

AGENDA



Date: October 4, 2024

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, October 10, 2024, in the Second Floor Board Room at 4100 Harry Hines Boulevard, Dallas, Texas and 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/83364156526?pwd=OG5CbEFhajN5V0hWaUFJMIhYcHQ2Zz09> Passcode: 923237.** Items of the following agenda will be presented to the Board:

A. MOMENT OF SILENCE

B. APPROVAL OF MINUTES

Regular meeting of September 12, 2024

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. January 1, 2024 Actuarial Valuation

2. Section 2.025 Funding Process Update

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.071 of the Texas Government Code.

3. Report on Professional Service Committee Meeting

4. Initial Reading and Discussion of the 2025 Budget

5. Financial Audit Status

6. Executive Director Approved Pension Ministerial Actions

7. Monthly Contribution Report

8. Board approval of Trustee education and travel

a. Future Education and Business-related Travel

b. Future Investment-related Travel

9. Portfolio Update

10. Report on Investment Advisory Committee Meeting

11. Private Market Diligence and Approval Process

12. Asset Allocation Study

13. Lone Star Investment Advisors

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.071 of the Texas Government Code.

14. Legal issues - In accordance with Section 551.071 of the Texas Government Code, the Board will meet in executive session to seek and receive the advice of its attorneys about pending or contemplated litigation or any other legal matter in which the duty of the attorneys to DFPF and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws.

D. BRIEFING ITEMS

1. Public Comment

2. Executive Director's Report

a. Associations' newsletters

- NCPERS Monitor (October 2024)

b. Open Records

c. Education Class Update

The term "possible action" in the wording of any Agenda item contained herein serves as notice that the Board may, as permitted by the 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, Section 551.076 for deliberation regarding security devices or security audits, and Section 551.078 for review of medical records.



MOMENT OF SILENCE

In memory of our Members and Pensioners who recently passed away

NAME	ACTIVE/ RETIRED	DEPARTMENT	DATE OF DEATH
James A. Wallace	Retired	Police	08/18/2024
James K. Doss	Retired	Fire	08/23/2024
David R. Thomas	Retired	Fire	08/29/2024
Raymond D. Lewis Jr.	Retired	Police	09/03/2024
Thomas C. Rengstorff	Retired	Police	09/04/2024
Joe B. Warren	Retired	Police	09/05/2024
Carlos Guzman	Active	Police	09/10/2024
William A. Massie	Retired	Fire	09/11/2024
Jack F. Allison Jr.	Retired	Police	09/11/2024
Frank J. Dorn Jr.	Retired	Police	09/12/2024
Donald A. Stafford	Retired	Police	09/16/2024
Charles T. Allison	Retired	Fire	09/20/2024
Todd M. Wilson	Retired	Fire	09/20/2024
Sallie J. Henderson	Retired	Police	09/25/2024

Regular Board Meeting –Thursday, October 10, 2024

**Dallas Police and Fire Pension System
Thursday, September 12, 2024
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX**

Regular meeting, Nicholas A. Merrick, Chairman, presiding:

ROLL CALL

Board Members

Present at 8:31 a.m. Nicholas Merrick, Tina Hernandez Patterson, Michael Taglienti, Michael Brown, Tom Tull, Matthew Shomer, Marcus Smith, Nancy Rocha

By telephone at 8:31 a.m. Mark Malveaux, Anthony Scavuzzo

Absent Steve Idoux

Staff

Kelly Gottschalk, Josh Mond, Brenda Barnes, Ryan Wagner, Christina Wu, Akshay Patel, Kyle Schmit, John Holt, Nien Nguyen, Milissa Romero, Bill Scoggins (by phone), Cynthia Thomas (by phone)

Others

Jeannie Chen, Joe Kropiewnicki, Leandro Festino, Colin Kowalski, David Elliston, Chad West, Lorenzo Herrera, Paula Blackmon, Jaime Castro, Phillip Elliott, Grant Glover, Kathy Stewart, Gay Donnell Willis, Farrah Ali, Wally Guerra, Lori Brown, Justin Graham, Andre Abshier, Jeremy Wolf, James Roger, David Harper

By telephone Jeff Williams, Ken Haben, Ben Mesches

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The meeting was called to order at 8:31 a.m.

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A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of active police officer Darron L. Burks, and retired police officers Stephen A. Pitz, Reba E. Allison, and retired firefighters Ray B. Russell, Edward D. Everitt, Eddie Geter Jr., C. E. Patzig, Jimmy Small, O. B. Jerry Howard.

No motion was made.

**Regular Board Meeting
Thursday, September 12, 2024**

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B. APPROVAL OF MINUTES

Regular meeting of August 8, 2024

After discussion, Mr. Shomer made a motion to approve the minutes of the Regular meeting of August 8, 2024. Mr. Smith seconded the motion, which was unanimously approved by the Board.

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C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Texas Government Code 802.1012 Actuarial Valuation Audit

Texas Government Code Section 802.1012 requires plan sponsors to engage an independent actuary to conduct an actuarial audit of pension systems every five years. The City of Dallas contracted with Deloitte Consulting LLP (Deloitte), the City’s regular retained actuary, to conduct the audit.

Jeannie Chen, Specialist Leader and Joe Kropiewnicki, Manager of Deloitte Consulting LLP reviewed the 1-1-2023 actuarial valuation and discussed their findings, conclusions and recommendations with the Board. Jeff Williams, Vice President of Segal Consulting, DFP’s actuary, was available by phone to address any questions.

No motion was made.

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2. Section 2.025 Funding Process Update

The Executive Director provided an update on the Section 2.025 funding process.

After discussion, Mr. Taglienti made a motion to authorize the staff to transmit to the Pension Review Board the funding plan adopted by the Board as required by Section 2.025. Mr. Shomer seconded the motion, which was unanimously approved by the Board.

Ms. Rocha was not present for the vote.

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**Regular Board Meeting
Thursday, September 12, 2024**

3. Financial Audit Status

The Chief Financial Officer provided a status update on the annual financial audit.

No motion was made.

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4. Executive Director Approved Pension Ministerial Actions

The Executive Director reported on the August pension ministerial actions.

No motion was made.

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5. Monthly Contribution Report

The Executive Director reviewed the Monthly Contribution Report.

No motion was made.

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6. Board approval of Trustee education and travel

- a. Future Education and Business-related Travel
- b. Future Investment-related Travel

The Board and staff discussed future Trustee education. There was no future Trustee business-related travel or investment-related travel scheduled.

No motion was made.

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7. Board Members' Report on Meetings, Seminars and/or Conferences Attended

Mr. Taglienti reported on the TEXPERS Summer Educational Forum.

No motion was made.

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**Regular Board Meeting
Thursday, September 12, 2024**

8. Report on Professional Service Committee Meeting

The Professional Services Committee met on September 12, 2024 with Leandro Festino, Managing Principal and Colin Kowalski, Investment Analyst of Meketa Investment Group, DFPF’s Investment Consultant. The Committee reported to the Board that Meketa had positive remarks regarding the staff and no concerns were brought forth by Meketa.

No motion was made.

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9. Portfolio Update

Investment staff briefed the Board on recent events and current developments with respect to the investment portfolio.

No motion was made.

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Ms. Hernandez Patterson left the meeting in person at 10:02 a.m. and joined the meeting by phone at 10:13 a.m.

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10. Report on Investment Advisory Committee Meeting

The Investment Advisory Committee met on August 15, 2024. The Committee Chair commented on the Committee’s observations and advice.

No motion was made.

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11. Asset Allocation Study

Staff updated the Board on the status of the Asset Allocation Study, including discussions with the IAC, recommended mixes for consideration and implementation considerations.

No motion was made.

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**Regular Board Meeting
Thursday, September 12, 2024**

12. Second Quarter 2024 Investment Performance Analysis and First Quarter 2024 Private Markets & Real Assets Review

Leandro Festino, Managing Principal and Colin Kowalski, Investment Analyst of the Meketa Investment Group presented the Second Quarter 2024 Investment Performance Analysis report.

No motion was made.

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Ms. Rocha left the meeting in person at 11:02 a.m., immediately joined by phone, and disconnected at 11:26 a.m.

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13. Hardship Request

The Executive Director reviewed a hardship request with the Board.

After discussion, Mr. Taglienti made a motion to approve the hardship request 2024-2H related to the dental procedures upon receipt of the Explanation of Benefits from the Insurance company indicating the actual, not estimated, uninsured portion of the costs and denied the other portions of the hardship request. Mr. Shomer seconded the motion, which was unanimously approved by the Board.

Ms. Rocha was not present for the vote.

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Ms. Hernandez Patterson disconnected from the call at 10:51 a.m. and rejoined by phone at 11:28 a.m. for the remainder of the meeting.

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14. Closed Session - Board serving as Medical Committee

Disability application 2024-2D

The Board went into closed executive session – Medical at 10:52 a.m.

The meeting reopened at 11:59 a.m.

After discussion, Mr. Taglienti made a motion to approve the On-Duty Disability Application 2024-2D, subject to confirmation that the City does not have a position for the employee and subject to recall evaluations as permitted by the Plan. Mr. Brown seconded the motion, which was unanimously approved by the Board.

Ms. Rocha was not present for the vote.

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**Regular Board Meeting
Thursday, September 12, 2024**

15. Lone Star Investment Advisors

The Board went into closed executive session – Legal at 10:52 a.m.

The meeting reopened at 11:59 a.m.

Investment staff updated the Board on investments managed by Lone Star Investment Advisors.

No motion was made.

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16. Legal issues - In accordance with Section 551.071 of the Texas Government Code, the Board will meet in executive session to seek and receive the advice of its attorneys about pending or contemplated litigation or any other legal matter in which the duty of the attorneys to DFPF and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws.

The Board went into closed executive session – Legal at 10:52 a.m.

The meeting reopened at 11:59 a.m.

The Board and staff discussed legal issues.

Mr. Malveaux recused himself during the discussion of the lawsuit with the City of Dallas.

No motion was made.

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D. BRIEFING ITEMS

1. Public Comments

Prior to commencing items for Board discussion and deliberation, the Board received public comments during the open forum.

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**Regular Board Meeting
Thursday, September 12, 2024**

2. Executive Director's Report

- a. Associations' newsletters
 - NCPERS Monitor (September 2024)
- b. Open Records

The Executive Director's report was presented.

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Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Taglienti and a second by Mr. Tull, the meeting was adjourned at 12:02 p.m.

ATTEST:

Kelly Gottschalk,
Secretary

Nicholas A. Merrick,
Chairman

**Regular Board Meeting
Thursday, September 12, 2024**

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DISCUSSION SHEET

ITEM #C1

- Topic:** January 1, 2024 Actuarial Valuation
- Attendees:** Jeff Williams, Vice President and Actuary, Segal
Caitlin Grice, Vice President and Actuary, Segal
- Discussion:** Jeff Williams and Caitlin Grice of Segal, DFPF's actuarial firm, will discuss the results of the January 1, 2024 actuarial valuation report.
- Staff**
- Recommendation:** **Approve** issuance of the January 1, 2024 actuarial valuation report, subject to final review by the auditors (BDO) and review and approval by the Executive Director.

Regular Board Meeting – Thursday, October 10, 2024



Dallas Police and Fire Pension System

Annual Valuation Summary as of January 1, 2024

Board of Trustees Meeting – October 10, 2024

Jeff Williams, Vice President and Consulting Actuary
Caitlin Grice, Vice President and Consulting Actuary

Changes Since January 1, 2023 Actuarial Valuation

The following changes have been incorporated into the January 1, 2024 actuarial valuation as a result of measures adopted by the Board at its August 8, 2024 meeting:

Restatement of January 1, 2023 results

- Actuarial value of assets
 - The actuarial value of assets were retroactively set to the market value of assets as of January 1, 2023
 - \$246.8 million in unrecognized market value losses were immediately recognized
- Amortization bases
 - An amortization base of \$2.25 billion was established with a 30-year amortization period
 - An amortization base of ~\$1.33 billion was established with a 30-year amortization period
 - Amortization payments for this base are being phased in over a 3-year period
 - Amortization periods for new bases will decline by one year until 2033, when all new bases will be 20 years
- Project Actuarial Determined Contribution (ADC) to City's following fiscal year
 - ADC previously not projected to following year because the City did not pay the ADC
 - ADC now projected 21 months to October 1 in the calendar year following the valuation year
 - The ADC calculated as of January 1, 2024 should be paid during the 12-month period beginning October 1, 2025

January 1, 2024 Actuarial Valuation Highlights

New in January 1, 2024 actuarial valuation

- An immediate partial, simple COLA not to exceed 1.50% is set to begin October 1, 2025
- Based on projections, the COLA is assumed to be 0.85% for the first five years, 1.00% for years 6 through 10, 1.25% for years 11 through 15, and 1.50% thereafter

Actuarial Determined Contribution (ADC)

- The ADC for the City's fiscal year beginning October 1, 2025 is \$262.0M, or 53.47% of projected pay
 - \$38.6M of the ADC is due to the COLA
 - The ADC consists of the normal cost payment, i.e., the amount contributed towards the participant's benefits, and a cumulative amortization payment of all gain/loss, assumption and plan changes.
 - The employer normal cost portion of the ADC, including administrative expense assumption, is 8.17% of pay, before adjustment for timing
 - Member contributions are 13.50% of pay

Experience gain/loss

- The total actuarial gain was 0.93% of actuarial accrued liability
 - Gain from investments of 0.49%
 - Gain from demographic/other experience of 0.44%

January 1, 2024 Actuarial Valuation Highlights

Funded ratios

- On an actuarial basis, decreased from 34.42% in 2023 to 32.02%
- On a market basis, decreased from 34.42% in 2023 to 33.83%

Financial information

- Actuarial value of assets increased from \$1.81B (re-stated) to \$1.83B
- Market value of assets increased from \$1.81B to \$1.93B
- Cash outflow increased from \$110.4M in 2023 to \$114.8M in 2024
- Rates of return
 - Assumed return of 6.50%
 - Market return of 13.90%
 - Actuarial return of 7.98%



Differences in ADC Calculations

- As part of their analysis, the independent actuary (Cheiron) calculated 30 years of projected ADCs. Different assumptions and methods are used by Segal and Cheiron in their actuarial calculations.
- The most notable difference is Cheiron is subtracting the present value of unfunded actuarial accrued liability (UAL) contributions expected to be made for the 21 months between the valuation date and the beginning of the fiscal year from the UAL, essentially treating the expected contributions as a receivable asset. Segal is not following that methodology.
- There are other differences related to the COLA.
 - Cheiron valued the COLA in their Jan. 1, 2023 results. Since the COLA is not effective until Oct. 1, 2025, which would first be reflected in the ADC calculated in the 2024 valuation, Segal first valued the COLA in the Jan. 1, 2024 valuation. Regardless of when the COLA is first valued, the ADC calculated in the Jan. 1, 2024 valuation would be the same.
 - The COLA assumptions are slightly different as well. However, these differences do not result in a material difference in the ADC.

	Segal	Cheiron	Difference	
1/1/2024 UAL	\$3.89 B	\$3.90 B	\$16.4 M	0.4%
PV of expected UAL contribs.	N/A	\$262 M	N/A	
Adjusted 1/1/2024 UAL	\$3.89 B	\$3.64 B	-\$246 M	-6.3%
ADC for City's FYB 10/1/2025	\$262.0 M	\$249.2 M	-\$12.8 M	-4.9%
Cumulative 30-year proj. ADCs begin. 10/1/2025	\$11.23 B	\$11.33 B	\$97.1 M	0.9%

If we adjusted the UAL for expected contributions, following Cheiron's methodology, the calculated ADC for Fiscal Year 2025 would be \$245.1 million.

Summary of Key Valuation Results

Valuation Result	Current	Prior
Contributions for City's fiscal year beginning	October 1, 2025	October 1, 2024
• City's actuarially determined contributions	\$ 262,006,650	- - ¹
• City's ADC as a percent of projected pay	53.47%	- -
• Expected City contributions based on plan adopted by the board	\$262,006,650	\$215,098,000
Actuarial accrued liability for plan year beginning	January 1, 2024	January 1, 2023
• Retired members and beneficiaries	\$3,776,555,918	\$3,566,237,397
• Inactive vested members	33,887,507	29,125,817
• Inactive members due a refund of employee contributions	1,891,621	2,258,087
• Active members	1,907,045,237	1,651,393,512
• Total actuarial accrued liability	\$ 5,719,380,283	\$5,249,014,813
• Normal cost including administrative expenses for plan year beginning January 1	101,682,926	90,442,683
Assets for plan year beginning January 1		
• Market value of assets (MVA)	\$1,934,816,560	\$1,806,567,341
• Actuarial value of assets (AVA)	1,831,293,364	1,806,567,341
• Actuarial value of assets as a percentage of market value of assets	94.65%	100.00%
Funded status for plan year beginning January 1		
• Unfunded actuarial accrued liability on market value of assets	\$3,784,563,723	\$3,442,447,472
• Funded percentage on MVA basis	33.83%	34.42%
• Unfunded actuarial accrued liability on actuarial value of assets	\$ 3,888,086,919	\$3,442,447,472
• Funded percentage on AVA basis	32.02%	34.42%
• Effective Amortization period on an AVA basis	29	30
• Projected year of full funding	2053 ²	2105

¹ The January 1, 2023 actuarial valuation originally calculated an ADC for 2023. Ongoing, contributions will be made on the City's fiscal year basis. The City will not be contributing based on the ADC until its fiscal year beginning October 1, 2025.

² Assumes the City pays the Actuarial Determined Contribution in each fiscal year

History of Employer Contributions

History of Employer Contributions: 2016 – 2023

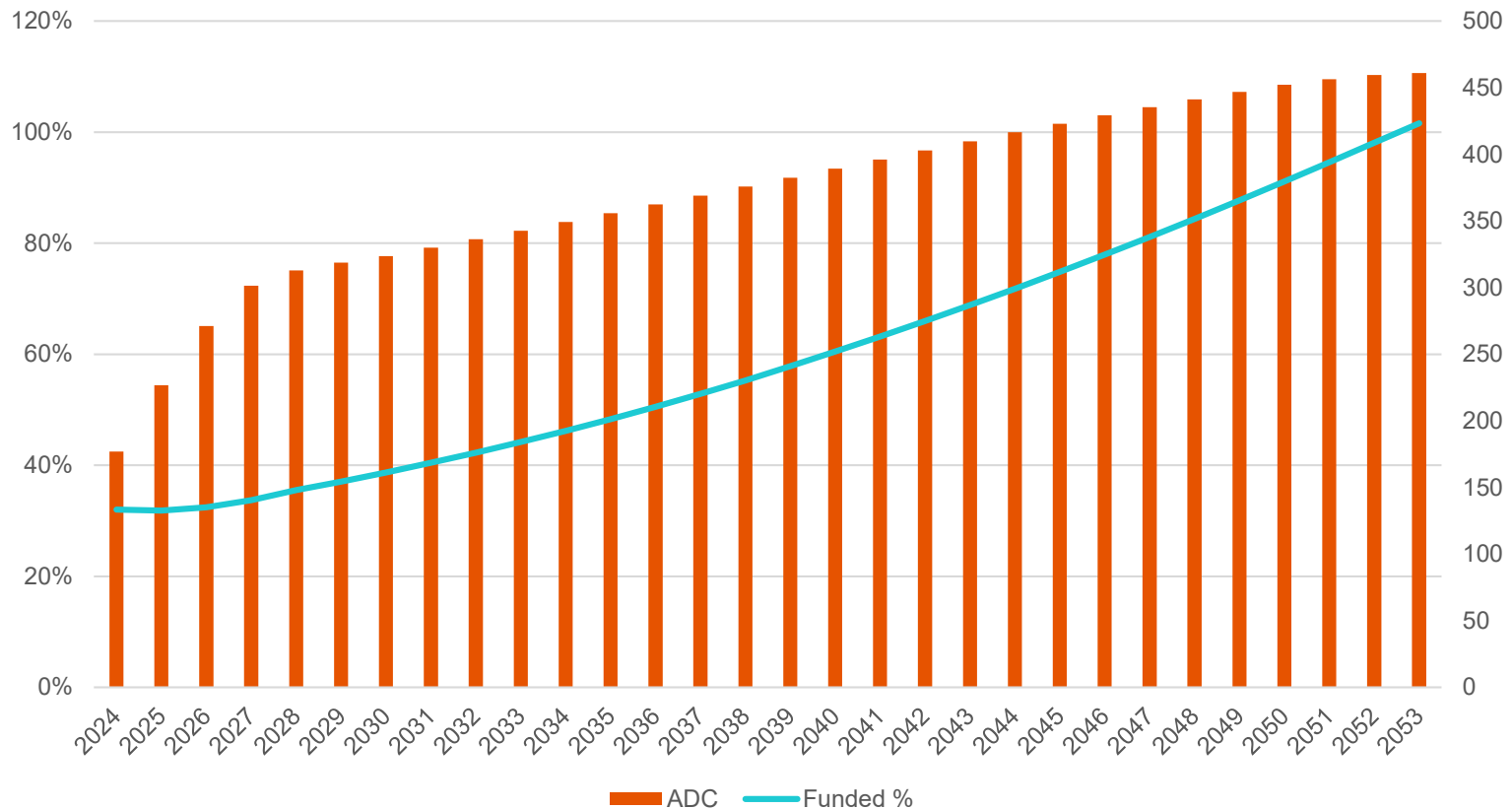
Year Ended December 31	Actuarial Determined Contribution	Actual Employer Contribution	Percent Contributed
2016	\$261,859,079	\$119,423,106	45.61%
2017	168,865,484	126,318,005	74.80%
2018	157,100,128	149,356,565	95.07%
2019	152,084,297	155,721,087	102.39%
2020	185,428,764	161,950,183	87.34%
2021	221,285,746	165,541,265	74.81%
2022	228,530,758	169,911,420	74.35%
2023	251,606,424 ¹	171,960,839	68.35%

¹ Based on the original January 1, 2023 actuarial valuation, prior to the change in reporting the ADC based on the City's fiscal year.

Schedule of Funding Progress through December 31, 2023

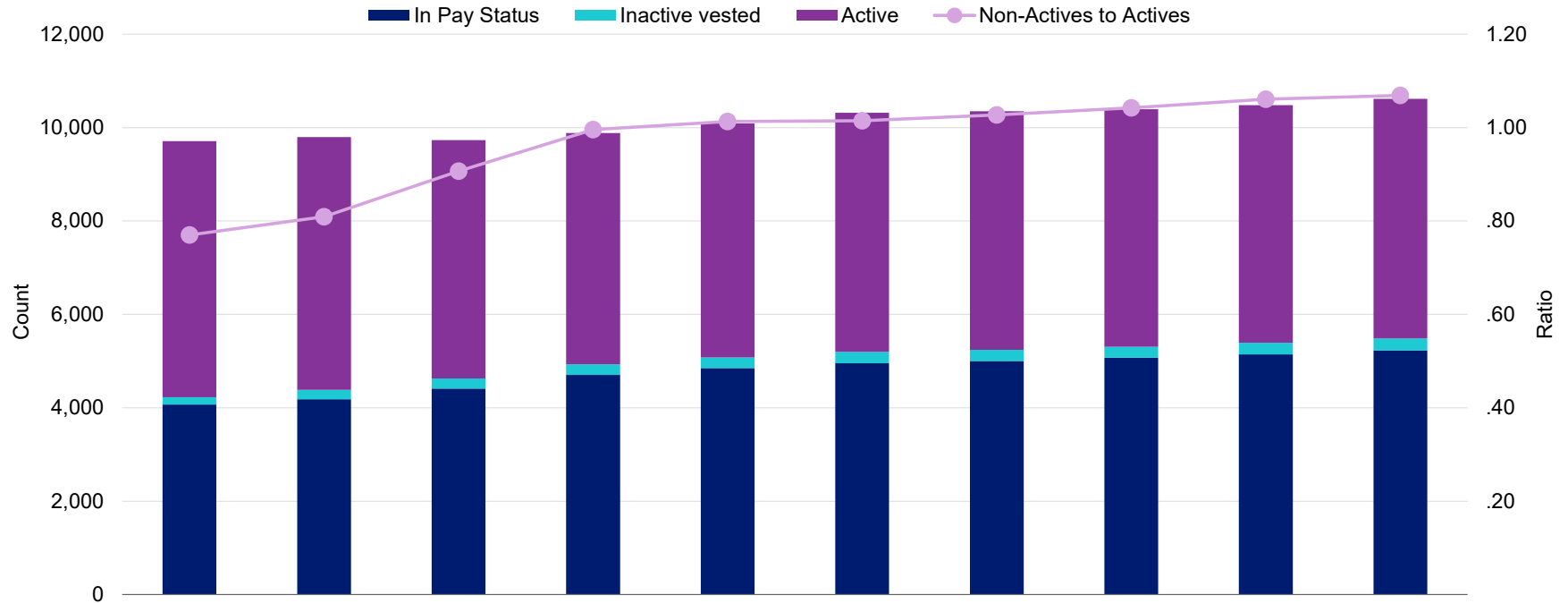
Actuarial Valuation Date of January 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a) / (b)	Computation Pay (c)	UAAL as a Percentage of Computation Pay [(b) – (a)] / (c)
2015	\$3,695,273,876	\$5,792,216,025	\$2,096,942,149	63.80%	\$383,006,330	547.50%
2016	2,680,124,303	5,947,173,998	3,267,049,695	45.07%	365,210,426	894.57%
2017	2,157,799,730	4,367,180,454	2,209,380,724	49.41%	357,414,472	618.16%
2018	2,151,039,343	4,505,437,185	2,354,397,842	47.74%	346,036,690	680.39%
2019	2,161,899,662	4,494,822,504	2,332,922,842	48.10%	363,117,415	642.47%
2020	2,160,125,611	4,723,972,480	2,563,846,869	45.73%	396,954,743	645.88%
2021	2,127,834,406	5,115,966,592	2,988,132,186	41.59%	427,440,530	699.08%
2022	2,117,978,431	5,158,782,340	3,040,803,909	41.06%	436,971,384	695.88%
2023	1,806,567,341	5,249,014,813	3,442,447,472	34.42%	462,820,226	743.80%
2024	1,831,293,364	5,719,380,283	3,888,086,919	32.02%	469,275,612	828.53%

Projection of Funded Percentage and ADC (\$ Millions)



The projection above anticipates that all actuarial assumptions are met in the future and the City contributes 100% of the projected ADC in each of its fiscal years.

Participant Population as of December 31



Legend	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
In Pay Status ¹	4,069	4,182	4,414	4,706	4,849	4,956	5,003	5,071	5,142	5,231
Inactive Vested ²	157	200	215	226	230	242	241	233	252	254
Active	5,487	5,415	5,104	4,952	5,012	5,121	5,106	5,088	5,085	5,131
Ratio	0.77	0.81	0.91	1.00	1.01	1.02	1.03	1.04	1.06	1.07

¹ Exclude beneficiaries who only have a DROP account.

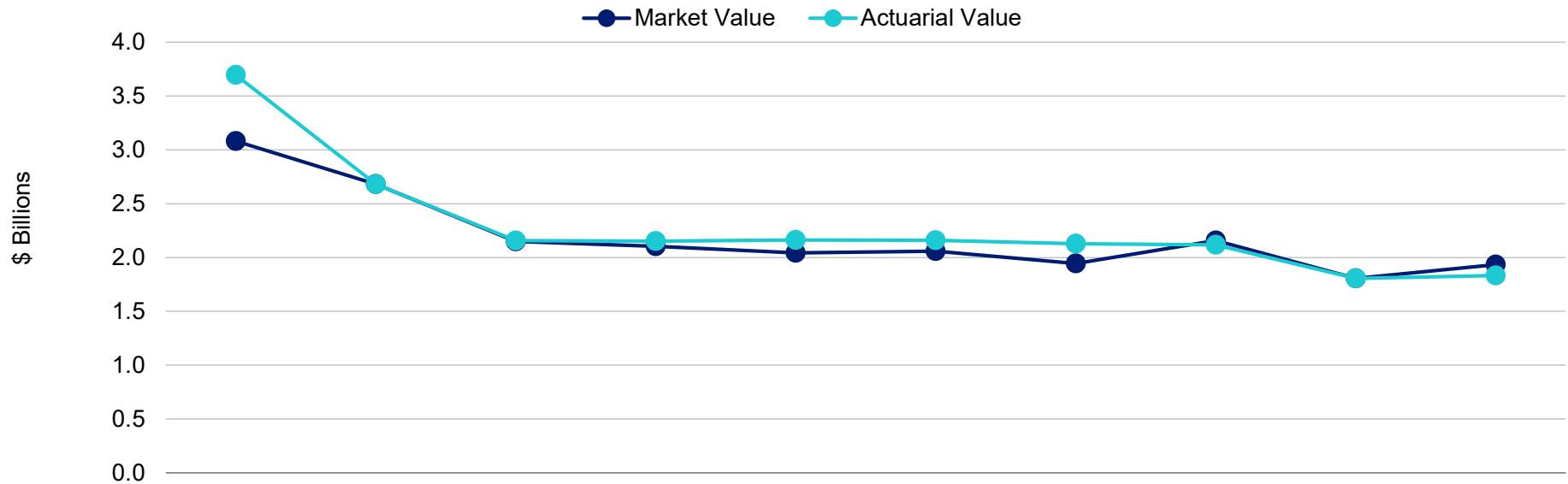
² Excludes terminated participants due a refund of employee contributions.

Plan Demographics

Category	Year Ended December 31, 2023	Year Ended December 31, 2022	Change From Prior Year
Active members in valuation:			
• Number	5,131	5,085	0.9%
• Average age	40.1	40.1	0.0
• Average years of service	12.6	12.6	0.0
• Average computation pay	\$91,459	\$91,017	0.5%
• Account balances	443,981,246	410,982,253	8.0%
• Total active vested members	3,854	3,732	3.3%
Active members in valuation (excluding DROP):			
• Number	4,921	4,855	1.4%
• Average age	39.2	39.2	0.0
• Average years of service	11.7	11.7	0.0
• Average computation pay	\$91,050	\$90,558	0.5%
Active members in valuation (DROP only):			
• Number	210	230	-8.7%
• Average age	59.6	58.9	0.7
• Average years of service	33.4	32.7	0.7
• Average computation pay	\$101,046	\$100,710	0.3%
• DROP Account balances	88,453,699	96,505,872	-8.3%
Inactive vested members:			
• Number	254	252	0.8%
• Average age	42.2	42.1	0.1
• Average monthly benefit	\$1,315	\$1,316	-0.1%
Inactive nonvested members due a refund:			
• Number	326	474	-31.2%
• Accumulated contribution balance	\$1,891,621	\$2,258,087	-16.2%
Retired members:			
• Number in pay status	3,910	3,845	1.7%
• Average age	68.4	68.1	0.3
• Average monthly benefit	\$4,935	\$4,935	0.0%
Disabled members:			
• Number in pay status	105	110	-4.5%
• Average age	69.5	68.8	0.7
• Average monthly benefit	\$3,562	\$3,575	-0.4%
Beneficiaries:			
• Number in pay status	1,216	1,187	2.4%
• Average age (excludes child beneficiaries)	72.9	72.9	0.0
• Average monthly benefit	\$2,525	\$2,462	2.6%
Beneficiaries with DROP only:	141	147	-4.1%

Asset History for Years Ended December 31

Market Value of Assets vs Actuarial Value of Assets

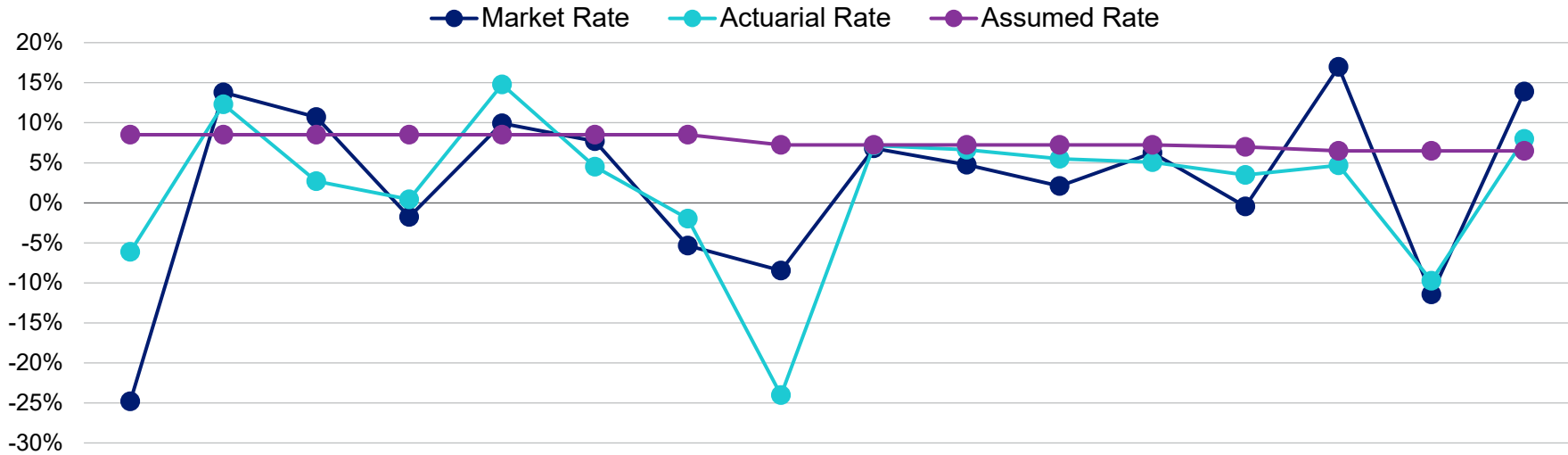


Legend	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
■ Market value ¹	\$3.08	\$2.68	\$2.15	\$2.10	\$2.04	\$2.06	\$1.94	\$2.16	\$1.81	\$1.93
■ Actuarial value ¹	3.70	2.68	2.16	2.15	2.16	2.16	2.13	2.12	1.81	1.83
Ratio (AV/MV)	1.20	1.00	1.00	1.02	1.06	1.05	1.09	0.98	1.00	0.95

¹ In \$ billions

Historical Investment Returns

Market and Actuarial Rates of Return versus Assumed Rate for Years Ended December 31



Legend	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Market rate	-24.80%	13.78%	10.72%	-1.78%	9.92%	7.70%	-5.35%	-8.47%	6.82%	4.74%	2.09%	6.25%	-0.45%	16.99%	-11.46%	13.90%
Actuarial rate	-6.14%	12.29%	2.69%	0.43%	14.79%	4.52%	-1.98%	-24.03%	7.16%	6.63%	5.48%	5.05%	3.46%	4.68%	-9.75%	7.98%
Assumed rate	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	7.25%	7.25%	7.25%	7.25%	7.25%	7.00%	6.50%	6.50%	6.50%

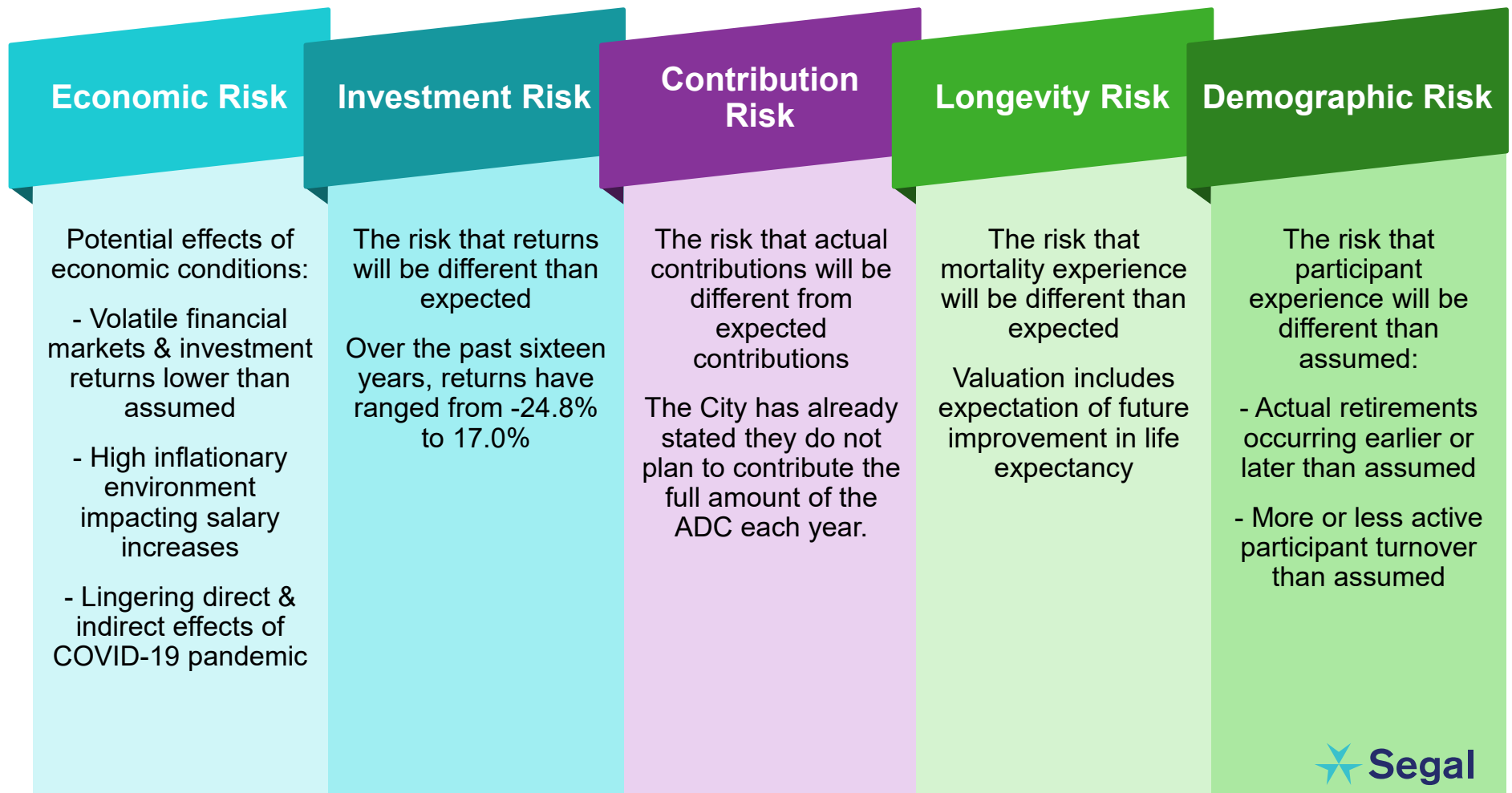
Average Rates of Return	Market Value	Actuarial Value
Most recent five-year average return:	4.51%	-0.31%
Most recent ten-year average return:	1.37%	-4.54%
Most recent 15-year average return:	3.88%	0.12%
16-year average return:	1.49%	-0.36%

¹ Returns for 2014 and 2015 include significant write-downs in the System's assets

² Includes a change in asset method for plan years 2012, 2015 and 2023

Risk

The actuarial valuation results are dependent on a single set of assumptions; however, there is a risk that emerging results may differ significantly as actual experience proves to be different from the current assumptions.



GASB 67 Accounting Disclosures – Net Pension Liability

- The Pension System is required to provide disclosures under GASB Statement 67. The components of the net pension liability are as follows:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Total Pension Liability (TPL)	\$5.72 billion	\$5.25 billion
Plan's Fiduciary Net Position	\$1.93 billion	\$1.81 billion
City's Net Pension Liability (NPL)	\$3.79 billion	\$3.45 billion
Plan Fiduciary Net Position as a percentage of the TPL	33.80%	34.38%

- In the event that a pension plan has a projected insolvency date, GASB requires that the unfunded benefits be discounted using a 20-year, tax-exempt general obligation bonds rate rather than the Plan's funding rate
- Based on the plan adopted by the Board, which requires the City to pay the Actuarial Determined Contribution, City and member contributions are projected be able to pay the benefits of current members. Therefore, GASB liabilities are determined using the valuation discount rate (6.5%).

