

AGENDA



Date: June 4, 2021

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, June 10, 2021, via telephone conference for audio at 214-271-5080 access code 588694 or Toll-Free (US & CAN): 1-800-201-5203 and Zoom meeting for visual <https://us02web.zoom.us/j/84567159132?pwd=bndIdEJ0RFpTQWVaeE14KzlxY3RzZz09> Passcode: 018445.** Items of the following agenda will be presented to the Board:

A. CONSENT AGENDA

Approval of Minutes

Regular meeting of May 13, 2021

B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

January 1, 2021 Actuarial Valuation Assumptions

The term "possible action" in the wording of any Agenda item contained herein serves as notice that the Board may, as permitted by Texas Government Code, Section 551, in its discretion, dispose of any item by any action in the following non-exclusive list: approval, disapproval, deferral, table, take no action, and receive and file. At the discretion of the Board, items on this agenda may be considered at times other than in the order indicated in this agenda.

At any point during the consideration of the above items, the Board may go into Closed Executive Session as per Texas Government Code, Section 551.071 for consultation with attorneys, Section 551.072 for real estate matters, Section 551.074 for personnel matters, and Section 551.078 for review of medical records.

**Dallas Police and Fire Pension System
Thursday, May 13, 2021
8:30 a.m.
Via telephone conference**

Supplemental meeting, William F. Quinn, Chairman, presiding:

ROLL CALL

Board Members

Present at 8:30 a.m. William F. Quinn, Nicholas A. Merrick, Michael Brown, Robert B. French, Gilbert A. Garcia, Kenneth Haben, Tina Hernandez Patterson, Steve Idoux, Mark Malveaux, Allen R. Vaught

Present at 8:48 a.m. Armando Garza

Absent: None

Staff

Kelly Gottschalk, Josh Mond, Kent Custer, Brenda Barnes, John Holt, Cynthia Thomas, Ryan Wagner, Greg Irlbeck, Milissa Romero

Others

Aaron Lally, Sidney Kawanguzi

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The meeting was called to order and recessed at 8:30 a.m.

The meeting was reconvened at 12:05 p.m.

Mr. Merrick, Mr. French, and Mr. Idoux were not present when the supplemental meeting reconvened.

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A. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of April 8, 2021

After discussion, Mr. Haben made a motion to approve the minutes of the meeting of April 8, 2021. Mr. Garcia seconded the motion, which was unanimously approved by the Board.

**Supplemental Board Meeting
Thursday, May 13, 2021**

2. Approval of Service Retirements

After discussion, Mr. Quinn made a motion to approve the remaining items on the Consent Agenda, subject to the final approval of the staff. Mr. Garcia seconded the motion, which was unanimously approved by the Board.

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**B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR
INDIVIDUAL CONSIDERATION**

Quarterly Financial Statements

The Chief Financial Officer will present the first quarter 2021 financial statements.

No motion was made.

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Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Haben and a second by Mr. Garza, the meeting was adjourned at 12:06 p.m.

William F. Quinn
Chairman

ATTEST:

Kelly Gottschalk
Secretary



DISCUSSION SHEET

ITEM B

Topic: January 1, 2021 Actuarial Valuation Assumptions

Attendees: Jeff Williams, Vice President and Actuary, Segal Consulting

Discussion: An Actuarial Valuation is performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and it is an important part of the annual financial audit. Segal Consulting is preparing the January 1, 2021 Actuarial Valuation for the Regular Plan (Combined Plan) and the Supplemental Plan. Many economic and demographic assumptions are required to prepare the valuation. Pursuant to Article 16, Section 67 (f)(3) of the Texas Constitution, the Board determines the assumptions used in the valuation.

Segal presented a five-year Review of Actuarial Experience at the May 2020 Board meeting and based on that study, Segal recommended modifications to certain economic and demographic assumptions. Based on the Actuarial Experience Review and the recommendations of Segal, the Board revised the assumptions used to prepare the January 1, 2020 Actuarial Valuation. In addition, the Board lowered the discount rate/assumed rate of return from 7.25% to 7.00% for the January 1, 2020 Actuarial Valuation.

