

Memorandum



CITY OF DALLAS

DATE: July 17, 2026

TO: Chad West (Chair), Kathy Stewart (Vice Chair), and Gay Donnell Willis

SUBJECT: Technical Assistance Regarding the City of Dallas Employees' Retirement Fund

At the request of members of the Finance Committee, the Office of the City Auditor compiled preliminary information regarding the Employees' Retirement Fund (ERF) proposed budget, governance, staffing, administrative costs, and investment-related expenses. This information is intended to assist the Finance Committee in determining whether additional questions, documentation or independent review may be warranted. This work was not conducted as an audit, investigation, or evaluation under Generally Accepted Government Auditing Standards, and no assurance is provided.

The information was gathered from Chapters 40A and 8 of the Dallas City Code; available financial and personnel records; peer pension-system comparison data prepared by RSM US LLP, an independent contractor; attendance at Pension Board meetings; and direct observations made while serving as an ex officio member of the Pension Board.

Overview

The Employees' Retirement Fund (ERF) of the City of Dallas is a defined benefit pension system established to provide retirement, disability, and survivor benefits to eligible civilian employees. ERF operates as a trust for the benefit of its members and beneficiaries and is responsible for administering pension benefits, managing investment assets, and providing member services. ERF is governed by a seven-member Board of Trustees consisting of three City Council-appointed members, three employee-elected members, and the City Auditor serving ex officio.

As of December 31, 2025, ERF managed an investment portfolio of approximately \$3.97 billion. ERF's proposed FY2026-27 budget totals approximately \$26.4 million, including \$25.7 million in recurring expenditures representing a [4.3% increase in recurring costs](#). Recurring costs include administrative overhead, benefits-management, investment management, capital and other professional fees. Nonrecurring expenditures consist of one-time projects, including the pension software upgrade planned for FY2026-27.

ERF's budget materials state that the near-flat total masks meaningful movement among budget categories because the "savings" resulting from the wind-down of one-time technology implementation costs included in the amended FY2025-26 budget are being [redirected to administrative overhead in the proposed FY2026-27 budget](#). The increase in administrative costs includes bonus compensation and one additional position. ERF currently reports 38 authorized positions, consisting of 37 active employees and one authorized vacancy. The proposed additional position would increase the total authorized staffing level to 39 positions.

Matters Identified for Consideration

High-Cost Structure

ERF's budget raises questions about the relationship between outsourced services and internal administrative personnel costs. The basis for the compensation structure is not readily apparent, and ERF's expense ratio should be reviewed further.

The ERF FY2026-27 budget is presented as nearly flat but the total budget amount masks significant administrative cost increases that warrant closer review. Other areas of the budget that may warrant attention include the reductions in accounting and actuarial fees, the level and purpose of the professional-development budget, and potential opportunities to streamline technology costs.

- A breakdown of recurring costs identified that approximately 52% is spent on outsourced investment management services, while 44% is spent on administrative costs. *Because ERF incurs substantial costs for outsourced investment management and other professional services, the Finance Committee may wish to determine whether the size and composition of the internal administrative structure appropriately reflect the functions retained in-house.* Refer to **Table 1**.
- A high-level review of the compensation structure identified that seven leadership positions account for approximately 30.5% of ERF's overall salary costs, not including salary-related costs. In addition, *two of the five highest-compensated leadership positions* reviewed across ERF and the City are ERF positions. The salary assessment for the two leadership positions does not currently include bonus compensation. See **Table 2**.
- An independent peer city analysis conducted by RSM US LLP reported that *Dallas ERF's expenses were 0.82% of total assets, which was higher than the peer pension and retirement systems reviewed.* Refer to **Attachment A**. This indicates that ERF's overall expense structure, including administrative and investment management costs, may need to be reviewed further.

Governance

ERF has long-serving appointed and elected trustees, but complete centralized records showing trustee appointment history, election history, term dates, reappointments, re-elections, and term-limit status were not readily available. This *makes it difficult to evaluate Board refreshment, independence*, and whether long-term service has reduced opportunities for new perspectives and *independent challenge*.

Administrative Function

ERF's staffing model *does not fully demonstrate that staffing size, role structure, qualifications*, and professional development are tied to actual workload, the level of outsourced services, and required expertise. ERF uses assets under management as a key benchmark for staffing; however, assets under management alone are not sufficient to justify staff size, especially when ERF also relies on outside professionals for investment management, actuarial, legal, audit, accounting, custodial, and technology services.

Available job descriptions and functional descriptions are limited, and the requested internal procedures were not provided.

Transparency

ERF *does not consistently communicate* recurring Board meetings, agenda content and voting records to its members. Available meeting materials are password-protected, are not publicly posted, and are not accessible to non-Board members. Board members must obtain passwords from ERF staff to access materials. In addition, Board meetings are broadcast live but recordings are not posted for subsequent review by members.