Caveats

- This presentation is intended for the use of the Board of Trustees for the Dallas Police and Fire Pension System and is a supplement to Segal's full valuation reports for the System as of January 1, 2024.
- Please refer to the full valuation reports for a description of assumptions and plan provisions reflected in the results shown in this presentation. The reports also include more comprehensive information regarding the System's membership, assets, and experience during the most recent plan year.
- Projections, by their nature, are not a guarantee of future results. They are intended to serve as estimates of future financial outcomes that are based on assumptions about future experience and the information available to us at the time the modeling is undertaken and completed. The projected future results included in this presentation show how the System would be affected if specific investment return, salary, mortality, turnover, disability and retirement assumptions are met. Actual results may differ due to such variables as demographic experience, the economy, contribution patterns, stock market performance and the regulatory environment.
- The calculations included in this presentation were completed under the supervision of Jeffrey S. Williams, FCA, ASA, MAAA, EA.

Questions?

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Dallas Police and Fire Pension System

Actuarial Valuation and Review as of January 1, 2024



This valuation report should only be copied or reproduced in any form and should only be shared with other parties in its entirety as necessary for the proper administration of the Plan.

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Segal



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October 8, 2024

Board of Trustees
Dallas Police and Fire Pension System
4100 Harry Hines Blvd., Suite 100
Dallas, TX 75219-3207

Dear Board of Trustees Members:

We are pleased to submit this Actuarial Valuation and Review as of January 1, 2024. It summarizes the actuarial data used in the valuation, analyzes the preceding year's experience, and establishes the funding requirements for the City's fiscal 2026; actual funding is determined by State law.

The January 1, 2023 results have been restated to reflect the rule adopted by the Board of Trustees of the Pension System on August 8, 2024, pursuant to the requirements of Section 2.025 of Article 6243a-1 of Vernon's Revised Civil Statutes. Updated funding requirements for the City's fiscal 2025 are included.

This report has been prepared in accordance with generally accepted actuarial principles and practices for the exclusive use and benefit of the Board of Trustees, based upon information provided by the staff of the Dallas Police and Fire Pension System.

Segal does not audit the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. To the extent we can, however, Segal does review the data for reasonableness and consistency. Based on our review of the data, we have no reason to doubt the substantial accuracy of the information on which we have based this report, and we have no reason to believe there are facts or circumstances that would affect the validity of these results.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

Board of Trustees
October 8, 2024

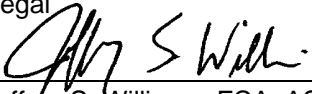
The actuarial calculations were directed under the supervision of Jeffrey S. Williams. I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of my knowledge, the information supplied in this actuarial valuation is complete and accurate. The assumptions used in this actuarial valuation were selected by the Board based upon my analysis and recommendations. In my opinion, the assumptions are reasonable and take into account the experience of the Plan and reasonable expectations. In addition, in my opinion, the combined effect of these assumptions is expected to have no significant bias.

Segal makes no representation or warranty as to the future status of the Plan and does not guarantee any particular result. This document does not constitute legal, tax, accounting or investment advice or create or imply a fiduciary relationship. The Board is encouraged to discuss any issues raised in this report with the Plan's legal, tax and other advisors before taking, or refraining from taking, any action.

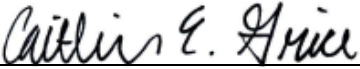
We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

Segal



Jeffrey S. Williams, FCA, ASA, MAAA, EA
Vice President and Consulting Actuary



Caitlin E. Grice, FCA, ASA, MAAA, EA
Vice President and Consulting Actuary

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Section 1: Actuarial Valuation Summary

Purpose and basis

This report has been prepared by Segal to present a valuation of the Dallas Police and Fire Pension System as of January 1, 2024. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to provide information for required disclosures under Governmental Accounting Standards Board (GASB) Statement No. 67.

The contribution requirements presented in this report are based on:

- The benefit provisions of the Pension System, as administered by the Board;
- The characteristics of covered active members, inactive members, and retired members and beneficiaries as of December 31, 2023, provided by the System's IT Department;
- The assets of the Plan as of December 31, 2023, provided by the System's Finance Department;
- Economic assumptions regarding future salary increases and investment earnings;
- Other actuarial assumptions regarding employee terminations, retirement, death, etc.;
- Article 6243a-1, as amended by House Bill 3158 (HB 3158) signed into law by the Governor of Texas on May 31, 2017;
- The rule adopted by the Board of Trustees of the Pension System on August 8, 2024, pursuant to the requirements of Section 2.025 of Article 6243a-1 of Vernon's Revised Civil Statutes; and
- Changes prescribed by the Board, effective January 1, 2023, in the actuarial valuation asset method and amortization methodology.

The majority of assumptions and methods used to value the Plan were set by the Board based on recommendations made by Segal following a five-year experience study for the period ended December 31, 2019

Certain disclosure information required by GASB Statement No. 68 as of September 30, 2024 for the City is provided in a separate report.

Section 1: Actuarial Valuation Summary

Valuation highlights

- The January 1, 2023 valuation results have been restated to reflect the changes adopted by the Board of Trustees of the Pension System on August 8, 2024, pursuant to the requirements of Section 2.025 of Article 6243a-1 of Vernon's Revised Civil Statutes. Changes include resetting the actuarial value of assets to the market value of assets as of January 1, 2023 and recalculating the actuarially determined contribution (ADC). The immediate partial COLA included in the rule was first reflected in this valuation, as of January 1, 2024, and is assumed to be effective October 1, 2025.
- Beginning with this valuation, the ADC will be reported based on the City's fiscal year beginning in the year after the valuation date. For this January 1, 2024 actuarial valuation, the ADC calculated will be payable in the City's fiscal year beginning October 1, 2025.
- Segal strongly recommends an actuarial funding method that targets 100% funding of the actuarial accrued liability. Generally, this implies payments that are ultimately at least enough to cover normal cost, interest on the unfunded actuarial accrued liability and the principal balance.
 - The rule adopted by the Board of Trustees of the Pension System on August 8, 2024, pursuant to the requirements of Section 2.025 of Article 6243a-1 of Vernon's Revised Civil Statutes, calculates the ADC based on a closed amortization period of 30 years, established as of January 1, 2023. The Board established two amortization bases of specified amounts as of January 1, 2023. The first amortization base was in the amount of \$2,250,000,000 and is to be amortized over 30 years on a level percent of pay basis. The second amortization base was in the amount of \$1,330,588,874, with a three-year step up of the amortization payment, with the outstanding balance after three years to be amortized over a 27-year period on a level percent of pay basis. Beginning on January 1, 2024, each year's experience due to actuarial gains and losses or plan, assumption, or method changes are amortized over the amortization period remaining on the initial 2023 bases. Beginning in 2033, newly established bases will be amortized over a period of 20 years.
 - The proposed contributions outlined by the City are also based on a closed amortization period of 30 years, established as of January 1, 2023. However, the maximum contributions proposed by the City are set through the Fiscal Year ending September 30, 2054 and are based on a deterministic projection as of January 1, 2023. There is no allowance in the proposal for any future increases in the UAL that may result due to experience losses, assumption changes, method changes or benefit changes. There is the potential for enormous risk associated with this proposed methodology and it is not recommended.
- The total contributions made during the year ending December 31, 2023 were insufficient to reduce the unfunded actuarial accrued liability.
- Actual City contributions made during the year ending December 31, 2023 were \$171.9 million, 68.3% of the ADC, as calculated in the original January 1, 2023 valuation. In the prior year, actual contributions were \$169.9 million, 74.3% of the prior year ADC.
- The System's normal cost (for benefits accruing each year) plus expenses is 21.67% of computation pay. Members contribute 13.50% of computation pay, and the City covers the balance. All remaining City contributions are applied to the UAL. Although it is

Section 1: Actuarial Valuation Summary

important for the System to meet its 6.50% annual rate of return assumption, the assets currently cover a relatively low percentage of the liabilities and investment returns alone cannot close the funding gap. The City's maximum contribution as outlined in their proposal is approximately 42% of pay for the Fiscal Year beginning October 1, 2024 and 45% of pay for the fiscal year beginning October 1, 2025. The City's proposed maximum contribution percentage for the fiscal year beginning October 1, 2025 is below the actuarial determined contribution percentage of 53.47%.

- The actuarial gain of \$49,417,243, or 0.93% of actuarial accrued liability, is due to an investment gain of \$25,880,799, or 0.49% of actuarial accrued liability, and a gain from sources other than investments of \$23,536,444, or 0.44% of the actuarial accrued liability prior to reflection of the plan change.
- The rate of return on the market value of assets was 13.90% for the year ending December 31, 2023. The return on the actuarial value of assets was 7.98% for the same period. This resulted in an actuarial gain when measured against the assumed rate of return of 6.50%. This actuarial investment gain decreased the ADC by 0.35% of projected pay. Given the low fixed income interest rate environment, target asset allocation and expectations of future investment returns for various asset classes, we advise the Board to continue to monitor actual and anticipated investment returns relative to the assumed long-term rate of return on investments of 6.50%.
- The actuarial value of assets is 94.65% of the market value of assets. The investment gain from the prior year has only been partially recognized in the actuarial value of assets. As the deferred gain is recognized in future years, the cost of the Plan would decrease if there are no future gains or losses.
- The following plan change is included for the first time in this valuation:
 - The Immediate Partial COLA was added, equal to the annual change in CPI-U All Items for the Dallas-Ft. Worth-Arlington, Texas area, multiplied by the funded ratio on a market value basis, limited to 1.5%. The new COLA is assumed to be 0.85% for the first five years, 1.00% for years 6 through 10, 1.25% for years 11 through 15, and 1.50% thereafter.
 - As a result of this plan change, the total normal cost increased by \$10.8 million and the actuarial accrued liability increased by \$417.0 million. The total impact was an increase in the ADC of \$38.6 million, or 7.87% of projected pay.
- The following asset method change was retroactively applied to the January 1, 2023 actuarial valuation results and is reflected for the first time in this valuation:
 - Effective January 1, 2023, the Board immediately recognized \$246.8 million in unrecognized market value losses and reset the actuarial value of assets equal to the market value of assets.

Section 1: Actuarial Valuation Summary

Changes from prior valuation

- The funded ratio (the ratio of the actuarial value of assets to actuarial accrued liability) is 32.02%, compared to the prior year funded ratio of 34.42%. This ratio is one measure of funding status, and its history is a measure of funding progress. Using the market value of assets, the funded ratio is 33.83% compared to 34.42% as of the prior valuation date. This measurement is not necessarily appropriate for assessing the sufficiency of the plan assets to cover the estimated cost of settling the Plan's benefit obligation or the need for or the amount of future contributions. As has been previously discussed with the Board, the funded percentage is still projected to decline in the near future.
- The ADC for the Fiscal year beginning October 1, 2025 is \$262.0 million. The contribution as a percentage of projected pay is 53.47%, based on a 30-year amortization of the unfunded actuarial accrued liability as of January 1, 2023.
- Pursuant to Section 2.025 of Article 6243a-1 of Vernon's Revised Civil Statutes, the Board was required to have an analysis of the Plan prepared by an independent actuary selected by the Texas Pension Review Board. As part of the analysis, the independent actuary has prepared 30 years of projected ADCs. Different assumptions and methods are used by the independent actuary than by Segal. The most notable difference is the independent actuary is subtracting the present value of UAL contributions expected to be made for the 21 months between the valuation date and the beginning of the fiscal year from the UAL, essentially treating the expected contributions as a receivable asset. Segal is not following that methodology. As a result, the ADC calculated by the independent actuary for the City's fiscal year beginning October 1, 2025 is approximately \$12.8 million, or 4.9%, less than Segal's ADC. Over the course of the projected 30-year period, Segal's cumulative projected contributions are approximately \$97.1 million, or less than 1%, less than the independent actuary's cumulative projected contributions.
- The unfunded actuarial accrued liability is \$3.9 billion, which is an increase of \$445.6 million since the prior valuation. Of the \$445.6 million increase, \$417.0 million is attributable to the plan change.

Risk

- It is important to note that this actuarial valuation is based on plan assets as of December 31, 2023. The Plan's funded status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the plan year. Segal is available to prepare projections of potential outcomes of market conditions and other demographic experience upon request.
- Since the actuarial valuation results are dependent on a given set of assumptions, there is a risk that emerging results may differ significantly as actual experience proves to be different from the assumptions. We have not been engaged to perform a detailed analysis of the potential range of the impact of risk relative to the Plan's future financial condition, but have included a brief discussion of some risks that may affect the Plan in Section 2. A more detailed assessment would provide the Board with a better understanding of the inherent risks and could be important for the Plan because:

Section 1: Actuarial Valuation Summary

- The Plan's assets allocation has a significant amount of investment return volatility.
- Inactive and retired participants account for most of the Plan's liabilities, leaving limited options for reducing costs in the event of adverse experience.
- Potential recent changes in the plan of benefits may result in participant choices that vary from those assumed.
- Actual contributions have been less than the ADC for several years, which may indicate additional funding challenges in the future.
- The current political and social environment could impact the turnover and retirement patterns of public safety employees, as well as the availability of new hires.
- The City is proposing to contribute amounts other than the actuarial determined contribution for the next 30 years. The City is planning to make contributions based off a 30-year deterministic projection as of January 1, 2023 that assumes no future gains or losses, with caps on the contribution amount. Deterministic projections that assume no future gains or losses, or assumption, method, or plan changes, can be useful for high-level planning, but should not be the basis for actual contribution policy, as gains and losses each year are unavoidable.

GASB

- This report constitutes an actuarial valuation for the purpose of determining the actuarially determined contribution under the Plan's funding policy and measuring the progress of that funding policy. The information contained in Section 5 provides the accounting information for Governmental Accounting Standards Board (GASB) Statements No. 67, for inclusion in the Plan's and employer's financial statements as of December 31, 2023.
- The Net Pension Liability (NPL) and Pension Expense under GASB statement No. 68 for inclusion in the plan and employer's financial statement as of September 30, 2024 will be provided separately.
- The NPL is equal to the difference between the Total Pension Liability (TPL) and the Plan's fiduciary net position (equal to the market value of assets). The NPL as of December 31, 2023 is \$3.8 billion, an increase from \$3.4 billion as of December 31, 2022.

Section 1: Actuarial Valuation Summary

Summary of key valuation results

Valuation Result	Current	Prior
Contributions for City's fiscal year beginning	October 1, 2025	October 1, 2024
• City's actuarially determined contribution	\$262,006,650	-- ¹
• City's ADC as a percent of projected pay	53.47%	--
• Expected City contributions based on plan adopted by the Board	\$262,006,650	\$215,098,000
Actuarial accrued liability for plan year beginning	January 1, 2024	January 1, 2023
• Retired members and beneficiaries	\$3,776,555,918	\$3,566,237,397
• Inactive vested members	33,887,507	29,125,817
• Inactive members due a refund of employee contributions	1,891,621	2,258,087
• Active members	1,907,045,237	1,651,393,512
• Total actuarial accrued liability	\$ 5,719,380,283	\$5,249,014,813
• Normal cost including administrative expenses for plan year beginning January 1	101,682,926	90,442,683
Assets for plan year beginning January 1		
• Market value of assets (MVA)	\$1,934,816,560	\$1,806,567,341
• Actuarial value of assets (AVA)	1,831,293,364	1,806,567,341
• Actuarial value of assets as a percentage of market value of assets	94.65%	100.00%
Funded status for plan year beginning January 1		
• Unfunded actuarial accrued liability on market value of assets	\$3,784,563,723	\$3,442,447,472
• Funded percentage on MVA basis	33.83%	34.42%
• Unfunded actuarial accrued liability on actuarial value of assets	\$ 3,888,086,919	\$3,442,447,472
• Funded percentage on AVA basis	32.02%	34.42%
• Effective Amortization period on an AVA basis	29	30
• Projected year of full funding	2053 ²	2105

¹ The January 1, 2023 actuarial valuation originally calculated an ADC for 2023. Ongoing, contributions will be made on the City's fiscal year basis. The City will not be contributing based on the ADC until its fiscal year beginning October 1, 2025.

² Assumes the City pay the Actuarial Determined Contribution in each fiscal year

Section 1: Actuarial Valuation Summary

Valuation Result	Current	Prior
Key assumptions		
• Net investment return	6.50%	6.50%
• Inflation rate	2.50%	2.50%
GASB information		
• Discount rate	6.50%	6.50%
• Total Pension Liability	\$ 5,724,587,066	\$5,254,660,197
• Plan Fiduciary Net Position	1,934,816,560	1,806,567,341
• Net Pension Liability	3,789,770,506	3,448,092,856
• Plan Fiduciary Net Position as a percentage of Total Pension Liability	33.80%	34.38%
Demographic data for plan year beginning January 1		
• Number of retired members and beneficiaries	5,231	5,142
• Number of DROP only beneficiaries	141	147
• Number of inactive vested members	254	252
• Number of inactive members due a refund of employee contributions	326	474
• Number of active members	5,131	5,085
• Total computation pay ¹	\$469,275,612	\$462,820,226
• Average computation pay	\$91,459	\$91,017

¹ Total computation pay is the active members' actual payroll for the preceding year, increased by the salary scale applicable for each member to account for their anticipated salary increases in the upcoming year.

Section 1: Actuarial Valuation Summary

Important information about actuarial valuations

An actuarial valuation is a budgeting tool with respect to the financing of future projected obligations of a pension plan. It is an estimated forecast – the actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

In order to prepare a valuation, Segal relies on a number of input items. These include:

Input Item	Description
Plan provisions	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
Participant information	An actuarial valuation for a plan is based on data provided to the actuary by the System. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Financial information	Part of the cost of a plan will be paid from existing assets — the balance will need to come from future contributions and investment income. The valuation is based on the asset values as of the valuation date, typically reported by the System. A snapshot as of a single date may not be an appropriate value for determining a single year's contribution requirement, especially in volatile markets. Plan sponsors often use an "actuarial value of assets" that differs from market value to gradually reflect year-to-year changes in the market value of assets in determining the contribution requirements.
Actuarial assumptions	In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of participants in each year, as well as forecasts of the plan's benefits for each of those events. In addition, the benefits forecasted for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved on the plan's assets. All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions are selected within that range. That is, there is no right answer (except with hindsight). It is important for any user of an actuarial valuation to understand and accept this constraint. The actuarial model may use approximations and estimates that will have an immaterial impact on our results. In addition, the actuarial assumptions may change over time, and while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.

Section 1: Actuarial Valuation Summary

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

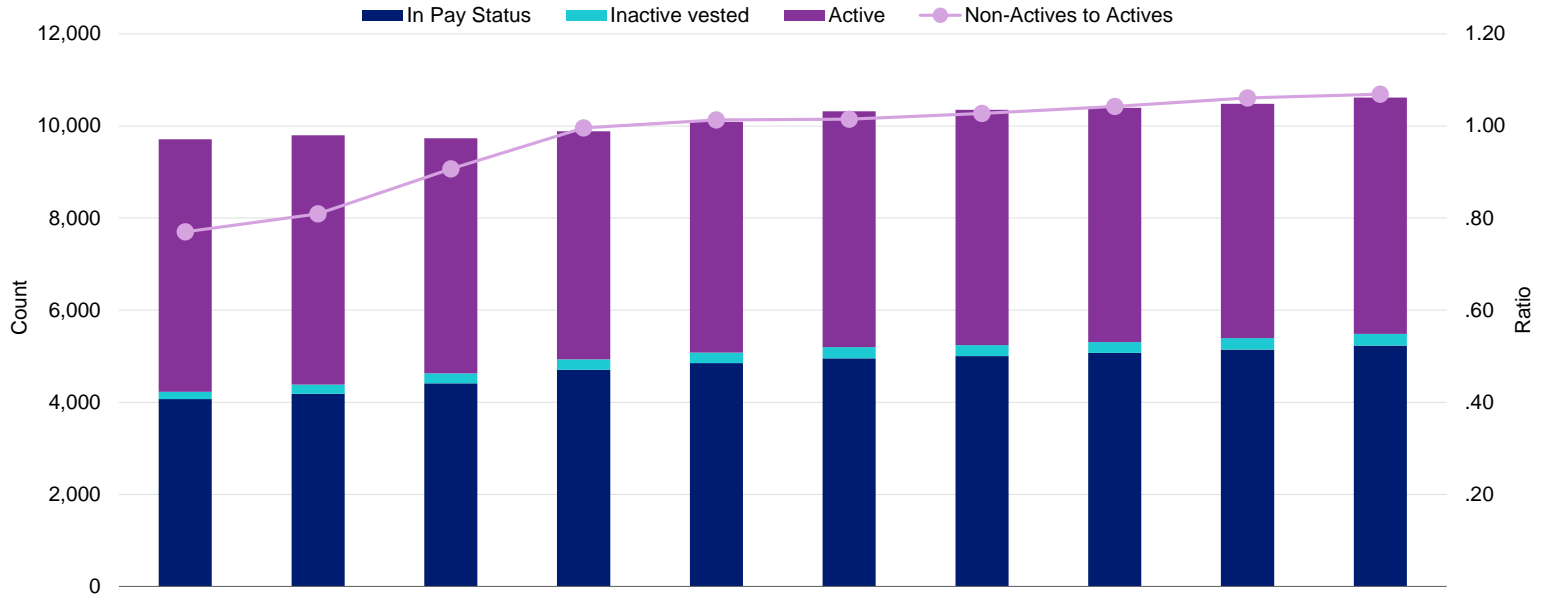
- The actuarial valuation is prepared at the request of the System. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement at a specific date — it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted.
- If the System is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- Segal does not provide investment, legal, accounting, or tax advice and is not acting as a fiduciary to the Pension System. The valuation is based on Segal's understanding of applicable guidance in these areas and of the Pension System's provisions, but they may be subject to alternative interpretations. The System should look to their other advisors for expertise in these areas.
- While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
- Segal's report shall be deemed to be final and accepted by the System upon delivery and review. Trustees should notify Segal immediately of any questions or concerns about the final content.

As Segal has no discretionary authority with respect to the management or assets of the Pension System, it is not a fiduciary in its capacity as actuaries and consultants with respect to the Pension System.

Section 2: Actuarial Valuation Results

Member information

Member Population as of December 31



Legend	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
In Pay Status ¹	4,069	4,182	4,414	4,706	4,849	4,956	5,003	5,071	5,142	5,231
Inactive Vested ²	157	200	215	226	230	242	241	233	252	254
Active	5,487	5,415	5,104	4,952	5,012	5,121	5,106	5,088	5,085	5,131
Ratio	0.77	0.81	0.91	1.00	1.01	1.02	1.03	1.04	1.06	1.07

¹ Excludes beneficiaries who only have a DROP account.

² Excluding terminated participants due a refund of employee contributions.

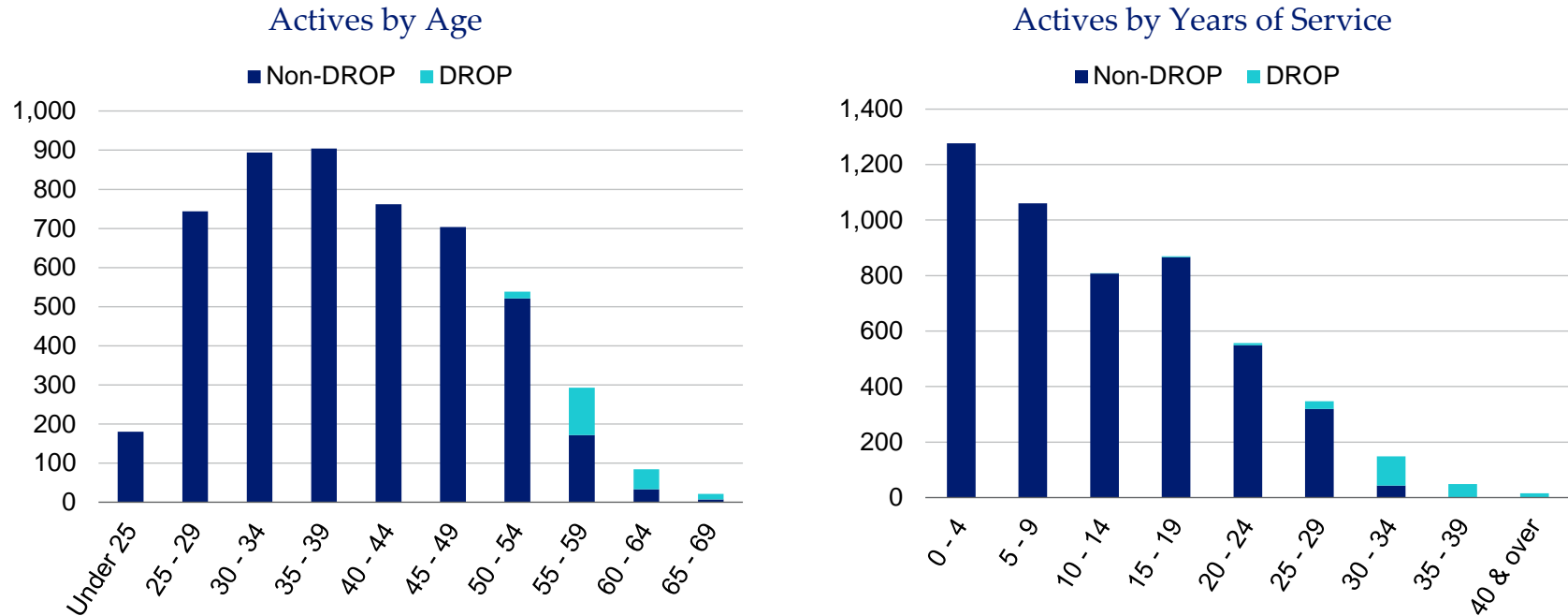
Section 2: Actuarial Valuation Results

Active members

As of December 31,	2023	2022	Change
Firefighters			
Active participants	2,107	2,011	4.8%
Average age	39.9	40.1	-0.2
Average years of service	12.1	12.4	-0.3
Average computation pay	\$91,300	\$92,065	-0.8%
Police Officers			
Active participants	3,024	3,074	-1.6%
Average age	40.2	40.1	0.1
Average years of service	13.0	12.8	0.2
Average computation pay	\$91,570	\$90,331	1.4%
Total			
Active participants	5,131	5,085	0.9%
Average age	40.1	40.1	—
Average years of service	12.6	12.6	—
Average computation pay	\$91,459	\$91,017	0.5%

Section 2: Actuarial Valuation Results

Distribution of Active Members as of December 31, 2023



The number of active participants in DROP decreased from 230 at the end of 2022 to 210 at the end of 2023.

Inactive members

- In this year's valuation, there were 254 inactive members with a vested right to a deferred or immediate vested benefit.
- In addition, there were 326 inactive non-vested members entitled to a return of their employee contributions.

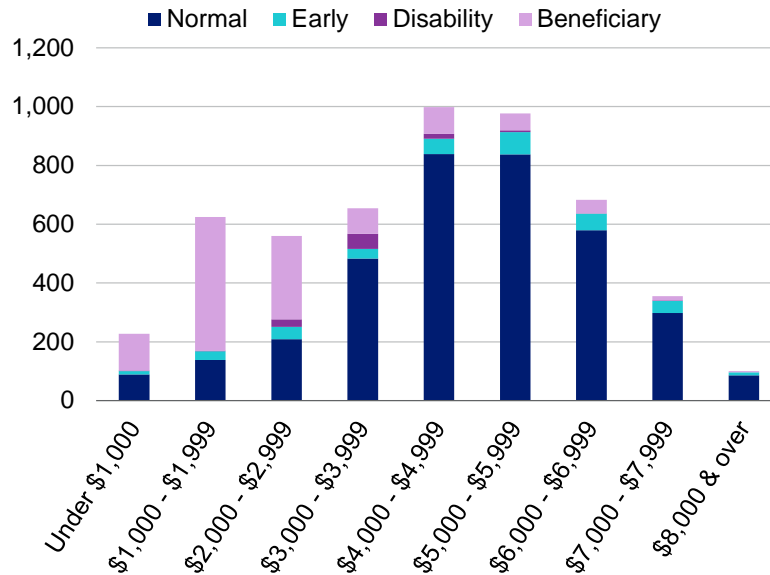
Section 2: Actuarial Valuation Results

Retired members and beneficiaries

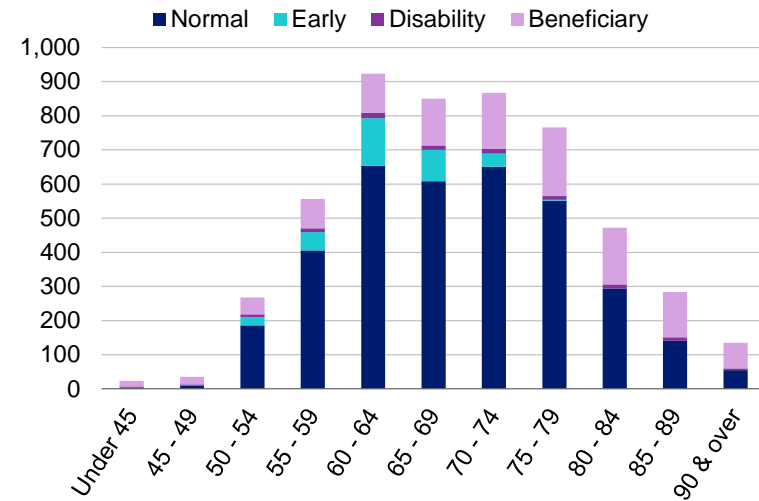
As of December 31,	2023	2022	Change
Retired participants	4,015	3,955	1.5%
Beneficiaries ¹	1,216	1,187	2.4%
Average age	69.5	69.2	0.3
Average amount	\$4,347	\$4,335	0.3%
Total monthly amount	22,740,890	22,291,338	2.0%

Distribution of Retired Members and Beneficiaries as of December 31, 2023

By Type and Monthly Amount



By Type and Age



¹ Does not include beneficiaries with annuitized DROP accounts only and no lifetime annuity (141 for 2023 and 147 for 2022).

Section 2: Actuarial Valuation Results

Historical plan population

Member Data Statistics: 2014 – 2023

Active Participants versus Retired Participants and Beneficiaries¹

Year Ended December 31	Active Members Count	Active Members Average Age	Active Members Average Service	Retired Members and Beneficiaries Count	Retired Members and Beneficiaries Average Age	Retired Members and Beneficiaries Average Monthly Amount
2014	5,487	41.2	14.2	4,069	68.8	\$3,699
2015	5,415	41.4	14.3	4,182	69.0	3,826
2016	5,104	41.4	13.0	4,414	68.7	4,102
2017	4,952	40.6	13.4	4,706	67.7	4,171
2018	5,012	40.1	12.8	4,849	68.4	4,217
2019	5,121	39.8	12.3	4,956	68.7	4,250
2020	5,106	40.0	12.6	5,003	68.9	4,273
2021	5,088	40.1	12.6	5,071	69.0	4,311
2022	5,085	40.1	12.6	5,142	69.2	4,335
2023	5,131	40.1	12.6	5,231	69.5	4,347

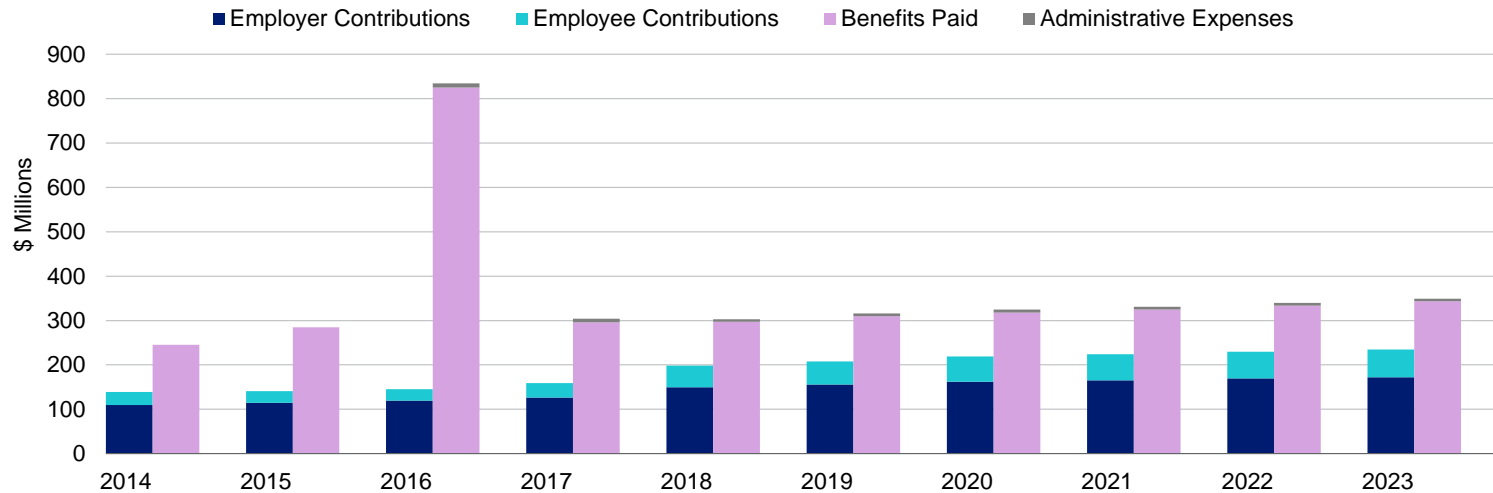
¹ Does not include DROP only beneficiaries

Section 2: Actuarial Valuation Results

Financial information

- Retirement plan funding anticipates that, over the long term, both contributions (less administrative expenses) and investment earnings (less investment fees) will be needed to cover benefit payments. Retirement plan assets change as a result of the net impact of these income and expense components.
- Benefit payments in 2016 totaled \$825.1 million, of which \$606.3 million were DROP lump-sum payments. This was a one-time event, as members reacted to pending changes in the plan provisions. DROP balances have since been annuitized, resulting in more stable projected benefit payment levels in the future.

Comparison of Contributions Made with Benefits and Expenses Paid
for Years Ended December 31



Section 2: Actuarial Valuation Results

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable. The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

Effective January 1, 2023, the Board immediately recognized \$246.8 million in unrecognized market value losses and reset the actuarial value of assets equal to the market value of assets.

Determination of Actuarial Value of Assets for Year Ended December 31, 2023

Step	Original Amount ¹	Percent Deferred ²	Unrecognized Amount ³	Amount
1. Market value of assets, December 31, 2023				\$1,934,816,560
2. Calculation of unrecognized return				
a. Year ended December 31, 2023	\$129,403,995	80%	\$103,523,196	
b. Total unrecognized return				\$103,523,196
3. Preliminary actuarial value: (1) - (2b)				1,831,293,364
4. Adjustment to be within 20% corridor				0
5. Final actuarial value of assets as of December 31, 2023: (3) + (4)				\$1,831,293,364
6. Actuarial value as a percentage of market value: (5) ÷ (1)				94.6%
7. Amount deferred for future recognition: (1) - (5)				\$103,523,196

¹ Total return minus expected return on a market value basis.

² Percent deferred applies to the current valuation year.

³ Recognition at 20% per year over five years. Deferred return as of December 31, 2023 recognized in each of the next four years:

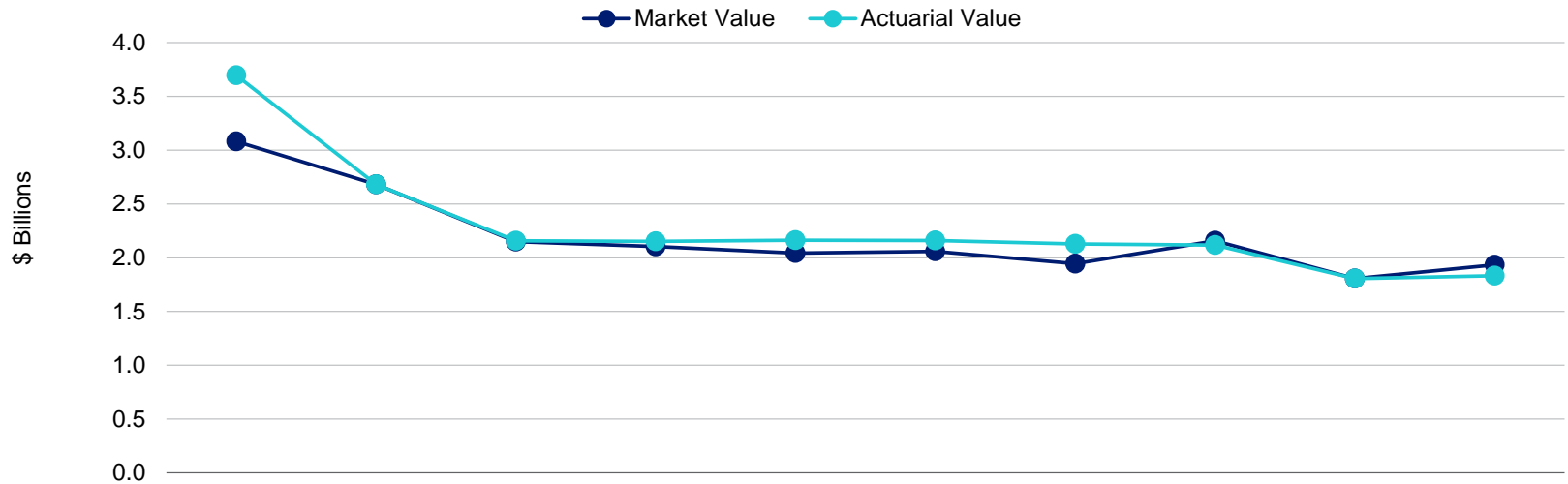
a. Amount recognized on December 31, 2024	\$25,880,799
b. Amount recognized on December 31, 2025	25,880,799
c. Amount recognized on December 31, 2026	25,880,799
d. Amount recognized on December 31, 2027	25,880,799

Section 2: Actuarial Valuation Results

Asset history for years ended December 31

- The decline in asset values from 2014 to 2015 was primarily the result of significant write-downs in the System's asset holdings. The decline from 2015 to 2016 reflects the unusually large number of DROP payments made in 2016.
- The actuarial value of assets as of December 31, 2022 was reset to the market value of assets.

