,000	\$ 362,602,000	\$ 65,757,000
2031	\$ 24,226,050	\$ 303,797,000	\$ 391,238,000	\$ 87,441,000	\$ 317,262,000	\$ 13,465,000	\$ 317,809,000	\$ 14,012,000	\$ 338,434,000	\$ 34,637,000	\$ 359,672,000	\$ 55,875,000	\$ 370,806,000	\$ 67,009,000
2032	\$ 25,132,960	\$ 310,914,000	\$ 400,020,000	\$ 89,106,000	\$ 324,507,000	\$ 13,593,000	\$ 325,160,000	\$ 14,246,000	\$ 346,083,000	\$ 35,169,000	\$ 367,726,000	\$ 56,812,000	\$ 379,128,000	\$ 68,214,000
2033	\$ 25,992,219	\$ 318,264,000	\$ 409,159,000	\$ 90,895,000	\$ 332,014,000	\$ 13,750,000	\$ 332,767,000	\$ 14,503,000	\$ 354,017,000	\$ 35,753,000	\$ 376,106,000	\$ 57,842,000	\$ 387,787,000	\$ 69,523,000
2034	\$ 26,842,014	\$ 325,808,000	\$ 418,505,000	\$ 92,697,000	\$ 339,700,000	\$ 13,892,000	\$ 340,572,000	\$ 14,764,000	\$ 362,139,000	\$ 36,331,000	\$ 384,675,000	\$ 58,867,000	\$ 396,642,000	\$ 70,834,000
2035	\$ 27,714,390	\$ 333,551,000	\$ 428,131,000	\$ 94,580,000	\$ 347,599,000	\$ 14,048,000	\$ 348,590,000	\$ 15,039,000	\$ 370,491,000	\$ 36,940,000	\$ 393,501,000	\$ 59,950,000	\$ 405,759,000	\$ 72,208,000
2036	\$ 28,729,636	\$ 341,520,000	\$ 438,103,000	\$ 96,583,000	\$ 355,758,000	\$ 14,238,000	\$ 356,856,000	\$ 15,336,000	\$ 379,123,000	\$ 37,603,000	\$ 402,647,000	\$ 61,127,000	\$ 415,207,000	\$ 73,687,000
2037	\$ 29,687,406	\$ 349,708,000	\$ 448,377,000	\$ 98,669,000	\$ 364,153,000	\$ 14,445,000	\$ 365,354,000	\$ 15,646,000	\$ 388,004,000	\$ 38,296,000	\$ 412,070,000	\$ 62,362,000	\$ 424,939,000	\$ 75,231,000
2038	\$ 30,693,835	\$ 358,073,000	\$ 458,818,000	\$ 100,745,000	\$ 372,700,000	\$ 14,627,000	\$ 374,026,000	\$ 15,953,000	\$ 397,043,000	\$ 38,970,000	\$ 421,644,000	\$ 63,571,000	\$ 434,830,000	\$ 76,757,000
2039	\$ 31,662,270	\$ 366,672,000	\$ 469,608,000	\$ 102,936,000	\$ 381,514,000	\$ 14,842,000	\$ 382,949,000	\$ 16,277,000	\$ 406,359,000	\$ 39,687,000	\$ 431,540,000	\$ 64,868,000	\$ 445,051,000	\$ 78,379,000
2040	\$ 32,662,256	\$ 375,489,000	\$ 480,609,000	\$ 105,120,000	\$ 390,523,000	\$ 15,034,000	\$ 392,086,000	\$ 16,597,000	\$ 415,872,000	\$ 40,383,000	\$ 441,630,000	\$ 66,141,000	\$ 455,473,000	\$ 79,984,000
2041	\$ 33,818,488	\$ 384,627,000	\$ 491,965,000	\$ 107,338,000	\$ 399,850,000	\$ 15,223,000	\$ 401,544,000	\$ 16,917,000	\$ 425,698,000	\$ 41,071,000	\$ 452,055,000	\$ 67,428,000	\$ 466,238,000	\$ 81,611,000
2042	\$ 34,828,696	\$ 394,093,000	\$ 503,778,000	\$ 109,685,000	\$ 409,543,000	\$ 15,450,000	\$ 411,347,000	\$ 17,254,000	\$ 435,895,000	\$ 41,802,000	\$ 462,902,000	\$ 68,809,000	\$ 477,436,000	\$ 83,343,000