How to Use This Memorandum

This memorandum is intended to support Finance Committee oversight in three ways:

- **Budget briefing questions:** The memorandum includes focus questions that Finance Committee members may ask if ERF presents a budget briefing or requests support for administrative, staffing, compensation, technology, or investment-related costs.
- **Immediate items within Committee control:** The memorandum identifies items that are within the Committee's immediate oversight role, including requesting clearer budget justification, asking for trustee terms and service history, explanations of peer city comparisons, and support for ERF's staffing, compensation, and outsourcing decisions.
- **Future non-audit services:** The memorandum identifies issues that may be incorporated into future non-audit services, including governance support, peer city benchmarking, staffing analysis, compensation review, cost-structure analysis, and improvements to Board reporting.

[Attachment A](#) provides the peer comparison report developed by RSM US LLP.

[Attachment B](#) provides proposed budget presented in May 2026 during a Pension Board meeting.

Areas for Further Inquiry

Budget Expense Breakdown

ERF's proposed budget reflects both significant outsourcing costs and substantial internal salary and compensation expenses. ERF's proposed FY2026-27 budget is included in [Attachment B](#). This structure results in high administrative overhead while also paying externally for specialized expertise, which reduces the potential cost savings associated with outsourcing. See **Table 1** for details and additional areas for budget review.

- ERF's proposed budget totals approximately \$26.4 million, including \$25.673 million in recurring expenditures. Recurring costs include administrative overhead, investment management and professional fees. Nonrecurring costs consist of one-time projects, including \$750,000 for the pension software upgrade planned for FY2026-27. Recurring expenditures increased by 4.3%.
- ERF pays approximately \$13.8 million, or 52% of its budget, for investment management.
- ERF's administrative costs are projected at approximately [\\$11.7 million, or 44%](#) of the budget. Within the administrative category, [\\$8.25 million, or 70%](#), is concentrated in salary and compensation-related costs. See **Table 2**.

The *2024 Annual Comprehensive Financial Report* does not separately present the extent to which ERF's administrative costs are financed through plan assets, employer contributions, employee contributions, investment earnings, or any direct City support. Additional information was requested but not provided. *Accordingly, the Finance Committee may wish to request clarification of the funding sources and classifications applicable to these expenditures.*

Table 1: Employees' Retirement Fund FY2026-27 Budget Breakdown

BUDGET AREA	FY2026-27	PERCENTAGE	WHY IT MATTERS	FOCUS QUESTIONS
Total Budget	\$26,423,000	100%	The total budget appears nearly flat, but recurring costs increased.	What factors caused recurring costs to increase, and why are increases necessary?
Investment Management	\$13,763,000	52%	ERF relies significantly on external investment service providers while also maintaining a substantial internal leadership and compensation structure.	How do ERF's investment fees compare with other similar public pension systems and the peer pension systems reviewed by RSM US LLP?
Administrative	\$11,734,000	44%	Administrative costs represent a significant portion of the overall budget and should be evaluated in relation to workload and outsourced services	What level of recurring administrative cost is reasonable for ERF's size, membership, workload, and level of outsourcing?
<i>Personnel Costs</i>	<i>\$8,254,000</i>	<i>70% of administrative costs</i>	Includes salaries, merit increases, service incentive pay, lump-sum pay, pension cost, flexible benefits, payroll taxes, workers' compensation, and temporary help.	How does ERF justify the size of its personnel cost while relying significantly on outsourced investment management and other professional services? Is the staffing structure supported by relevant workload measures, including the numbers of active and inactive members, benefit payments processed, member inquiries received, and other service demands, as well as benchmarks from comparable public pension systems? Can ERF demonstrate that staffing levels, management layers, and added positions are necessary based on workload?

BUDGET AREA	FY2026-27	PERCENTAGE	WHY IT MATTERS	FOCUS QUESTIONS
<i>Professional Services</i>	\$790,000	7% of administrative costs	Includes legal, accounting, audit, and actuarial services.	What factors account for the combined \$50,000 reduction in accounting and actuarial fees? What services, scope, or quality may be affected by reductions? Were the savings redirected to other administrative costs?
<i>Information Technology</i>	\$1,435,000	12% of administrative costs	ERF maintains separate technology systems and support costs.	Can ERF demonstrate that maintaining separate systems is more effective and efficient than using shared City platforms and personnel? Could Information & Technology Services support these activities? What services and projects make up the technology budget?

Source: ERF Proposed FY2026-27 Budget as presented at the Pension Board meeting on May 12, 2026.

Compensation Structure Analysis

Approximately \$1.68 million, or 30.5%, of the \$5.49 million in overall ERF salaries, excluding salary-related costs, is directed toward seven leadership positions. See **Table 2**.

A high-level comparison of ERF leadership compensation with compensation for the seven City leadership positions—the City Manager and six Assistant City Managers—shows that ERF leadership salaries are approximately 73% of the compensation paid to the City's seven leadership positions. This comparison is important because the City leadership positions support all General Fund operations, while ERF leadership is responsible for administering and overseeing the civilian pension system.

Two of the five highest-compensated leadership positions reviewed across ERF and the City are ERF positions. The salary cost for the top two ERF leadership positions does not currently include bonus compensation. This concentration of salary costs in leadership positions warrants further review.