Market Value of Assets vs Actuarial Value of Assets



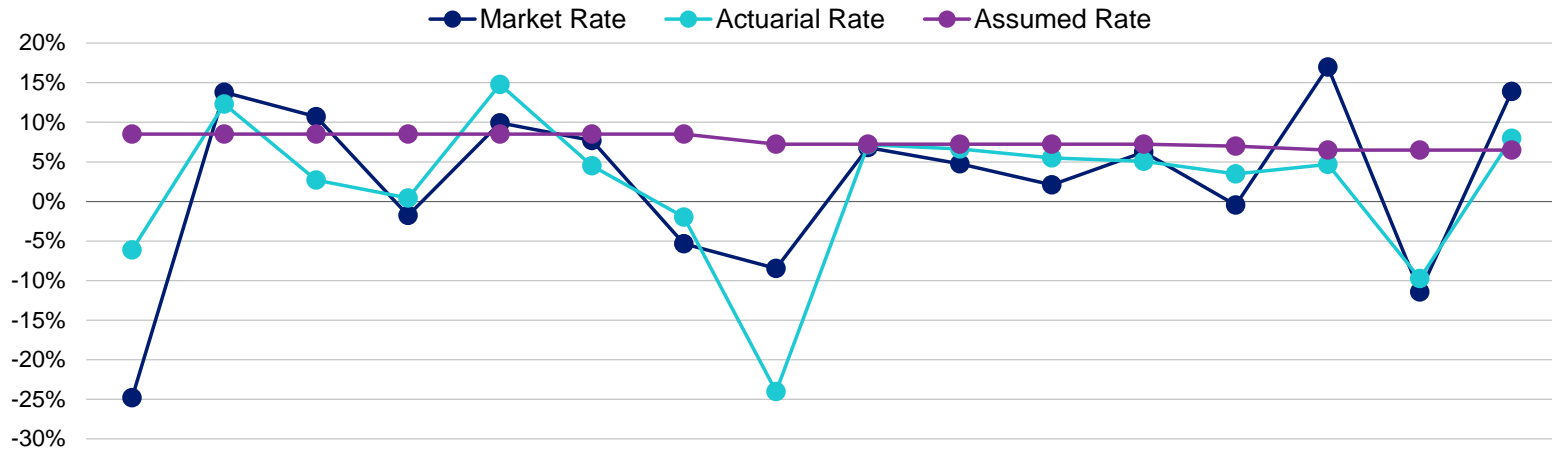
Legend	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
■ Market value ¹	\$3.08	\$2.68	\$2.15	\$2.10	\$2.04	\$2.06	\$1.94	\$2.16	\$1.81	\$1.93
■ Actuarial value ¹	3.70	2.68	2.16	2.15	2.16	2.16	2.13	2.12	1.81	1.83
Ratio	1.20	1.00	1.00	1.02	1.06	1.05	1.09	0.98	1.00	0.95

¹ In \$ billions

Section 2: Actuarial Valuation Results

Historical investment returns

Market and Actuarial Rates of Return versus Assumed Rate for Years Ended December 31



Legend	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
■ Market rate ¹	-24.80%	13.78%	10.72%	-1.78%	9.92%	7.70%	-5.35%	-8.47%	6.82%	4.74%	2.09%	6.25%	-0.45%	16.99%	-11.46%	13.90%
■ Actuarial rate ²	-6.14%	12.29%	2.69%	0.43%	14.79%	4.52%	-1.98%	-24.03%	7.16%	6.63%	5.48%	5.05%	3.46%	4.68%	-9.75%	7.98%
■ Assumed rate	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	7.25%	7.25%	7.25%	7.25%	7.25%	7.00%	6.50%	6.50%	6.50%

Average Rates of Return	Market Value	Actuarial Value
Most recent five-year average return:	4.51%	-0.31%
Most recent ten-year average return:	1.37%	-4.54%
Most recent 15-year average return:	3.88%	0.12%
16-year average return:	1.49%	-0.36%

¹ Returns for 2014 and 2015 include significant write-downs in the System's assets

² Includes a change in asset method for plan years 2012, 2015 and 2023

Section 2: Actuarial Valuation Results

Actuarial experience

Assumptions should consider experience and should be based on reasonable expectations for the future.

Each year actual experience is compared to that projected by the assumptions. Differences are reflected in the actuarial valuation.

Assumptions are not changed if experience is believed to be a short-term development that will not continue over the long term. On the other hand, if experience is expected to continue, assumptions are changed.

Actuarial Experience for Year Ended December 31, 2023

Assumption	Amount
1. Net gain from investments ¹	\$25,880,799
2. Gain from administrative expenses	1,058,564
3. Net gain from other experience	22,477,880
4. Net experience gain: 1 + 2 + 3	\$49,417,243

¹ Details on next page

Section 2: Actuarial Valuation Results

Investment experience

Actuarial planning is long term. The obligations of a pension plan are expected to continue for the lifetime of all its participants.

The assumed long-term rate of return of 6.50% considers past experience, the asset allocation policy of the Board and future expectations.

Investment Experience *Year Ended December 31, 2023 vs. Year Ended December 31, 2022*

Investment	YE 2023 Market Value	YE 2023 Actuarial Value ¹	YE 2022 Market Value	YE 2022 Actuarial Value
1. Net investment income	\$243,098,278	\$139,575,082	-\$240,891,386	-\$201,029,387
2. Average value of assets	1,749,142,812	1,749,142,812	2,102,649,579	2,062,787,580
3. Rate of return: 1 ÷ 2	13.90%	7.98%	-11.46%	-9.75%
4. Assumed rate of return	6.50%	6.50%	6.50%	6.50%
5. Expected investment income: 2 x 4	\$113,694,283	\$113,694,283	\$136,672,223	\$134,081,193
6. Net investment gain/(loss): 1 – 5	\$129,403,995	\$25,880,799	-\$377,563,609	-\$335,110,580

¹ Reflects change in asset method to reset AVA to MVA as of January 1, 2023

Section 2: Actuarial Valuation Results

Non-investment experience

Administrative expenses

Administrative expenses for the year ended December 31, 2023 totaled \$5,974,248, as compared to the assumption of \$7,000,000. This resulted in an experience gain of \$1,058,564 for the year, including an adjustment for interest.

Other experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- Mortality experience (more or fewer than expected deaths)
- The extent of turnover among members
- Retirement experience (earlier or later than projected)
- The number of disability retirements (more or fewer than projected)
- Salary increases (greater or smaller than projected)

The net gain from this other experience for the year ended December 31, 2023 amounted to \$22,477,880, which is 0.4% of the actuarial accrued liability.

Actuarial assumptions

- As part of the plan changes adopted by the Board on August 8, 2024, a partial COLA, payable while the Plan is under 70% funded on a market value basis, has been added effective October 1, 2025. The partial COLA is equal to the annual change in CPI-U All Items in the Dallas-Ft. Worth-Arlington, Texas area multiplied times the funded ratio on a market value basis, provided the adjustment not exceed 1.50%. The new COLA is assumed to be 0.85% for the first five years, 1.00% for years 6 through 10, 1.25% for years 11 through 15, and 1.50% thereafter.

Section 2: Actuarial Valuation Results

Plan provisions

- Effective August 8, 2024, the Board adopted a rule pursuant to the requirements of Section 2.025 of Article 6243a-1 of Vernon's Revised Civil Statutes, which included the following plan change:
 - An immediate Partial COLA was added for before the Plan is 70% funded, equal to the annual change in CPI-U All Items for the Dallas-Ft. Worth-Arlington, Texas area multiplied by the funded ratio on a market value basis, limited to 1.50% annually.
 - This change increased the actuarial accrued liability by 7.86% and increased the total normal cost by 12.89%.

Section 2: Actuarial Valuation Results

Unfunded actuarial accrued liability

Development of Unfunded Actuarial Accrued Liability for Year Ended December 31, 2023

Unfunded Actuarial Accrued Liability	Amount
1. Unfunded actuarial accrued liability at beginning of year	\$3,442,447,472
2. Total normal cost at beginning of year, including administrative expense assumption	90,442,683
3. Total contributions	-234,470,902
4. Interest on 1, 2 & 3	222,097,810
5. Expected unfunded actuarial accrued liability	3,520,517,063
6. Changes due to:	
a. Net experience gain	-\$49,417,243
b. Plan provisions	<u>416,987,099</u>
c. Total changes	367,569,856
7. Unfunded actuarial accrued liability at end of year	\$3,888,086,919

Section 2: Actuarial Valuation Results

Actuarially determined contribution

The actuarially determined contribution (ADC) is equal to the city normal cost payment and a payment on the unfunded actuarial accrued liability (UAL). As of January 1, 2024, the ADC is \$262,006,650, or 53.47% of projected pay.

Pursuant to the requirements of Section 2.025 of Article 6243a-1 of Vernon's Revised Civil Statutes, the Board set the funding policy used to calculate the ADC based on a closed amortization period of 30 years, established as of January 1, 2023. For valuation dates from January 1, 2024 through January 1, 2033, changes in the UAL will be amortized over the remaining period of the 2023 bases. For valuation dates beginning January 1, 2033, changes in the UAL will be amortized over 20-year periods. As of January 1, 2024, there are 29 years remaining on this schedule. The current funding policy is intended to result in predictable contributions that eliminate the UAL within 29 years, thereby providing benefit security to plan participants while balancing the needs of current and future contributors to the plan.

Actuarially Determined Contribution

Contribution	2024 Amount	2024 Percent of Projected Pay
1. Total normal cost	\$ 94,899,904	19.37%
2. Administrative expenses	6,783,022	1.38%
3. Expected member contributions	-63,352,208	-12.93%
4. Employer normal cost: (1) + (2) + (3)	38,330,718	7.82%
5. Actuarial accrued liability	5,719,380,283	
6. Actuarial value of assets	1,831,293,364	
7. Unfunded actuarial accrued liability: (5) - (6)	3,888,086,919	
8. Employer normal cost projected to October 1, 2025 and 2024	40,023,376	8.17%
9. Payment on projected unfunded actuarial accrued liability	213,861,897	43.65%
10. Adjustment for timing ¹	8,121,377	1.66%
11. Actuarially determined contribution: (8) + (9) + (10)	\$ 262,006,650	53.47%
12. Projected computation pay ²	489,998,498	

¹ Actuarially determined contributions are assumed to be paid at the middle of the year.

² Total computation pay, or valuation pay, is the active members' actual payroll for the preceding year, increased by the salary scale applicable for each member to account for their anticipated salary increases in the upcoming year, projected 21 months with the payroll growth assumption to the beginning of the fiscal year.

Section 2: Actuarial Valuation Results

The proposed contributions outlined by the City are based on a closed amortization period of 30 years, established as of January 1, 2023. However, the maximum contributions, based on a deterministic projection calculated as of January 1, 2023, are set in the City's proposal through the Fiscal Year ending September 30, 2054. There is no allowance in the proposal for any future increases in the unfunded actuarial accrued liability (UAL) that may result due to experience losses, assumption changes, method changes or benefit changes.

The City's proposed contributions are designed to reduce the volatility of the contribution amount by setting a maximum UAL payment through the Fiscal Year ending September 30, 2054, based on the initial 30-year amortization of the UAL as of January 1, 2023. If the ADC were determined by the City's proposed methodology, the 2024 ADC would decrease to approximately \$219.12 million, and the UAL would not be projected to be paid off in 29 years.

Section 2: Actuarial Valuation Results

Schedule of funding progress through December 31, 2023

Actuarial Valuation Date of January 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a) / (b)	Computation Pay (c)	UAAL as a Percentage of Computation Pay [(b) – (a)] / (c)
2015	\$3,695,273,876	\$5,792,216,025	\$2,096,942,149	63.80%	\$383,006,330	547.50%
2016	2,680,124,303	5,947,173,998	3,267,049,695	45.07%	365,210,426	894.57%
2017	2,157,799,730	4,367,180,454	2,209,380,724	49.41%	357,414,472	618.16%
2018	2,151,039,343	4,505,437,185	2,354,397,842	47.74%	346,036,690	680.39%
2019	2,161,899,662	4,494,822,504	2,332,922,842	48.10%	363,117,415	642.47%
2020	2,160,125,611	4,723,972,480	2,563,846,869	45.73%	396,954,743	645.88%
2021	2,127,834,406	5,115,966,592	2,988,132,186	41.59%	427,440,530	699.08%
2022	2,117,978,431	5,158,782,340	3,040,803,909	41.06%	436,971,384	695.88%
2023	1,806,567,341	5,249,014,813	3,442,447,472	34.42%	462,820,226	743.80%
2024	1,831,293,364	5,719,380,283	3,888,086,919	32.02%	469,275,612	828.53%

Section 2: Actuarial Valuation Results

History of employer contributions

History of Employer Contributions: 2016 – 2023

Actuarially Determined Employer Contribution (ADC) versus Actual Employer Contribution (AEC)

Year Ended	ADC Amount	ADC Percentage of Covered Compensation	AEC Amount	AEC Percentage of Covered Compensation	Percent Contributed
December 31, 2016	\$261,859,079	71.70%	\$119,423,106	32.70%	45.61%
December 31, 2017	168,865,484	47.25%	126,318,005	35.34%	74.80%
December 31, 2018	157,100,128	45.40%	149,356,565	43.16%	95.07%
December 31, 2019	152,084,297	41.88%	155,721,087	42.88%	102.39%
December 31, 2020	185,428,764	46.71%	161,950,183	40.80%	87.34%
December 31, 2021	221,285,746	51.77%	165,541,265	38.73%	74.81%
December 31, 2022	228,530,758	52.30%	169,911,420	38.88%	74.35%
December 31, 2023	251,606,424 ¹	54.36%	171,960,839	37.15%	68.35%

¹ Based on the original January 1, 2023 actuarial valuation, prior to the change in reporting the ADC based on the City's fiscal year.

Section 2: Actuarial Valuation Results

Low-Default-Risk Obligation Measure (LDROM)

In December 2021, the Actuarial Standards Board issued a revision of Actuarial Standard of Practice No. 4 (ASOP 4) *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*. One of the revisions to ASOP 4 requires the disclosure of a Low-Default-Risk Obligation Measure (LDROM) when performing a funding valuation. The LDROM presented in this report is calculated using the same methodology and assumptions used to determine the Actuarial Accrued Liability (AAL) used for funding, except for the discount rate. The LDROM is required to be calculated using “a discount rate...derived from low-default-risk fixed income securities whose cash flows are reasonably consistent with the pattern of benefits expected to be paid in the future.”

The LDROM is a calculation assuming a plan’s assets are invested in an all-bond portfolio, generally lowering expected long-term investment returns. The discount rate selected and used for this purpose is the Bond Buyer General Obligation 20-year Municipal Bond Index Rate, published at the end of each week. The last published rate in December of the measurement period, by The Bond Buyer (www.bondbuyer.com), is 3.26% for use effective December 31, 2023. This is the rate used to determine the discount rate for valuing reported public pension plan liabilities in accordance with Governmental Accounting Standards when plan assets are projected to be insufficient to make projected benefit payments, and the 20-year period reasonably approximates the duration of plan liabilities. The LDROM is not used to determine a plan’s funded status or Actuarially Determined Contribution. The plan’s expected return on assets, currently 6.50%, is used for these calculations.

As of December 31, 2023, the LDROM for the system is \$8,829,581,257. The difference between the plan’s AAL of \$5,828,317,826 and the LDROM can be thought of as the increase in the AAL if the entire portfolio were invested in low-default-risk securities. Alternatively, this difference could also be viewed as representing the expected savings from investing in the plan’s diversified portfolio compared to investing only in low-default-risk securities.

ASOP 4 requires commentary to help the intended user understand the significance of the LDROM with respect to the funded status of the plan, plan contributions, and the security of participant benefits. In general, if plan assets were invested exclusively in low-default-risk securities, the funded status would be lower and the Actuarially Determined Contribution would be higher. While investing in a portfolio with low-default-risk securities may be more likely to reduce investment volatility and the volatility of employer contributions, it also may be more likely to result in higher employer contributions or lower benefits.

Section 2: Actuarial Valuation Results

Risk

The actuarial valuation results are dependent on a single set of assumptions; however, there is a risk that emerging results may differ significantly as actual experience proves to be different from the current assumptions.

We have not been engaged to perform a detailed analysis of the potential range of the impact of risk relative to the Plan's future financial condition but have included a brief discussion of some risks that may affect the Plan.

- Economic and Other Related Risks. Potential implications for the Plan due to the following economic effects (that were not reflected as of the valuation date) include:
 - Volatile financial markets and investment returns lower than assumed
 - High inflationary environment impacting salary increases and COLAs

- Investment Risk (the risk that returns will be different than expected)

The System has experienced some of the challenges associated with investment risk and has had to write down the value of its assets significantly in recent years. Recognized market returns have been well below the long-term assumptions as the System rebalances the investment portfolio and are expected to continue to be below average in the short-term.

The market value rate of return over the last 16 years has ranged from a low of -24.80% to a high of 16.99%.

- Longevity Risk (the risk that mortality experience will be different than expected)

The actuarial valuation includes an expectation of future improvement in life expectancy. Emerging plan experience that does not match these expectations will result in either an increase or decrease in the actuarially determined contribution.

- Contribution Risk (the risk that actual contributions will be different from actuarially determined contribution)

Plan contributions are set by statute. Periodic projections comparing expected statutory contributions with the actuarially determined contributions may be developed to determine if the statutory amounts are sufficient to fund the Plan and to ensure the payment of promised benefits.

The proposed contributions outlined by the City set maximum contributions, which may be less than the actuarially determined contributions, through the Fiscal Year ending September 30, 2054 based on a 30-year deterministic projection that assumes no future gains or losses. This includes a maximum payment on the unfunded actuarially accrued liability based on the January 1, 2023 valuation. This methodology contains no allowance for future adverse experience and if future experience does not match the assumptions used to set the contributions, the unfunded actuarial accrued liability will not be paid off within 30 years. Deterministic projections that assume no future gains or losses, or assumption, method, or plan changes, can be useful for high-level planning, but should not be the basis for actual contribution policy, as gains and losses each year are unavoidable.

Section 2: Actuarial Valuation Results

- Demographic Risk (the risk that participant experience will be different than assumed)

Examples of this risk include:

- Actual retirements occurring earlier or later than assumed. The value of retirement plan benefits is sensitive to the rate of benefit accruals and any early retirement subsidies that apply.
- More or less active participant turnover than assumed.
- There are external factors including legislative or financial reporting changes that could impact the Plan's funding and disclosure requirements. While we do not assume any changes in such external factors, it is important to understand that they could have significant consequences for the Plan.
- Actual Experience Over the Last Ten Years

Past experience can help demonstrate the sensitivity of key results to the Plan's actual experience. Since 2015:

- The non-investment gain(loss) for a year has ranged from a loss of \$66.4 million to a gain of \$59.2 million.

Plan Year Ended	Market Value Investment Gain/(Loss)	All Other Gains and (Losses)
2015	-\$472,849,609	\$59,238,981
2016	-9,954,337	-53,565,950
2017	-52,151,589	-51,705,978
2018	-105,891,055	59,106,115
2019	-19,852,697	-13,622,672
2020	-149,294,320	-66,430,137
2021	198,197,350	31,267,441
2022	-377,563,609	45,173,646
2023	129,403,995	23,536,444

- The funded percentage on the actuarial value of assets has ranged from a low of 31.4% to a high of 63.8%.

Maturity Measures

- As pension plans mature, the cash needed to fulfill benefit obligations will increase over time. Therefore, cash flow projections and analysis should be performed to assure that the Plan's asset allocation is aligned to meet emerging pension liabilities.
- Currently the Plan has a non-active to active participant ratio of 1.07.

Section 2: Actuarial Valuation Results

- For the prior year, benefits paid and administrative expenses were \$114.8 million more than contributions received. Plans with high levels of negative cash flows may have a need for a larger allocation to income generating assets, which can create a drag on investment return.

Detailed Risk Assessment

- A more detailed assessment of the risks would provide the Board with a better understanding of the risks inherent in the Plan. This assessment may include scenario testing, sensitivity testing, stress testing, and stochastic modeling.
- A detailed risk assessment could be important for the Plan because:
 - The Plan's asset allocation has potential for a significant amount of investment return volatility.
 - Inactive and retired participants account for most of the Plan's liabilities, leaving limited options for reducing plan costs in the event of adverse experience.
 - Potential changes in the covered population may result in participant choices that vary from those assumed.
 - Actual contributions have been less than the actuarially determined contribution for several years, which may indicate additional funding challenges in the future.
 - The current political and social environment could impact the turnover and retirement patterns of public safety employees, as well as the availability of new hires.
 - The City is proposing to contribute amounts other than the actuarial determined contribution for the next 30 years. The City is planning to make contributions based off a 30-year deterministic projection that assumes no future gains or losses, with caps on the contribution amount. Deterministic projections that assume no future gains or losses, or assumption, method, or plan changes, can be useful for high-level planning, but should not be the basis for actual contribution policy, as gains and losses each year are inevitable.

Section 2: Actuarial Valuation Results

GFOA funded liability by type

The Actuarial Accrued Liability represents the present value of benefits earned, calculated using the Plan's actuarial cost method. The Actuarial Value of Assets reflects the financial resources available to liquidate the liability. The portion of the liability covered by assets reflects the extent to which accumulated plan assets are sufficient to pay future benefits, and is shown for liabilities associated with employee contributions, pensioner liabilities, and other liabilities. The Government Finance Officers Association (GFOA) recommends that the funding policy aim to achieve a funded ratio of 100 percent.

GFOA Funded Liability by Type as of December 31

Type	2024	2023
Actuarial accrued liability (AAL)		
Active member contributions	\$443,981,246	\$410,982,253
Retirees and beneficiaries	3,776,555,918	3,566,237,397
Inactive vested members	33,887,507	29,125,817
Active and inactive non-vested members (employer-financed)	1,464,955,612	1,242,669,346
Total	\$5,719,380,283	\$5,249,014,813
Actuarial value of assets	1,831,293,364	1,806,567,341
Cumulative portion of AAL covered		
Active member contributions	100.00%	100.00%
Retirees and beneficiaries	36.73%	39.13%
Active and inactive members (employer-financed)	0.00%	0.00%

Section 2: Actuarial Valuation Results

Actuarial balance sheet

An overview of the Plan's funding is given by an Actuarial Balance Sheet. In this approach, first the amount and timing of all future payments that will be made by the Plan for current members is determined. Then these payments are discounted at the valuation interest rate to the date of the valuation, thereby determining the present value, referred to as the "liability" of the Plan.

Second, this liability is compared to the assets. The "assets" for this purpose include the net amount of assets already accumulated by the Plan, the present value of future member contributions, the present value of future employer normal cost contributions, and the present value of future employer amortization payments for the unfunded actuarial accrued liability.

Actuarial Balance Sheet

Description	Year Ended December 31, 2023	Year Ended December 31, 2022
Liabilities		
Present value of benefits for retired members and beneficiaries (non-DROP)	\$2,963,093,752	\$2,720,594,387
Present value of benefit for retired members and beneficiaries (DROP)	813,462,166	845,643,010
Present value of benefits for inactive vested members	35,779,128	31,383,904
Present value of benefits for active members	2,868,019,347	2,490,609,201
Total liabilities	\$6,680,354,393	\$6,088,230,502
Current and future assets		
Total valuation value of assets	\$1,831,293,364	\$1,806,567,341
Present value of future contributions by members	648,816,018	636,975,115
Present value of future employer contributions for:		
• Entry age cost	312,158,092	202,240,574
• Unfunded actuarial accrued liability	3,888,086,919	3,442,447,472
Total of current and future assets	\$6,680,354,393	\$6,088,230,502

Section 2: Actuarial Valuation Results

Volatility ratios

Retirement plans are subject to volatility in the level of required contributions. This volatility tends to increase as retirement plans become more mature.

The Asset Volatility Ratio (AVR), which is equal to the market value of assets divided by total computation pay, provides an indication of the potential contribution volatility for any given level of investment volatility. A higher AVR indicates that the plan is subject to a greater level of contribution volatility. This is a current measurement since it is based on the current level of assets.

The current AVR is about 4.1. This means that a 1% asset gain or loss (relative to the assumed investment return) translates to about 4.1% of one-year's computation pay. Since actuarial gains and losses are amortized over 5 years, there would be a 0.8% of computation pay decrease/(increase) in the required contribution for each 1% asset gain or loss.

The Liability Volatility Ratio (LVR), which is equal to the Actuarial Accrued Liability divided by computation pay, provides an indication of the longer-term potential for contribution volatility for any given level of investment volatility. This is because, over an extended period of time, the plan's assets should track the plan's liabilities. For example, if a plan is 50% funded on a market value basis, the liability volatility ratio would be double the asset volatility ratio and the plan sponsor should expect contribution volatility to increase over time as the plan becomes better funded.

The LVR also indicates how volatile contributions will be in response to changes in the Actuarial Accrued Liability due to actual experience or to changes in actuarial assumptions. The current LVR is about 12.2. This is about 298% higher than the AVR. Therefore, we would expect that contribution volatility will increase over the long term.

Section 2: Actuarial Valuation Results

Volatility Ratios for Years Ended 2014 - 2023

Year Ended December 31	Asset Volatility Risk	Liability Volatility Risk
2014	8.0	15.1
2015	7.3	16.3
2016	6.0	12.2
2017	6.1	13.0
2018	5.6	12.4
2019	5.2	11.9
2020	4.5	12.0
2021	4.9	11.8
2022	3.9	11.3
2023	4.1	12.2

Section 3: Supplemental Information

Exhibit A: Table of plan demographics

Category	Year Ended December 31, 2023	Year Ended December 31, 2022	Change From Prior Year
Active members in valuation:			
• Number	5,131	5,085	0.9%
• Average age	40.1	40.1	0.0
• Average years of service	12.6	12.6	0.0
• Average computation pay	\$91,459	\$91,017	0.5%
• Account balances	443,981,246	410,982,253	8.0%
• Total active vested members	3,854	3,732	3.3%
Active members in valuation (excluding DROP):			
• Number	4,921	4,855	1.4%
• Average age	39.2	39.2	0.0
• Average years of service	11.7	11.7	0.0
• Average computation pay	\$91,050	\$90,558	0.5%
Active members in valuation (DROP only):			
• Number	210	230	-8.7%
• Average age	59.6	58.9	0.7
• Average years of service	33.4	32.7	0.7
• Average computation pay	\$101,046	\$100,710	0.3%
• DROP Account balances	88,453,699	96,505,872	-8.3%
Inactive vested members:			
• Number	254	252	0.8%
• Average age	42.2	42.1	0.1
• Average monthly benefit	\$1,315	\$1,316	-0.1%

Section 3: Supplemental Information

Category	Year Ended December 31, 2023	Year Ended December 31, 2022	Change From Prior Year
Inactive nonvested members due a refund:			
• Number	326	474	-31.2%
• Accumulated contribution balance	\$1,891,621	\$2,258,087	-16.2%
Retired members:			
• Number in pay status	3,910	3,845	1.7%
• Average age	68.4	68.1	0.3
• Average monthly benefit	\$4,935	\$4,935	0.0%
Disabled members:			
• Number in pay status	105	110	-4.5%
• Average age	69.5	68.8	0.7
• Average monthly benefit	\$3,562	\$3,575	-0.4%
Beneficiaries:			
• Number in pay status	1,216	1,187	2.4%
• Average age ¹	72.9	72.9	0.0
• Average monthly benefit	\$2,525	\$2,462	2.6%
Beneficiaries with DROP only:	141	147	-4.1%

¹ Exclude child beneficiaries

Section 3: Supplemental Information

Exhibit B: Members in active service as of December 31, 2023 by age, years of service, and average pay¹

Age	Total	Years of Service								
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	180	180	—	—	—	—	—	—	—	—
	\$66,454	\$66,454	—	—	—	—	—	—	—	—
25-29	744	573	171	—	—	—	—	—	—	—
	73,582	70,627	\$83,485	—	—	—	—	—	—	—
30 - 34	894	352	447	94	1	—	—	—	—	—
	82,381	72,177	87,003	\$98,412	\$100,924	—	—	—	—	—
35 - 39	904	115	288	345	156	—	—	—	—	—
	93,244	72,636	87,626	99,800	104,310	—	—	—	—	—
40 - 44	762	37	105	217	342	61	—	—	—	—
	98,249	75,568	89,278	97,924	102,761	\$103,301	—	—	—	—
45 - 49	704	15	29	104	224	268	64	—	—	—
	102,669	73,598	90,837	98,780	102,114	106,855	\$105,581	—	—	—
50 - 54	538	4	13	36	98	167	182	38	—	—
	103,691	49,449	94,362	96,546	101,655	105,944	106,990	\$98,910	—	—
55 - 59	293	—	3	10	31	43	86	92	28	—
	102,403	—	95,065	100,405	100,466	103,916	100,141	105,149	\$101,643	—
60 - 64	84	—	3	1	15	16	13	15	20	1
	104,916	—	96,518	94,533	97,764	106,417	105,055	105,287	109,523	\$124,221
65 - 69	21	1	1	1	3	2	2	3	1	7
	98,037	57,768	102,502	95,012	93,335	94,486	102,815	99,063	111,362	102,905
70 & over	7	—	—	—	—	—	—	—	—	7
	117,408	—	—	—	—	—	—	—	—	117,408
Total	5,131	1,277	1,060	808	870	557	347	148	49	15
	\$91,459	\$70,749	\$87,090	\$98,853	\$102,545	\$105,908	\$104,936	\$103,438	\$105,058	\$111,094

¹ Compensation is annualized for those hired during the prior plan year

Section 3: Supplemental Information

Police members in active service as of December 31, 2023 by age, years of service, and average pay¹

Age	Total	Years of Service								
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	100	100	—	—	—	—	—	—	—	—
	\$66,379	\$66,379	—	—	—	—	—	—	—	—
25-29	460	361	99	—	—	—	—	—	—	—
	74,574	72,073	\$83,693	—	—	—	—	—	—	—
30 - 34	522	199	251	72	—	—	—	—	—	—
	83,759	74,028	87,523	\$97,535	—	—	—	—	—	—
35 - 39	502	68	124	209	101	—	—	—	—	—
	94,069	74,358	88,560	99,193	\$103,500	—	—	—	—	—
40 - 44	445	24	46	107	223	45	—	—	—	—
	98,467	74,377	90,151	97,780	102,327	\$102,323	—	—	—	—
45 - 49	413	10	17	57	131	156	42	—	—	—
	101,381	76,879	90,520	99,757	101,065	103,960	\$105,216	—	—	—
50 - 54	330	2	9	32	70	85	113	19	—	—
	101,932	40,708	93,071	96,668	102,050	102,526	105,844	\$95,076	—	—
55 - 59	184	—	1	10	21	24	51	65	12	—
	101,263	—	96,273	100,405	99,002	105,045	98,855	102,179	\$104,052	—
60 - 64	50	—	—	1	8	10	9	10	12	—
	104,009	—	—	94,533	98,035	104,620	104,434	107,167	105,322	—
65 - 69	13	—	—	1	2	2	2	3	1	2
	99,996	—	—	95,012	92,725	94,486	102,815	99,063	111,362	\$108,169
70 & over	5	—	—	—	—	—	—	—	—	5
	112,326	—	—	—	—	—	—	—	—	112,326
Total	3,024	764	547	489	556	322	217	97	25	7
	\$91,570	\$72,094	\$87,486	\$98,547	\$101,986	\$103,395	\$103,994	\$101,206	\$104,954	\$111,138

¹ Compensation is annualized for those hired during the prior plan year

Section 3: Supplemental Information

Fire members in active service as of December 31, 2023 by age, years of service, and average pay¹

Age	Total	Years of Service								
		0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	80	80	—	—	—	—	—	—	—	—
	\$66,548	\$66,548	—	—	—	—	—	—	—	—
25-29	284	212	72	—	—	—	—	—	—	—
	71,975	68,164	\$83,198	—	—	—	—	—	—	—
30 - 34	372	153	196	22	1	—	—	—	—	—
	80,446	69,769	86,337	\$101,281	\$100,924	—	—	—	—	—
35 - 39	402	47	164	136	55	—	—	—	—	—
	92,215	70,145	86,921	100,733	105,798	—	—	—	—	—
40 - 44	317	13	59	110	119	16	—	—	—	—
	97,942	77,765	88,598	98,063	103,575	\$106,050	—	—	—	—
45 - 49	291	5	12	47	93	112	22	—	—	—
	104,498	67,035	91,285	97,595	103,591	110,886	\$106,276	—	—	—
50 - 54	208	2	4	4	28	82	69	19	—	—
	106,482	58,190	97,267	95,576	100,668	109,486	108,867	\$102,744	—	—
55 - 59	109	—	2	—	10	19	35	27	16	—
	104,327	—	94,461	—	103,540	102,490	102,015	112,300	\$99,837	—
60 - 64	34	—	3	—	7	6	4	5	8	1
	106,249	—	96,518	—	97,453	109,411	106,453	101,527	115,824	\$124,221
65 - 69	8	1	1	—	1	—	—	—	—	5
	94,853	57,768	102,502	—	94,556	—	—	—	—	100,799
70 & over	2	—	—	—	—	—	—	—	—	2
	130,114	—	—	—	—	—	—	—	—	130,114
Total	2,107	513	513	319	314	235	130	51	24	8
	\$91,300	\$68,745	\$86,667	\$99,323	\$103,535	\$109,352	\$106,510	\$107,684	\$105,166	\$111,056

¹ Compensation is annualized for those hired during the prior plan year

Section 3: Supplemental Information

Exhibit C: Reconciliation of member data

	Active Members	Inactive Vested Members ¹	Disableds	Retired Members	Beneficiaries ²	Total
Number as of January 1, 2023	5,085	252	110	3,845	1,187	10,479
New members	342	N/A	N/A	N/A	N/A	342
Terminations — with vested rights	-33	33	N/A	N/A	N/A	0
Terminations — without vested rights	-43	0	N/A	N/A	N/A	-43
Retirements	-124	-18	N/A	142	N/A	0
New disabilities	0	0	0	N/A	N/A	0
Died with beneficiary	0	0	0	0	81	81
Died without beneficiary	-8	-1	-5	-77	-44	-135
Lump sum cash-outs	-113	-10	0	0	0	-123
Rehire	25	-2	N/A	0	N/A	23
Certain period expired	N/A	N/A	0	0	-8	-8
Data adjustments	0	0	0	0	0	0
Number as of January 1, 2024	5,131	254	105	3,910	1,216	10,616

¹ Excludes non-vested terminated members due a refund of contributions

² Excludes beneficiaries with DROP only

Section 3: Supplemental Information

Exhibit D: Summary statement of income and expenses on a market value basis

Year Ended December 31, 2023 versus Year Ended December 31, 2022

Item	Income and Expenses	Assets as of YE 2023	Income and Expenses	Assets as of YE 2022
Net assets at market value at the beginning of the year		\$1,806,567,341		\$2,157,840,430
Contribution and other income:				
• City contributions	\$171,960,839		\$169,911,420	
• Member contributions	62,510,063		59,706,574	
• Total contribution income		\$234,470,902		\$229,617,994
Investment income:				
• Investment income	\$249,561,564		-\$232,248,041	
• Less investment fees	-6,463,286		-8,643,345	
• Net investment income		\$243,098,278		-\$240,891,386
• Total income available for benefits		\$477,569,180		-\$11,273,392
Less benefit payments and administrative expenses:				
• Administrative expenses	-\$5,974,248		-\$6,361,999	
• Benefit Payments	-338,035,629		-329,187,721	
• Refunds	-5,310,084		-4,449,977	
• Net benefit payments and administrative expenses		-\$349,319,961		-\$339,999,697
Change in market value of assets		\$128,249,219		-\$351,273,089
Net assets at market value at the end of the year		\$1,934,816,560		\$1,806,567,341

Section 3: Supplemental Information

Exhibit E: Summary statement of plan assets

Year Ended December 31, 2023 versus Year Ended December 31, 2022

Item	Investments	Assets as of YE 2023	Investments	Assets as of YE 2022
Cash and accounts receivable:				
• Cash equivalents		\$62,268,524		\$74,996,415
• Total accounts receivable		15,262,594		11,897,407
Capital assets		11,339,331		11,499,772
Investments:				
• Short-term investments	\$16,809,984		\$14,753,672	
• Fixed income securities	362,092,006		318,424,211	
• Equity securities	985,512,002		819,431,503	
• Real assets	275,723,992		344,739,510	
• Private equity	216,632,700		217,177,506	
• Total investments at market value		\$1,856,770,684		\$1,714,526,402
Total assets		\$1,945,641,133		\$1,812,919,996
Accounts payable				
• Total accounts payable		-\$10,824,573		-\$6,352,655
Net assets at market value		\$1,934,816,560		\$1,806,567,341
Net assets at actuarial value		\$1,831,293,364		\$1,806,567,341

Section 3: Supplemental Information

Exhibit F: Development of the fund through December 31, 2023

Year Ended December 31	City Contributions	Employee Contributions	Net Investment Return ¹	Admin. Expenses ²	Benefit Payments	Market Value of Assets at Year-End	Actuarial Value of Assets at Year-End	Actuarial Value as a Percent of Market Value
2014	\$109,791,512	\$28,969,429	-\$176,940,296	\$0	\$245,176,251	\$3,079,394,897	\$3,695,273,876	120.0%
2015	114,885,723	25,676,327	-254,829,470	0	285,003,174	2,680,124,303	2,680,124,303	100.0%
2016	119,423,106	25,518,317	159,355,111	9,492,445	825,092,132	2,149,836,260	2,157,799,730	100.4%
2017	126,318,005	32,977,425	98,457,176	8,089,584	296,153,811	2,103,345,471	2,151,039,343	102.3%
2018	149,356,565	49,332,262	42,822,297	5,861,410	297,081,055	2,041,914,130	2,161,899,662	105.9%
2019	155,721,087	52,268,293	124,259,607	6,445,251	309,860,549	2,057,857,317	2,160,125,611	105.0%
2020	161,950,183	57,305,399	-8,927,336	6,534,350	317,950,620	1,943,700,593	2,127,834,406	109.5%
2021	165,541,265	58,559,980	321,062,889	6,390,829	324,633,468	2,157,840,430	2,117,978,431	98.2%
2022	169,911,420	59,706,574	-240,891,386	6,361,999	333,637,698	1,806,567,341	1,806,567,341	100.0%
2023	171,960,839	62,510,063	243,098,278	5,974,248	343,345,713	1,934,816,560	1,831,293,364	94.6%

¹ On a market basis, net of investment fees

² Expenses were subtracted from net investment return prior to 2016

Section 3: Supplemental Information

Exhibit G: Table of amortization bases

Type	Date Established	Initial Period	Initial Amount	Annual Payment ¹	Years Remaining	Outstanding Balance
Initial base layer	01/01/2023	30	\$2,250,000,000	\$126,845,270	29	\$2,264,454,672
Initial graded layer ²	01/01/2023	30	1,330,588,874	51,590,850	29	1,389,605,023
Actuarial gain	01/01/2024	29	-49,417,243	-2,768,147	29	-49,417,243
Plan amendment	01/01/2024	29	416,987,099	23,357,871	29	416,987,099
Reconciliation base ³	01/01/2024	29	-133,542,632	-7,480,499	29	-133,542,632
Total				\$191,545,345		\$3,888,086,919

¹ Level percentage of payroll

² Annual payment based on year two of three-year step-up methodology.

³ Base to reconcile differences between the January 1, 2023 unfunded actuarial accrued liability and the prescribed 2023 bases and the three-year step-up methodology

Section 4: Actuarial Valuation Basis

Exhibit H: Actuarial assumptions, methods and models

Rationale for assumptions

The information and analysis used by the Board in selecting each assumption that has a significant effect on this actuarial valuation is shown in the Experience Study Report for the five-year period ended December 31, 2019, with subsequent changes related to updated capital market assumptions, retirement rates, and the salary scale.

Net investment return

6.50%.

The net investment return assumption was chosen by the System’s Board of Trustees, with input from the actuary. This assumption is a long-term estimate derived from historical data, current and recent market expectations, and professional judgment. As part of the analysis, a building block approach was used that reflects inflation expectations and anticipated risk premiums for each of the portfolio’s asset classes, as well as the System’s target asset allocation.

Salary increases rate (%)

Year	Officers	Corporals, Drivers & Senior Officers	Sergeants, Lieutenants, Captains, Majors, Deputy Chiefs, Assistant Chiefs & Chiefs
2023	7.25%	6.75%	6.25%
2024+	3.00%	3.00%	2.50%

The salary scale assumption is based on the City’s pay plan, along with analysis completed in conjunction with an Experience Study Report for the five-year period ended December 31, 2019 and the 2019 and 2023 Meet and Confer Agreements

Payroll growth

2.50%, used to amortize the unfunded actuarial accrued liability as a level percentage of payroll.