Supplemental Board Meeting– Thursday, June 10, 2021

DISCUSSION SHEET

ITEM B (continued)

Segal believes the assumptions used for the January 1, 2020 Actuarial Valuation remain appropriate and has not recommended changes to the assumptions for the January 1, 2021 Actuarial Valuation, but supports reviewing the appropriateness of the 7% discount rate/assumed rate of return given changing market factors and the asset allocation considerations.

Staff

Recommendation: Direct Segal to use its recommended assumptions in preparing the January 1, 2021 Actuarial Valuation for the Regular Plan (Combined Plan) and the Supplemental Plan and give Segal further direction on the discount rate to be used.



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Memorandum

To: Board of Trustees - Dallas Police & Fire Pension System

From: Jeffrey S. Williams, Vice President and Actuary

Date: June 4, 2021

Re: Discount Rate Assumption for January 1, 2021 Actuarial Valuation

The chart on the following page shows the impact of 0.25% drops in the discount rate/long-term investment return assumption from 7.00% to 6.00% based on the results of the January 1, 2020 actuarial valuation. Actual results will differ for the January 1, 2021 actuarial valuation, but the relative impact of each 0.25% drop in the discount rate should be approximately the same.

Each 0.25% decline in the discount rate represents increases of approximately 6.8% to 6.9% in the total normal cost, 2.7% to 2.8% in the actuarial accrued liability, and 4.4% to 4.5% in the actuarial determined contribution. The funding ratio on the market value of assets decreases approximately 110 to 114 basis points and on the actuarial value of assets decreases approximately 115 to 120 basis points for each 0.25% decline in the discount rate.

The actuarial calculations were completed under my supervision. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render this actuarial opinion.

cc: Kelly Gottschalk
Brenda Barnes
Caitlin Grice - Segal

Impact of Discount Rate Change on Total Recommended Contribution

Description	January 1, 2020 Valuation Results	Discount Rate Change to 6.75%	Discount Rate Change to 6.50%	Discount Rate Change to 6.25%	Discount Rate Change to 6.00%
1 Actuarial Accrued Liability (AAL)	\$4,723,972,480	\$4,851,136,772	\$4,981,917,597	\$5,118,891,463	\$5,262,443,801
2 Actuarial Value of Assets (AVA)	<u>2,160,125,611</u>	<u>2,160,125,611</u>	<u>2,160,125,611</u>	<u>2,160,125,611</u>	<u>2,160,125,611</u>
3 Unfunded Actuarial Accrued Liability (UAAL): [(1) – (2)]	\$2,563,846,869	\$2,691,011,161	\$2,821,791,986	\$2,958,765,852	\$3,102,318,190
4 Employer Normal Cost	15,495,082	19,609,463	24,022,785	28,797,445	33,965,045
5 Payment on UAAL	163,765,670	167,967,114	172,056,224	176,177,182	180,332,715
6 Total Recommended Contribution, Adjusted for Timing: [(4) + (5) + Interest]	\$185,428,764	\$193,803,916	\$202,351,257	\$211,283,009	\$220,633,048
7 Recommended Contribution as a % of Projected Payroll	46.71%	48.82%	50.98%	53.23%	55.58%
8 Projected Payroll	\$396,954,743	\$396,954,743	\$396,954,743	\$396,954,743	\$396,954,743
9 Funded Ratio – AVA Basis	45.73%	44.53%	43.36%	42.20%	41.05%
10 Funded Ratio – MVA Basis*	43.56%	42.42%	41.31%	40.20%	39.10%

For each scenario, all assumptions, plan provisions, and methods used are the same as those used in the January 1, 2020 valuation, other than the discount rates as noted

* Based on market value of assets of \$2,057,857,317 as of January 1, 2020

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