There is also insufficient clarity and limited transparency regarding the basis for ERF leadership compensation. According to the Pension Board, a compensation study was completed; however, the study was not provided upon request. Without the study, it is difficult to determine whether compensation was benchmarked against comparable public pension systems or private-sector investment firms. Public pension systems and private-sector investment firms differ significantly in their missions, compensation practices, risk structures, and performance incentives. *The benchmark group used in the compensation study could therefore materially affect the resulting compensation ranges.*

Table 2: Compensation Structure

POSITION	ANNUAL SALARY AS REPORTED IN WORKDAY AS OF JULY 4, 2026
City–City Manager and Six Assistant City Managers	\$2,289,684
<i>City Manager</i>	<i>\$463,500</i>
<i>Safe – Assistant City Manager</i>	<i>\$364,000</i>
<i>Vibrant – Assistant City Manager</i>	<i>\$270,884</i>
<i>Growing – Assistant City Manager</i>	<i>\$283,500</i>
<i>Livable – Assistant City Manager</i>	<i>\$249,600</i>
<i>Sustainable – Assistant City Manager</i>	<i>\$343,200</i>
<i>Fiscally Sound – Assistant City Manager</i>	<i>\$315,000</i>
ERF–Seven Leadership Positions	\$1,677,099
<i>Executive Director*</i>	<i>\$393,750</i>
<i>Chief Investment Officer**</i>	<i>\$353,129</i>
<i>Chief Financial Officer</i>	<i>\$241,528</i>
<i>Chief Technology Officer</i>	<i>\$204,205</i>
<i>Chief Budget Officer</i>	<i>\$195,000</i>
<i>Chief Communications Officer</i>	<i>\$151,597</i>
<i>Chief Benefits Officer</i>	<i>\$137,890</i>
Difference in Annual Leadership Salaries	\$612,584

Source: Compensation as Reported in Workday

*A review of the Executive Director's employment agreement shows that the Executive Director is eligible for a target bonus equal to 20% of base salary under ERF's Investment Group Compensation Incentive Program. However, the employment agreement does not identify the specific investment benchmarks, performance period, return thresholds, or peer comparisons used to determine the bonus. *The applicable incentive-program documentation should be reviewed to determine whether awards are based on meaningful long-term benchmarks, relative peer performance, and results that strengthen the Fund's financial position.*

**The Chief Investment Officer's bonus structure was not obtained.

Administrative and Investment Funding Sources

According to the ERF 2024 Annual Comprehensive Financial Report, ERF incurred approximately \$30 million in administrative and investment-related expenses for the fiscal year ending December 31, 2024. These costs represented approximately 0.80% of ERF's ending net position. This is generally consistent with the independent review completed by RSM US LLP, which reported an expense ratio of 0.82% using the most recent source data available.

This ratio indicates the proportion of plan assets used for administrative and investment-related costs that would otherwise be available to pay benefits and improve the Fund's financial position. RSM US LLP's peer pension systems review found that Dallas had the highest expense ratio among the ten peer systems reviewed. The next highest ratio was 0.59% for the City of Phoenix. See **Exhibit 1**.

Exhibit 1: RSM US LLP Comparative Data Analysis – Expense Ratio

City	UAAL Payroll Ratio	Actuarial Funded Ratio	Non-investment Cashflow (as % of Total Assets)	Expenses (as % of Total Assets)
City of Dallas ¹	334%	67%	-6.29%	0.82%
City of Austin ¹	222%	61%	-0.90%	0.42%
City of Houston ¹	202%	73%	-2.91%	0.37%
City of Jacksonville ²	819%	53%	-6.69%	0.56%
City of Phoenix ³	162%	75%	-1.30%	0.59%
City of Philadelphia ⁴	221%	65%	0.84%	0.31%
City of San Diego ⁵	341%	76%	0.00%	0.14%
City of San Antonio ¹	54%	89%	-0.49%	0.14%
City of Fort Worth ¹	371%	55%	-1.46%	0.41%
City of El Paso ¹	135%	76%	-3.42%	0.47%

¹ Source: FY24 Texas Pension Review Board
² Source: FY25 City of Jacksonville Actuarial Valuation as of 10/01/25
³ Source: FY25 City of Phoenix Actuarial Valuation as of 06/30/25
⁴ Source: FY24 City of Philadelphia Actuarial Valuation as of 07/01/24
⁵ Source: FY25 San Diego Actuarial Valuation as of 06/30/25

Source: RSM US LLP Comparative Data Analysis report.

RSM US LLP's ten-year peer analysis shows that ERF's investment returns have generally been lower than those of the peer systems reviewed. Although ERF separately reported a return of approximately 11.7% for its most recent reporting period, RSM US LLP's comparative analysis shows that ERF's 10-year net return remained below most of the peer systems reviewed. Refer to **Exhibit 2** for the investment return comparison.