Section 4: Actuarial Valuation Basis

Cost-of-living adjustments

Beginning October 1, 2025, 0.85% on original benefit for first five years, 1.00% for years six through 10, 1.25% for years 11 through 15 and 1.5% thereafter.

Administrative expenses

\$7,000,000 per year, payable monthly (equivalent to \$6,783,022 at the beginning of the year), or 1% of computation pay, if greater

Mortality rates

Healthy pre-retirement: Pub-2010 Public Safety Employee Amount-Weighted Mortality Table, set forward five years for males, projected generationally using Scale MP-2019

Healthy annuitants and dependent spouses: Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, set back one year for females, projected generationally using Scale MP-2019

Healthy contingent beneficiaries: Pub-2010 Public Safety Contingent Survivor Amount-Weighted Mortality Table, set back one year for females, projected generationally using Scale MP-2019

Disabled annuitants: Pub-2010 Public Safety Disabled Retiree Amount-Weighted Mortality Table, set forward four years for males and females, projected generationally using Scale MP-2019

The tables above, with adjustments as shown and projected to the measurement date, reasonably reflect the mortality experience of the System as of the measurement date. The mortality tables are then generationally projected using Scale MP-2019 to anticipate future mortality improvement.

Section 4: Actuarial Valuation Basis

Annuitant mortality rates (%)¹

Age	Healthy Male	Healthy Female	Disabled Male	Disabled Female
55	0.306	0.231	0.670	0.643
60	0.508	0.399	1.078	0.976
65	0.881	0.690	1.732	1.481
70	1.568	1.191	2.893	2.248
75	2.826	2.057	5.057	3.552
80	5.103	3.552	8.308	6.134
85	9.135	6.134	14.238	10.592
90	15.860	10.592	22.306	17.403

Mortality and disability rates (%) before retirement

Age	Mortality Male ¹	Mortality Female ¹	Disability Male ²	Disability Female ²
20	0.037	0.016	0.010	0.010
25	0.041	0.020	0.015	0.015
30	0.047	0.027	0.020	0.020
35	0.059	0.036	0.025	0.025
40	0.082	0.049	0.030	0.030
45	0.120	0.067	0.035	0.035
50	0.175	0.091	0.040	0.040
55	0.264	0.123	--	--
60	0.410	0.168	--	--

¹ Mortality rates shown for base table.

² 100% of disabilities are assumed to be service related

Section 4: Actuarial Valuation Basis

Withdrawal rates (%) before retirement

Years of Service	Police	Fire
0	20.0	10.0
1	5.5	5.5
2	5.5	5.5
3	5.5	5.5
4	5.5	5.5
5	5.5	5.5
6	3.5	5.5
7	3.5	1.0
8	3.5	1.0
9	3.5	1.0
10	3.5	1.0
11-14	2.0	1.0
15-24	1.0	1.0
25 & over	0.0	0.0

Section 4: Actuarial Valuation Basis

Retirement rates (%)

DROP Active Members

Age	Police	Fire
Under 50	1.00	0.75
50	10.00	0.75
51	15.00	0.75
52-53	15.00	10.00
54	25.00	10.00
55-57	25.00	15.00
58-62	30.00	40.00
63	40.00	50.00
64	50.00	50.00
65 & over	100.00	100.00

75% retirement rate after ten years in DROP.

Section 4: Actuarial Valuation Basis

Non-DROP Active Members

Age	Member hired prior to March 1, 2011 with at least 20 years of service as of September 1, 2017	Member hired prior to March 1, 2011 with less than 20 years of service as of September 1, 2017 & Members hired on or after March 1, 2011
Under 50	1.0	1.0
50-51	8.0	2.0
52	10.0	2.0
53	15.0	2.0
54	20.0	2.0
55	35.0	2.0
56-57	40.0	2.0
58-60	75.0	25.0
61	75.0	50.0
62	100.0	100.0

100% retirement rate once benefit multiplier hits 90% maximum

Weighted average retirement age

Age 58, determined as follows: The weighted average retirement age for each participant is calculated as the sum of the product of each potential current or future retirement age times the probability of surviving from current age to that age and then retiring at that age, assuming no other decrements. The overall weighted retirement age is the average of the individual retirement ages based on all the active members included in the January 1, 2024 actuarial valuation

Retirement rates for inactive vested participants

Terminated vested members who terminated prior to September 1, 2017 are assumed to retire at age 50

Terminated vested members who terminated on or after September 1, 2017 are assumed to retire at age 58

75% of members who terminated prior to age 40 are assumed to take a lump sum cash out at age 40

Section 4: Actuarial Valuation Basis

DROP utilization

No members are assumed to elect to enter DROP

Interest on DROP accounts

2.75% on account balances as of September 1, 2017, payable upon retirement

0.00% on account balances accrued after September 1, 2017

DROP payment period

Based on expected lifetime as of the later of September 1, 2017 or retirement date. Expected lifetime determined based on an 85% male/15% female blend of the current healthy annuitant mortality tables.

DROP annuitization interest

2.75%. Based on United States Department of Commerce Daily Treasury Yield Curve Rates for durations between 5 and 30 years.

Actuarial equivalence

Actuarial equivalence for optional forms of benefit payments are based on an 85% male/15% female blend of the current healthy annuitant mortality tables, along with an interest rate of 6.50%

Unknown data for members

Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.

Family composition

75% of members are assumed to be married. Females are assumed to be three years younger than males. The youngest child is assumed to be ten years old

Benefit election

Married participants are assumed to receive the Joint and Survivor annuity form of payment and non-married participants are assumed to receive a Life Only annuity.

Section 4: Actuarial Valuation Basis

Actuarial value of assets

Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value

Actuarial cost method

Entry Age Actuarial Cost Method. Entry Age is the age at the time the member commenced employment. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis, with Normal Cost determined using the plan of benefits applicable to each participant. Actuarial Liability is allocated by salary.

Amortization methodology

. The Board adopted a methodology that established two amortization bases of specified amounts as of January 1, 2023. The first amortization base was in the amount of \$2,250,000,000 and is to be amortized over 30 years on a level percent of pay basis. The second amortization base was in the amount of \$1,330,588,874, with a three-year step up of the amortization payment, with the outstanding balance after three years to be amortized over a 27-year period on a level percent of pay basis. Beginning on January 1, 2024, each year's experience due to actuarial gains and losses or plan, assumption, or method changes are amortized over the amortization period remaining on the initial 2023 bases. Beginning in 2033, newly established bases will be set at a period of 20 years.

Models

Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Deterministic cost projections are based on a proprietary forecasting model. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

The blended discount rate used for calculating total pension liability for GASB is based on a model developed by our Actuarial Technology and Systems unit, comprised of both actuaries and programmers. The model allows the client team, under the supervision of the responsible actuary, control over the entry of future expected contribution income, benefit payments and administrative expenses. The projection of fiduciary net position and the discounting of benefits is part of the model.

Section 4: Actuarial Valuation Basis

Justification for change in actuarial assumptions

As part of the plan changes adopted by the Board on August 8, 2024, a partial COLA, payable while the Plan is under 70% funded on a market value basis, has been added effective October 1, 2025. The partial COLA is equal to the funded ratio on a market value basis multiplied by the annual percentage change in CPI-U All Items in the Dallas-Ft. Worth-Arlington, Texas area, provided the adjustment does not exceed 1.50%. The new COLA is assumed to be 0.85% for the first five years, 1.00% for years 6 through 10, 1.25% for years 11 through 15, and 1.50% thereafter.

Section 4: Actuarial Valuation Basis

Exhibit I: Summary of plan provisions

This exhibit summarizes the major provisions of the Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan year

January 1 through December 31

Plan status

Ongoing

Members whose participation began before March 1, 2011

Normal retirement

Benefit earned prior to September 1, 2017:

Age Requirement: 50

Service Requirement: 5

Amount: Greater of 3.0% of Average Computation Pay times years of Pension Service (maximum 96.0%) and \$2,200 per month. The \$2,200 per month minimum benefit is prorated if the Member retires with less than 20 years of service.

Average Computation Pay: 36 consecutive months that reflect the highest civil service rank held by a member, plus Educational Incentive Pay, Longevity Pay and City Service Incentive Pay

Benefit earned beginning September 1, 2017:

Age Requirement: 58

Service Requirement: 5

Amount: Greater of 2.5% of Average Computation Pay times years of Pension Service (maximum 90.0%) and \$2,200 per month. The \$2,200 per month minimum benefit is prorated if the Member retires with less than 20 years of service.

Average Computation Pay: 60 consecutive months that reflect the highest civil service rank held by a member, plus Educational Incentive Pay, Longevity Pay and City Service Incentive Pay

Section 4: Actuarial Valuation Basis

20 and out reduced retirement

If eligible as of September 1, 2017:

Age Requirement: None

Service Requirement: 20 years

Amount: 20 & Out Multiplier times 36-month (Table 1 Benefit) or 60-month (Table 2 Benefit) Average Computation Pay times years of Pension Service

**Benefit Accrued Before September 1, 2017
20 & Out Table 1**

Age	Multiplier
45 & under	2.00%
46	2.25%
47	2.50%
48	2.75%
49	2.75%
50 & above	3.00%

**Benefit Accrued Beginning September 1, 2017
20 & Out Table 2**

Age	Multiplier
53 & under	2.00%
54	2.10%
55	2.20%
56	2.30%
57	2.40%
58 & above	2.50%

If not eligible as of September 1, 2017:

Age Requirement: None

Service Requirement: 20 years

Amount: 20 & Out Multiplier times 60-month Average Computation Pay times years of Pension Service

20 & Out Table 2

Age	Multiplier
53 & under	2.00%
54	2.10%
55	2.20%
56	2.30%
57	2.40%
58 & above	2.50%

Section 4: Actuarial Valuation Basis

Early retirement

If at least age 45 as of September 1, 2017 and less than age 50:

Age Requirement: 45

Service Requirement: 5

Amount: Normal pension accrued prior to September 1, 2017 plus the benefit accrued based on the 20 & Out Table 2 for service beginning September 1, 2017, reduced by 2/3 of 1% for each whole month by which the benefit commencement date precedes age 50

Non-service connected disability

Eligibility: Injury or illness (lasting more than 90 days) not related to or incurred while in the performance of the member's job, preventing the member from performing their departmental duties.

Amount: 3% of Average Computation Pay for service earned prior to September 1, 2017 and the applicable benefit multiplier from 20 & Out Table 2 times Average Computation Pay for service earned beginning September 1, 2017

Service connected disability

Eligibility: Injury or illness (lasting more than 90 days) obtained while on duty in the performance of the member's job.

Amount: 3% of Average Computation Pay for service earned prior to September 1, 2017 and the applicable benefit multiplier from 20 & Out Table 2 times Average Computation Pay for service earned beginning September 1, 2017; if the member has less than 20 years of service, the benefit will be calculated as if they had 20 years at the time of disability

Benefit supplement

Age Requirement: 55

Service Requirement: 20 years, waived if member is receiving a service-connected disability

Amount: 3% of the total monthly benefit (including any applicable COLA's) payable to the Member when the Member attains age 55. The benefit supplement shall not be less than \$75 per month.

Beginning September 1, 2017, only those annuitants and their survivors already receiving the supplement will be eligible to maintain their current supplement, which will not change ongoing; no additional retirees will be eligible for the supplement.

Section 4: Actuarial Valuation Basis

Members whose participation began on or after March 1, 2011

Normal retirement

Age Requirement: 58

Service Requirement: 5

Amount: 2.5% of Average Computation Pay for each year of Pension Service, maximum 90%. The minimum monthly benefit is \$110 times the number of years of Pension Service at retirement, but not greater than \$2,200.

Average Computation Pay: 60 consecutive months that reflects the highest civil service rank held by a member plus Educational Incentive Pay plus Longevity Pay plus City Service Incentive Pay

20 and out reduced retirement

Age Requirement: None

Service Requirement: 20 years

Amount: 20 & Out Multiplier times Average Computation Pay times years of Pension Service

20 & Out Table 2	
Age	Multiplier
53 & under	2.00%
54	2.10%
55	2.20%
56	2.30%
57	2.40%
58 & above	2.50%

Early retirement

Age Requirement: 53

Service Requirement: 5

Amount: Normal pension accrued, reduced by 2/3 of 1% for each whole month by which the benefit commencement date precedes the normal retirement date

Section 4: Actuarial Valuation Basis

Non-service-connected disability

Eligibility: Injury or illness (lasting more than 90 days) not related to or incurred while in the performance of the member's job, preventing the member from performing their departmental duties.

Amount: The Member's accrued benefit, but not less than a pro-rated minimum benefit

Service-connected disability

Eligibility: Injury or illness (lasting more than 90 days) obtained while on duty in the performance of the member's job.

Amount: The greater of 50% of Average Computation Pay and the Member's accrued benefit; if the member has less than 20 years of service, the benefit will be calculated as if they had 20 years of service at the time of disability.

All members

Termination benefit

With less than five years of pension service: Upon request, the member's contributions will be returned without interest.

With at least five years of pension service: The member may either withdraw contributions or leave contributions in the Plan and receive a monthly benefit to commence no earlier than the member's earliest eligibility for retirement benefits. Retirement benefit is equal to the accrued benefit as of the date of termination.

Pre-retirement death benefits

While in active service, duty-related deaths: The greater of 100% of the Member's accrued benefit or a benefit based on 20 years of service. The benefit may not exceed 90% of Average Computation Pay.

While in active service, off-duty deaths: The greater of 50% of the Member's accrued benefit or a benefit based on 20 years of service. The benefit may not exceed 45% of Average Computation Pay.

After leaving active service, with fewer than five years: A lump sum benefit equal to the return of member contributions without interest.

After leaving active service, with at least five years: 50% of the Member's accrued benefit, with no early retirement reduction, or a refund of member contributions

Section 4: Actuarial Valuation Basis

Post retirement death benefit

50% or 100% of the pension the Member was receiving at the time of their death, depending on the form of joint and survivor annuity chosen; if there are no qualifying survivors, no further benefits will be paid.

Qualified surviving children benefit

50% of the pension the Member was receiving at the time of their death, divided equally among the children, paid until the youngest child is 19 years old or for life if the child becomes disabled prior to age 23, unless the death is in the line of duty and there is not a Qualified Surviving Spouse, in which case the children share 100% of the pension the Member was receiving at the time of their death

Minimum survivor benefit

\$1,100 per month, not to exceed the actual amount the Member was receiving upon their death. If there are no Qualified Surviving Children, the minimum benefit to a spouse who is a Qualified Survivor shall be \$1,200 per month. If the Member had less than 20 years of Pension Service, the minimum benefit will be prorated based on actual years of Pension Service.

Special survivor benefit

Eligibility: Upon leaving active service or joining DROP: a) the Member was at least 55 years old with at least 20 years of pension service, or b) the sum of the Member's age plus Pension Service was at least 78; and

Has no Qualified Surviving Children or disabled children currently eligible for survivor benefits; and

Whose Qualified Surviving Spouse is at least 55 years old. The Qualified Surviving Spouse does not have to be 55 years old at the time of the Member's death.

Amount: Once all the eligibility conditions are met, the amount the Qualified Surviving Spouse will receive increases from 50% of the Member's pension benefit to a percentage of the Member's pension benefit based on the Member's applicable benefit multiplier times the number of years of Pension Service the Member worked,

Survivor benefit if no qualified surviving spouse or qualified surviving children

A lump sum that is the actuarial equivalent of 120 monthly payments of the greater of: 50% of the Member's pension benefit at the time of their death, or a benefit based on 20 years of the Member's service.

Section 4: Actuarial Valuation Basis

DROP

Eligibility: Members in active service who are retirement eligible may elect to enter the Deferred Retirement Option Plan (DROP).

Distribution: The DROP account balance will be paid over the expected future lifetime of annuitants.

Interest: Based on United States Department of Commerce Daily Treasury Yield Curve Rates for durations between 5 and 30 years; interest rate is based on the expected lifetime of the members at the time they retire. Interest is only paid on DROP account balances as of September 1, 2017.

Maximum years of crediting: Once an active member reaches 10 years in DROP they will no longer have their pension benefit credited to their DROP account.

Cost of living adjustments (COLAs)

Before the plan is 70% funded, an immediate partial COLA equal to the annual change in CPI-U All Items for the Dallas-Ft. Worth-Arlington, Texas area multiplied by the funded ratio on a market value basis, limited to 1.50%, effective October 1, 2025.

After the plan is 70% funded, the Board may grant an ad hoc COLA based on the actual market return over the prior five years less 5%, not to exceed 4% of the base benefit, if, after granting a COLA, the funded ratio on a market value of assets basis is no less than 70%.

Member contributions

13.5% of computation pay for all members

City contributions

The proposed City contributions for Fiscal Years ending September 30, 2025 through 2054 are based on 30-year closed amortization amount with five-year step-up for the unfunded actuarial accrued liability, and administrative expenses as well as set normal cost ranges as a percentage of pay, determined based on projections as of January 1, 2023 calculated by a third-party. New amortization layers will be established for changes in the unfunded liability over the later of a closed 20-year period or January 1, 2053, but will not be greater than the amounts established based on the initial amortization schedule.

Forms of benefits

50% or 100% Joint and Survivor Pension

Section 4: Actuarial Valuation Basis

Changes in Plan Provisions

The following plan provision was changed on August 8, 2024 and is reflected in this valuation:

Before the plan is 70% funded, an immediate partial COLA equal to the annual change in CPI-U All Items for the Dallas-Ft. Worth-Arlington, Texas area multiplied by the funded ratio on a market value basis, limited to 1.50%, effective October 1, 2025.

Section 5: GASB Information

Exhibit J: Net Pension Liability

Components of the Net Pension Liability	Current	Prior
Measurement date and reporting date for the Plan under GASB 67	December 31, 2023	December 31, 2022
Total Pension Liability	\$5,724,587,066	\$5,254,660,197
Plan Fiduciary Net Position	1,934,816,560	1,806,567,341
Net Pension Liability	3,789,770,506	3,448,092,856
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	33.80%	34.38%

Actuarial assumptions. The Total Pension Liability (TPL) as of December 31, 2023, which was determined based on the results of an actuarial valuation as of January 1, 2024, used the following actuarial assumptions, applied to all periods included in the measurement:

Assumption Type	Assumption
Wage inflation	2.50%
Salary increases	4.00%
Net investment rate of return	6.50%, net pension plan investment expense, including inflation

Other assumptions used to determine the total pension liability are based on results of an experience study for the period January 1, 2015 through December 31, 2019 and are detailed in Section 4, Exhibit H.

Section 5: GASB Information

Determination of discount rate and investment rates of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation. The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return ¹
Global Equity	55.00%	6.80%
Emerging Market Equity	5.00%	8.00%
Private Equity	5.00%	9.90%
Short-Term Investment Grade Bonds	6.00%	1.25%
Investment Grade Bonds	4.00%	1.80%
High Yield Bonds	4.00%	3.60%
Bank Loans	4.00%	3.20%
Emerging Markets Debt	4.00%	3.70%
Real Estate	5.00%	3.40%
Natural Resources	5.00%	4.85%
Cash	3.00%	1.00%
Total	100.00%	

Discount rate. The discount rates used to measure the Total Pension Liability (TPL) was 6.50%. Based on changes adopted by the Board, which includes the City's payment of the actuarial determined contribution, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

¹ The real rates of return are provided by Segal Marco Advisors and are net of inflation.

Section 5: GASB Information

Actuarial cost method: In accordance with GASB 67, the TPL for active members is valued as the total present value of benefits once they enter the DROP. For the funding valuation, the liability for these members accumulates from their entry age until they are assumed to leave active service.

Discount rate sensitivity

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the Net Pension Liability (NPL) of the Plan's Short Name as of January 1, 2024, calculated using the discount rate of 6.50%, as well as what the System's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate.

Item	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net Pension Liability	\$ 4,533,890,851	\$3,789,770,506	\$ 3,179,132,503

Section 5: GASB Information

Exhibit K: Schedule of changes in Net Pension Liability

Components of the Net Pension Liability	Current	Prior
Reporting and Measurement Dates		
Measurement date and reporting date for the Plan under GASB 67	December 31, 2023	December 31, 2022
Total Pension Liability		
Service cost	\$80,051,163	\$71,625,266
Interest	335,597,503	329,454,977
Change of benefit terms	417,331,644	0
Differences between expected and actual experience	-19,7070,728	-42,455,842
Changes of assumptions	0	65,941,802
Benefit payments, including refunds of member contributions	-343,345,713	-333,637,698
Net change in Total Pension Liability	\$ 469,926,869	\$90,928,505
Total Pension Liability — beginning	5,254,660,197	5,163,731,692
Total Pension Liability — ending	\$ 5,724,587,066	\$5,254,660,197
Plan Fiduciary Net Position		
Contributions — employer	\$171,960,839	\$169,911,420
Contributions — employee	62,510,063	59,706,574
Net investment income	243,098,278	-240,891,386
Benefit payments, including refunds of member contributions	-343,345,713	-333,637,698
Administrative expense	-5,974,248	-6,361,999
Other	0	0
Net change in Plan Fiduciary Net Position	\$128,249,219	-\$351,273,089
Plan Fiduciary Net Position — beginning	1,806,567,341	2,157,840,430
Plan Fiduciary Net Position — ending	\$1,934,816,560	\$1,806,567,341

Section 5: GASB Information

Components of the Net Pension Liability	Current	Prior
Net Pension Liability		
Net Pension Liability – ending	\$ 3,789,770,506	\$3,448,092,856
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	33.80%	34.38%
Covered payroll ¹	\$469,275,612	\$462,820,226
Plan Net Pension Liability as percentage of covered payroll	807.58%	745.02%

Notes to Schedule:

- **Benefit changes:** The benefit change in 2023 is the addition of the immediate partial COLA effective October 1, 2025.
- **Change of Assumptions:** The assumption changes in 2022 are updates to the salary scale for the 2023 Meet and Confer agreement and lowering DROP Active retirement rates for participants in DROP for ten years from 100% to 75%.

¹ Covered payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of the retirement benefits are included.

Section 5: GASB Information

Exhibit L: Schedule of employer contributions

Year Ended December 31	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions ¹	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$261,859,079	\$119,345,000	\$142,514,079	\$365,210,426	32.68%
2017	168,865,484	126,318,005	42,547,479	357,414,472	35.34%
2018	157,100,128	149,356,565	7,743,563	346,036,690	43.16%
2019	152,084,297	155,721,087	-3,636,790	363,117,415	42.88%
2020	185,428,764	161,950,183	23,478,581	396,954,743	40.80%
2021	221,285,746	165,541,265	55,744,481	427,440,530	38.73%
2022	228,530,758	169,911,420	58,619,338	436,971,384	38.88%
2023	251,606,424 ²	171,960,839	79,645,585	462,820,226	37.15%

See accompanying notes to this schedule on next page.

¹ The City's contributions are based on statutory rates set by State law and not actuarially determined contributions.

² Based on the original January 1, 2023 actuarial valuation, prior to the change in reporting the ADC based on the City's fiscal year.

Section 5: GASB Information

Methods and assumptions used to determine contribution rates for the year ended December 31, 2023:

These are not the same assumptions used in the January 1, 2024 actuarial valuation or for the Total Pension Liability as measured as of December 31, 2023 and are prior to the changes adopted by the Board on August 8, 2024.

Valuation date

Actuarially determined contribution is calculated using a January 1, 2023 valuation date as of the beginning of the fiscal year in which contributions are reported

Actuarial cost method

Entry age

Amortization method

25-year level percent of payroll for UAL as of January 1, 2020, 20-year level percent of payroll for changes to the UAL thereafter, using 2.50% annual increases.

Remaining amortization period

82 years as of January 1, 2023

Asset valuation method

Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the actuarial value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.

Investment rate of return

6.50%, including inflation, net of pension plan investment expense

Section 5: GASB Information

Inflation rate

2.50%

Projected salary increases

Inflation plus merit increases; varying by group and year

Retirement rates

Group-specific rates based on age

Mortality:

Pre-retirement: Pub-2010 Public Safety Employee Amount-Weighted Mortality Table, set forward five years for males, projected generationally using Scale MP-2019

Healthy annuitant: Pub- 2010 Public safety Retiree Amount-Weighted Mortality Table, set back one year for females, projected generationally using Scale MP-2019

Healthy contingent beneficiaries: Pub-2010 Public Safety Contingent Survivor Amount-Weighted Mortality Table, set back one year for females, projected generationally using Scale MP-2019.

Disabled: Pub-2010 Public Safety Disabled Retiree Amount-Weighted Mortality Table, set forward four years for males and females, projected generationally using Scale MP-2019.

Other information

See Section 4, Exhibit I of the January 1, 2023 actuarial valuation for a full outline of assumptions. See Exhibit K of this section for the history of changes to plan provisions and assumptions over the last two years.

DROP Utilization: 0% of Police and Fire members are assumed to elect to enter DROP.

Interest on DROP Accounts: Beginning January 1, 2018, 2.75% payable upon retirement on active account balances as of September 1, 2017.

Appendix A: Definition of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Term	Definition
Actuarial accrued liability for actives	The equivalent of the accumulated normal costs allocated to the years before the valuation date.
Actuarial accrued liability for retirees and beneficiaries	Actuarial Present Value of lifetime benefits to existing retirees and beneficiaries. This sum takes account of life expectancies appropriate to the ages of the annuitants and the interest that the sum is expected to earn before it is entirely paid out in benefits.
Actuarial cost method	A procedure allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability that are used to determine the actuarially determined contribution.
Actuarial gain or loss	A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., assets earn more than projected, salary increases are less than assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results yield actuarial liabilities that are larger than projected.
Actuarially equivalent	Of equal Actuarial Present Value, determined as of a given date and based on a given set of Actuarial Assumptions.
Actuarial present value	The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. Each such amount or series of amounts is: Adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.) Multiplied by the probability of the occurrence of an event (such as survival, death, disability, withdrawal, etc.) on which the payment is conditioned, and Discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Appendix A: Definition of Pension Terms

Term	Definition
Actuarial present value of future benefits	The Actuarial Present Value of benefit amounts expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age, anticipated future compensation, and future service credits. The Actuarial Present Value of Future Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive members entitled to either a refund of member contributions or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.
Actuarial valuation	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan, as well as Actuarially Determined Contributions.
Actuarial value of assets	The value of the Plan's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly plans use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the Actuarially Determined Contribution.
Actuarially determined	Values that have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the Plan.
Actuarially determined contribution	The employer's contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined under the Plan's funding policy. The ADC consists of the Employer Normal Cost and the Amortization Payment.
Amortization method	A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the Unfunded Actuarial Accrued Liability. Under the Level Percentage of Pay method, the Amortization Payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the Unfunded Actuarial Accrued Liability. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.
Amortization payment	The portion of the pension plan contribution, or ADC, that is intended to pay off the Unfunded Actuarial Accrued Liability.
Assumptions or actuarial assumptions	The estimates upon which the cost of the Plan is calculated, including: Investment return — the rate of investment yield that the Plan will earn over the long-term future; Mortality rates — the rate or probability of death at a given age for employees and retirees; Retirement rates — the rate or probability of retirement at a given age or service; Disability rates — the rate or probability of disability retirement at a given age; Withdrawal rates — the rate or probability at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement; Salary increase rates — the rates of salary increase due to inflation, real wage growth and merit and promotion increases.

Appendix A: Definition of Pension Terms

Term	Definition
Closed amortization period	A specific number of years that is counted down by one each year, and therefore declines to zero with the passage of time. For example, if the amortization period is initially set at 20 years, it is 19 years at the end of one year, 18 years at the end of two years, etc. See Open Amortization Period.
Decrements	Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or withdrawal.
Defined benefit plan	A retirement plan in which benefits are defined by a formula based on the member's compensation, age and/or years of service.
Defined contribution plan	A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.
Employer normal cost	The portion of the Normal Cost to be paid by the employer. This is equal to the Normal Cost less expected member contributions.
Experience study	A periodic review and analysis of the actual experience of the Plan that may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified based on recommendations from the Actuary.
Funded ratio	The ratio of the Actuarial Value of Assets AVA to the Actuarial Accrued Liability (AAL). Plans sometimes also calculate a market funded ratio, using the Market Value of Assets (MVA), rather than the AVA.
GASB 67 and GASB 68	Governmental Accounting Standards Board (GASB) Statements No. 67 and No. 68. These are the governmental accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 68 sets the accounting rules for the employers that sponsor or contribute to public retirement systems, while Statement No. 67 sets the rules for the systems themselves.
Investment return	The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.
Net Pension Liability (NPL)	The Net Pension Liability is equal to the Total Pension Liability minus the Plan Fiduciary Net Position.
Normal cost	The portion of the Actuarial Present Value of Future Benefits and expenses, if applicable, allocated to a valuation year by the Actuarial Cost Method. Any payment with respect to an Unfunded Actuarial Accrued Liability is not part of the Normal Cost (see Amortization Payment). For pension plan benefits that are provided in part by employee contributions, Normal Cost refers to the total of member contributions and employer Normal Cost unless otherwise specifically stated.
Open amortization period	An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. If the initial period is set as 30 years, the same 30-year period is used in each future year in determining the Amortization Period.

Appendix A: Definition of Pension Terms

Term	Definition
Plan Fiduciary Net Position	Market value of assets.
Service costs	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.
Total Pension Liability (TPL)	The actuarial accrued liability under the entry age normal cost method and based on the blended discount rate as described in GASB 67 and 68.
Unfunded actuarial accrued liability	The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative, in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus or an Overfunded Actuarial Accrued Liability.
Valuation date or actuarial valuation date	The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Benefits is determined. The expected benefits to be paid in the future are discounted to this date.



DISCUSSION SHEET

ITEM #C2

Topic: Section 2.025 Funding Process Update

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.071 of the Texas Government Code.

Discussion: Staff will provide an update on the Section 2.025 funding process.

Regular Board Meeting – Thursday, October 10, 2024



D A L L A S
POLICE & FIRE
PENSION SYSTEM



Section 2.025 Funding Process Update

October 10, 2024
Board Meeting

Update Since the September Board Meeting

- Texas House of Representative Committee of Pensions, Investments and Financial Services Committee held on September 19, 2024.
- No further conversations with the City of Dallas.
- The Texas Pension Review Board's actuary, David Fee, stated at the PRB Board meeting on September 25, 2024, that the City intends to make employer contributions based on the plan the City adopted beginning October 1, 2024.
- On September 30th, the City submitted documents to the PRB, which they have framed as a Funding Soundness Restoration Plan. Some of the documents have been provided as attachments to this agenda item.
- An update on the litigation will be provided under the Legal Issue agenda item.

Future Dates

- October 30 - Hearing on 2.025 case
- November 14 – DPFP Board Meeting – financial audit, supplemental valuation
- December 4 – PRB Board Meeting
- December 12 – DPFP Board Meeting
- January 14 – First day of the 89th Legislative Session
- March 14 – Last day to file bills
- June 2 – Last day of the 89th Legislative Session



September 30, 2024

David Fee
Senior Actuary
Texas Pension Review Board
300 W 15th Street, Suite 406
Austin, Texas 78701

Dear Mr. Fee,

Enclosed is the Funding Soundness Restoration Plan (FSRP) submission form and required documents for the Dallas Police and Fire Pension System (DPFPS) submitted on behalf of the City Council of the City of Dallas (City) as approved on September 11, 2024, by Council Resolution #24-1318.

While the City tried to work together with DPFPS over the past year to develop a joint funding plan and while the City believed this work was being done in good faith, on August 8, 2024, we learned that the DPFPS Board unilaterally adopted a plan that purports to obligate the City to higher contribution amounts without agreement from the City and without regard for the City's financial constraints. As the sponsoring municipality for DPFPS, the City rejects any plan submitted to the Pension Review Board by DPFPS that has not been approved by the City. The City does not and has not agreed to the plan adopted by the DPFPS Board on August 8, 2024.

Despite the actions of DPFPS, and the unwillingness of DPFPS to jointly formulate a plan, the City wishes to comply with its obligation under Texas Vernon Civil Statute, Article 6243a-1 and Texas Government Code Chapter 802 Subchapter C and has worked to develop a plan that satisfies both statutory provisions and fully funds the unfunded actuarial accrued liability of DPFPS within 30 years.

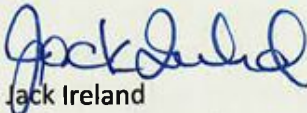
On September 11, 2024, the Dallas City Council approved Resolution #24-1318 that adopts the Article 6243a-1 Plan/Subchapter C Funding Soundness Restoration Plan, which is attached. Among other things, this plan provides that beginning in October 2024, City contributions will be based on an Actuarially Determined Contribution Rate that includes:

1. An established 30-year closed amortization amount with a five-year step-up for the unfunded actuarial accrued liability and administrative expenses, developed by Cheiron, Inc. based on the DPFPS January 1, 2023 Actuarial Valuation;
2. Normal cost; and
3. New amortization layers as necessary to amortize the difference between the expected remaining balance of all previous year's layers and the actual unfunded actuarial accrued liability for the given valuation.

Subject to limited budgetary guardrails that protect the City of Dallas from extraordinary increases in the Actuarially Determined Contribution Rate (excluding item 1 above) that exceed five percent (5%), City contributions will be sufficient to fund DPFPS' normal cost, administrative expense, and fully satisfy DPFPS' January 1, 2023, unfunded liability over a 30-year period according to the attached schedule.

Please confirm receipt of this submission by e-mail to me at jack.ireland@dallas.gov and do not hesitate to contact me should you have any questions or comments. If through your review, you identify any issue, please allow us the opportunity to work with you to ensure that we satisfy all Pension Review Board requirements.

If you have any questions, I may also be reached at 214-384-0692. Thank you for your continued assistance.



Jack Ireland
Chief Financial Officer

Attachments

C: Mayor Pro Tem Tennell Atkins, Chair of Ad Hoc Committee on Pensions
Kimberly Bizer Tolbert, Interim City Manager
Tammy L. Palomino, City Attorney
Nick Merrick, DPFPS Board Chair
Kelly Gottschalk, DPFPS Executive Director
Jeannie Chen, Deloitte Consulting

February 2023



P.O. Box 13498, Austin, TX 78711 | Phone: (800) 213-9425 or (512) 463-1736 | Fax: (512) 463-1882 | Email: prb@prb.texas.gov

Funding Soundness Restoration Plan Coversheet

Retirement System Profile

Dallas Police and Fire Pension System	214-670-9070
System Name	Phone Number
Jack Ireland	jack.ireland@dallas.gov
Report Contact Name (Please Print)	Email Address

FSRP Documentation

This form is a required component of Funding Soundness Restoration Plans (FSRPs), Revised Funding Soundness Restoration Plans (R-FSRPs), and Voluntary Funding Soundness Restoration Plans (V-FSRPs). For full details on FSRP requirements, please review Section 802.2015/802.2016 of the Texas Government Code, Chapter 610 of the Texas Administrative Code, and the materials at prb.texas.gov/actuarial/funding-soundness-restoration-plan-fsrp/.

Final Adoption:

FSRPs are required to be adopted at open meetings of the respective governing bodies of the system and entity not later than the second anniversary of the triggering actuarial valuation.¹ Please provide documentation of the open meeting dates with associated minutes and/or recordings below.

Adoption of FSRP/R-FSRP by governing body of retirement system

Meeting Date _____ Minutes (attached)
 Recording (location: _____)

Adoption of FSRP/R-FSRP by governing body of associated governmental entity

Meeting Date 9/11/24 Minutes (attached) See attached Council Meeting Agenda and Resolution 24-2877
 Recording (location: <https://tatatx.new.swgis.com/videos/314>)

¹ §§802.2015(e)(4) and (e-1)(4) and 802.2016(e)(4) and (e-1)(4), Texas Government Code.

Analysis:

FSRPs must include an actuarial projection of expected future assets and liabilities² within an actuarial valuation report or separate analysis. The projection must begin with the triggering valuation date and demonstrate the year in which the system is expected to reach full funding, accompanied by a description of all assumptions and methods used to perform the analysis, which must comply with Actuarial Standards of Practice.

To show the combined impact of all changes to an FSRP or R-FSRP in accordance with §802.2015(e-2) or §802.2016(e-2), Texas Government Code, we will submit a/an:

- Actuarial valuation required by §802.101(a) or other law.
- Separate analysis.

Please indicate if the AV or separate analysis:

- Is attached with this coversheet.
- Will be submitted separately within 90 days

Components: Please indicate all categories that apply to your system’s FSRP, R-FSRP, or V-FSRP. Risk-sharing mechanisms are optional for first-time FSRPs with a maximum allowable funding period of 30 years. **Revised FSRPs MUST include automatic risk sharing mechanisms, an ADC structure, and other adjustable benefit or contribution mechanisms.** A description of what is considered a “automatic risk sharing-mechanism” can be found in §610.30(c) of the Texas Administrative Code.

<p><u>Benefit Changes:</u></p> <ul style="list-style-type: none"> <input type="checkbox"/> New benefits tier <input type="checkbox"/> COLA eliminated <input type="checkbox"/> COLA changed <input type="checkbox"/> DROP eliminated <input type="checkbox"/> DROP changed <input type="checkbox"/> Other (describe below or on a separate page.) 	<p><u>Contribution Changes:</u></p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Actuarially determined contribution structure <input checked="" type="checkbox"/> Sponsor contribution increase <input type="checkbox"/> Member contribution increase <input type="checkbox"/> Other (describe below or on a separate page.) 	<p><u>Risk-sharing Mechanisms:</u></p> <ul style="list-style-type: none"> <input type="checkbox"/> Corridor <input type="checkbox"/> Other (describe below or on a separate page.)
<p><u>Please Briefly Describe Changes:</u></p> <p>On September 11, 2024, the City Council approved Resolution 24-1318 that adopts the Article 6243a-1 Plan/Subchapter C Funding Soundness Restoration Plan, Exhibit A, attached. Among other things, this provide that beginning on October 2024, City contributions will be based on an Actuarially Determined Contribution rate that includes an established 30-year closed amortization amount with five-year step-up for the unfunded actuarial accrued liability and administrative expenses, developed by by Cheiron, Inc. based on the DFPF January 1, 2023 Actuarial Valuation.</p>		


² Example projection available at <https://www.prb.texas.gov/wp-content/uploads/2023/02/FSRP-Sample-Additional-Analysis.pdf>

Attached Documents: Please list or describe any supplemental documents your system is submitting with this form to constitute your FSRP.

1. Dallas City Council September 11, 2024 Agenda (Item 57)
2. City Resolution 24-1318: DPFPS Funding Soundness Restoration Plan
3. 30-Year amortization schedule of unfunded actuarial accrued liability as of January 1, 2023 with 5-year step up ADC and current COLA, and accompanying report/presentations developed by Cheiron Inc.
4. FSRP 30-Year Projection Illustration

Certification

I hereby certify that the information provided above is correct and accurate and that I am duly authorized by the retirement system to complete this form.