2043	\$ 35,894,706	\$ 403,758,000	\$ 515,863,000	\$ 112,105,000	\$ 419,453,000	\$ 15,695,000	\$ 421,354,000	\$ 17,596,000	\$ 446,300,000	\$ 42,542,000	\$ 473,998,000	\$ 70,240,000	\$ 488,890,000	\$ 85,132,000
2044	\$ 36,909,582	\$ 413,798,000	\$ 528,470,000	\$ 114,672,000	\$ 429,781,000	\$ 15,983,000	\$ 431,758,000	\$ 17,960,000	\$ 457,138,000	\$ 43,340,000	\$ 485,577,000	\$ 71,779,000	\$ 500,839,000	\$ 87,041,000
2045	\$ 37,736,971	\$ 424,183,000	\$ 541,556,000	\$ 117,373,000	\$ 440,489,000	\$ 16,306,000	\$ 442,527,000	\$ 18,344,000	\$ 468,379,000	\$ 44,196,000	\$ 497,599,000	\$ 73,416,000	\$ 513,241,000	\$ 89,058,000
2046	\$ 39,229,590	\$ 434,910,000	\$ 555,091,000	\$ 120,181,000	\$ 451,559,000	\$ 16,649,000	\$ 453,658,000	\$ 18,748,000	\$ 480,016,000	\$ 45,106,000	\$ 510,036,000	\$ 75,126,000	\$ 526,069,000	\$ 91,159,000
2047	\$ 40,364,739	\$ 445,782,000	\$ 568,968,000	\$ 123,186,000	\$ 462,908,000	\$ 17,126,000	\$ 465,000,000	\$ 19,218,000	\$ 492,015,000	\$ 46,233,000	\$ 522,787,000	\$ 77,005,000	\$ 539,221,000	\$ 93,439,000
2048	\$ 41,385,201	\$ 456,926,000	\$ 583,193,000	\$ 126,267,000	\$ 474,543,000	\$ 17,617,000	\$ 476,625,000	\$ 19,699,000	\$ 504,315,000	\$ 47,389,000	\$ 535,856,000	\$ 78,930,000	\$ 552,702,000	\$ 95,776,000
2049	\$ 42,452,452	\$ 468,351,000	\$ 597,773,000	\$ 129,422,000	\$ 486,471,000	\$ 18,120,000	\$ 488,541,000	\$ 20,190,000	\$ 516,923,000	\$ 48,572,000	\$ 549,252,000	\$ 80,901,000	\$ 566,519,000	\$ 98,168,000
2050	\$ 43,386,994	\$ 449,116,000	\$ 558,351,000	\$ 109,235,000	\$ 463,961,000	\$ 14,845,000	\$ 465,672,000	\$ 16,556,000	\$ 488,945,000	\$ 39,829,000	\$ 516,216,000	\$ 67,100,000	\$ 530,674,000	\$ 81,558,000
2051	\$ 44,900,876	\$ 428,625,000	\$ 516,585,000	\$ 87,960,000	\$ 440,022,000	\$ 11,397,000	\$ 441,353,000	\$ 12,728,000	\$ 459,245,000	\$ 30,620,000	\$ 481,185,000	\$ 52,560,000	\$ 492,682,000	\$ 64,057,000
2052	\$ 46,097,334	\$ 406,830,000	\$ 472,382,000	\$ 65,552,000	\$ 414,596,000	\$ 7,766,000	\$ 415,527,000	\$ 8,697,000	\$ 427,753,000	\$ 20,923,000	\$ 444,079,000	\$ 37,249,000	\$ 452,459,000	\$ 45,629,000
2053	\$ 47,278,648	\$ 383,678,000	\$ 425,645,000	\$ 41,967,000	\$ 387,623,000	\$ 3,945,000	\$ 388,136,000	\$ 4,458,000	\$ 394,401,000	\$ 10,723,000	\$ 404,817,000	\$ 21,139,000	\$ 409,917,000	\$ 26,239,000
2054	\$ 47,873,713	\$ 359,114,000	\$ 376,276,000	\$ 17,162,000	\$ 359,042,000	\$ (72,000)	\$ 359,114,000	\$ -	\$ 359,114,000	\$ -	\$ 363,315,000	\$ 4,201,000	\$ 364,965,000	\$ 5,851,000
2055		\$ 71,007,000	\$ 88,599,000	\$ 17,592,000	\$ 71,007,000	\$ -	\$ 71,007,000	\$ -	\$ 71,007,000	\$ -	\$ 75,313,000	\$ 4,306,000	\$ 77,004,000	\$ 5,997,000