Exhibit 2: RSM US LLP Comparative Data Analysis – Net Investment Returns

City	Net Total Assets	10 Year Net Investment Returns	Expected Investment Rate of Return	Total Distributions	Total Contributions
City of Dallas ¹	\$3,757,482,000	6.27%	7.25%	\$361,307,000	\$155,613,000
City of Austin ¹	\$3,570,725,498	6.21%	6.75%	\$290,512,807	\$273,440,748
City of Houston ¹	\$4,360,172,111	8.73%	7.00%	\$358,255,435	\$247,604,167
City of Jacksonville ²	\$2,085,827,031	7.07%	6.50%	\$277,864,000	\$138,344,000
City of Phoenix ³	\$3,889,053,000	8.70%	7.00%	\$290,839,112	\$278,187,962
City of Philadelphia ⁴	\$8,566,207,554	6.30%	7.30%	\$976,823,610	\$1,033,151,607
City of San Diego ⁵	\$11,048,857,453	6.70%	6.50%	\$669,079,000	\$635,269,000
City of San Antonio ¹	\$43,406,528,187	6.57%	6.75%	\$2,138,425,964	\$1,985,178,812
City of Fort Worth ¹	\$2,988,369,059	6.90%	7.00%	\$280,859,857	\$249,447,248
City of El Paso ¹	\$990,935,503	6.58%	7.25%	\$85,212,114	\$55,946,744

¹ Source: FY24 Texas Pension Review Board
² Source: FY25 City of Jacksonville Actuarial Valuation as of 10/01/25
³ Source: FY25 City of Phoenix Actuarial Valuation as of 06/30/25
⁴ Source: FY24 City of Philadelphia Actuarial Valuation as of 07/01/24
⁵ Source: FY25 San Diego Actuarial Valuation as of 06/30/25

Source: RSM US LLP Comparative Data Analysis report.

For additional details, refer to [Attachment A](#) for the full RSM US LLP Comparative Data Analysis report.

Board Tenure and Renewal

The ERF Board has long-serving appointed and elected trustees. While long-serving trustees can provide institutional knowledge, repeated service by the same individuals can also limit Board refreshment, reduce the opportunities for new perspectives, and make independent oversight of ERF management more difficult.

- **Board Independence** – Long tenure may create overfamiliarity with ERF management and reduce independent challenge.
- **Board Refreshment** – Repeated service by the same individuals may limit opportunities for new members, new perspectives, and fresh review.
- **Oversight of ERF Management** – A long-serving Board may become more deferential to recommendations made by the Executive Director.

The broader governance concern is that the current process does not clearly show how trustees are appointed or elected, reappointed or re-elected, oriented, rotated, and replaced over time. It also does not clearly identify how trustee terms and applicable term limits are tracked. This matters because the Board approves significant ERF decisions involving the budget, staffing levels, compensation practices, administrative overhead, and investment management structures. See **Tables 3** and **4**. Refer to [Attachment A](#) for RSM US LLP's comparative analysis of peer pension-system governance structures.

Table 3: Appointed Members Service History

Appointed Trustee Record Gaps: The available records for current Council-appointed trustees do not provide a complete service history needed to determine whether trustees are serving within Chapter 8 limits, whether a required break in service occurred, or whether Council granted a waiver.			
Requirement	Trustee	Current Status	Governance gap
Dallas City Code Chapter 8 - Four (4) consecutive two-year (2) terms - Not eligible to serve again until at least one term has elapsed; or, - City Council waives the disqualification after reviewing the circumstances	John Peavy Position 1 Appointed	Initial Appointment: No records available Reappointed: August 14, 2020 Completed Service: Almost three terms or six years	Gap Noted. The available record does not show complete service history or waiver status. Available records indicate an ERF reappointment on July 18, 2018.
	T. Dupree Scovell Position 2 Appointed	Appointed: October 27, 2021 Total Service: Four years and eight months	No gaps noted.
	Henry Talavera Position 3 Appointed	Initial Appointment: No records available Reappointed or continued in holdover status: August 19, 2020 Completed Service: Almost three terms or six years	Gap Noted. The holdover status indicates that the trustee remained in the office pending formal replacement or reappointment. The available record does not show complete service history, the reason for extended holdover, or waiver status.

Source: City Secretary's Office and Dallas City Code, Chapter 8.

Table 4: Elected Members Service History

Elected Trustee Record Gaps: Records relating to elected trustees appear to be maintained across ERF, the City Secretary's Office, and the Board election process. No single record reviewed provides a complete history of who has served, when service began, how trustees were elected or re-elected, when terms expire, or how applicable term limits are tracked. The records also do not identify a clear custodian responsible for maintaining election history, re-election records, place assignments, or term information.			
Requirements	Trustee	Current Status	Governance gap
Chapter 40A Place 1 January 1, 2027 - December 31, 2029	John D. Jenkins Place 1 Employee-elected	ERF Reported Term: January 1, 2026 - December 31, 2028	Gap Noted. ERF's reported term does not clearly reconcile with the Chapter 40A Place 1 schedule. The records reviewed do not document the original election date, prior terms, re-election history, or term-limit status.
Chapter 40A Place 2 January 1, 2025 - December 31, 2027	Sunil King Place 2 Employee-elected	ERF Reported Term: January 1, 2025 - December 31, 2027	Gap Noted. The term dates reconcile; however, the records reviewed do not show the original election date, prior service, re-election history, or term-limit tracking.
Chapter 40A Place 3 January 1, 2026 - December 31, 2028	Tina B. Richardson Place 3 Employee-elected	ERF Reported Term: January 1, 2024 - December 31, 2026 ERF states Place 3 was initially assigned a two-year term to implement staggered terms.	Gap Noted. ERF's reported term does not clearly reconcile with the Chapter 40A Place 3 schedule. The records reviewed do not include the election record, authority for the transition period, prior service history, or term-limit tracking.