Authorizing Signature

Sept 30, 2024
Date

Jack Ireland, Chief Financial Officer

Printed Name

PRB Review

Having reviewed this form and attached documents, I certify that the FSRP/R-FSRP/L-FSRP status is:

- | | |
|---|--|
| <input type="checkbox"/> Submitted, needs AV/analysis | <input type="checkbox"/> Additional materials needed (see description) |
| <input type="checkbox"/> Compliant | <input type="checkbox"/> Noncompliant |

Staff Signature

Date

Printed Name

September 11, 2024

RESOLUTION NO. 241318

WHEREAS, in accordance with Vernon’s Texas Revised Civil Statute Annotated, Article 6243a-1 (Article 6243a-1), Section 2.025(a), an independent actuary, Cheiron, Inc., was hired by the Dallas Police and Fire Pension System (DPFPS) to perform an actuarial analysis of the most recently completed actuarial valuation of the pension system; and

WHEREAS, per Article 6243a-1, Section 2.025(b), the DPFPS Board, not later than November 1, 2024, shall by rule adopt a plan that complies with the funding and amortization period requirements applicable to DPFPS under the Texas Government Code Chapter 802 Subchapter C (Subchapter C) that takes into consideration the independent actuary’s recommendations; and

WHEREAS, per Article 6243a-1, Section 2.025(b-1), the DPFPS Board shall provide to the State Pension Review Board a copy of the independent actuary’s analysis prepared under Article 6243a-1, Section 2.025(a), and a summary of any rules adopted by the DPFPS Board; and

WHEREAS, in 2023, DPFPS, in accordance with Subchapter C, was added by the State Pension Review Board to the list of pension systems that must comply with the funding soundness restoration plan provisions of Subchapter C, “Administration of Assets,” as actuarial valuations showed that DPFPS’s expected period to amortize the unfunded actuarial accrued liability had exceeded 30 years for three consecutive annual actuarial valuations; and

WHEREAS, the requirements of a jointly agreed to plan by the DPFPS and the City has been triggered by both the Article 6243a-1, Section 2.025 requirement that the adopted plan must comply with the **funding and amortization period requirements** applicable to DPFPS under Subchapter C and the requirement that the DPFPS must comply with the funding soundness restoration provisions of Subchapter C, “Administration of Assets,” as actuarial valuations showed that DPFPS’s expected funding period had exceeded 30 years for three consecutive annual actuarial valuations; and

WHEREAS, a funding plan adopted to comply with Subchapter C must be based on actions agreed to be taken by the DPFPS Board and the City each at an open meeting; and

WHEREAS, in accordance with Article 6243a-1, Section 4.02(b), any change to the required contributions of the City may only be made by: (1) the legislature; (2) a majority vote of the voters of the City; or (3) in accordance with a written agreement entered into between the City and the DPFPS Board, by at least a two-thirds vote of all trustees of the DPFPS Board; and

WHEREAS, on August 8, 2024, while the City believed its good faith discussions with DPFPS were ongoing, the DPFPS Board unilaterally adopted a plan that purports to obligate the City to increase its contributions to DPFPS without agreement from the City and without regard to the City’s budgeting process and constraints; and

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WHEREAS, the City does not and has not agreed to the plan adopted by the DPFPS Board on August 8, 2024; and

WHEREAS, despite the actions of DPFPS, and the unwillingness of DPFPS to jointly formulate a plan to comply with Subchapter C, the City wishes to comply with its obligation under Article 6243a-1 and Subchapter C and has worked to develop a plan that satisfies both statutory provisions and fully funds the unfunded actuarial accrued liability of DPFPS within 30 years.

Now, Therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

SECTION 1. That the City Council, in accordance with and giving effect to both Article 6243a-1 and Subchapter C, hereby adopts the Article 6243a-1 Plan/Subchapter C Funding Soundness Restoration Plan, Exhibit A, attached hereto.

SECTION 2. That the City Manager is authorized and directed to coordinate the submission of the following documents to the State Pension Review Board as soon as practical, but not later than November 1, 2024: (1) the coversheet for the funding soundness restoration plan; (2) the Article 6243a-1 Plan/Subchapter C Funding Soundness Restoration Plan; and (3) all other required documents.

SECTION 3. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.



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EXHIBIT A

**CITY OF DALLAS VERNON'S TEXAS REVISED CIVIL STATUTES ANNOTATED
ARTICLE 6243A-1, SECTION 2.025 PLAN / TEXAS GOVERNMENT CODE
SUBCHAPTER 802 C FUNDING SOUNDNESS RESTORATION PLAN**

The City of Dallas (City), in compliance with Vernon's Texas Revised Civil Statutes Annotated Article 6243a-1 (Article 6243a-1) and Texas Government Code Subchapter 802 C (Subchapter C) (City Plan), has formulated this City Plan to achieve a contribution rate that will be sufficient to amortize the unfunded actuarial accrued liability of the Dallas Police and Fire Pension System (DPFPS) within 30 years.

1. City Contributions.

(a) Under Article 6243a-1, Section 4.02(b), any change to the contributions **required to be made** to the pension system by the City may only be made: (1) by the legislature; (2) a majority vote of the voters of the City; or (3) in accordance with a written agreement entered into between DPFPS, by at least a two-thirds vote of all trustees of the DPFPS Board, and the City. While Article 6243a-1 sets out the mandatory process to change the City's required contributions, nothing in Article 6243a-1 prevents the City from voluntarily, and through its own state law required appropriations process, increasing its contribution rate. This City Plan reflects a voluntary increase in the City's contributions above the requirements in Article 6243a-1, Section 4.02, and is subject to annual appropriations.

(b) Under Article 6243a-1, Section 4.02(d), "Use of Public Funds," the City will voluntarily make contributions to DPFPS biweekly using an Actuarially Determined Contribution Rate beginning October 2024, subject to the governance provisions set forth in Section 2, and the contribution maximums set forth in (d).

(c) ACTUARIALLY DETERMINED CONTRIBUTION (ADC) RATE is, for any fiscal year, a rate of contribution expressed as a percentage of members' projected wages for such fiscal year, that is the sum of the following as determined in the actuarial valuation for the plan year preceding such fiscal year:

(1) an established 30-year closed amortization amount with five-year step-up and no step-down for the unfunded actuarial accrued liability and administrative expenses, determined based on the January 1, 2023 Actuarial Valuation Report, as shown in the fixed dollar schedule as follows, divided by the members' projected wages for each fiscal year;

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<u>Amortization of</u> <u>January 1, 2023</u>				<u>Amortization of</u> <u>January 1, 2023</u>			
<u>Fiscal Year</u> <u>ending 9/30</u>	<u>Unfunded Actuarial</u> <u>Accrued Liability</u>	<u>Administrative</u> <u>Expenses</u>	<u>Total</u>	<u>Fiscal Year</u> <u>ending 9/30</u>	<u>Unfunded Actuarial</u> <u>Accrued Liability</u>	<u>Administrative</u> <u>Expenses</u>	<u>Total</u>
2025	\$ 161,656,000	\$ 7,000,000	\$ 168,656,000	2040	\$ 310,217,000	\$ 7,042,000	\$ 317,259,000
2026	\$ 179,482,000	\$ 7,000,000	\$ 186,482,000	2041	\$ 317,972,000	\$ 7,218,000	\$ 325,190,000
2027	\$ 197,889,000	\$ 7,000,000	\$ 204,889,000	2042	\$ 325,921,000	\$ 7,399,000	\$ 333,320,000
2028	\$ 217,163,000	\$ 7,000,000	\$ 224,163,000	2043	\$ 334,069,000	\$ 7,584,000	\$ 341,653,000
2029	\$ 237,336,000	\$ 7,000,000	\$ 244,336,000	2044	\$ 342,421,000	\$ 7,773,000	\$ 350,194,000
2030	\$ 242,341,000	\$ 7,000,000	\$ 249,341,000	2045	\$ 350,982,000	\$ 7,967,000	\$ 358,949,000
2031	\$ 248,399,000	\$ 7,000,000	\$ 255,399,000	2046	\$ 359,756,000	\$ 8,167,000	\$ 367,923,000
2032	\$ 254,609,000	\$ 7,000,000	\$ 261,609,000	2047	\$ 368,750,000	\$ 8,371,000	\$ 377,121,000
2033	\$ 260,975,000	\$ 7,000,000	\$ 267,975,000	2048	\$ 377,969,000	\$ 8,580,000	\$ 386,549,000
2034	\$ 267,499,000	\$ 7,000,000	\$ 274,499,000	2049	\$ 387,418,000	\$ 8,795,000	\$ 396,213,000
2035	\$ 274,186,000	\$ 7,000,000	\$ 281,186,000	2050	\$ 397,104,000	\$ 9,014,000	\$ 406,118,000
2036	\$ 281,041,000	\$ 7,000,000	\$ 288,041,000	2051	\$ 407,031,000	\$ 9,240,000	\$ 416,271,000
2037	\$ 288,067,000	\$ 7,000,000	\$ 295,067,000	2052	\$ 417,207,000	\$ 9,471,000	\$ 426,678,000
2038	\$ 295,269,000	\$ 7,000,000	\$ 302,269,000	2053	\$ 427,637,000	\$ 9,708,000	\$ 437,345,000
2039	\$ 302,650,000	\$ 7,000,000	\$ 309,650,000	2054	\$ 438,328,000	\$ 9,950,000	\$ 448,278,000

(2) normal cost; and

(3) new amortization layers as necessary to amortize the difference between the expected remaining balance of all previous year's layers and the actual unfunded actuarial accrued liability for the given valuation. New amortization layers will be amortized over a closed amortization period of 20 years or until January 1, 2053, whichever is later. If the actuarial assets of the fund exceed the actuarial liabilities for a given valuation, the outstanding layers may be collapsed into a single layer with a closed amortization period of 20 years or until January 1, 2053, whichever is later.

(d) For fiscal years ending September 30, 2025, through September 30, 2029, in no event shall the City contributions exceed:

(1) the dollar amounts set forth in (c)(1), plus

(2) the maximum percentage set forth in Section 2(e) multiplied by the members' wages for each fiscal year.

2. **Governance.** The City Plan to comply with the funding and amortization period requirements applicable to DPFPS by adopting an ADC with a five-year step-up is a significant financial commitment to DPFPS. For some predictability in its funding commitment, the City intends to implement the following governance provisions:

(a) Any changes to the actuarial assumptions, including, but not limited to, the current discount rate, that increases the DPFPS' liability must be approved prospectively by the DPFPS and City Council.

(b) Settlement of any lawsuit by DPFPS that increases DPFPS' liability must be approved prospectively by the DPFPS and City Council.

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(c) Any proposed increase by DPFPS in benefits, including, but not limited to, cost of living adjustments, that would increase the DPFPS' liability must be approved prospectively by the DPFPS and the City Council.

(d) Annually, the DPFPS and the City will each calculate an ADC rate for the following fiscal year. The City will accept the rate that is determined by DPFPS' actuary and presented to the DPFPS Board, except, if the difference between the rates that are calculated by the actuaries of the City and DPFPS is greater than three percent, DPFPS and the City will engage in a 30-day reconciliation period. If, within such period, the actuaries of the City and DPFPS reconcile the results of their respective calculations of the ADC rate for the applicable fiscal year, the rate that was calculated by DPFPS' actuary will be accepted by the City and DPFPS. If no such resolution is reached within the 30-day reconciliation period, an average of the rates, determined by the actuaries of the City and DPFPS, will be used to determine the city's voluntary contribution for the upcoming fiscal year.

(e) If in any plan year the ADC rate (excluding the amounts set forth in Section 1(c)(1) is outside of the minimum or maximum shown in the schedule as follows, the difference between ADC rate and the minimum or maximum will be amortized over a closed period of 20 years or until January 1, 2053, whichever is later. If the City Council determines that the fund is projected to be fully funded in over 30 years, the City Council may, in its sole discretion, waive this paragraph. The DPPFS Board may make a recommendation to City Council requesting that City Council waive this paragraph.

Plan Year	Fiscal Year ending 9/30	Normal Cost (% of Pay)			Plan Year	Fiscal Year ending 9/30	Normal Cost (% of Pay)		
		Minimum	30-year projection of Normal Cost*	Maximum			Minimum	30-year projection of Normal Cost*	Maximum
2023	2025	6.78%	6.78%	6.78%	2038	2040	1.03%	6.03%	11.03%
2024	2026	6.66%	6.66%	6.66%	2039	2041	0.99%	5.99%	10.99%
2025	2027	6.57%	6.57%	6.57%	2040	2042	0.97%	5.97%	10.97%
2026	2028	6.51%	6.51%	6.51%	2041	2043	0.95%	5.95%	10.95%
2027	2029	6.45%	6.45%	6.45%	2042	2044	0.94%	5.94%	10.94%
2028	2030	1.39%	6.39%	11.39%	2043	2045	0.95%	5.95%	10.95%
2029	2031	1.34%	6.34%	11.34%	2044	2046	0.96%	5.96%	10.96%
2030	2032	1.29%	6.29%	11.29%	2045	2047	0.96%	5.96%	10.96%
2031	2033	1.25%	6.25%	11.25%	2046	2048	0.96%	5.96%	10.96%
2032	2034	1.21%	6.21%	11.21%	2047	2049	0.96%	5.96%	10.96%
2033	2035	1.17%	6.17%	11.17%	2048	2050	0.96%	5.96%	10.96%
2034	2036	1.14%	6.14%	11.14%	2049	2051	0.96%	5.96%	10.96%
2035	2037	1.12%	6.12%	11.12%	2050	2052	0.96%	5.96%	10.96%
2036	2038	1.09%	6.09%	11.09%	2051	2053	0.96%	5.96%	10.96%
2037	2039	1.06%	6.06%	11.06%	2052	2054	0.96%	5.96%	10.96%

* 30-year Normal Cost projection based on the January 1, 2023 actuarial valuation report



City of Dallas

241318
 1500 Marilla Street
 Council Chambers, 6th Floor
 Dallas, Texas 75201

Agenda Information Sheet

File #: 24-2877

Item #: 57.

STRATEGIC PRIORITY: Government Performance & Financial Management

AGENDA DATE: September 11, 2024

COUNCIL DISTRICT(S): All

DEPARTMENT: Budget and Management Services

EXECUTIVE: Jack Ireland

SUBJECT

A resolution **(1)** adopting a funding soundness restoration plan for the Dallas Police and Fire Pension System; and **(2)** directing the city manager to submit the funding soundness restoration plan and all other required documents to the State Pension Review Board not later than November 1, 2024 - Financing: No cost consideration to the City (see Fiscal Information)

BACKGROUND

The Dallas Police and Fire Pension System (DPFPS) provides retirement, death, and disability benefits for permanent police and fire uniform employees of the City of Dallas. Currently there are approximately 5,300 retirees and beneficiaries, and approximately 5,100 active police and fire uniform employees that are members of DPFPS. The fund was established in 1916 and is governed by Vernon's Texas Revised Civil Statute Annotated, Article 6243a-1 (Article 6243a-1). The Texas Pension Review Board (PRB) is mandated to oversee all Texas public retirement systems based on Chapter 802 of the Texas Government Code. The PRB's funding guidelines require that actual contributions should be sufficient to cover the normal cost and to amortize the unfunded actuarial accrued liability over as brief a period as possible, but not to exceed 30 years.

As of January 1, 2023, DPFPS has a funding percentage of 39.1 percent and is projected to achieve full funding in 82 years. To comply with the Chapter 802 funding and amortization period requirements, a jointly agreed to plan by DPFPS and the City, a Funding Soundness Restoration Plan (FSRP), must be submitted to the Pension Review Board by September 1, 2025. The FSRP is required in accordance with Chapter 802 of the Texas Government Code.

Further, the Texas Legislature passed HB3158 in 2017 to address the solvency of DPFPS and outlined additional requirements. As required by Article 6243a-1, Section 2.025(b), the DPFPS Board, not later than November 1, 2024, shall by rule adopt a plan that complies with the funding and amortization period requirements applicable to DPFPS under the Texas Government Code Chapter 802 Subchapter C (Subchapter C) that takes into consideration the independent actuary's recommendations. Thus, the requirements of a jointly agreed to plan by the DPFPS and the city has

File #: 24-2877

been triggered by both the Article 6243a-1, Section 2.025 requirement that the adopted plan must comply with the funding and amortization period requirements applicable to DPFPS under Subchapter C and the requirement that the DPFPS must comply with the funding soundness restoration provisions of Subchapter C, "Administration of Assets," as actuarial valuations showed that DPFPS's expected funding period had exceeded 30 years for three consecutive annual actuarial valuations.

The recommendations made by the independent actuary, Cheiron, include: (1) implement an Actuarial Determined Contribution (ADC) methodology, (2) reduce employee contributions as funded status improves, and (3) provide some cost-of-living adjustment earlier than required by HB3158.

1. Cheiron provided multiple scenarios for the ADC including a traditional model, 3-year step-up and step-down model, 5-year step-up and step-down model, 3-year step-up model, and 5-year step-up model. Cheiron indicated that all five models are reasonable and would comply with the Pension Review Board's requirement for DPFPS to be fully funded in 30 years. Through months of work with the Mayor appointed Ad Hoc Committee on Pensions, representatives of the Mayor appointed task force including financial and industry experts, and DPFPS staff, city staff made final recommendations to the City Council. City staff has recommended implementation of an ADC methodology with a 5-year step-up approach that will better align with budgetary constraints of the City.
2. While city staff agrees that a reduction to employee contributions is an appropriate consideration once DPFPS funding status has improved, the current funding status does not make this possible at this time.
3. HB3158 suspended cost of living adjustments until DPFPS achieves 70 percent funding. City staff recommends maintaining the cost-of-living adjustment methodology and requirements included in HB3158 which becomes available after DPFPS is 70 percent funded. Providing supplemental pay before DPFPS is 70 percent funded has been supported by city staff and members of the City Council but is not included in the proposed FSRP at this time. Contribution of any funding from the City to DPFPS associated with supplemental pay prior to achieving 70 percent funding is paused but may be disbursed at a future date upon approval of the City Council.

Enhanced oversight of DPFPS is recommended to include City Council approval for expenses that will increase the unfunded liability and cost to the city, establishment of guardrails to mitigate year-over-year cost increases to the city, and establishment of a process for managing ADC calculation discrepancies.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

Presentations to the Ad Hoc Committee on Pensions occurred between September 2023 and June 2024. Presentations to the Dallas City Council occurred or were provided on January 19, 2024, June 18, 2024, August 7, 2024, and September 4, 2024.

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FISCAL INFORMATION

The Funding Soundness Restoration Plan recommended by city staff will have a total cost to the city of approximately \$11.1 billion over 30-years as a result of implementing an Actuarial Determined Contribution methodology. The city's current contribution to DPFPS is based on a fixed rate of 34.5 percent of salary and would have a total cost to the city of approximately \$7.9 billion over 30-years, however, this contribution fails to meet the PRB's funding requirements and timelines. Implementation of the Actuarial Determined Contribution methodology and the increased cost to the City is necessary to meet the PRB's funding guidelines which require that actual contributions should be sufficient to cover the normal cost and to amortize the unfunded actuarial accrued liability over as brief a period as possible, but not to exceed 30 years. The city's contributions will be subject to annual budget appropriations. This cost is reflective of the period to achieve full-funding in 30-years in compliance with State guidelines. City contributions to DPFPS will continue beyond 2055 but are not included in the above cited amount.



DISCUSSION SHEET

ITEM #C3

Topic: Report on Professional Services Committee Meeting

Discussion: According to the Committee Policy and Procedure, the Professional Services Committee is responsible for meeting privately with the external service providers, without DFPF staff present, at a minimum on an annual basis. The purpose of such a meeting is to provide a forum for the service provider to provide candid comments to the Professional Services Committee.

The Professional Service Committee met separately with Jeff Williams and Caitlin Grice of Segal on October 10, 2024.

Staff

Recommendation: The Professional Services Committee shall **report** to the Board any material comments and **recommend** to the Board any appropriate actions needed as a result of the meeting with Segal.

Regular Board Meeting – Thursday, October 10, 2024



DISCUSSION SHEET

ITEM #C4

Topic: Initial Reading and Discussion of the 2025 Budget

Discussion: Attached is the budget proposal for Calendar Year 2025.

The budget has been prepared in total for both the Combined Pension Plan and the Supplemental Plan. Total expenses are then allocated to the Supplemental Plan based upon the Group Trust allocation reported by JPMorgan.

Significant changes from the prior year budget and the projected 2024 actual expenses are explained in the comments accompanying the proposed budget.

Staff

Recommendation: Direct staff to revise the proposed budget based on the direction of the Board and bring the revised proposed budget to the Board at the November 2024 Board meeting for consideration for adoption. **Authorize** forwarding the 2025 proposed budget to the City of Dallas for comment and the posting of the proposed budget to www.dpfp.org for member review prior to the November meeting.

Regular Board Meeting – Thursday, October 10, 2024

DALLAS POLICE AND FIRE PENSION SYSTEM 2025 BUDGET REVIEW October 10, 2024



2025 Budget Review

Budget Process

- The System budget year is January – December.
- The proposed budget is first presented to the Board at the October meeting each year.
- At the October meeting, the Board may propose changes to the budget, and the Board authorizes the budget to be posted to the website and sent to the City of Dallas.
- At the November meeting, members will be given the opportunity to comment on the proposed budget and the Board or staff may propose changes.
- Also, during the November meeting, the Board may either approve the budget or direct staff to adjust the budget and bring the revised budget back to the Board in December for final approval.

2025 Budget Review

Additional Budget Expenses

The 2025 proposed budget includes additional one-time costs related to the following:

- Funding changes:

 - Actuary Services - \$270K

 - Legislative Consultant Services - \$50K

 - Public Relations - \$50K

 - Legal - \$150K

- Pension Administration Software and Imaging - \$575K

Total additional Administration and Professional expenses - \$1.1M



2025 Budget Review

In the summary budget, we track three broad categories of expenses:

- Administrative Expenses
- Professional Expenses
- Investment Expenses



2025 Budget Review

Summary Budget

Expense Type	2024 Budget	2024 Projected Actual	2025 Budget	Variances		Variances	
				2025	2024	2025	2024
				Budget vs	Budget	Budget vs	Proj. Act.
				\$	%	\$	%
Administrative Expenses	6,246,096	5,499,300	6,545,394	299,298	4.8%	1,046,094	19.0%
Professional Expenses	1,600,950	1,648,947	1,937,665	336,715	21.0%	288,718	17.5%
Admin & Prof Exp Total	7,847,046	7,148,247	8,483,059	636,013	8.1%	1,334,812	18.7%
Investment Expenses	9,647,817	9,695,144	10,820,487	1,172,670	12.2%	1,125,343	11.6%
Total	\$ 17,494,863	\$16,843,391	\$19,303,546	\$ 1,808,683	10.3%	\$ 2,460,155	14.6%
Prior Year's Admin and Professional Actual Expenses with Cumulative CPI increases applied							
2016 actual expenses with CPI increases applied			\$12,551,447				
2017 actual expenses with CPI increases applied			\$10,548,439				



2025 Budget Review

Salaries and Benefits

- Current staff level is 23 – no change budgeted for 2025. Budgeted staff level for 2024 was 22.
- Per Compensation policy, CBIZ, a compensation consulting expert, submitted their annual salary structure letter. Their letter included the following: structure update recommendation is 3.3% and salary increase budget recommendation of 4.7%.
- Health insurance was quoted with a preliminary market increase estimate of 7%.
- Other benefit insurance costs (LTC, LTD, STD, Life, etc.) are projected with no increases for next year.
- TMRS (staff retirement plan) contribution rate for 2025 was reduced from 9.38% to 9.04%.

2025 Budget Review

Salaries and Benefits

Expense Type	2024 Budget	2024 Projected		Variances		Variances	
		Actual	2025 Budget	2025	2024	2025	2024
				Budget vs	Budget	Budget vs	Proj. Act.
				\$	%	\$	%
Total Salaries and Benefits	3,674,704	3,764,407	3,968,325	293,621	8.0%	203,918	5.4%

- Projected salaries and benefits increases are due to the addition of one staff in 2024, salary increases, increased benefit cost and vacation/sick leave accrual.



2025 Budget Review

Professional Expenses

- Budgeted Actuary services increased by \$59K when compared to the 2024 budget (which included some additional funding expenses) due in part to an experience study that will be conducted in 2025 and additional services for possible plan changes.
- Legislative Consultant expenses are expected to increase by \$48K.
- Public Relations expense was budgeted for \$50K.
- Budgeted legal fees increased by \$130K due to the Pension Administration Software project and other ongoing legal cases.
- IT related expenses for Network Security Monitoring, Pension Software maintenance and Business Continuity services are expected to increase by \$47K.

2025 Budget Review

IT Plans and Expenses

IT will focus on the following projects in 2025:

- Pension Administration Software

\$500K for the preliminary phase of the project is included in the budget expenses.

Estimated costs for the Development and Implementation phase are estimated at \$7M and included in the capital budget.

- Imaging

2024 budgeted expenses of \$550K were not spent and have been rebudgeted in 2025 as a capital expense.

2025 Budget Review

Investment Expenses

- Management Fee expenses are estimated to increase to \$9.1M, up \$821K from the 2024 budget, due to increased market value in plan assets. However, the overall fee as a percentage of estimated average market value remains at an average .44% for 2025 and 2024.

Management Fee Budget - 2025						
Asset Category	Asset Class	2024 Budget	2025 Management Fee Budget	2025 Management Fee Budget*	2025 Estimated Average Market Value	Fee as a % of Market Value
Equity	Public Equity	\$ 4,243,000	\$ 3,921,600	\$ 3,922,000	\$ 1,154,000,000	0.34%
	Private Equity	50,000	1,276,398	1,276,000	180,000,000	0.71%
Fixed Income	IG Fixed Income & Cash	326,000	441,750	442,000	265,000,000	0.17%
	Public Credit	929,000	871,000	871,000	210,000,000	0.41%
	Private Credit	85,000	262,500	263,000	22,000,000	1.19%
Real Assets	Natural Resources	727,000	490,000	490,000	82,000,000	0.60%
	Infrastructure	250,000	187,500	188,000	17,000,000	1.10%
	Real Estate	1,682,000	1,662,500	1,663,000	125,000,000	1.33%
TOTAL		\$ 8,292,000	\$ 9,113,248	\$ 9,113,000	\$ 2,055,000,000	0.44%



2025 Budget Review

Investment Expenses

- Investment Portfolio Operating Expenses are expected to increase in 2025, primarily related to legal expenses for new Investment Manager contracts and private equity legacy funds.

Investment Portfolio Operating Expenses	2024 Budget	2024 Projected Actual	2025 Budget	Variances		Variances	
				2025 Budget vs	2024 Budget	2025 Budget vs	2024 Proj. Act.
				\$	%	\$	%
Legal	90,000	225,079	335,000	245,000	272.2%	109,921	48.8%
Audits, Appraisals and Valuations	411,500	494,500	470,650	59,150	14.4%	(23,850)	(4.8%)
Other	10,500	2,031	11,500	1,000	9.5%	9,469	466.2%
Total	\$ 512,000	\$ 721,610	\$ 817,150	\$ 305,150	59.6%	\$ 95,540	13.2%



2025 Budget Review

Harry Hines Building

- Building is fully leased with 5-10 year leases.
- Building HVAC is beginning to fail periodically. Systems are original to the 2008 building renovations. A capital plan to replace the HVAC systems over the next four years has been developed. Expect approximately \$150K in cash expenditures each year for the next four years if plan is approved.
- Several erosion control or landscaping projects are included in the 2025 budget – estimated cost \$35K.

2025 Budget Review

Capital Budget

Item	Year							Total
	2025	2026	2027	2028	2029	2030		
Building								
HVAC System - 1st Floor	150,000							150,000
HVAC System - 3rd Floor		150,000						150,000
HVAC System - 4th Floor			75,000					75,000
HVAC System - 2nd Floor				150,000				150,000
Total HVAC	150,000	150,000	75,000	150,000	-	-		525,000
Pension Admin System / Imaging								
RFP / System Requirements	Expense - 500,000							
Imaging System	550,000							550,000
System Cost, Hardware, Testing, etc		2,000,000	2,000,000	1,000,000	1,000,000	1,000,000	1,000,000	7,000,000
Total PAS and Imaging	550,000	2,000,000	2,000,000	1,000,000	1,000,000	1,000,000	1,000,000	7,550,000
Total Capital Budget	\$ 700,000	\$ 2,150,000	\$ 2,075,000	\$ 1,150,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 8,075,000
Pension Administration System Notes:								
1. Preliminary Project Phase - Expense items such as define system requirements, formulate a plan, evaluating alternatives and technology, vendors								
2. Application Development Phase - Capitalize items such as design, coding, hardware installation, testing								
3. Post-implementation Phase - Expense items such as training, routine maintenance								
4. Upgrade and enhancements - Capitalize or expense items such as changes beyond routine maintenance								



2025 Budget Review

Any questions?



**DALLAS POLICE AND FIRE PENSION SYSTEM
OPERATING BUDGET SUMMARY
FOR THE YEAR 2025**

Expense Type	2024 Budget	2024 Projected Actual	2025 Budget	Variances		Variances	
				2025	2024	2025	2024
				Budget vs	Budget	Budget vs	Proj. Act.
				\$	%	\$	%
Administrative Expenses	6,246,096	5,499,300	6,545,394	299,298	4.8%	1,046,094	19.0%
Professional Expenses	1,600,950	1,648,947	1,937,665	336,715	21.0%	288,718	17.5%
Admin & Prof Exp Total	7,847,046	7,148,247	8,483,059	636,013	8.1%	1,334,812	18.7%
Investment Expenses	9,647,817	9,695,144	10,820,487	1,172,670	12.2%	1,125,343	11.6%
Total	\$ 17,494,863	\$ 16,843,391	\$ 19,303,546	\$ 1,808,683	10.3%	\$ 2,460,155	14.6%
Prior Year's Admin and Professional Actual Expenses with Cumulative CPI increases applied							
2016 actual expenses with CPI increases applied			\$ 12,551,447				
2017 actual expenses with CPI increases applied			\$ 10,548,439				

Dallas Police & Fire Pension System Operating Budget Calendar Year 2025							
Description	2024 Budget	2024 Projected Actual*	2025 Proposed Budget	\$ Change 2025 Prop. Bud. vs. 2024 Bud.	% Change 2025 Prop. Bud. vs. 2024 Bud.	\$ Change 2025 Prop. Bud. vs. 2024 Proj. Actual	% Change 2025 Prop. Bud. vs. 2024 Proj. Actual
Administrative Expenses							
1 Salaries and benefits	3,674,704	3,764,407	3,968,325	293,621	8.0%	203,918	5.4%
2 Employment Expense	26,350	18,354	26,600	250	0.9%	8,246	44.9%
3 Memberships and dues	20,276	21,276	22,838	2,562	12.6%	1,562	7.3%
4 Staff meetings	500	790	800	300	60.0%	10	1.3%
5 Employee service recognition	4,000	3,671	4,000	-	0.0%	329	9.0%
6 Member educational programs	3,350	3,850	4,000	650	19.4%	150	3.9%
7 Board meetings	2,700	2,331	2,600	(100)	(3.7%)	269	11.5%
8 Conference registration/materials - Board	12,000	1,800	12,000	-	0.0%	10,200	566.7%
9 Travel - Board	22,000	3,500	22,000	-	0.0%	18,500	528.6%
10 Conference/training registration/materials - Staff	31,000	9,583	29,215	(1,785)	(5.8%)	19,632	204.9%
11 Travel - Staff	43,300	24,868	53,350	10,050	23.2%	28,482	114.5%
12 Liability insurance	558,990	518,651	581,865	22,875	4.1%	63,214	12.2%
13 Communications (phone/internet)	30,528	25,992	28,663	(1,865)	(6.1%)	2,671	10.3%
14 Information technology projects	715,000	30,910	560,000	(155,000)	(21.7%)	529,090	1711.7%
15 IT subscriptions/services/licenses	194,615	152,549	177,475	(17,140)	(8.8%)	24,926	16.3%
16 IT software/hardware	25,000	21,772	25,000	-	0.0%	3,228	14.8%
17 Building expenses	464,120	508,038	529,943	65,823	14.2%	21,905	4.3%
18 Repairs and maintenance	108,709	61,049	92,661	(16,048)	(14.8%)	31,612	51.8%
19 Office supplies	29,025	22,574	28,350	(675)	(2.3%)	5,776	25.6%
20 Leased equipment	25,000	19,482	22,000	(3,000)	(12.0%)	2,518	12.9%
21 Postage	20,700	20,363	27,200	6,500	31.4%	6,837	33.6%
22 Printing	5,100	4,579	6,850	1,750	34.3%	2,271	49.6%
23 Subscriptions	2,881	1,080	940	(1,941)	(67.4%)	(140)	(13.0%)
24 Records storage	3,000	3,092	3,735	735	24.5%	643	20.8%
25 Administrative contingency reserve	12,000	271	12,000	-	0.0%	11,729	4328.0%
27 Depreciation Expense	201,248	237,468	289,984	88,736	44.1%	52,516	22.1%
28 Bank fees	10,000	17,000	13,000	3,000	30.0%	(4,000)	(23.5%)
Investment Expenses							
29 Investment management fees	8,292,000	8,102,926	9,113,000	821,000	9.9%	1,010,074	12.5%
30 Investment consultant and reporting	553,000	575,000	614,167	61,167	11.1%	39,167	6.8%
31 Bank custodian services	235,000	219,097	227,000	(8,000)	(3.4%)	7,903	3.6%
32 Other portfolio operating expenses (legal, valuation, tax)	512,000	751,610	794,000	282,000	55.1%	42,390	5.6%
33 Investment due diligence	55,817	46,511	72,320	16,503	29.6%	25,809	55.5%
Professional Services Expenses							
34 Actuarial services	397,750	325,000	457,000	59,250	14.9%	132,000	40.6%
35 Accounting services	61,950	59,000	61,950	-	0.0%	2,950	5.0%
36 Independent audit	143,300	145,000	143,915	615	0.4%	(1,085)	(0.7%)

Dallas Police & Fire Pension System Operating Budget Calendar Year 2025							
Description	2024 Budget	2024 Projected Actual*	2025 Proposed Budget	\$ Change 2025 Prop. Bud. vs. 2024 Bud.	% Change 2025 Prop. Bud. vs. 2024 Bud.	\$ Change 2025 Prop. Bud. vs. 2024 Proj. Actual	% Change 2025 Prop. Bud. vs. 2024 Proj. Actual
37 Legal fees	200,000	404,000	330,000	130,000	65.0%	(74,000)	(18.3%)
38 Legislative consultants	168,000	126,000	216,500	48,500	28.9%	90,500	71.8%
39 Public relations	-	-	50,000	50,000	100.0%	50,000	100.0%
40 Pension administration software & WMS	309,000	274,975	314,000	5,000	1.6%	39,025	14.2%
41 Business continuity	38,000	47,248	60,000	22,000	57.9%	12,752	27.0%
42 Network security monitoring	225,000	224,189	245,000	20,000	8.9%	20,811	9.3%
43 Disability medical evaluations	7,000	8,043	6,500	(500)	(7.1%)	(1,543)	(19.2%)
44 Elections	-	-	14,050	14,050	100.0%	14,050	100.0%
45 Miscellaneous professional services	50,950	35,492	38,750	(12,200)	(23.9%)	3,258	9.2%
Total Budget	17,494,863	16,843,391	19,303,546	1,808,683	10.3%	2,460,155	14.6%
Less: Investment management fees	8,292,000	8,102,926	9,113,000	821,000	9.9%	1,010,074	12.5%
Adjusted Budget Total	9,202,863	8,740,465	10,190,546	987,683	10.7%	1,450,081	16.6%

SUPPLEMENTAL BUDGET

Total Budget (from above)	17,494,863	16,843,391	19,303,546	1,808,683	10.3%	2,460,155	14.6%
Less: Allocation to Supplemental Plan Budget**	155,207	145,864	167,169	11,962	7.7%	21,305	14.6%
Total Combined Pension Plan Budget	17,339,656	16,697,528	19,136,377	1,796,721	10.4%	2,438,850	14.6%

* Projected based on 7/31/23 YTD annualized or estimated

** Allocation to Supplemental is based on JPM allocation between accounts as of 7/31/23 of .0087%

0.87% per JPM Unitization report as of 7/31/23

Significant Budget Changes - 2025
Budget Changes (>5% and \$25K)
SORTED BY THE \$ CHANGE FROM 2024 BUDGET TO 2025 BUDGET

		2024	2024	2025	\$ Change	% Change	\$ Change	% Change	
	Item	Budget	Projected Actual**	Budget	2025 Budget vs. 2024 Bud.	2025 Budget vs. 2024 Bud.	2025 Budget vs. 2024 Proj. Act.	2025 Budget vs. 2024 Proj. Act.	Explanation
	INCREASES:								
1	Investment management fees	8,292,000	8,102,926	9,113,000	821,000	9.9%	1,010,074	12.5%	Increased market value in plan assets.
2	Salaries and benefits	3,674,704	3,764,407	3,968,325	293,621	8.0%	203,918	5.4%	Increased cost related to increased benefit costs, salary increases, vacation/sick accrual and the addition of one staff.
3	Other portfolio operating expenses (legal, valuation, tax)	512,000	751,610	794,000	282,000	55.1%	42,390	5.6%	Increase primarily due to increased legal fees for new Investment Manager contracts and legacy private equity funds.
4	Legal fees	200,000	404,000	330,000	130,000	65.0%	(74,000)	(18.3%)	Increase due to Pension Administration Software project and other ongoing legal cases.
5	Depreciation Expense	201,248	237,468	289,984	88,736	44.1%	52,516	22.1%	Additional depreciation related to the TI projects from new tenants and expected new HVAC systems.
6	Building expenses	464,120	508,038	529,943	65,823	14.2%	21,905	4.3%	Increased expenses due to soil erosion projects and increased contract costs.
7	Investment consultant and reporting	553,000	575,000	614,167	61,167	11.1%	39,167	6.8%	Full year of private markets consultant fees, partially offset by non-recurring custodian search fees in 2024.
8	Actuarial services	397,750	325,000	457,000	59,250	14.9%	132,000	40.6%	Increased fees due to the Experience study due in 2025 along with additional fees for possible plan changes during the legislative session.
9	Public relations	-	-	50,000	50,000	100.0%	50,000	100.0%	Budgeted services for 2025. No previous budget for this item.
10	Legislative consultants	168,000	126,000	216,500	48,500	28.9%	90,500	71.8%	Additional Legislative consultant expenses are expected during the legislative session in 2025
	REDUCTIONS:								
11	Information technology projects	715,000	30,910	560,000	(155,000)	(21.7%)	529,090	1711.7%	The planned imaging project (\$550K budget) was not completed in 2024. It has been re-budgeted as a capital project in 2025. Partially offset by the PAS project phase one costs of \$550K.