# COLA Considerations



- Offering one-time COLA will increase City's unfunded actuarial liability and the cost would be amortized over 30 years

One-Time COLA in 2025	Increase to 2025 UAL	Increased Additional Payments over 30 Years
1%	\$22m	\$59m
2%	\$44m	\$118m
3%	\$66m	\$177m
4%	\$88m	\$236m

- Consider having a one-time COLA for retirees in 2025 or on the third anniversary of their retirement whichever is later

Fiscal Year	Cost of 1% COLA in 2025	Cost of 2% COLA in 2025	Cost of 3% COLA in 2025	Cost of 4% COLA in 2025
2025	292,569	585,138	877,707	1,170,276
2026	594,410	1,188,819	1,783,229	2,377,637
2027	906,759	1,813,518	2,720,277	3,627,036
2028	1,232,317	2,464,633	3,696,950	4,929,266
2029	1,571,694	3,143,388	4,715,081	6,286,775
2030	1,606,452	3,212,904	4,819,356	6,425,807
2031	1,643,566	3,287,133	4,930,699	6,574,265
2032	1,682,301	3,364,602	5,046,903	6,729,201
2033	1,722,867	3,445,735	5,168,602	6,891,473
2034	1,764,515	3,529,029	5,293,544	7,058,061
2035	1,807,168	3,614,336	5,421,504	7,228,676
2036	1,851,732	3,703,464	5,555,196	7,406,927
2037	1,897,085	3,794,171	5,691,256	7,588,340
2038	1,943,817	3,887,633	5,831,450	7,775,267
2039	1,991,726	3,983,451	5,975,177	7,966,902
2040	2,040,978	4,081,956	6,122,934	8,163,911
2041	2,091,778	4,183,557	6,275,335	8,367,110
2042	2,143,693	4,287,386	6,431,080	8,574,772
2043	2,196,966	4,393,933	6,590,899	8,787,869
2044	2,251,573	4,503,147	6,754,720	9,006,294
2045	2,307,283	4,614,567	6,921,850	9,229,135
2046	2,364,772	4,729,545	7,094,317	9,459,088
2047	2,423,621	4,847,241	7,270,862	9,694,483
2048	2,483,942	4,967,883	7,451,825	9,935,768
2049	2,545,767	5,091,534	7,637,301	10,183,068
2050	2,609,009	5,218,018	7,827,027	10,436,034
2051	2,674,091	5,348,183	8,022,274	10,696,364
2052	2,740,705	5,481,410	8,222,115	10,962,819
2053	2,808,997	5,617,993	8,426,990	11,235,987
2054	2,878,725	5,757,451	8,636,176	11,514,900



# Supplemental Pay Considerations

- Instead of adding a COLA that increases on-going cost, supplemental pay options are available for period before achieving 70% funding
- Providing 13<sup>th</sup> check provides one-time increase in pension benefits of 8.3% which cost approximately \$25m and amortized over 20-30 year period
- City Management recommends any supplemental pay be contingent upon 5-year average rate of return of 6.5% or higher threshold