Source: City Secretary's Office, Boards and Commissions records, *Dallas City Code*, Chapter 40A, and information provided by the ERF Executive Director.

Staffing Size

ERF's staffing model does not fully demonstrate that it is appropriately sized, efficiently structured, and aligned with actual workload, outsourced services, and required expertise. This matters because ERF has a sizable internal staffing and leadership structure while also relying on outside professionals for investment management, actuarial services, legal services, audit, accounting, custodial services, technology support, and other specialized functions.

ERF currently uses assets under management as a benchmark for staff size and the Society for Human Resource Management (SHRM) for other staffing comparisons. The assets under management comparison includes pension systems ranging from approximately \$1 billion to \$15 billion in assets and is used to assess total headcount needs. However, the comparison is broad and may not provide an appropriately aligned benchmark because it includes county and state systems, teacher retirement systems, and police and fire pension systems rather than pension systems with a structure and membership more comparable to ERF. Refer to [Attachment A](#) for RSM US LLP Comparative Data Analysis.

Because ERF also relies on outside professionals for investment, actuarial, legal, audit, accounting, custodial, and technology services, ERF should be able to demonstrate:

- How staffing levels are tied to actual workload and service demands including retirements processed, benefit calculations, disability cases, refunds, member inquiries, retirement planning education and counseling, retiree payroll volume, accounting transactions, and administrative cost per participant.
- Why the seven leadership positions represent approximately 19% of the 37 active employees.
- Whether management spans of control are appropriate for the assigned roles and responsibilities.
- Whether employee qualifications and credentials match job duties.
- Whether professional development is producing the certifications and technical skills needed for assigned responsibilities.
- Whether succession planning includes objective measures of readiness, required competencies, professional qualifications, and demonstrated performance.
- Why assets under management are used as a primary staffing benchmark when it does not directly measure workload, service demands, or the extent of outsourced functions.

Job Descriptions

ERF does not have a complete set of clearly documented job descriptions identifying each position's duties, qualifications, authority, reporting relationships, and expected deliverables. According to the Executive Director, ERF relies on functional descriptions based on Chapter 40A. However, functional descriptions do not provide complete job duties, required qualifications, decision-making authority, workload expectations, direct-reporting relationships, or measurable deliverables.

A review of the available job information, including Workday job profiles, the 2024 *Annual Comprehensive Financial Report*, and the *Talent Management Report* provided by the Executive Director, shows that the available position descriptions and job profiles are not fully consistent with one another, cannot always be tied to actual operational duties, and appear to include overlapping responsibilities.

This is important because unclear and overlapping job responsibilities make it difficult to determine whether staffing levels are appropriate, whether positions perform distinct functions, and whether duties could be consolidated. *A review of roles and responsibilities may identify opportunities to improve efficiency and reduce administrative costs.*

Exhibit 3: Workday Employee Retirement Fund Job Classifications

20942 - Employee Retirement Fund Specialist I
20943 - Senior Employees' Retirement Pension Fund Accounting Specialist
20944 - Employees' Retirement Pension Fund Accounting Specialist
24460 - Employee Retirement Fund Officer I
24461 - Employee Retirement Fund Officer II
36200-00 - Employees' Retirement Fund Information Technology Specialist (inactive)

Source: Workday

Professional Development and Credentials

ERF job descriptions do not identify specific certifications or professional credentials, even though pension administration is a specialized area. Technical responsibilities involving pension administration, governmental accounting, investment oversight, actuarial funding policy, cybersecurity governance, records compliance, fiduciary governance, and member services should be supported by clearly identified professional qualifications and professional credentials appropriate to each position.

Although some staff may hold professional credentials, the preferred credentials for each role should be identified, and professional development should be directed toward meeting those expectations. Based on observations during Board meetings and a review of professional-development requests, the

requests reviewed did not consistently demonstrate a clear connection to assigned roles, required competencies, or succession-planning needs.

This is important because *professional development should strengthen the technical skills needed to perform each position*, support succession planning, and improve accountability for the use of training funds.

Conclusion

The memorandum does not suggest that ERF should not operate independently or use dedicated staff and outside expertise. Rather, the memorandum identifies areas where additional transparency, stronger documentation, clearer justification, and independent review may help ensure that ERF's governance, staffing, compensation, administrative costs, and investment-related expenses are appropriately aligned with its fiduciary responsibilities and the long-term interests of members and beneficiaries.