** Projected based on 7/31/24 YTD annualized or estimated

Significant Budget Changes - 2025
Budget Changes (>5% and \$25K)
SORTED BY THE \$ CHANGE FROM 2024 PROJECTED ACTUAL TO 2025 BUDGET

		2024	2024	2025	\$ Change	% Change	\$ Change	% Change	
	Item	Budget	Projected Actual**	Budget	2025 Budget vs. 2024 Bud.	2025 Budget vs. 2024 Bud.	2025 Budget vs. 2024 Proj. Act.	2025 Budget vs. 2024 Proj. Act.	Explanation
	INCREASES:								
1	Investment management fees	8,292,000	8,102,926	9,113,000	821,000	9.9%	1,010,074	12.5%	Increased market value in plan assets.
2	Information technology projects	715,000	30,910	560,000	(155,000)	(21.7%)	529,090	1711.7%	Phase one expenses for the Pension Administration Software project \$500K is expected to be completed in 2025.
3	Salaries and benefits	3,674,704	3,764,407	3,968,325	293,621	8.0%	203,918	5.4%	Increased benefit costs, salary increases, vacation/sick accrual and the addition of one staff.
4	Actuarial services	397,750	325,000	457,000	59,250	14.9%	132,000	40.6%	Increased fees due to the Experience study due in 2025 along with additional fees for possible changes during the legislative session.
5	Legislative consultants	168,000	126,000	216,500	48,500	28.9%	90,500	71.8%	Additional Legislative consultant expenses are expected during the legislative session in 2025
6	Liability insurance	558,990	518,651	581,865	22,875	4.1%	63,214	12.2%	Increase due to increase in plan assets along with increases ranging from 0%-8% in the lines of insurance.
7	Depreciation Expense	201,248	237,468	289,984	88,736	44.1%	52,516	22.1%	Additional depreciation related to the TI projects from new tenants and expected new HVAC systems.
8	Public relations	-	-	50,000	50,000	100.0%	50,000	100.0%	Budgeted services for 2025. No previous budget for this item.
9	Other portfolio operating expenses (legal, valuation, tax)	512,000	751,610	794,000	282,000	55.1%	42,390	5.6%	Increase primarily due to increased legal fees for new Investment Manager contracts and legacy private equity funds.
10	Investment consultant and reporting	553,000	575,000	614,167	61,167	11.1%	39,167	6.8%	Full year of private markets consultant fees, partially offset by non-recurring custodian search fees in 2024.
11	Pension administration software & WMS	309,000.00	274,975	314,000	5,000	1.6%	39,025	14.2%	Expenses budgeted for some web member service enhancements and pension admin software changes for possible plan changes.
12	Repairs and maintenance	108,709	61,049	92,661	(16,048)	(14.8%)	31,612	51.8%	2024 actual expenses were less than expected. 2025 budget is less than 2024 budget.
13	Travel - Staff	43,300	24,868	53,350	10,050	23.2%	28,482	114.5%	Actual staff travel was less than budgeted for 2024, but we expect a return to budgeted levels in 2025.
14	Investment due diligence	55,817	46,511	72,320	16,503	29.6%	25,809	55.5%	Addition of peer ranking tool - \$12,500 and more staff due diligence travel as private markets are re-entered.
	REDUCTIONS:								
15	Legal fees	200,000	404,000	330,000	130,000	65.0%	(74,000)	(18.3%)	Budgeted legal fees for some ongoing cases expected to decline.



DISCUSSION SHEET

ITEM #C5

Topic: Financial Audit Status

Discussion: The Chief Financial Officer will provide a status update on the annual financial audit.

Regular Board Meeting – Thursday, October 10, 2024



DISCUSSION SHEET

ITEM #C6

Topic: Executive Director Approved Pension Ministerial Actions

Discussion: The Executive Director approved ministerial membership actions according to the Retirement and Payments Approval Policy. Membership actions approved are summarized in the provided report.

Regular Board Meeting – Thursday, October 10, 2024

Membership Actions -2024

	January	February	March	April	May	June	July	August	September	October	November	December	YTD Totals
Refunds	23	22	21	26	16	21	13	19	37	18			216
DROP - Join	1	1	2	0	5	1	1	1	0	1			13
Estate Payments	2	1	3	5	3	1	4	5	10	7			41
Survivor Benefits	4	6	3	8	5	4	6	5	3	4			48
Retirements	10	10	16	9	13	10	9	11	7	5			100
Alternate Payees	2	0	2	1	1	1	0	0	0	1			8
Spouse Wed After Retirement	0	0	0	0	0	0	0	0	1	0			1
Service Purchases	0	2	0	1	7	2	1	2	1	2			18
Earnings Test*	0	0	0	0	0	0	10	0	0	0			10

Membership Actions -2023

	January	February	March	April	May	June	July	August	September	October	November	December	YTD Totals
Refunds	26	19	12	13	17	14	23	13	57	53	18	21	286
DROP - Join	3	3	0	2	2	2	0	0	3	0	3	0	18
Estate Payments	0	5	7	5	1	2	4	92	5	3	5	9	138
Survivor Benefits	1	6	8	6	4	3	5	6	6	2	3	6	56
Retirements	12	16	11	14	11	12	10	13	10	17	6	12	144
Alternate Payees	0	2	1	0	2	3	1	3	2	0	0	1	15
Spouse Wed After Retirement	1	0	0	0	0	0	0	0	1	1	1	0	4
Service Purchases	2	0	0	1	0	2	0	1	0	0	2	0	8
Earnings Test	0	0	0	0	0	9	0	0	0	0	0	0	9

Data is based on Agenda/Executive Approval Date

Service purchases include Military, DROP Revocation, and Previously Withdrawn Contributions

The increase in Refunds in September 2023 and October 2023 is due to the Refund Project

87 of the Estate Payments in August 2023 are approvals for the Pending Death Project

*In 2024, 9 of 10 of the Earnings Tests did not require an benefit reduction. A piece of information is still needed to determine if the last member will require a reduction.



DISCUSSION SHEET

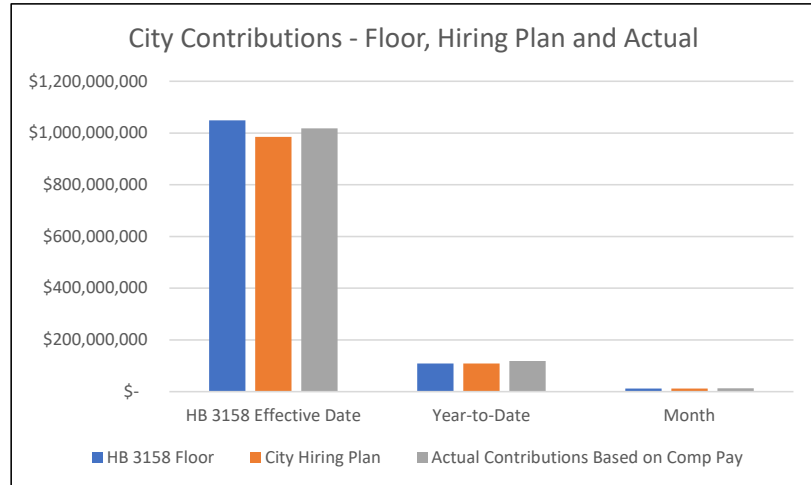
ITEM #C7

Topic: **Monthly Contribution Report**

Discussion: Staff will review the Monthly Contribution Report.

Regular Board Meeting – Thursday, October 10, 2024

Contribution Tracking Summary - October 2024 (August 2024 Data)

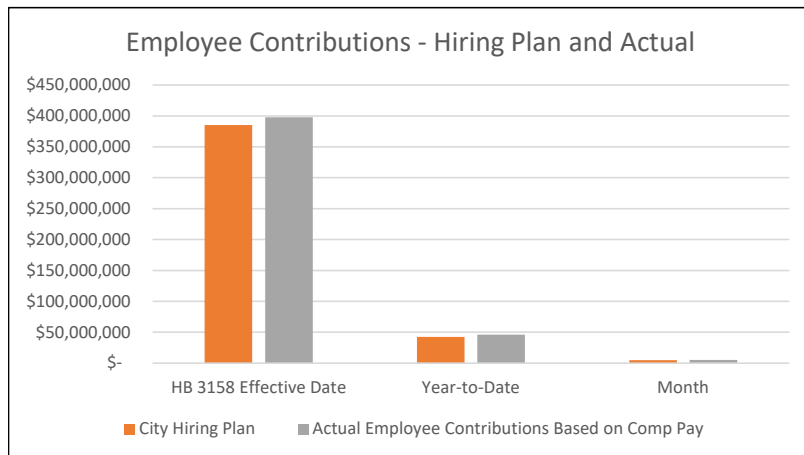


Actual Comp Pay was 103% of the Hiring Plan estimate since the effective date of HB 3158.

The Floor for 2024 is equal to the Hiring Plan estimate of \$6,024,000 per pay period. The Hiring Plan increased by 3.65% in 2024. It is expected that actual contributions will exceed the Floor through 2024.

Through 2024 the HB 3158 Floor is in place so there is no City Contribution shortfall.

The combined actual employees were 62 **more** than the Hiring Plan for the pay period ending September 10, 2024. Fire was over the estimate by 305 Fire Fighters and Police was under by 253 Police Officers.



Employee contributions exceeded the Hiring Plan estimate for the month, the year and since inception.

There is no Floor on employee contributions.

Contribution Summary Data

City Contributions							
Aug-24	Number of Pay Periods Beginning in the Month	HB 3158 Floor	City Hiring Plan	Actual Contributions Based on Comp Pay	Additional Contributions to Meet Floor Minimum	Comp Pay Contributions as a % of Floor Contributions	Comp Pay Contributions as a % of Hiring Plan Contributions
Month	2	\$ 12,048,000	\$ 12,048,462	\$ 13,373,400	\$ -	111%	111%
Year-to-Date		\$ 108,432,000	\$ 108,436,154	\$ 118,354,792	\$ -	109%	109%
HB 3158 Effective Date		\$ 1,048,765,000	\$ 984,656,538	\$ 1,017,711,204	\$ 48,990,866	97%	103%

*Due to the Floor through 2024, there is no cumulative shortfall in City Contributions
Does not include the flat \$13 million annual City Contribution payable through 2024.
Does not include Supplemental Plan Contributions.*

Employee Contributions							
Aug-24	Number of Pay Periods Beginning in the Month	City Hiring Plan	Actual Employee Contributions Based on Comp Pay	Actual Contribution Excess Compared to Hiring Plan	Actuarial Valuation Contribution Assumption	Actual Contributions as a % of Hiring Plan Contributions	Actual Contributions as a % of Actuarial Val Assumption
Month	2	\$ 4,714,615	\$ 5,233,012	\$ 518,397	\$ 4,236,924	111%	124%
Year-to-Date		\$ 42,431,538	\$ 46,242,892	\$ 3,811,353	\$ 38,132,316	109%	121%
HB 3158 Effective Date		\$ 385,300,385	\$ 397,982,215	\$ 12,681,831	\$ 369,951,994	103%	108%
Potential Earnings Loss from the Shortfall based on Assumed Rate of Return				\$ 831,104			

Does not include Supplemental Plan Contributions.

Reference Information

City Contributions: HB 3158 Bi-weekly Floor and the City Hiring Plan Converted to Bi-weekly Contributions						
	HB 3158 Bi-weekly Floor	City Hiring Plan-Bi-weekly	HB 3158 Floor Compared to the Hiring Plan	Hiring Plan as a % of the Floor	% Increase/ (decrease) in the Floor	% Increase/ (decrease) in the Hiring Plan
2017	\$ 5,173,000	\$ 4,936,154	\$ 236,846	95%		
2018	\$ 5,344,000	\$ 4,830,000	\$ 514,000	90%	3.31%	-2.15%
2019	\$ 5,571,000	\$ 5,082,115	\$ 488,885	91%	4.25%	5.22%
2020	\$ 5,724,000	\$ 5,254,615	\$ 469,385	92%	2.75%	3.39%
2021	\$ 5,882,000	\$ 5,413,846	\$ 468,154	92%	2.76%	3.03%
2022	\$ 6,043,000	\$ 5,599,615	\$ 443,385	93%	2.74%	3.43%
2023	\$ 5,812,000	\$ 5,811,923	\$ 77	100%	-3.82%	3.79%
2024	\$ 6,024,000	\$ 6,024,231	\$ (231)	100%	3.65%	3.65%

The HB 3158 Bi-weekly Floor ends after 2024

Employee Contributions: City Hiring Plan and Actuarial Val. Converted to Bi-weekly Contributions				
	City Hiring Plan Converted to Bi-weekly Employee Contributions	Actuarial Valuation Assumption Converted to Bi-weekly Employee contributions	Actuarial Valuation as a % of Hiring Plan	
2017	\$ 1,931,538	\$ 1,931,538	100%	
2018	\$ 1,890,000	\$ 1,796,729	95%	
2019	\$ 1,988,654	\$ 1,885,417	95%	
2020	\$ 2,056,154	\$ 2,056,154	100%	
2021	\$ 2,118,462	\$ 2,118,462	100%	
2022	\$ 2,191,154	\$ 2,191,154	100%	
2023	\$ 2,274,231	\$ 2,274,231	100%	
2024	\$ 2,357,308	\$ 2,357,308	100%	

The information on this page is for reference. The only numbers on this page that may change before 2025 are the Actuarial Valuation Employee Contributions Assumptions for the years 2020-2024 and the associated percentage.

Reference Information - Actuarial Valuation and GASB 67/68 Contribution Assumptions

Actuarial Assumptions Used in the Most Recent Actuarial Valuation - These assumptions will be reevaluated annually & may change.

City Contributions are based on the Floor through 2024, the Hiring Plan from 2025 to 2037, after 2037 an annual growth rate of 2.75% is assumed
 Employee Contributions for 2018 are based on the 2017 actual employee contributions inflated by the growth rate of 2.75% and the Hiring Plan for subsequent years until 2038, when the 2037 Hiring Plan is increased by the 2.75 growth rate for the next 10 years

Actuarial/GASB Contribution Assumption Changes Since the Passage of HB 3158

	Actuarial Valuation	GASB 67/68
YE 2017 (1/1/2018 Valuation)		
2018 Employee Contributions Assumption - based on 2017 actual plus growth rate not the Hiring Plan Payroll	\$ (2,425,047)	*
2019 Estimate (1/1/2019 Valuation)		
2019 Employee Contribution Assumption	\$ 9,278	*
*90% of Hiring Plan was used for the Cash Flow Projection for future years in the 12/31/2017 GASB 67/68 calculation. At 12-31-17, 12-31-18 and 12-31-2019 this did not impact the pension liability or the funded percentage.		

The information on this page is for reference. It is intended to document contribution related assumptions used to prepare the Actuarial Valuation and changes to those assumptions over time, including the dollar impact of the changes. Contribution changes impacting the GASB 67/68 liability will also be included.

City Hiring Plan - Annual Computation Pay and Numbers of Employees						
Year	Computation Pay			Number of Employees		
	Hiring Plan	Actual	Difference	Hiring Plan	Actual EOY	Difference
2017	\$ 372,000,000	Not Available	Not Available	5,240	4,935	(305)
2018	\$ 364,000,000	\$ 349,885,528	\$ (14,114,472)	4,988	4,983	(5)
2019	\$ 383,000,000	\$ 386,017,378	\$ 3,017,378	5,038	5,104	66
2020	\$ 396,000,000	\$ 421,529,994	\$ 25,529,994	5,063	4,988	(75)
2021	\$ 408,000,000	\$ 429,967,675	\$ 21,967,675	5,088	4,958	(130)
2022	\$ 422,000,000	\$ 439,104,541	\$ 17,104,541	5,113	5,074	(39)
2023	\$ 438,000,000	\$ 460,982,051	\$ 22,982,051	5,163	5,136	(27)
2024	\$ 454,000,000			5,213		
2025	\$ 471,000,000			5,263		
2026	\$ 488,000,000			5,313		
2027	\$ 507,000,000			5,363		
2028	\$ 525,000,000			5,413		
2029	\$ 545,000,000			5,463		
2030	\$ 565,000,000			5,513		
2031	\$ 581,000,000			5,523		
2032	\$ 597,000,000			5,523		
2033	\$ 614,000,000			5,523		
2034	\$ 631,000,000			5,523		
2035	\$ 648,000,000			5,523		
2036	\$ 666,000,000			5,523		
2037	\$ 684,000,000			5,523		

Comp Pay by Month - 2024	Annual Divided by 26 Pay Periods	Actual	Difference	2024 Cumulative Difference	Number of Employees - EOM	Difference
January	\$ 52,384,615	\$ 56,848,897	\$ 4,464,281	\$ 4,464,281	5,183	(30)
February	\$ 34,923,077	\$ 37,710,735	\$ 2,787,658	\$ 7,251,939	5,166	(47)
March	\$ 34,923,077	\$ 38,150,554	\$ 3,227,478	\$ 10,479,417	5,230	17
April	\$ 34,923,077	\$ 38,086,745	\$ 3,163,668	\$ 13,643,085	5,216	3
May	\$ 34,923,077	\$ 38,136,499	\$ 3,213,422	\$ 16,856,507	5,244	31
June	\$ 34,923,077	\$ 38,090,336	\$ 3,167,259	\$ 20,023,766	5,223	10
July	\$ 52,384,615	\$ 57,270,124	\$ 4,885,509	\$ 24,909,275	5,288	75
August	\$ 34,923,077	\$ 38,504,856	\$ 3,581,779	\$ 28,491,054	5,275	62
September	\$ 34,923,077					
October	\$ 34,923,077					
November	\$ 34,923,077					
December	\$ 34,923,077					



DISCUSSION SHEET

ITEM #C8

Topic: Board Approval of Trustee Education and Travel

- a. Future Education and Business-related Travel
- b. Future Investment-related Travel

Discussion:

- a. Per the Education and Travel Policy and Procedure, planned Trustee education and business-related travel and education which does not involve travel requires Board approval prior to attendance.

Attached is a listing of requested future education and travel noting approval status.

- b. Per the Investment Policy Statement, planned Trustee travel related to investment monitoring, and in exceptional cases due diligence, requires Board approval prior to attendance.

There is no future investment-related travel for Trustees at this time.

Regular Board Meeting – Thursday, October 10, 2024

**Future Education and Business Related Travel & Webinars
Regular Board Meeting – October 10, 2024**

ATTENDING APPROVED

1. **Conference** **NCPERS Accredited Fiduciary (NAF)**
Dates: October 26-27, 2024
Location: Palm Springs, CA
Est Cost: \$1,100

2. **Conference:** **NCPERS Program for Advanced Trustee Studies (PATs)**
Dates: October 26-27, 2024
Location: Palm Springs, CA
Est Cost: \$1,100

3. **Conference:** **NCPERS Public Safety Conference**
Dates: October 27-30, 2024
Location: Palm Springs, CA
Est Cost: \$975

MT



DISCUSSION SHEET

ITEM #C9

Topic: Portfolio Update

Discussion: Investment Staff will brief the Board on recent events and current developments with respect to the investment portfolio.

Regular Board Meeting – Thursday, October 10, 2024



D A L L A S
POLICE & FIRE
PENSION SYSTEM



Portfolio Update

October 10th, 2024

Board Meeting

Executive Summary

- **Estimated YTD Return (As of 9/30/24):** 9.2% for DPFP Portfolio; 13.8% for Public Portfolio (ex-Cash) which makes up 74% of the assets.
- **Liquidation of private market assets remains a top focus.**
 - ~\$60M of distributions received YTD with ~\$36M coming from Lone Star CRA in early September.
- **Custodian Transition:** Board approved hiring BNY for custodian services on July 11th, 2024. Conversion planned for 1/1/25.
- **Rebalancing Actions:** ~\$40M of private market proceeds will be rebalanced into IG Bonds, Bank Loans and Global Equity in early October.

Investment Initiatives – 2024 Plan

Q3 2024

- Recommended Asset Allocation mix presented to IAC
- Albourne Private Credit Overview to IAC
- Huff Reclassification Discussion with Board
- Albourne On-Boarding

Q4 2024

- Asset Allocation Study to Board
- Investment Policy Statement review and updates
- Discussion of when to initiate new private market investments
- Private Market Planning – Update IPS provision, pacing studies, etc.

2025 & Beyond

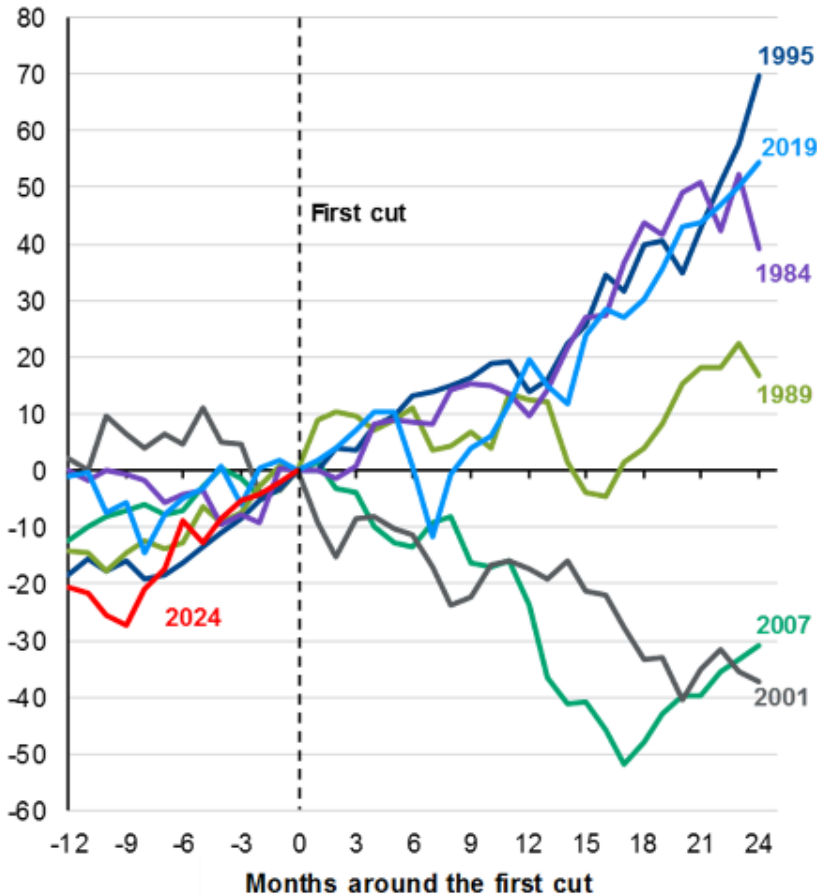
- Initial New Private Market Investments

Historical Market Movement Following Cuts

The Fed cut its key policy rate by 50bps in September, but has emphasized further rate moves will remain data dependent

S&P 500 returns around the start of Fed cutting cycles

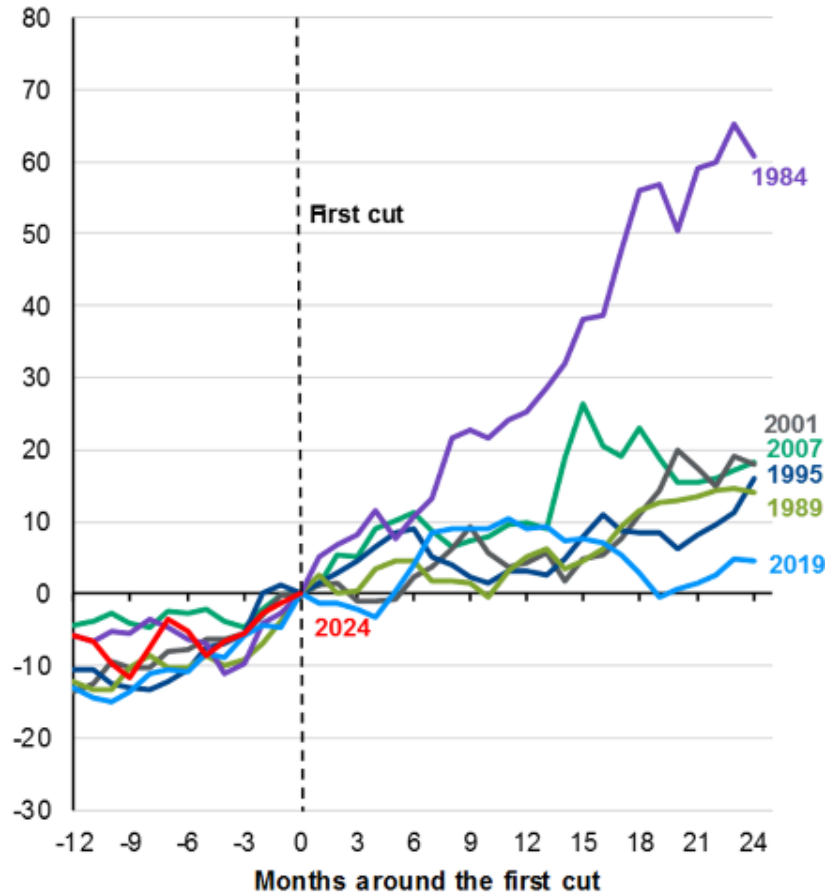
%, price return, indexed to zero at the first cut



Source: JPM Guide to the Markets

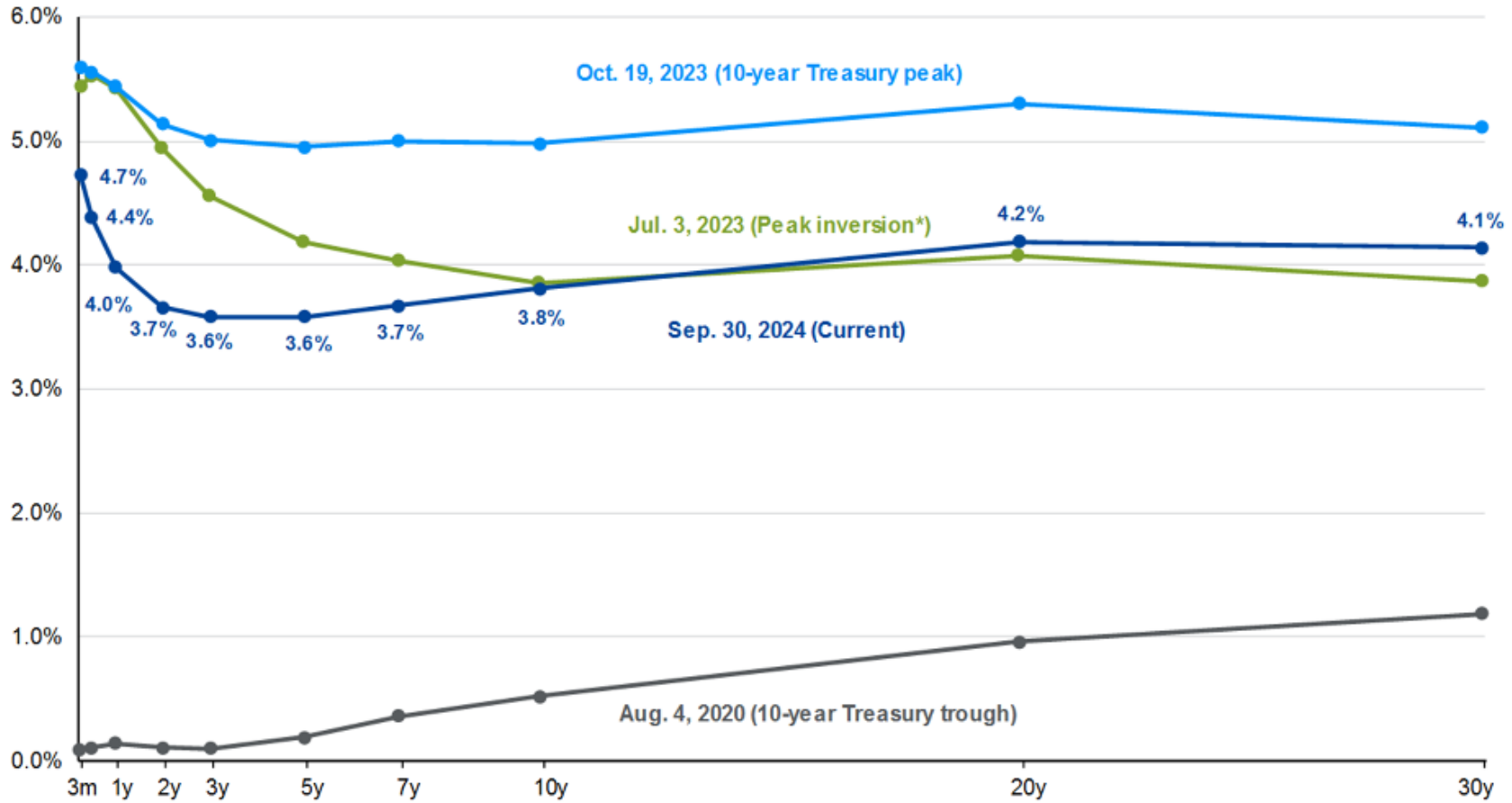
U.S. 10-yr returns around the start of Fed cutting cycles

%, total return, indexed to zero at the first cut



US Treasury Yield Curve

U.S. Treasury yield curve



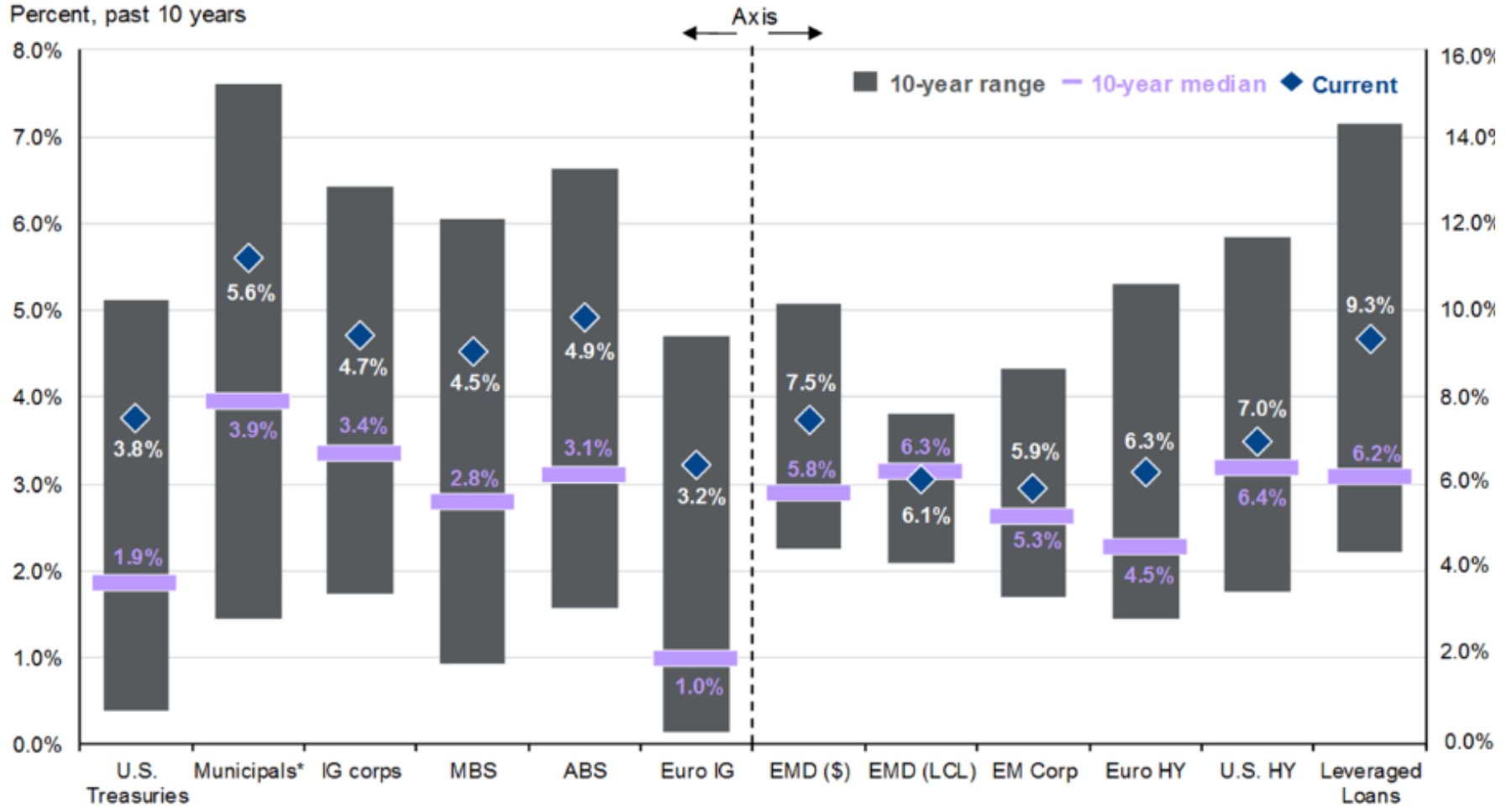
Source: JPM Guide to the Markets

Elevated Yields

Yields remain attractive compared to historical levels, for now

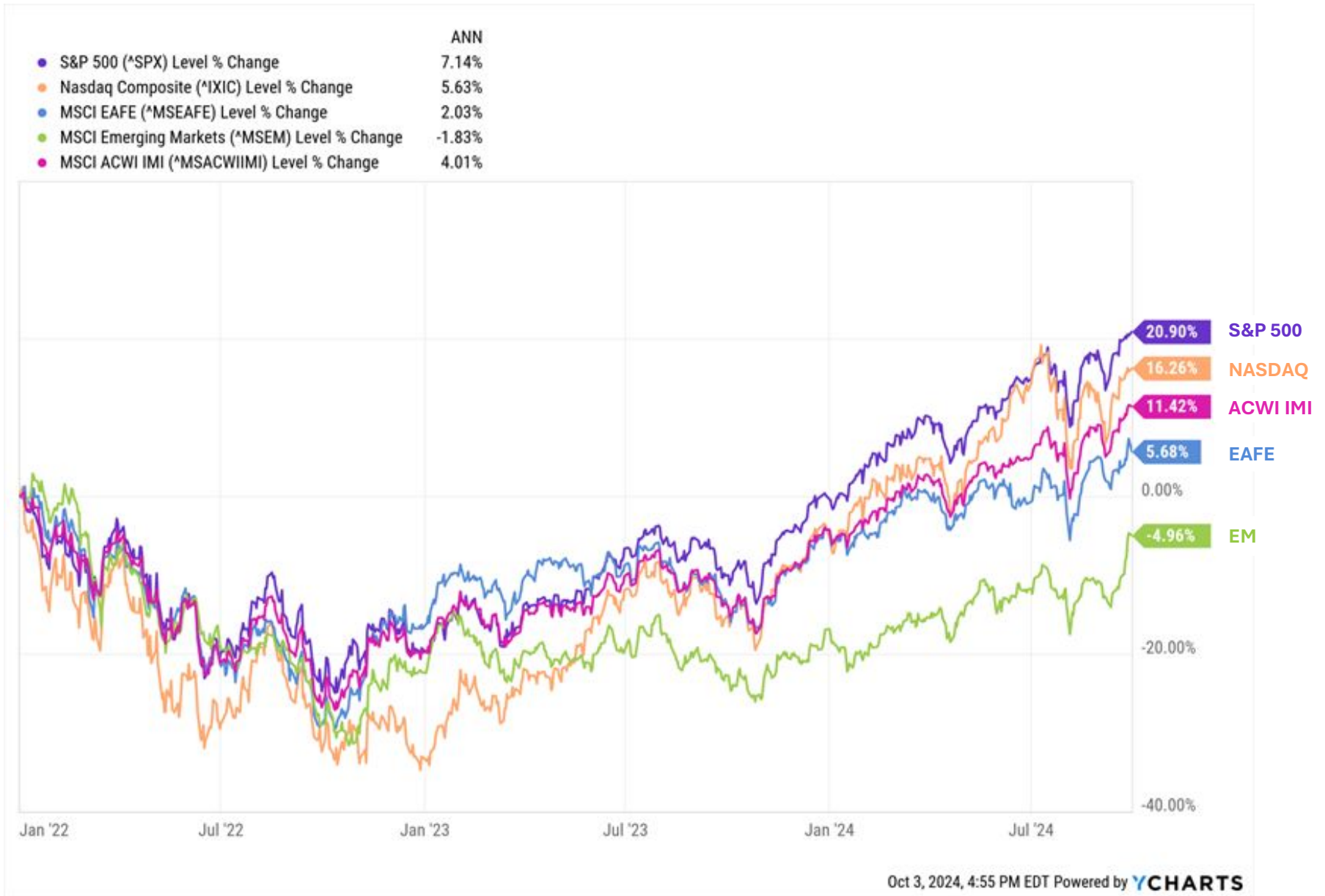
Yield-to-worst across fixed income sectors

Percent, past 10 years



Source: JPM Guide to the Markets

Equity Market Returns (1/1/22 to 9/30/24)



Public Markets Performance Snapshot

Public Markets (ex-Cash) currently make up 74% of DFPF Investment Portfolio.