Fiscal Year	\$ Addition (Amortization of Stipend)
2024	
2025	
2026	\$1,400,395
2027	\$1,435,405
2028	\$1,471,290
2029	\$1,508,073
2030	\$1,545,774
2031	\$1,584,419
2032	\$1,624,029
2033	\$1,664,630
2034	\$1,706,246
2035	\$1,748,902
2036	\$1,792,624
2037	\$1,837,440
2038	\$1,883,376
2039	\$1,930,460
2040	\$1,978,722
2041	\$2,028,190
2042	\$2,078,895
2043	\$2,130,867
2044	\$2,184,139
2045	\$2,238,742
2046	\$2,294,711
2047	\$2,352,079
2048	\$2,410,881
2049	\$2,471,153
2050	\$2,532,931
2051	\$2,596,255
2052	\$2,661,161
2053	\$2,727,690
2054	\$2,795,882



# Supplemental Pay Considerations

- DFPF proposed a supplemental pay consideration based on formula of \$5 x years of service x years since retirement
- DFPF proposed this supplemental pay for every year between now and when the fund achieves 70% funding which is projected to be in 2046
- DFPF proposed that supplemental pay not be contingent on rate of return or other factors
- City Management supports the supplemental pay formula but recommends that supplemental pay not be on-going and that it be contingent upon 5-year average rate of return greater than 6.5% or a higher threshold
- City staff and DFPF will continue to develop options for Council and Board consideration for supplemental pay

Fiscal Year	Variance - the cost related to \$5 per year service and per year retired
2024	\$ -
2025	\$ 2,689,000
2026	\$ 5,489,000
2027	\$ 8,432,000
2028	\$ 11,530,000
2029	\$ 14,774,000
2030	\$ 15,098,000
2031	\$ 15,433,000
2032	\$ 15,769,000
2033	\$ 16,121,000
2034	\$ 16,478,000
2035	\$ 16,848,000
2036	\$ 17,234,000
2037	\$ 17,632,000
2038	\$ 18,037,000
2039	\$ 18,455,000
2040	\$ 18,879,000
2041	\$ 19,312,000
2042	\$ 19,762,000
2043	\$ 20,223,000
2044	\$ 20,702,000
2045	\$ 21,197,000
2046	\$ 21,708,000
2047	\$ 22,251,000
2048	\$ 22,808,000
2049	\$ 23,377,000
2050	\$ 18,935,000
2051	\$ 14,255,000
2052	\$ 9,331,000
2053	\$ 4,151,000
2054	\$ (1,294,000)
2055	\$ -





# Consideration of Additional City Oversight

# Additional Oversight



- 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 could be considered to ensure the City is able to manage pension cost increases that become a liability of the City while also considering all other City financial obligations; examples include:
  - Ad Hoc COLA
  - Increased benefits
  - Change to actuarial assumptions that increase liability
- Different strategies are available to increase oversight such as requiring City Council approval for certain cost, or implementing guardrails, or implementing a City/DPFP joint ADC reconciliation process
- City Management and DPFP are continuing to discuss different options





# Next Steps



# Next Steps



- Continue discussion with DFPF staff and Board Chair to achieve consensus on key factors
- May 9 – Ad Hoc Committee meeting
- May 15 – City Council briefing on budget outlook and pension funding
- May 23 – Ad Hoc Committee meeting (if necessary)
- June 5 – City Council briefing on pension funding
- June 12 or 26 – date for City Council action

*The City is fully committed to ensuring the funding soundness of DFPF, 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**

**Ad Hoc Committee on Pensions  
April 11, 2024**

Jack Ireland  
Chief Financial Officer

# Appendix



	FY25 Planned Budget	Police & Fire \$1,129.7m	Non-Police/Fire \$784.9m	Tax Rate	Total
Traditional ADC Scenario	Consideration #1	3.5% - \$39.54m	3.5% - \$27.47m		\$67m
	Consideration #2	2% - \$22.6m	5.7% - \$44.43m		\$67m
	Consideration #3	1% - \$11.3m	7.1% - \$55.73m		\$67m
	Consideration #4	0% - \$0	8.5% - \$67m		\$67m
	Consideration #5			3.25¢	\$67m
5-Year Step-Up Scenario	Consideration #A	0.9% - \$10.17m	0.9% - \$7.06m		\$17m
	Consideration #B	0% - \$0	2.2% - \$17.3m		\$17m