The Finance Committee may wish to request that ERF provide supporting information, including clearer budget reconciliations, compensation studies, staffing and workload support, trustee service records, job descriptions, professional development plans, and explanations of ERF's performance relative to the peer pension systems reviewed. These matters may also be considered for future non-audit services or other independent reviews. Continued oversight in these areas will help the Finance Committee determine whether ERF's current structure and proposed budget provide appropriate value, accountability, and protection of plan assets.

Sincerely,

Mamatha Sparks
Interim City Auditor

Attachment A

RSM US LLP's Comparative Data Analysis begins on the following page(s)

To: Office of the City Auditor
From: RSM US LLP
Date: June 30, 2026
Reference: Dallas Employee Retirement Fund – Comparative Data Analysis – DO AUD 00001232071

This memorandum incorporates a set of commonly used pension and retirement plan metrics, including governance, financial, and operational performance indicators, and summarizes the key metrics identified through our comparative analysis, where readily available, as directed by the Chief Auditor. The objective of this engagement was to evaluate the Dallas ERF against other, comparable public employee retirement funds and identify attributes and metrics against those of similar entities.

Dallas Employee Retirement Fund – Comparative Data Analysis

As part of our comparative analysis, we identified nine (9) peer cities of comparable size and compiled key operational and financial metrics for each corresponding retirement plan, to the extent data was available. In conducting this review, we prioritized the most recent publicly available information for each jurisdiction. The following nine (9) peer cities were identified and utilized for this comparative analysis:

- City of Austin, TX
- City of Houston, TX
- City of San Antonio, TX
- City of Fort Worth, TX
- City of El Paso, TX
- City of Jacksonville, FL
- City of Phoenix, AZ
- City of Philadelphia, PA
- City of San Diego, CA

The table below outlines the benchmarked cities included in scope, along with their respective pension or retirement plan and associated plan type.

Metric	What It Tells You
Net Total Assets	Size of the pension fund's investment pool.
Expected Investment Rate of Return	The conservatism of the plan's actuarial assumptions.
10-Year Net Investment Return	Long-term investment performance vs. expectations.
Total Distributions	Annual benefit payments and maturity of the plan.
Total Contributions	Annual funding support from employer and employees.
Unfunded Actuarial Accrued Liability as a % of Covered Payroll	Size of the unfunded liability relative to the city's payroll base.
Actuarial Funded Ratio	How well the plan is funded relative to accrued liabilities.
Non-investment Cashflow (as % of Total Assets)	Net inflow/outflow from contributions vs. benefits.
Expenses (as % of Total Assets)	Administrative and investment relative to total assets.

Plan Structures and Memberships

To support a consistent comparison, we identified a group of nine (9) peer cities with similar characteristics and reviewed the primary retirement plan associated with each jurisdiction. The table below summarizes the benchmarked plans, including plan structure and coverage, which serves as a foundation for interpreting differences in financial and operational performance across systems.

City	Pension / Retirement Plan	Plan Type
City of Dallas	Employees Retirement Fund ("ERF")	Single-employer DB (civilian)
City of Austin	City of Austin Employees' Retirement and Pension Fund	Single-employer DB (civilian)
City of Houston	Houston Municipal Employees' Pension System ("HMEPS")	Single-employer DB (civilian)
City of Jacksonville	General Employee Retirement Plan ("GERP")	Single-employer DB (civilian)
City of Phoenix	City of Phoenix Employees' Retirement System ("COPERS")	Single-employer DB (civilian)
City of Philadelphia	Philadelphia Municipal Pension Fund	Single-employer DB (Civilian, Police, and Fire included)
City of San Diego	San Diego City Employees' Retirement System ("SDCERS")	Single-employer DB (General, Safety, and Elected Officials included)
City of San Antonio	Texas Municipal Retirement System ("TMRS")	Statewide DB (pooled)
City of Fort Worth	Employee Retirement Fund ("Retirement Fund")	Single-employer DB (Civilian, Police, and Fire included)
City of El Paso	City Employees Retirement Trust ("CERT")	Single-employer DB (civilian)

Plan membership levels provide important context for understanding each system's maturity, scale, and demographic profile. The table below outlines active and total covered members for each plan, which can influence contribution requirements, benefit outflows, and long-term funding dynamics.

City	Active Members	Total Covered Members
City of Dallas ²	8,070	18,161
City of Austin ²	11,783	24,383
City of Houston ²	11,883	33,485
City of Jacksonville ¹	2,792	8,267
City of Phoenix ²	9,037	21,612
City of Philadelphia ¹	26,646	64,369
City of San Diego ²	10,385	25,110
City of San Antonio ²	8,046	17,992
City of Fort Worth ²	6,954	14,203
City of El Paso ²	4,128	7,958

¹ Source: FY24 ACFR

² Source: FY25 ACFR

Operational and Investment Performance Metrics

Investment performance is a key driver of pension funding outcomes over time. The following table presents asset levels, long-term investment returns, and associated assumptions, along with contribution and distribution activity, to provide insight into how each plan's investment experience compares to expectations and peer benchmarks.