Asset Allocation & Performance | As of September 30, 2024

Performance Summary Ending September 30, 2024					
	Market Value (\$)	1 Mo (%)	YTD (%)	3 Yrs (%)	5 Yrs (%)
Total Public Portfolio (ex-Cash)	1,515,326,680	1.8	13.8	5.3	8.2
<i>60% MSCI ACWI IMI Net/40% Bloomberg Global Aggregate Index</i>		<i>2.1</i>	<i>12.0</i>	<i>3.3</i>	<i>6.9</i>
Public Equity	1,124,105,232	1.9	16.5	6.7	11.4
<i>MSCI AC World IMI Index (Net)</i>		<i>2.3</i>	<i>17.8</i>	<i>7.4</i>	<i>11.9</i>
Global Equity	1,016,240,722	1.4	16.5	7.0	11.7
<i>MSCI AC World IMI Index (Net)</i>		<i>2.3</i>	<i>17.8</i>	<i>7.4</i>	<i>11.9</i>
Boston Partners Global Equity Fund	124,122,854	0.7	14.7	10.2	12.3
<i>MSCI World Net</i>		<i>1.8</i>	<i>18.9</i>	<i>9.1</i>	<i>13.0</i>
Manulife Global Equity Strategy	122,894,516	0.5	15.2	8.4	10.9
<i>MSCI ACWI Net</i>		<i>2.3</i>	<i>18.7</i>	<i>8.1</i>	<i>12.2</i>
Walter Scott Global Equity Fund	124,710,681	-0.1	12.1	6.0	11.0
<i>MSCI ACWI Net</i>		<i>2.3</i>	<i>18.7</i>	<i>8.1</i>	<i>12.2</i>
WCM Global Equity	128,568,612	2.0	24.2	--	--
<i>MSCI AC World Index Growth (Net)</i>		<i>2.5</i>	<i>21.0</i>	<i>7.2</i>	<i>14.7</i>
NT ACWI Index IMI	394,181,937	2.3	18.0	8.0	--
<i>MSCI AC World IMI Index (Net)</i>		<i>2.3</i>	<i>17.8</i>	<i>7.4</i>	<i>11.9</i>
Eastern Shore US Small Cap	61,866,951	1.1	14.7	1.2	--
<i>Russell 2000 Index</i>		<i>0.7</i>	<i>11.2</i>	<i>1.8</i>	<i>9.4</i>
Global Alpha International Small Cap	59,846,720	1.8	8.4	--	--
<i>MSCI EAFE Small Cap (Net)</i>		<i>2.6</i>	<i>11.1</i>	<i>-0.4</i>	<i>6.4</i>

MEKETA INVESTMENT GROUP

Public Markets Performance Snapshot

Asset Allocation & Performance | As of September 30, 2024

	Market Value (\$)	1 Mo (%)	YTD (%)	3 Yrs (%)	5 Yrs (%)
Emerging Markets Equity	107,864,510	6.4	16.3	3.8	6.4
<i>MSCI Emerging Markets IMI (Net)</i>		<i>6.2</i>	<i>16.3</i>	<i>1.0</i>	<i>6.5</i>
RBC Emerging Markets Equity	107,864,510	6.4	16.3	3.8	6.4
<i>MSCI Emerging Markets IMI (Net)</i>		<i>6.2</i>	<i>16.3</i>	<i>1.0</i>	<i>6.5</i>
Public Fixed Income	391,221,448	1.5	6.5	0.5	2.4
<i>Bloomberg Global Multiverse Index</i>		<i>1.7</i>	<i>3.8</i>	<i>-2.8</i>	<i>-0.6</i>
IR&M 1-3 Year Strategy	120,205,204	0.8	4.8	1.9	2.2
<i>Blmbg. U.S. Aggregate 1-3 Yrs</i>		<i>0.8</i>	<i>4.4</i>	<i>1.5</i>	<i>1.6</i>
Longfellow Core Fixed Income	67,255,520	1.5	5.5	-1.0	--
<i>Blmbg. U.S. Aggregate Index</i>		<i>1.3</i>	<i>4.4</i>	<i>-1.4</i>	<i>0.3</i>
Aristotle Pacific Capital Bank Loan	64,915,515	0.7	6.5	6.8	5.8
<i>Credit Suisse Leveraged Loan</i>		<i>0.7</i>	<i>6.6</i>	<i>6.3</i>	<i>5.6</i>
Loomis US High Yield Fund	68,277,920	2.4	8.4	2.2	--
<i>Blmbg. U.S. High Yield - 2% Issuer Cap</i>		<i>1.6</i>	<i>8.0</i>	<i>3.1</i>	<i>4.7</i>
Metlife Emerging Markets Debt Blend	70,567,289	2.8	8.6	--	--
<i>35% JPMEMBI Gbl/35% JPM CEMBI Broad Div/30% JPMGBI-EM Di</i>		<i>2.1</i>	<i>7.3</i>	<i>--</i>	<i>--</i>

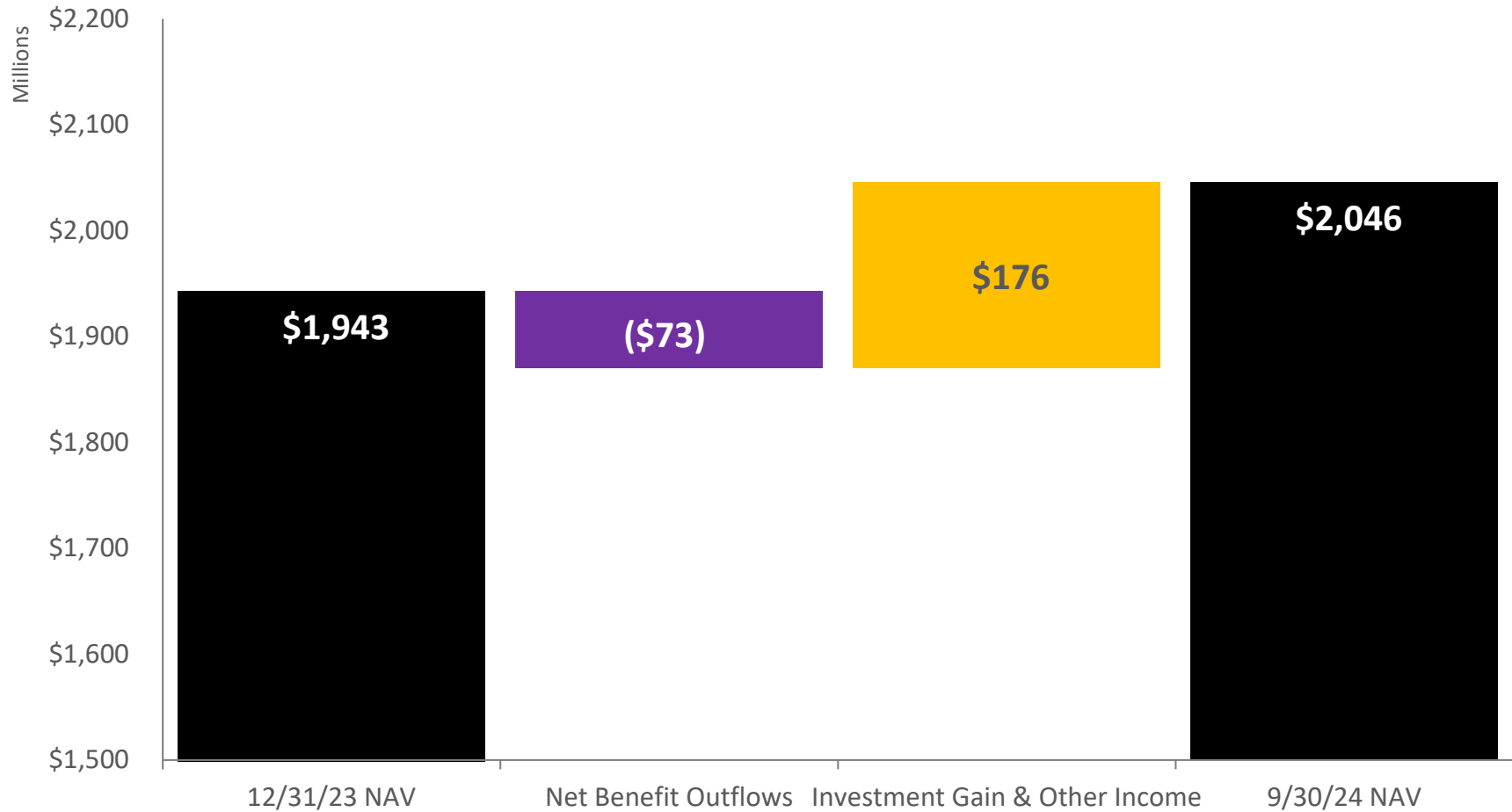
MEKETA INVESTMENT GROUP



Change in Market Value Bridge Chart - As of 9/30/24

In Millions

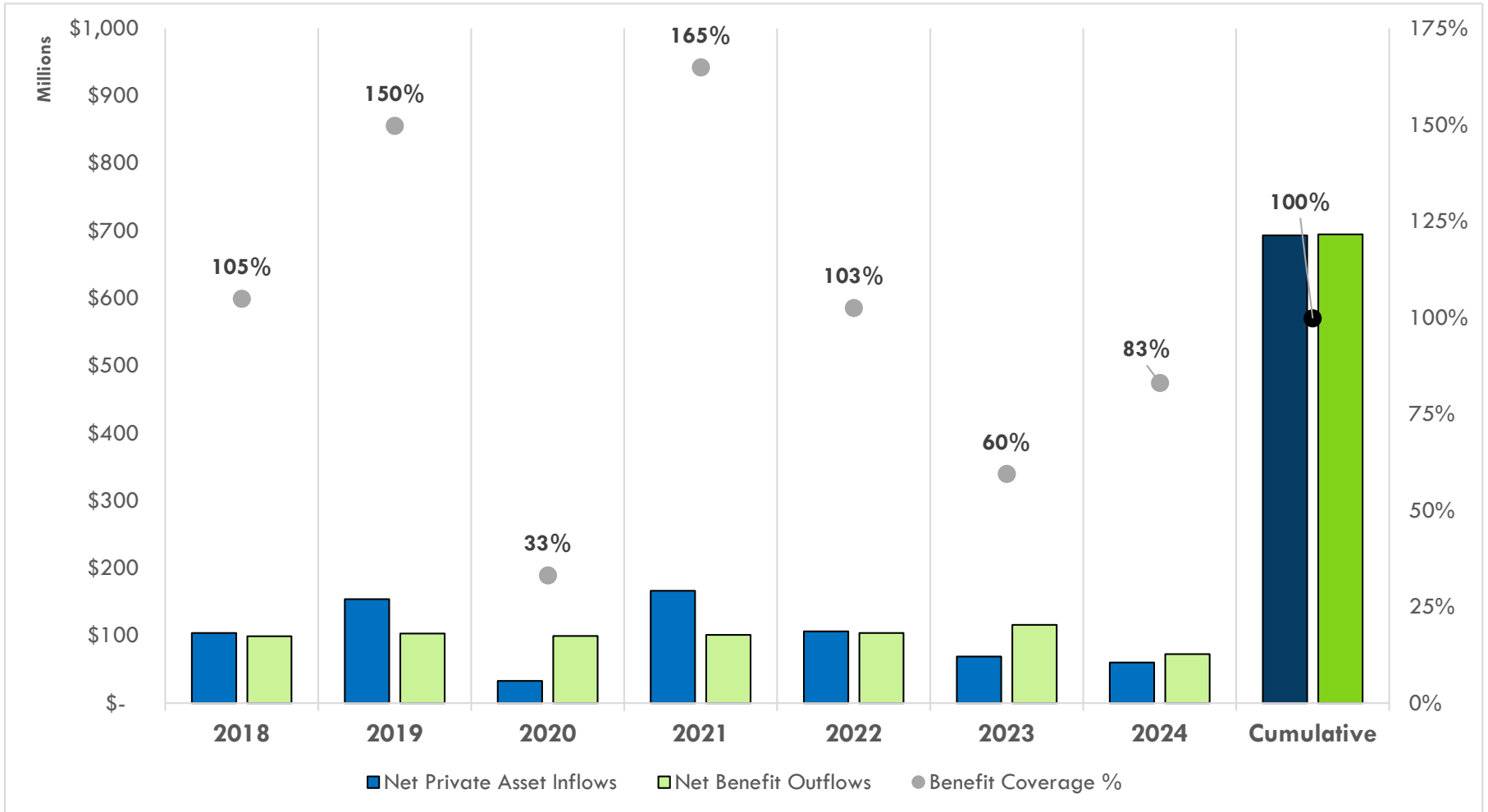
2024 YTD Preliminary Investment Return estimated at 9.2%



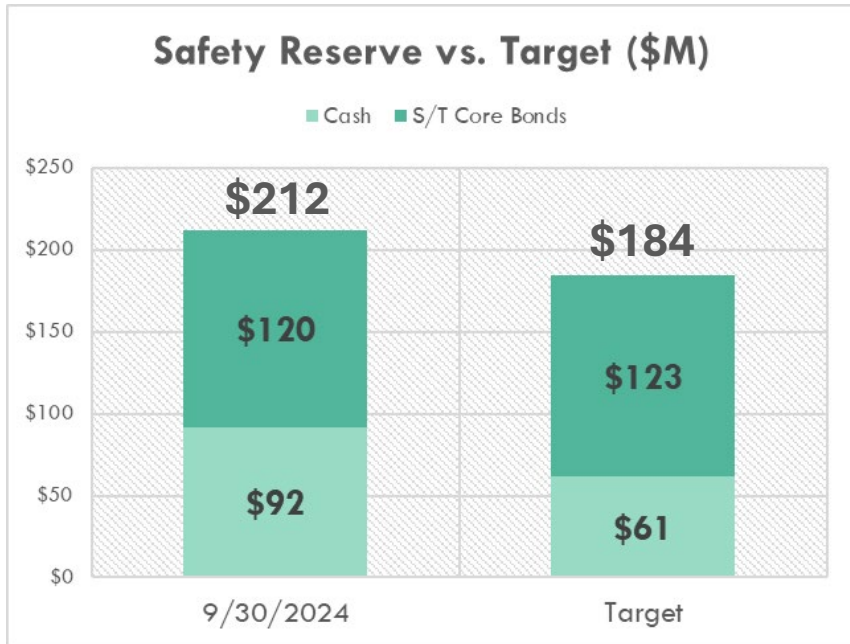
The beginning 12/31/23 value is from the Q4 2023 Meketa Performance Report and includes a one-quarter lag on private assets. Numbers may not foot due to rounding.

Benefit Outflow Coverage

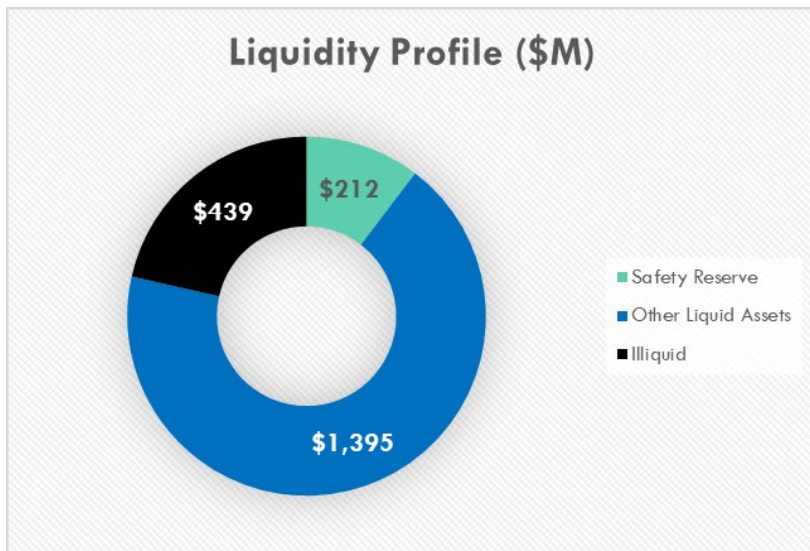
Since 2018, net Private Asset inflows have covered 100% of net benefit outflows.



Safety Reserve Dashboard – As of 9/30/24



Projected Net Monthly outflows of **\$8.3M** per month. Safety Reserve of **\$180M** would cover net monthly outflows for next **25 months** or through **October 2026**.



Expected Cash Activity	Date	Amount (\$M)	Projected Cash Balance (\$M)	Projected Cash (%)
	9/30/24		\$91.7	4.5%
City Contribution	10/11/24	\$9.7	\$101.5	5.0%
Pension Payroll	10/23/24	(\$28.7)	\$72.7	3.6%
City Contribution	10/25/24	\$9.7	\$82.4	4.0%
City Contribution	11/8/24	\$9.7	\$92.2	4.5%
City Contribution	11/22/24	\$9.7	\$101.9	5.0%
Pension Payroll	11/27/24	(\$28.7)	\$73.1	3.6%
City Contribution	12/6/24	\$9.7	\$82.9	4.1%
City Contribution	12/13/24	\$9.7	\$92.6	4.5%
Pension Payroll	12/25/24	(\$28.7)	\$63.8	3.1%
City Contribution	12/27/24	\$9.7	\$73.6	3.6%

Numbers may not foot due to rounding.

Asset Allocation Detail & Planned Rebalancing

Net Benefit Outflows of +\$10.2M projected thru November 22nd. Additional proceeds expected to be available from EM Equity and EM Debt if new Asset Allocation is approved by the Board.

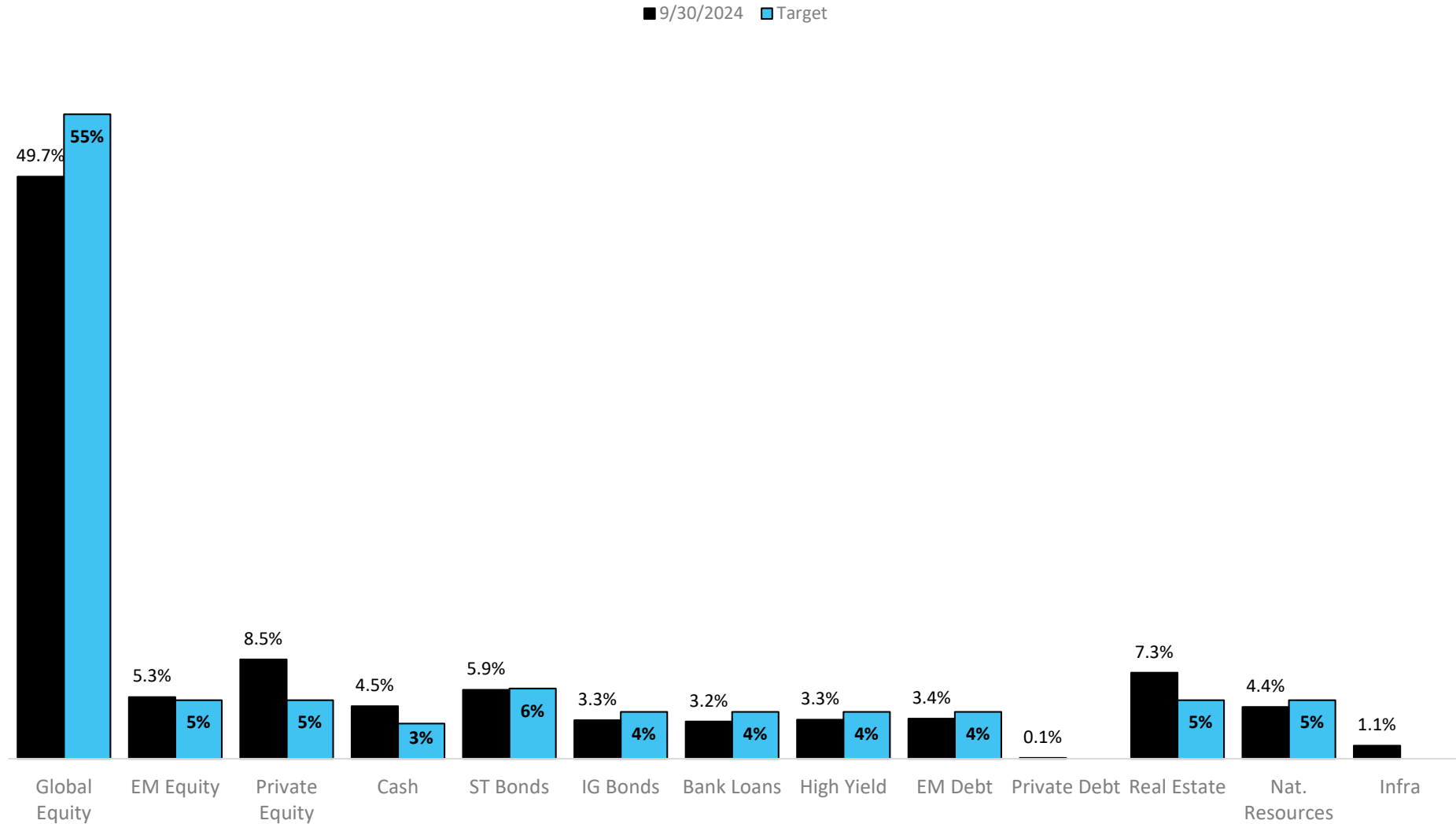
DPFP Asset Allocation	9/30/2024		Cash Flow		Post Rebal. Pro		Post Rebal. Pro		Post Rebal. Pro		
	NAV	%	Benefit/Dists.	Rebalancing	NAV	%	\$ mil.	%	\$ mil.	%	% of Target
Equity	1,298	63.4%	0.0	4.5	1,302	63.3%	1,336	65%	-34	-1.7%	97%
Global Equity	1,016	49.7%		4.5	1,021	49.7%	1,131	55%	-110	-5.3%	90%
<i>Boston Partners</i>	<i>124</i>	<i>6.1%</i>			<i>124</i>	<i>6.0%</i>	<i>123</i>	<i>6%</i>	<i>0.8</i>	<i>0.0%</i>	<i>101%</i>
<i>Manulife</i>	<i>123</i>	<i>6.0%</i>			<i>123</i>	<i>6.0%</i>	<i>123</i>	<i>6%</i>	<i>-0.5</i>	<i>0.0%</i>	<i>100%</i>
<i>Walter Scott</i>	<i>125</i>	<i>6.1%</i>			<i>125</i>	<i>6.1%</i>	<i>123</i>	<i>6%</i>	<i>1.4</i>	<i>0.1%</i>	<i>101%</i>
<i>WCM</i>	<i>129</i>	<i>6.3%</i>			<i>129</i>	<i>6.3%</i>	<i>123</i>	<i>6%</i>	<i>5.2</i>	<i>0.3%</i>	<i>104%</i>
<i>Northern Trust ACWI IMI Index</i>	<i>394</i>	<i>19.3%</i>		<i>4.5</i>	<i>399</i>	<i>19.4%</i>	<i>514</i>	<i>25%</i>	<i>-115.3</i>	<i>-5.6%</i>	<i>78%</i>
<i>Eastern Shore US Small Cap</i>	<i>62</i>	<i>3.0%</i>			<i>62</i>	<i>3.0%</i>	<i>62</i>	<i>3%</i>	<i>0.2</i>	<i>0.0%</i>	<i>100%</i>
<i>Global Alpha Intl Small Cap</i>	<i>60</i>	<i>2.9%</i>			<i>60</i>	<i>2.9%</i>	<i>62</i>	<i>3%</i>	<i>-1.8</i>	<i>-0.1%</i>	<i>97%</i>
Emerging Markets Equity - RBC	108	5.3%			108	5.2%	103	5%	5	0.2%	105%
Private Equity*	173	8.5%			173	8.4%	103	5%	71	3.4%	169%
Fixed Income	484	23.7%	10.2	-4.5	490	23.8%	514	25%	-24	-1.2%	95%
Cash	92	4.5%	10.2	-40.0	62	3.0%	62	3%	0	0.0%	100%
S/T Investment Grade Bonds - IR+M	120	5.9%		3.0	123	6.0%	123	6%	0	0.0%	100%
Investment Grade Bonds - Longfellow	67	3.3%		15.0	82	4.0%	82	4%	0	0.0%	100%
Bank Loans - Aristotle Pacific	65	3.2%		17.5	82	4.0%	82	4%	0	0.0%	100%
High Yield Bonds - Loomis Sayles	68	3.3%			68	3.3%	82	4%	-14	-0.7%	83%
Emerging Markets Debt - MetLife	70	3.4%			70	3.4%	82	4%	-12	-0.6%	85%
Private Debt*	2	0.1%			2	0.1%	0	0%	2	0.1%	
Real Assets*	264	12.9%	0.0	0.0	264	12.8%	206	10%	58	2.8%	128%
Real Estate*	150	7.3%			150	7.3%	103	5%	47	2.3%	146%
Natural Resources*	90	4.4%			90	4.4%	103	5%	-12	-0.6%	88%
Infrastructure*	23	1.1%			23	1.1%	0	0%	23	1.1%	
Total	2,046	100.0%	10.2	0.0	2,056	100.0%	2,056	100%	0	0.0%	
Safety Reserve ~\$162M=18 mo net CF	212	10.4%	10.2	-37.0	185	9.0%	185	9%	0	0.0%	100%
*Private Market Assets	439	21.5%	0.0	0.0	439	21.3%	308	15%	131	6.3%	

Source: Preliminary JP Morgan Custodial Data, Staff Estimates and Calculations.

Numbers may not foot due to rounding



Asset Allocation – Actual vs Target





DISCUSSION SHEET

ITEM #C10

Topic: **Report on Investment Advisory Committee Meeting**

Discussion: The Investment Advisory Committee met on September 26, 2024. The Committee Chair and Investment Staff will comment on Committee observations and advice.

Regular Board Meeting – Thursday, October 10, 2024



DISCUSSION SHEET

ITEM #C11

Topic: Private Market Diligence and Approval Process

Discussion: Staff will discuss private market investment diligence and approval process options and seek the Board's guidance on formalizing these processes.

Regular Board Meeting – Thursday, October 10, 2024



D A L L A S
POLICE & FIRE
PENSION SYSTEM



Private Markets Diligence & Approval Process

October 10th, 2024

Board Meeting

Private Markets Approval Process

- Staff reviewed private market investment diligence and approval process options with the Investment Advisory Committee at the Sept 26, 2024 IAC meeting.
- Feedback from the IAC and Board will be incorporated into the private markets investment provisions of the IPS.
- Pursuant to Section 4.07 of Article 6243a-1, the vote of eight trustees is required to approve any Alternative Investment.
- **The IAC agreed with Staff's recommendation to set up a small Private Markets sub-committee (3-4 members) that could meet on an ad hoc basis to review investment opportunities and make recommendations to the Board.**

Private Markets Diligence Process

Pacing

- Pacing models to be developed by Albourne, and reviewed/approved by both IAC and Board.
- The number of investments and commitment amount for each investment will be based on the pacing model for the asset class.

Sourcing

- Initially leverage Albourne's research platform by focusing only on highly rated managers/funds.
- Consider dual channel sourcing - investment opportunities can be sourced by staff independently and through Albourne's recommendation, at a later stage.
- Staff and Albourne hold regular meetings to discuss market, review forward calendar, Investment Due Diligence (IDD) and Operational Due Diligence (ODD).
- Establish GP shortlist.

Due Diligence

- Staff and Albourne conduct independent IDD.
- Leverage Albourne ODD.

Private Markets Approval Process

Private markets investment approval process considerations

- Pursuant to Section 4.07 of Article 6243a-1, the vote of eight trustees is required to approve any Alternative Investment.
- Private market investments can be time sensitive, so DPFP needs to act quickly to in order to access best in class managers/opportunities, obtain fee breaks, mitigate blind pool risk etc.
- IAC currently meets four times a year.
- IAC members' time and availability is limited.

Private Markets Approval Process

Private Markets Sub-Committee

- IAC delegates private markets investment approval responsibility to a small sub-committee.
- Quarterly pipeline reports to IAC to seek feedback and guidance.
- Staff and Albourne investment recommendation presentation to sub-committee during sub-committee meetings.
- Sub-committee meetings will be scheduled on an as needed basis - requiring additional time commitment beyond regular IAC meetings, sub-committee members' availability.
- Sub-committee recommendation to the Board.

Board

- Board review and approval of private markets pacing plans.
- Board review and approval of private markets investments upon IAC sub-committee recommendation.

Sample IAC Pipeline Report

Manager Name	Fund Name	Investment Strategy	Potential Size (M)	Expected Closing	Diligence Stage							Notes
					Prelim Evaluation	Consultant Diligence	Staff Diligence	IAC Approval	Board Approval	Legal Review	Closed	
Private Credit												
Manager A	Fund A	Upper-middle-market senior lending	\$15	Q1-25	✓	In Progress						
Manager B	Fund B	Global distressed	\$10	Q2-25	✓	✓	In Progress					
Manager C	Func C	Lower-middle-market senior lending	\$15	Q2-25	✓	✓	✓				Re-Up	
Private Equity												
Manager A	Fund A	Mid-market secondary	\$15	Q3-25	✓	In Progress						
Manager B	Fund B	Mid-market buyout	\$10	Q3-25	✓	✓	✓					



DISCUSSION SHEET

ITEM #C12

Topic: Asset Allocation Study

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.071 of the Texas Government Code.

Attendees: Leandro Festino, Managing Principal - Meketa Investment Group
Colin Kowalski, Investment Analyst - Meketa Investment Group

Discussion: Staff and Meketa will present the Asset Allocation Study to the Board including recommended asset class targets, ranges, benchmarks and implementation considerations.

Staff

Recommendation: **Approve** the long-term asset allocation and **direct** staff to bring amendments to the Investment Policy Statement reflecting the updated asset allocation back to the Board for its review and approval.

Regular Board Meeting – Thursday, October 10, 2024



Dallas Police and Fire Pension System

October 2024

2024 Asset Allocation



Dallas Police and Fire Pension System

2024 Asset Allocation

Executive Summary

- Over the past year, Meketa and staff have reviewed DPFP's asset allocation, modeled alternative mixes to the Current Policy, collected feedback from the IAC, ultimately recommending an updated target policy that the IAC supported.
- The following pages review previous asset allocation reviews and development, explore the current market environment, detail the asset study development, and compare the Recommended Policy with the Current Policy.



Dallas Police and Fire Pension System

2024 Asset Allocation

Presentation Outline

- Section 1: Recap of Asset Allocation Reviews and Development (2018, 2021, and 2024)
- Section 2: Current Market Environment (Yields and Equity Valuations)
- Section 3: Overview of the Asset Study Development
- Section 4: 2024 Asset Allocation Study and Recommendation

Section 1: Recap of Asset Allocation Reviews and Development



Dallas Police and Fire Pension System

2024 Asset Allocation

Asset Allocation Policy History

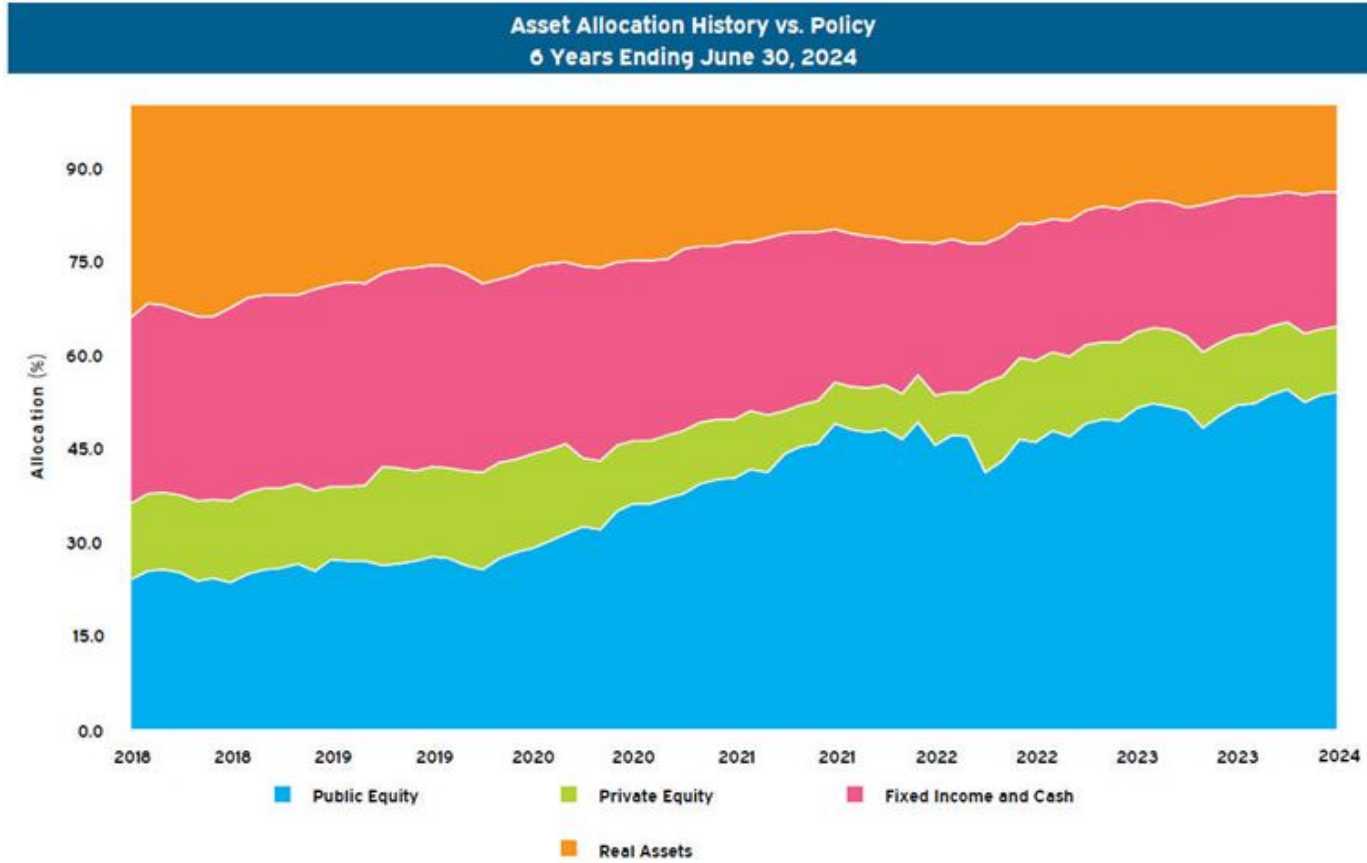
	Pre-Meketa Hire Policy (%)	2018 Policy (%)	2021 Policy (%)	2024 Recommended Policy (%)
Equity	30	55	65	64
Global Equity	20	40	55	--
Emerging Market Equity	5	10	5	--
Public Equity	--	--	--	58
Private Equity	5	5	5	6
Credit	31	16	12	15
High Yield Bonds	5	4	4	--
Bank Loans	6	4	4	--
Emerging Market Bonds	6	4	4	--
Foreign Bonds	3	4	--	--
Structured & AR Credit	6	--	--	--
Public Credit	--	--	--	11
Private Credit	5	--	--	4
Real Assets	25	10	10	8
Real Estate	12	5	5	5
Natural Resources	5	5	5	3
Infrastructure/Liquid Real Asset	8			
Fixed Income & Cash	4	19	13	13
Cash Equivalents	2	3	3	3
Short-term Investment Grade Bonds	2	12	6	6
Investment Grade Bonds	--	4	4	4
GAA	10	--	--	--



Dallas Police and Fire Pension System

2024 Asset Allocation

Asset Allocation History





Dallas Police and Fire Pension System

2024 Asset Allocation

Timeline of 2018 Asset Allocation Review and Adoption

- **March 2018** – During the hiring process, Meketa shared preliminary observations and recommendations.
- **April 2018** – Meketa presented additional thoughts. The message focused on preservation of capital, downside risk protection, and preliminary potential long term return expectations for DPFP given its exposure to “legacy assets”.
- **May 2018** – Meketa presented the concept of a Safety Reserve[®] (a mix of high quality, low volatility, short duration fixed income instruments and cash). It was established to meet ongoing expenses and benefit payments (for at least 2.5 years), ensuring that no other assets would need to be sold at a potentially inopportune time/price during a market correction. It was recommended to DPFP because of a combination of the following that limit DPFP’s ability to rebound from a significant market correction: weak funded status, negative net benefit payments per year of approximately 5-6%, and illiquid legacy assets comprising approximately 25% of the Fund, with potentially binary outcomes.
- **August 2018** – DPFP Staff and Meketa conducted weekly conference calls and evaluated numerous potential asset allocation mixes.
- **September 2018** – Meketa presented a comprehensive asset allocation policy review and risk analysis to the Board of Trustees. The report included Mean Variance Optimization analysis, probability testing, stress testing, historical market testing, liability stress testing, Value at Risk analysis, liquidity analysis, and details on Meketa Investment Group’s annual asset class capital markets assumption development.
- **October 2018** – With feedback from the Board of Trustees, DPFP Staff and Meketa conducted additional analysis and prepared a unified recommendation for the Board to consider. The recommendation was the product of numerous discussions with DPFP Staff as well as the DPFP’s actuary in regards to the projected future liabilities of DPFP. The Board evaluated the expected impact on total DPFP standard deviation, risk budgeting, liquidity, manager transitions required, expected costs, expected timeframe, etc. With data from DPFP’s actuary, Meketa conducted various stress tests to DPFP’s short term returns and the potential impact on future funded status. The Board evaluated different implementation plans and discussed the potential pros/cons of four different approaches of rebalancing to target.
- **November 2018** – Additional discussions ensued with DPFP Staff and Meketa on the recommended implementation plan. Meketa presented an Implementation Plan to the Board of Trustees that focused on rebalancing to the new asset allocation based on expected risk of underweight asset classes. The Board had some reservations on emerging markets and recommended minor modifications to the plan.
- **December 2018** – Meketa presented recommended asset class ranges and asset class benchmarks with corresponding rationale. Staff presented a revised Investment Policy Statement that included the agreed upon new policy asset allocation and implementation plan. The Board provided feedback to DPFP staff on the IPS which was approved the following month.



Dallas Police and Fire Pension System

2024 Asset Allocation

"Legacy" Assets

- Meketa felt the adoption of the Safety Reserve® (mix of short-duration fixed income assets and cash designed to meet benefit payments for 2.5 years) was especially important given the significant exposure to "Legacy" assets and the likelihood for potentially challenged or impaired exits.
- As part of the RFP process, we included the following comments in our Finals presentation.
- *"Given the types of illiquid assets owned, in both the "performing" and legacy categories, and our experience with other clients looking to reduce exposure to illiquid assets in a reasonable manner, our expectation is that the time required [to exit] will be longer than projected."*
 - *"In our experience, we would budget no less than 5 to 7 years to get to a <10% legacy position."*
 - *"In our experience, "problem" assets either tend to remain in the books without much appreciation (often the contrary is true). Also, they tend to not generate much cash or distributions (zombie holdings). If the intention is to hold on to them until a good exit is found, then 0% [return assumption] may be realistic ...if the intention is to exit them as soon as practicable, then discounts to NAV on the exits are likely, and may well be below discounts achieved last year (50-70% of NAV may be more reflective of average discounts)."*
 - *"To us, it seems as though one of the two variables need to be adjusted downward. Either liquidity is sacrificed in hopes of better exits, or potentially lower returns are accepted to improve liquidity."*



Dallas Police and Fire Pension System

2024 Asset Allocation

Asset Liability Analysis

- Meketa and DPFP Staff included liability analysis in the asset allocation review in 2018.
- Meketa highlighted that the path of returns was extremely impactful as strong returns in early years, followed by weak returns in later years, would have a profoundly different impact on future funding status, than vice-versa.
- The Board evaluated stress testing surrounding the anticipated liabilities of DPFP and the impact of not earning the plan's actuarial return.
- In response to the analysis, the Board agreed to follow a risk-based implementation plan designed to minimize the potential impact of a severe near-term market correction.



Dallas Police and Fire Pension System

2024 Asset Allocation

Recommendations related to Asset Allocation (from 2020)

→ In 2020 Meketa prepared its Investment Practices and Performance Evaluation report (the "SB 322 report") as required by Texas Government Code Section 802.109(a)(1-5).

→ Meketa outlined the following recommendations:

- *"We recommend the Board remains patient with asset allocation as the portfolio is transitioned and doesn't feel obligated to conduct comprehensive asset allocation overhaul every year. (Surveys have shown many large state plans are moving towards once every three - five years)."*
- *"We recommend the Board and Staff closely monitor contribution levels and maintain constructive and open dialogue with the City."*
- *"If (based on the actuary's advice) it becomes likely that DPFP is not on track to meet targets by 2024, we encourage the Board to act as soon as reasonably possible to discuss and implement additional plan design changes to avoid delaying and compounding any known shortfalls."*
- *"We recommend DPFP consider adjusting actuarial valuation assumptions as necessary based on the outcomes and advice of the actuary upon conclusion of the experience study expected in 2020."*



Dallas Police and Fire Pension System

2024 Asset Allocation

Timeline of Changes to Asset Allocation in 2020/2021

- **2020** – The Board voted to liquidate DFPF's 4% target allocation to global bonds given the worldwide low interest rate environment and increased role currency played in annual returns for non-US fixed income. During the process, DFPF Staff and Meketa looked at different approaches to redistributing the 4% target weight into other asset existing asset classes.
- **April 2021** – The IAC reviewed possible asset allocation mixes that considered lowering the Safety Reserve from 15% down to 12% or 9%, and whether to include TIPS as part of the Asset Allocation. The reduction in the Safety Reserve would increase the Public Equity allocation.
- **May 2021** – The Board considered the IAC's feedback, as well as staff and Meketa views and favored reducing the EM Equity allocation from 10% (EM overweight) down to 5% (Market Neutral EM weight).
- **June 2021** – The Current Asset allocation was adapted which relocated the full 4% from Global Bonds and 6% from Short-Term Bonds (cutting the allocation down from 12% to 6%) to Public Equity. Within Public Equity the Global Equity allocation was increased to 55% (from 40%) and the Emerging Markets allocation decreased to 5% (from 10%).



Dallas Police and Fire Pension System

2024 Asset Allocation

Timeline of 2023/2024 Asset Allocation Process

- **Late 2023** - DPFP Staff and Meketa began discussions on possible updates to the Asset Allocation Policy.
- **January 2024** – Meketa discussed mean reversion, and Staff introduced the asset allocation study and planning for the remainder of the year with the IAC.
- **Late January 2024** – Meketa released their 2024 Capital Market Expectations (CME's), which are used as inputs for the asset study conducted this year. Meketa's 2024 CME's were presented to the Board in early March.
- **March 2024** – Staff and Meketa reviewed possible asset allocation mixes with the IAC. Those mixes marginally reduced the targets to Natural Resources and Public Equity while adding a new dedicated Private Credit target.
- **March 2024-August 2024** – Staff and Meketa modeled policies incorporating the concepts of a broad public equity and broad multi-sector credit allocation. Reclassification of Huff Energy was also discussed in depth.
- **August 2024** - Meketa discussed emerging markets and Albourne discussed private credit. A Recommended Policy was reviewed based on collaboration of Staff and Meketa as well as feedback from the IAC and the Board throughout this process.
- **October 2024** - The Recommended Policy reduces the targets to Natural Resources and Public Equity while adding a new dedicated Private Credit target and marginally increasing Private Equity. It also recommends combining the Public Credit targets into a single allocation encompassing High Yield, Bank Loans, and EM Debt, as well as Global and Emerging Markets equity be combined into a single Global Equity allocation.

