

Memorandum



CITY OF DALLAS

DATE August 9, 2024

TO Honorable Mayor and Members of the City Council

SUBJECT **Dallas Police and Fire Pension System (DPFPS) – Update**

As you are now aware, yesterday, August 8, 2024, the DPFPS Board adopted a funding plan and authorized a declaratory judgment action against the City. This action was a complete surprise to City staff who just two days ago had spoken with the DPFPS Executive Director.

It is very disappointing to realize that while Mayor Pro Tem Tennell Atkins and City staff have been negotiating in good faith, it now appears the same cannot be said for the DPFPS representatives. The City slowed our process because DPFPS indicated an interest in working with the City to find resolution. As recent as Tuesday, August 6, City staff informed DPFPS staff of the City's plan to consider additional policy considerations at an Ad Hoc Committee on Pensions meeting being scheduled for August 22.

Staff are currently working to understand DPFPS funding plan and have already requested additional information from DPFPS. For now, I will share two pages from the DPFPS presentation yesterday.

In the first table you will see information that has previously been shared with the Ad Hoc Committee on Pensions and the City Council, specifically, the City's recommendation to comply with the State requirement to be fully funded in 30-years will cost the City \$11.2 billion over 30-years, compared to DPFPS' recommendation that has a cost to the City of \$11.6 billion over 30-years. Information that DPFPS has not previously shared with the City but is reflected in the first table is their revised recommendation which has a cost to the City totaling \$11.7 billion over 30-years.

The second table shows a summary of the DPFPS funding plan including a three-year step-up to the Actuarially Determined Contribution (compared to the City's recommendation for a 5-year step-up) and annual COLAs before the fund achieves 70% funding (compared to the City's recommended 1% COLA in 2025 and possible 1% stipend each year from 2026 until the fund reaches 70% funding contingent on a positive return on investments).

Comparison of the Cost of the City and DPFPS Recommendations

The table below compares the cost of the ADC and the COLA with the City Recommendation, Dallas ERF civilian COLA, the previously DPFPS recommended COLA, and the Revised DPFPS Recommendation COLA.

Cost of ADC & COLA Recommendations	City Recommended COLA	ERF COLA	DPFPS Prior Recommended COLA	DPFPS Revised Recommended COLA
30-Year City Contribution (billions)	\$ 11.20	\$ 13.82	\$ 11.61	\$ 11.70
Increase over the City's Recommendations \$ (billions)		\$ 2.63	\$ 0.42	\$ 0.50
Increase over the City's Recommendations %		23.5%	3.7%	4.5%

Note: these numbers are were developed on a calendar year basis by Cheiron. The conversations with the City have been that the ADC would be developed and paid based on the City's fiscal year.

Summary of Recommendations

1. Adopt the ADC funding model based on Cheiron's recommendation, phasing the percentage of the ADC that is contributed up over a 3-year period to 100% of the ADC.
2. No change to the employee contributions.
3. Modify the COLA to provide some COLA earlier:
 - Below 70% Funding: annually grant an Immediate Partial COLA. The Immediate Partial COLA will be calculated as the market value funded percentage multiplied by the increase in CPI, with a maximum COLA of 1.5%.
 - Above 70% Funding: the COLA is granted per the current language in the Statute.

DATE August 9, 2024
SUBJECT **Dallas Police and Fire Pension System (DPFPS) – Update**
PAGE **3 of 3**

Staff will further review the DPFPS recommendation and provide additional information at the August 22, 2024, Ad Hoc Committee on Pensions meeting along with additional policy recommendations from City staff.

Also, yesterday evening, staff received the final report from Commerce Street Investments for both DPFPS and Employees' Retirement Fund (ERF). Once staff has had an opportunity to review the report, we will provide it to the City Council.

If you have any questions, please contact me or Jack Ireland, Chief Financial Officer at jack.ireland@dallas.gov.

Service First, Now!



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