City	Net Total Assets	10 Year Net Investment Returns	Expected Investment Rate of Return	Total Distributions	Total Contributions
City of Dallas ¹	\$3,757,482,000	6.27%	7.25%	\$361,307,000	\$155,613,000
City of Austin ¹	\$3,570,725,498	6.21%	6.75%	\$290,512,807	\$273,440,748
City of Houston ¹	\$4,360,172,111	8.73%	7.00%	\$358,255,435	\$247,604,167
City of Jacksonville ²	\$2,085,827,031	7.07%	6.50%	\$277,864,000	\$138,344,000
City of Phoenix ³	\$3,889,053,000	8.70%	7.00%	\$290,839,112	\$278,187,962
City of Philadelphia ⁴	\$8,566,207,554	6.30%	7.30%	\$976,823,610	\$1,033,151,607
City of San Diego ⁵	\$11,048,857,453	6.70%	6.50%	\$669,079,000	\$635,269,000
City of San Antonio ¹	\$43,406,528,187	6.57%	6.75%	\$2,138,425,964	\$1,985,178,812
City of Fort Worth ¹	\$2,988,369,059	6.90%	7.00%	\$280,859,857	\$249,447,248
City of El Paso ¹	\$990,935,503	6.58%	7.25%	\$85,212,114	\$55,946,744

¹ Source: FY24 Texas Pension Review Board

² Source: FY25 City of Jacksonville Actuarial Valuation as of 10/01/25

³ Source: FY25 City of Phoenix Actuarial Valuation as of 06/30/25

⁴ Source: FY24 City of Philadelphia Actuarial Valuation as of 07/01/24

⁵ Source: FY25 San Diego Actuarial Valuation as of 06/30/25

Operational and funding-related metrics provide insight into each plan's overall financial position and sustainability. The table below compares key indicators, including funded status, pension liability related to payroll, cash flow dynamics, and expense levels (includes investment-related and administrative costs).

City	UAAL Payroll Ratio	Actuarial Funded Ratio	Non-investment Cashflow (as % of Total Assets)	Expenses (as % of Total Assets)
City of Dallas ¹	334%	67%	-6.29%	0.82%
City of Austin ¹	222%	61%	-0.90%	0.42%
City of Houston ¹	202%	73%	-2.91%	0.37%
City of Jacksonville ²	819%	53%	-6.69%	0.56%
City of Phoenix ³	162%	75%	-1.30%	0.59%
City of Philadelphia ⁴	221%	65%	0.84%	0.31%
City of San Diego ⁵	341%	76%	0.00%	0.14%
City of San Antonio ¹	54%	89%	-0.49%	0.14%
City of Fort Worth ¹	371%	55%	-1.46%	0.41%
City of El Paso ¹	135%	76%	-3.42%	0.47%

¹ Source: FY24 Texas Pension Review Board

² Source: FY25 City of Jacksonville Actuarial Valuation as of 10/01/25

³ Source: FY25 City of Phoenix Actuarial Valuation as of 06/30/25

⁴ Source: FY24 City of Philadelphia Actuarial Valuation as of 07/01/24

⁵ Source: FY25 San Diego Actuarial Valuation as of 06/30/25

Governance and Oversight

Governance structures play a critical role in establishing oversight, accountability, and decision-making practices within pension systems. The table below summarizes the governance framework, board composition, and term structures across peer plans.

City	Plan Type	Governance	Committee Members	Election Process	Term Limits
City of Dallas	Single-employer DB (civilian)	Board of Trustees	7 Members	3 City Council-appointed members 3 employee-elected members (different departments) - City Auditor	Yes – Elected trustees may serve 3 consecutive terms (after which they must leave for at least one 3-year term before potential reappointment)
City of Austin	Single-employer DB (civilian)	Board of Trustees	11 Members	3 active employee-elected 2 retired employee-elected 2 City Council-appointed citizens 1 Board-appointed citizen - City Manager designee - Finance Director/designee 1 City Council member	Yes – Terms for elected board members are four years and the terms are staggered so that there is an active or retired place for election every two years.
City of Houston	Single-employer DB (civilian)	Board of Trustees	11 Members	4 active employee-elected 2 retiree-elected 1 Mayor-appointed 1 City Controller-appointed 1 appointed by elected trustees 2 City governing body appointees	No – There are no express term limits for City-Appointed Trustees on the HMEPS Board
City of Jacksonville	Single-employer DB (civilian)	General Employees Pension Advisory Committee	6 Members	- Active members elected by contributing participants 1 retiree elected by Retired Employees Association	No – Term limits are not specified in statute or policy
City of Phoenix	Single-employer DB (civilian)	Retirement Board	9 Members	3 employee-elected (active members) 1 retiree 1 citizen 4 City management/statutory members	No – City Charter does not impose term limits on any board members

City	Plan Type	Governance	Committee Members	Election Process	Term Limits
City of Philadelphia	Single-employer DB (Civilian, Police, and Fire included)	Philadelphia Board of Pensions ("Pension Board")	9 Members	4 active employee-elected (civil service) - City Controller - City Solicitor - Managing Director - Personnel Director - Finance Director (Chair)	No – City Charter specifies 4-year terms but no term cap.
City of San Diego	Single-employer DB (General, Safety, and Elected Officials included)	Board of Administration	13 Members	8 City-appointed members - Pension Administrator	No – Elected trustees have no term limit specified.
City of San Antonio	Statewide DB (pooled)	Board of Trustees	6 Members	Trustees appointed by Governor and confirmed by Texas Senate	No – Trustees can be reappointed but no term limits are specified.
City of Fort Worth	Single-employer DB (Civilian, Police, and Fire included)	Retirement Fund Board of Trustees	13 Members	4 active members 3 retired members 6 City Council-appointed	No – Term limits are not specified in statute or policy
City of El Paso	Single-employer DB (civilian)	CERT Board	9 Members	2 citizen members (Mayor nomination, Council approval) 4 elected City employees 1 retiree 2 district representatives (City Council designated)	Mixed – Appointed trustees max 8 years total (lifetime cap). elected trustees no term limits

Attachment B

The Employees' Retirement Fund proposed budget for FY2026-27 begins on the following page(s).

EMPLOYEES' RETIREMENT FUND
EXPENDITURE BUDGET
Proposed **Fiscal Year 2026-27 Budget**

	Approved Budget FY 2025-26	Proposed Budget Amendments	Amended FY 2025-26 Budget	Proposed FY 2026-27 Budget	Budget Variance	Percent Increase (Decrease)
ADMINISTRATIVE						
Salaries	\$ 5,113,000		\$ 5,113,000	\$ 5,493,000	\$ 380,000	7.4%
Merits	208,000		208,000	225,000	17,000	8.2%
Service Incentive Pay	2,200		2,200	2,300	100	4.5%
Lump Sum Pay	369,100		369,100	327,000	(42,100)	-11.4%
Pensions	1,287,000		1,287,000	1,434,100	147,100	11.4%
Flexible Benefits	383,900		383,900	456,600	72,700	18.9%
FICWA/Medicare	83,000		83,000	88,000	5,000	6.0%
Workers' Compensation	28,000		28,000	28,000	-	0.0%
Temporary Help Services	400,000	85,000	485,000	200,000	(285,000)	-58.8%
Supplies	11,900		11,900	12,200	300	2.5%
Food Supplies	11,900		11,900	5,000	(6,900)	-58.0%
Meter Postage	20,600		20,600	21,200	600	2.9%
Printing/Communication	10,300		10,300	10,600	300	2.9%
Property Insurance	11,900		11,900	12,300	400	3.4%
Liability Insurance	354,600	(20,000)	334,600	344,600	10,000	3.0%
Membership Dues	25,800		25,800	25,000	(800)	-3.1%
Subscriptions	1,400		1,400	1,400	-	0.0%
Professional Development/Travel	252,000		252,000	240,000	(12,000)	-4.8%
Reimbursement for Vehicle Use	400		400	400	-	0.0%
Data and Telecommunications Services	835,000	575,000	1,410,000	1,435,000	25,000	1.8%
Rent	679,800	(115,000)	564,800	582,300	17,500	3.1%
Parking and Public Transportation	5,200		5,200	-	(5,200)	-100.0%
Legal	400,000	100,000	500,000	500,000	-	0.0%
Accounting	50,000		50,000	15,000	(35,000)	-70.0%
Audit	51,000		51,000	55,000	4,000	7.8%
Actuary	150,000		150,000	135,000	(15,000)	-10.0%
Election	50,000	(25,000)	25,000	25,000	-	0.0%
Other	60,000		60,000	60,000	-	0.0%
Total Administrative	10,856,000	600,000	11,456,000	11,734,000	278,000	2.4%
BENEFITS MANAGEMENT						
Disabilities/Continuations/Etc	28,000		28,000	14,000	(14,000)	-50.0%
Pension Benefit Information	12,000		12,000	12,000	-	0.0%
Total Benefits Management	40,000	-	40,000	26,000	(14,000)	-35.0%
INVESTMENTS MANAGEMENT						
Manager Fees	13,870,000	(1,650,000)	12,220,000	13,000,000	780,000	6.4%
Investment Consultant & Services	441,000		441,000	463,000	22,000	5.0%
Custodial Fees	299,000		299,000	300,000	1,000	0.3%
Total Investments Management	14,610,000	(1,650,000)	12,960,000	13,763,000	803,000	6.2%
CAPITAL						
Furniture, Fixtures, Equipment	50,000	25,000	75,000	75,000	-	0.0%
Computer Equipment	120,000	(25,000)	95,000	75,000	(20,000)	-21.1%
Total Capital	170,000	-	170,000	150,000	(20,000)	-11.8%
TOTAL RECURRING	\$ 25,676,000	(1,050,000)	\$ 24,626,000	\$ 25,673,000	\$ 1,047,000	4.3%
NON-RECURRING						
Special Projects	650,000	1,050,000	1,700,000	750,000	(950,000)	-55.9%
					-	
TOTAL BUDGET	\$ 26,326,000	\$ -	\$ 26,326,000	\$ 26,423,000	\$ 97,000	0.4%