Section 2: Current Market Environment (Yields and Equity Valuations)



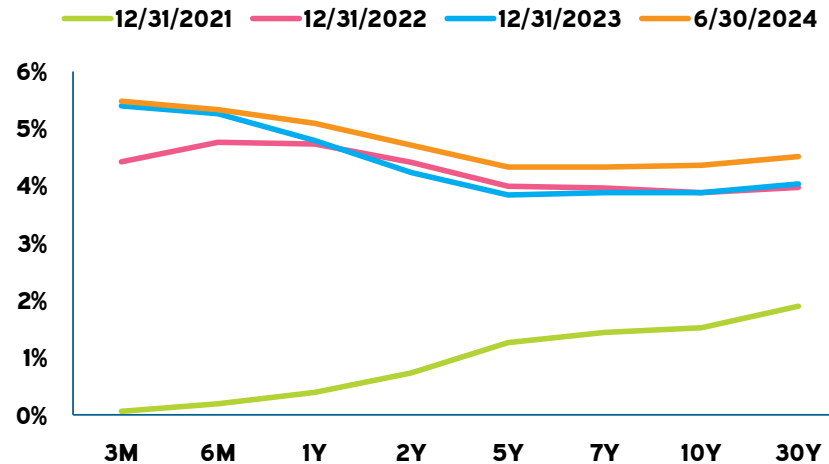
Dallas Police and Fire Pension System

2024 Asset Allocation

Interest Rates

- Except for the short end of the curve, the US Treasury yield curve was little changed during 2023 (and the beginning of 2024) from where it began the year.
- The Federal Reserve reversed course in September 2024, lowering short-term rates by 50 basis points, with additional cuts expected by the market in 2024 and 2025.

US Yield Curve¹



¹ Source: Bloomberg. Data is as of June 30, 2024.



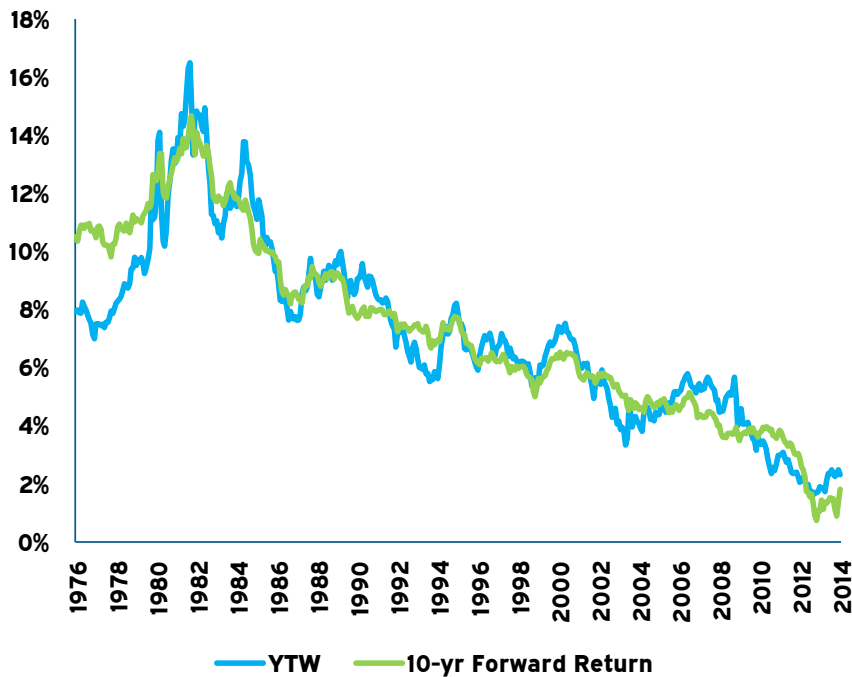
Dallas Police and Fire Pension System

2024 Asset Allocation

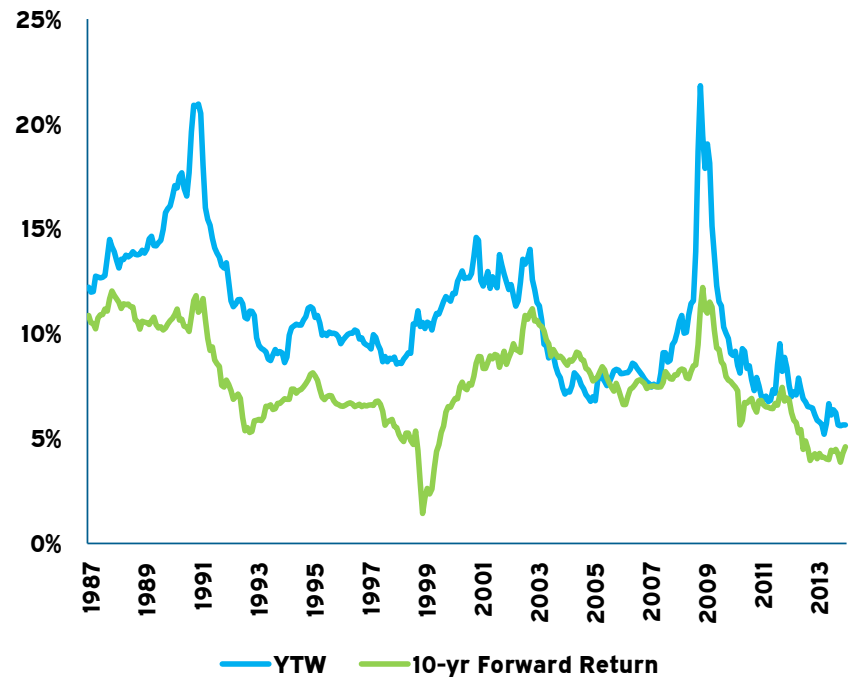
Yields Drive Future Returns¹

→ Changes in interest rates matter because yields are a very good predictor of future returns for bonds², at least over a 10-year horizon.

YTW and Returns for Investment Grade Bonds



YTW and Returns for High Yield Bonds



¹ Source: Bloomberg Aggregate and Bloomberg High yield indices. Data is as of December 31, 2023.

² When predicting returns for bonds, default risk should also be taken into account. For example, defaults are why the return for high yield bonds have generally been below the starting yield.



Dallas Police and Fire Pension System

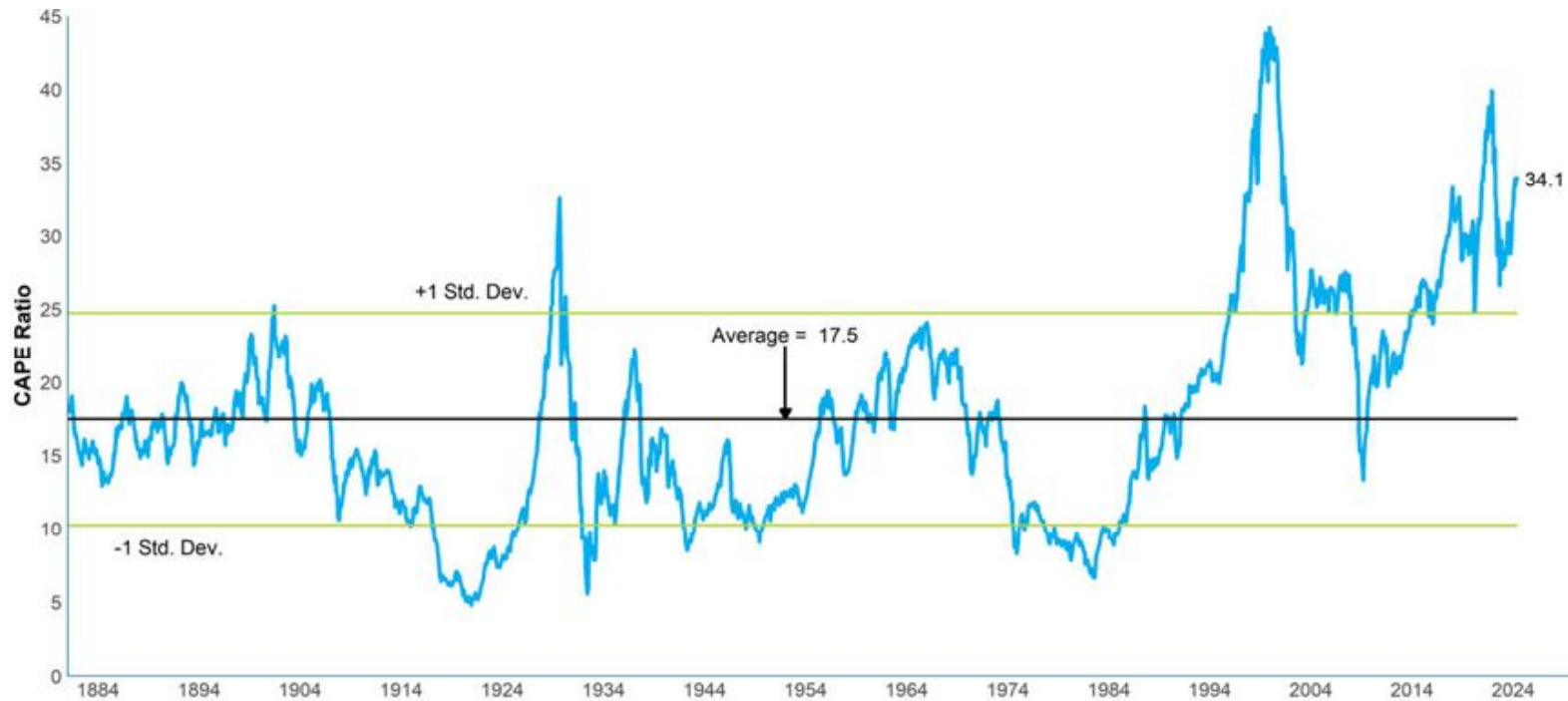
2024 Asset Allocation

Higher Prices for US Equities¹

→ US stocks had a very good year, with the S&P 500 index gaining 26.3% in 2023, with additional increases in 2024.

→ Valuations remain elevated relative to their long-term history.

US Equity Cyclically Adjusted P/E

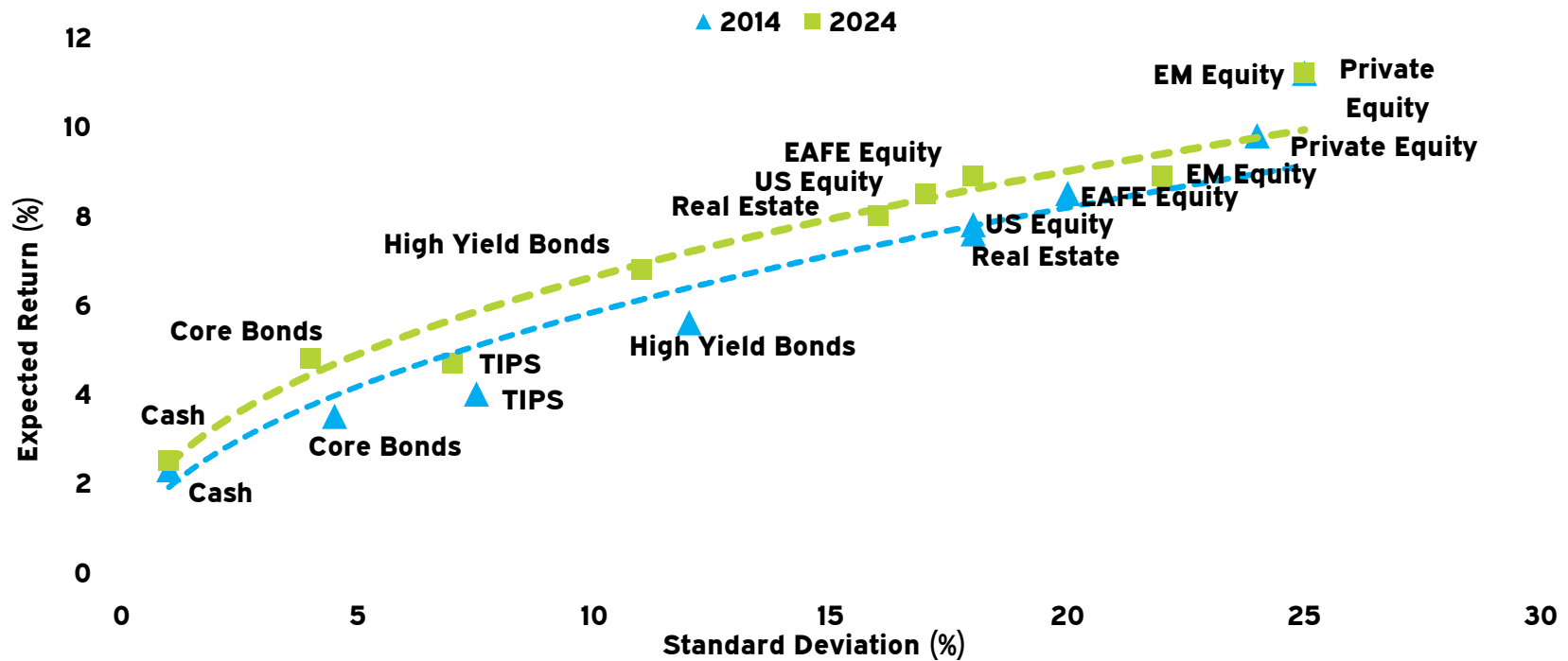


¹ Source: Robert Shiller, Yale University, and Meketa Investment Group. Data is as of June 30, 2024 for the S&P 500 Index.



The Big Picture: Higher Return for Similar Risk¹

- The relationship between long-term return expectations and the level of risk accepted is not static.
- The higher interest rates of the last two years may suggest that investors may be able to take on less risk than they have over the past decade if they want to achieve their target returns.



¹ Expected return and standard deviation are based upon Meketa Investment Group's 2014 and 2024 20-year capital market expectations.

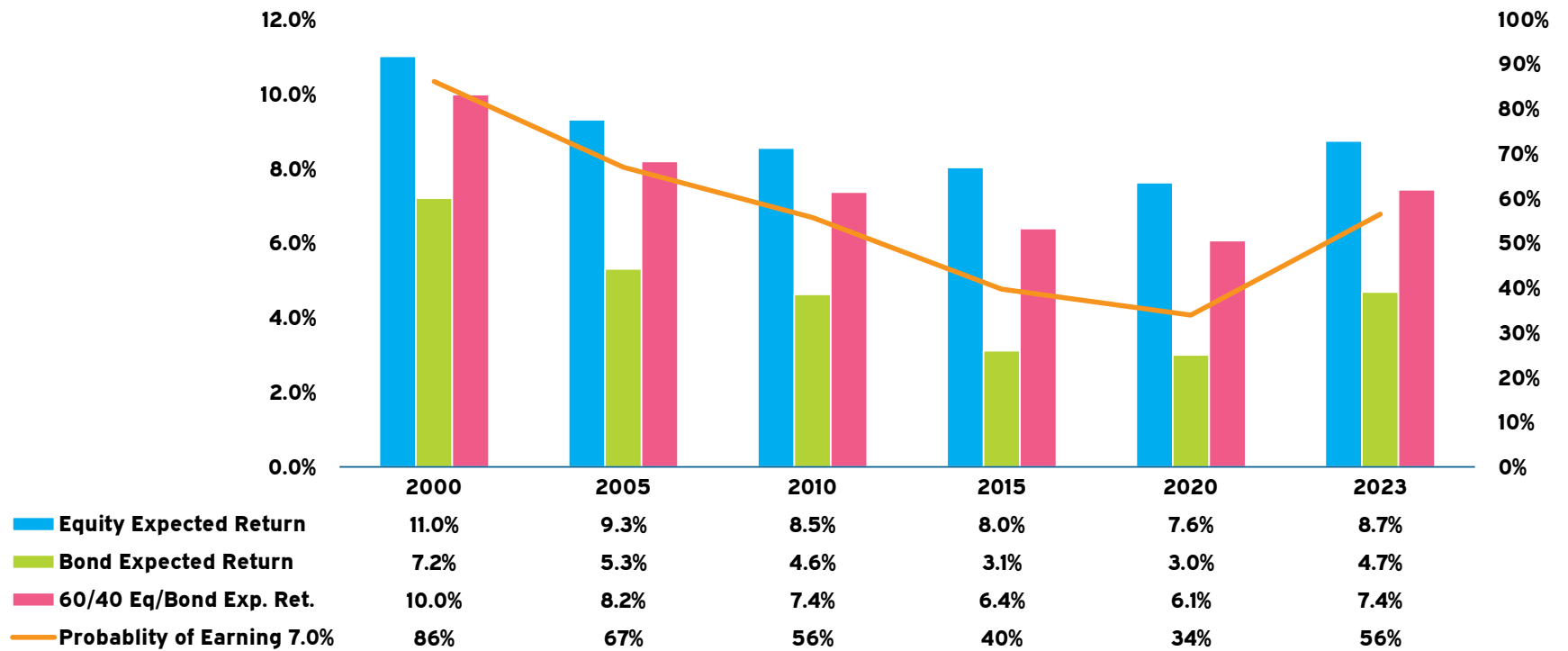


Dallas Police and Fire Pension System

2024 Asset Allocation

Secular Decline in Returns: An Inflection Point?

→ After decades of decline, expected returns have increased in Meketa’s most recent Capital Market Expectation studies.



Section 3: Overview of the Asset Study Development



Dallas Police and Fire Pension System

2024 Asset Allocation

Asset Allocation Review Introduction

- In the first quarter of each year, Meketa Investment Group prepares its capital market assumptions which serve as the backbone of the MVO (Mean Variance Optimization) analysis.
- The capital market assumptions seek to predict individual asset class returns and volatility over the next twenty-year period.
- They do not predict returns or volatility in any given single year.
- MVO is a very useful tool, but it is imperfect.
- Qualitative analysis must be applied when evaluating the forecasts.



Building our Forecasts

- Each return assumption is based on the most important factors that drive returns for that asset class.
- The common components are income, growth and valuation.

Asset Class Category	Major Factors
Equities	Dividend Yield, GDP Growth, Valuation
Bonds	Yield to Worst, Default Rate, Recovery Rate
Private Equity	EBITDA Multiple, Debt Multiple, Public Eq Valuation
Real Estate	Cap Rate, Yield, Growth

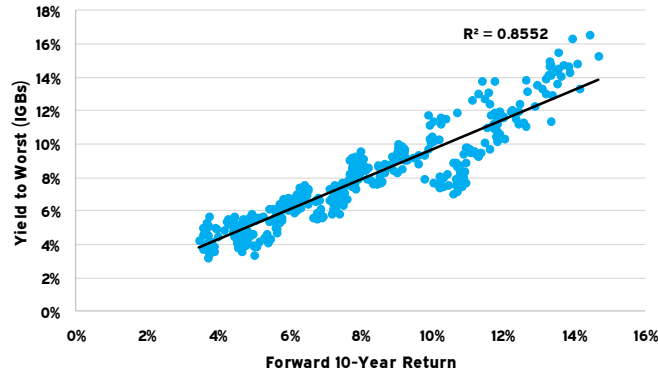


Dallas Police and Fire Pension System

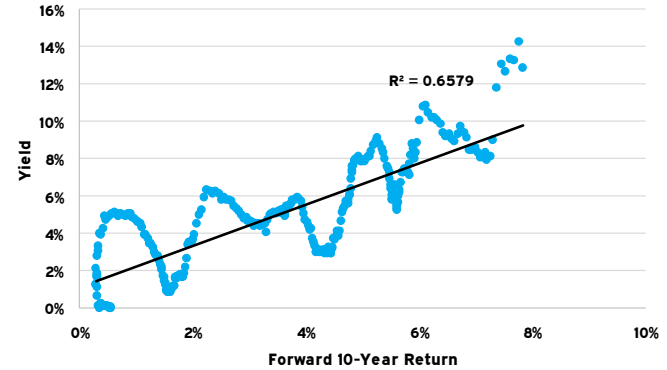
2024 Asset Allocation

Some Factors are Naturally More Predictive than Others

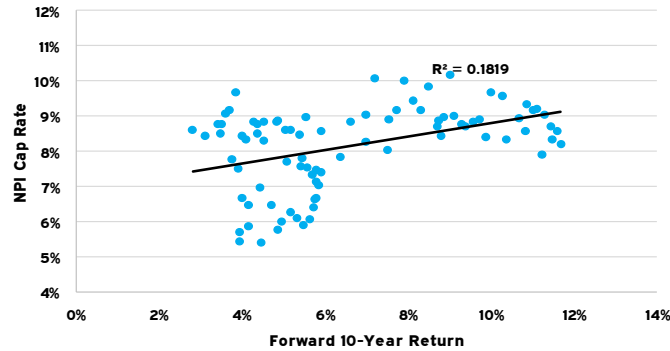
Investment Grade Bonds
Yield to Worst vs. Forward 10-Year Returns



Cash (90-day T-Bill)
Yield vs. Forward 10-Year Returns



Core Real Estate
Cap Rates vs. Forward 10-Year Returns



US Equities
Shiller CAPE vs. Forward 10-Year Returns

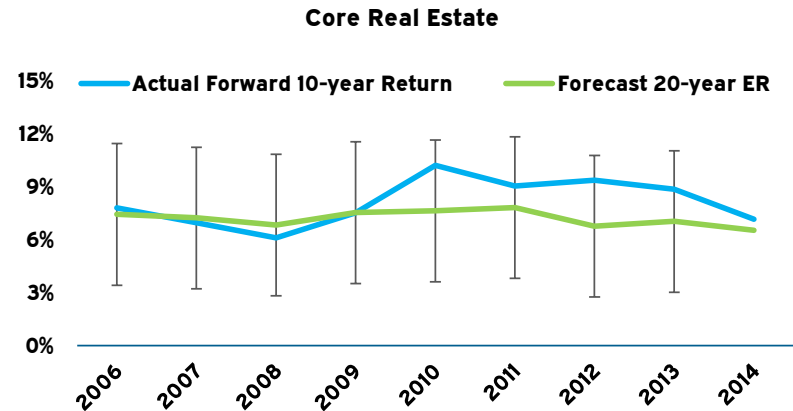
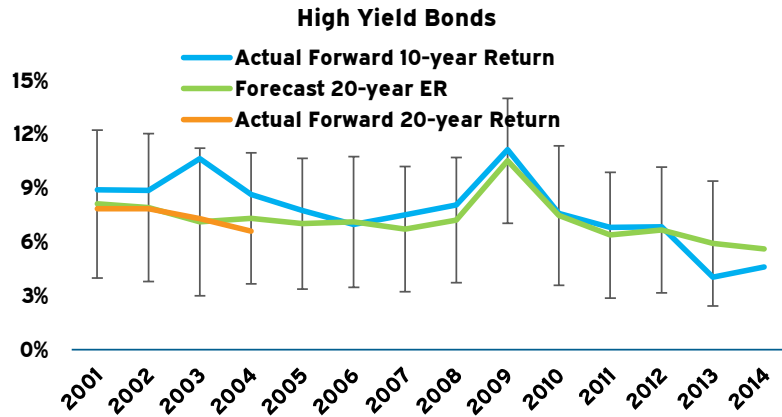
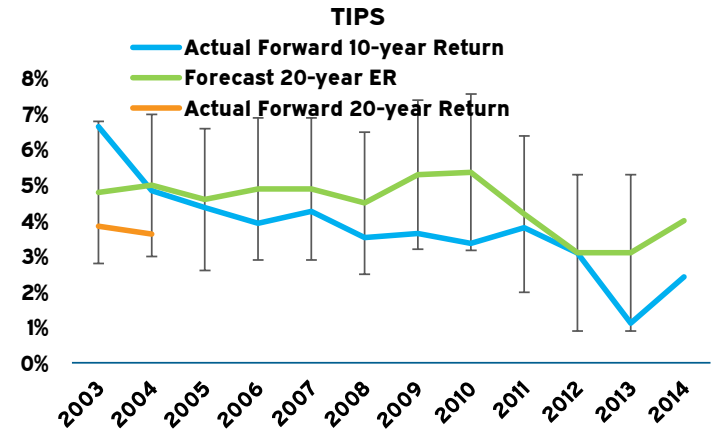
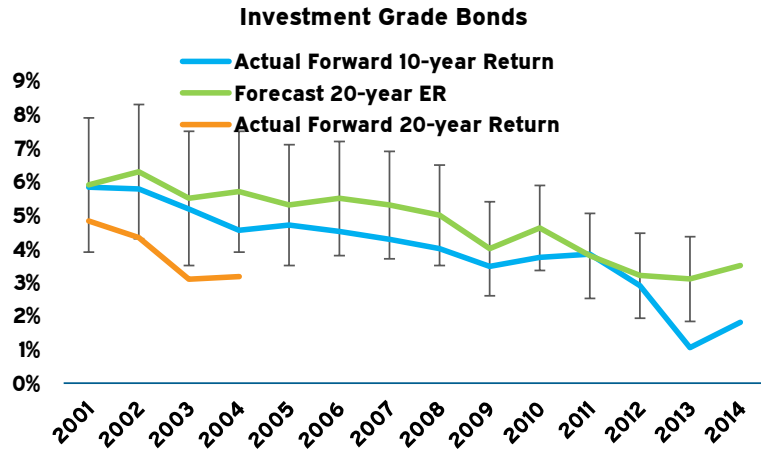




Dallas Police and Fire Pension System

2024 Asset Allocation

Our Track Record

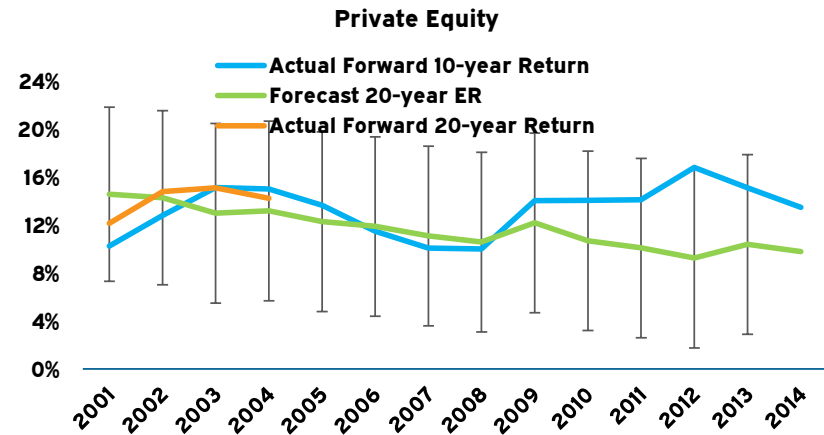
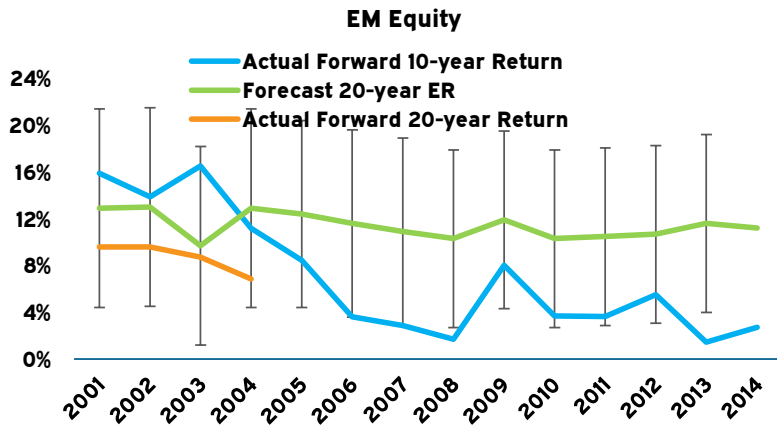
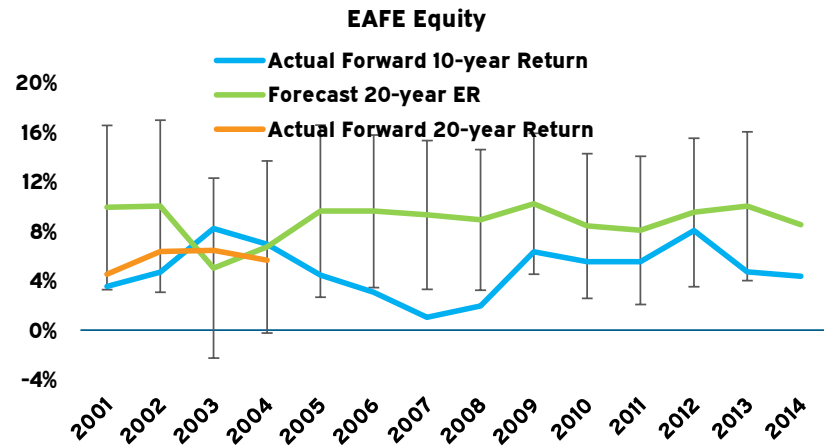
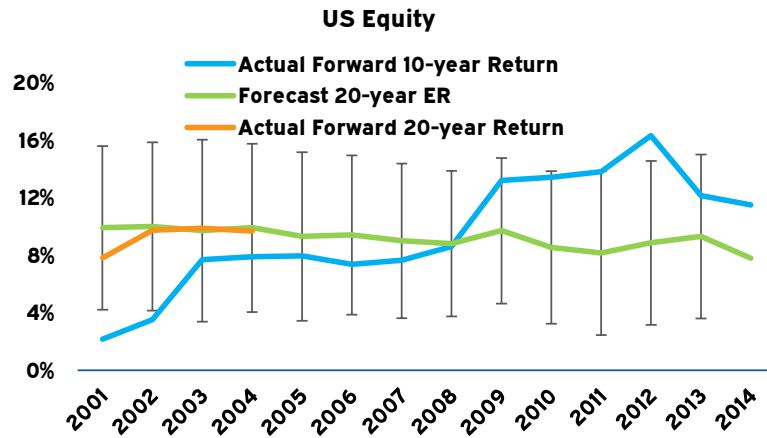




Dallas Police and Fire Pension System

2024 Asset Allocation

Our Track Record (continued)



Section 4: 2024 Asset Allocation Study and Recommendation



Dallas Police and Fire Pension System

2024 Asset Allocation

Executive Summary

- We recommend an updated policy mix, with **reduced targets to Natural Resources and Public Equity**, an **increased target to Private Equity**, and the **establishment of a new and dedicated Private Credit allocation**.
- The Natural Resources program, which primarily contains the Manulife strategy, is expected to organically decrease in size over the coming years (as properties are sold and proceeds distributed).
- Based on feedback from the IAC and a favorable outlook for Private Credit, both in isolation and in relationship to existing holdings, we view Private Credit as a favorable addition to the Policy.
- Consistent with trends in the industry and DPFP's approach to global equity investing, we recommend DPFP considers combining the Public Credit targets into a single allocation which would hold High Yield, Bank Loans, and EM Debt. This often provides more flexibility to the asset class.
- Similarly, we recommend Global and Emerging Markets equity be combined into a single Public Equity allocation.



Dallas Police and Fire Pension System

2024 Asset Allocation

Asset Allocation Policy Recommendation¹

	Current Policy (%)	Recommended Policy (%)
Equity	65	64
Global Equity	55	--
Emerging Market Equity	5	--
Public Equity	--	58
Private Equity	5	6
Credit	12	15
High Yield Bonds	4	--
Bank Loans	4	--
Emerging Market Bonds	4	--
Public Credit	--	11
Private Credit	--	4
Real Assets	10	8
Real Estate	5	5
Natural Resources	5	3
Fixed Income & Cash	13	13
Cash Equivalents	3	3
Short-term Investment Grade Bonds	6	6
Investment Grade Bonds	4	4
<i>Expected Return (10/20 years)</i>	<i>7.0/8.2</i>	<i>7.1/8.2</i>
<i>Standard Deviation</i>	<i>13.2</i>	<i>13.3</i>
<i>Probability of Achieving 6.5% over 10/20 Years</i>	<i>65.5/71.3</i>	<i>66.1/72.1</i>

¹ Expected return and standard deviation are based upon Meketa Investment Group's Annual Capital Markets Expectations. Throughout this document, returns for periods longer than one year are annualized. Some columns may not sum exactly due to rounding.



Dallas Police and Fire Pension System

2024 Asset Allocation

Ranges and Benchmarks

	Recommended Policy ¹ (%)	Ranges ²	Benchmarks
Equity	64		
Public Equity	58	50-66	MSCI ACWI IMI Index
Private Equity	6	--	MSCI ACWI IMI Index +2% (Lagged)
Credit	15	--	
Public Credit	11	7-15	35% Bloomberg US HY Index, 35% Credit Suisse Leveraged Loans, 30% Blended EMD Benchmark ³
Private Credit	4	--	50% Bloomberg US HY Index +1.5% (lagged) /50% Credit Suisse Leveraged Loan Index +1.5% (lagged)
Real Assets	8		
Real Estate	5	--	NCREIF Property Index (lagged)
Natural Resources	3	--	NCREIF Farmland Index (lagged)
Fixed Income & Cash	13		
Cash Equivalents	3	0-6	ICE BofA 3-Month T-Bill
Short-term Investment Grade Bonds	6	0-9	Bloomberg US Aggregate 1-3 Yr Index
Investment Grade Bonds	4	2-6	Bloomberg US Aggregate

¹ Huff Energy Fund has a 0% target in the Recommended Policy. For purposes of the allocation benchmark, Huff's actual return will be used.

² Rebalancing Ranges are not established for illiquid asset classes.

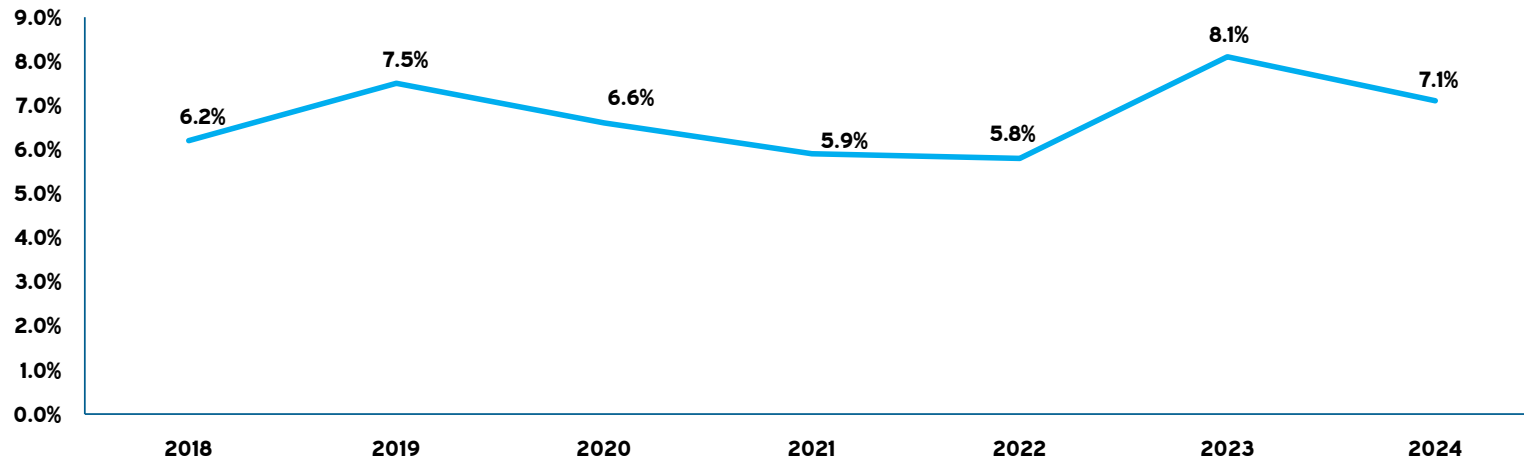
³ Emerging Markets Debt benchmark consists of 35% JPMEB Global/35% JPM CEMBI Broad Diversified/30% JPM GBI-EM.



Dallas Police and Fire Pension System

2024 Asset Allocation

10 Year Expected Return Projection for Recommended Policy (Based on Asset Study in Given Year)



→ Although expected returns have been on the higher end over the past two years, that has not always been the case even in recent history. Returns assumptions tend to vary year to year.

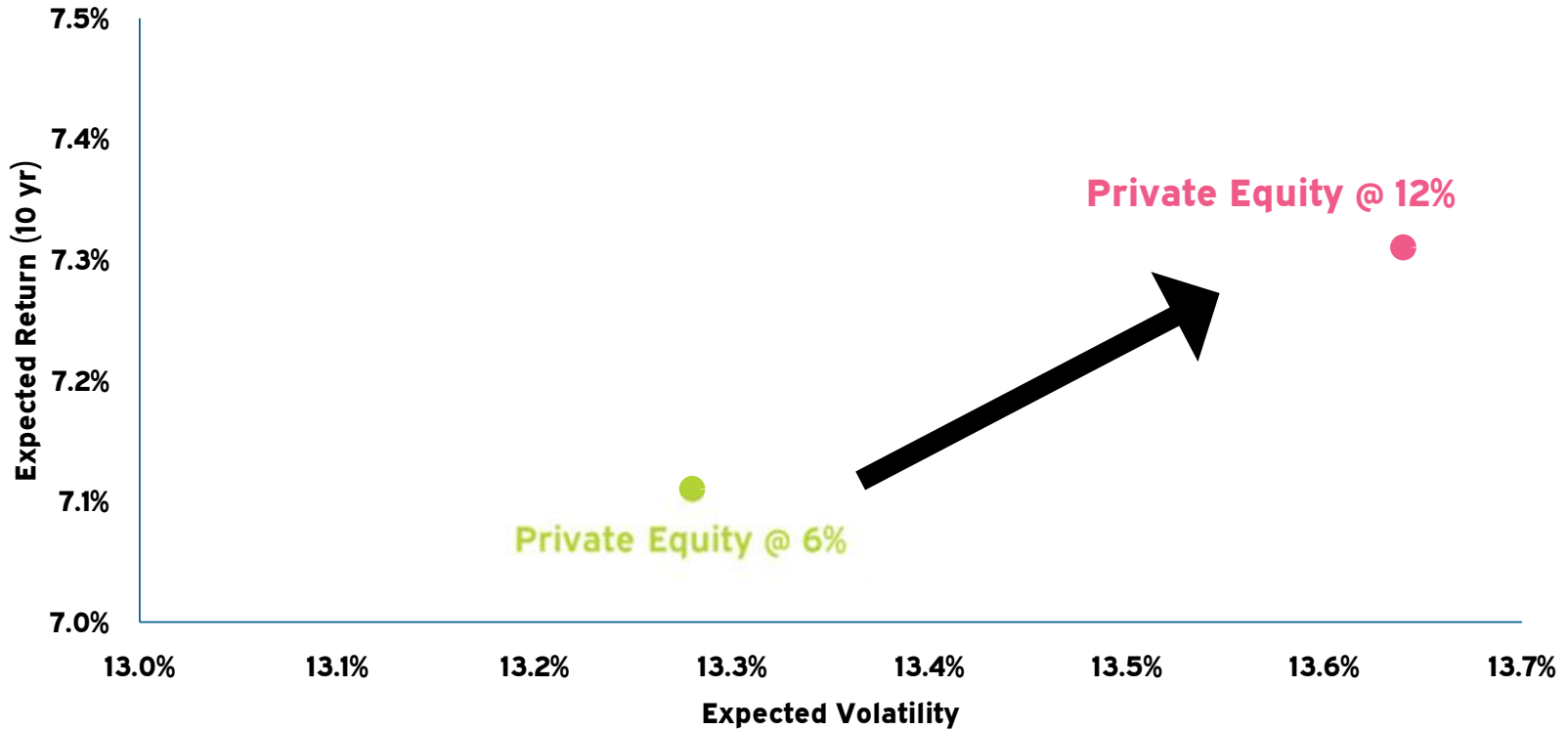
→ Meketa would caution against making drastic policy changes based on a single year's results.



Dallas Police and Fire Pension System

2024 Asset Allocation

What if Private Equity Exposure is Doubled?



→ Increasing the Private Equity target to 12% and subsequently reducing Global Equity by 6% marginally increases the 10-yr expected return and standard deviation by 20 and 40 basis points respectively (compared to the Recommended Policy of PE at 6%).



Dallas Police and Fire Pension System

2024 Asset Allocation

Liquidity Stress Test

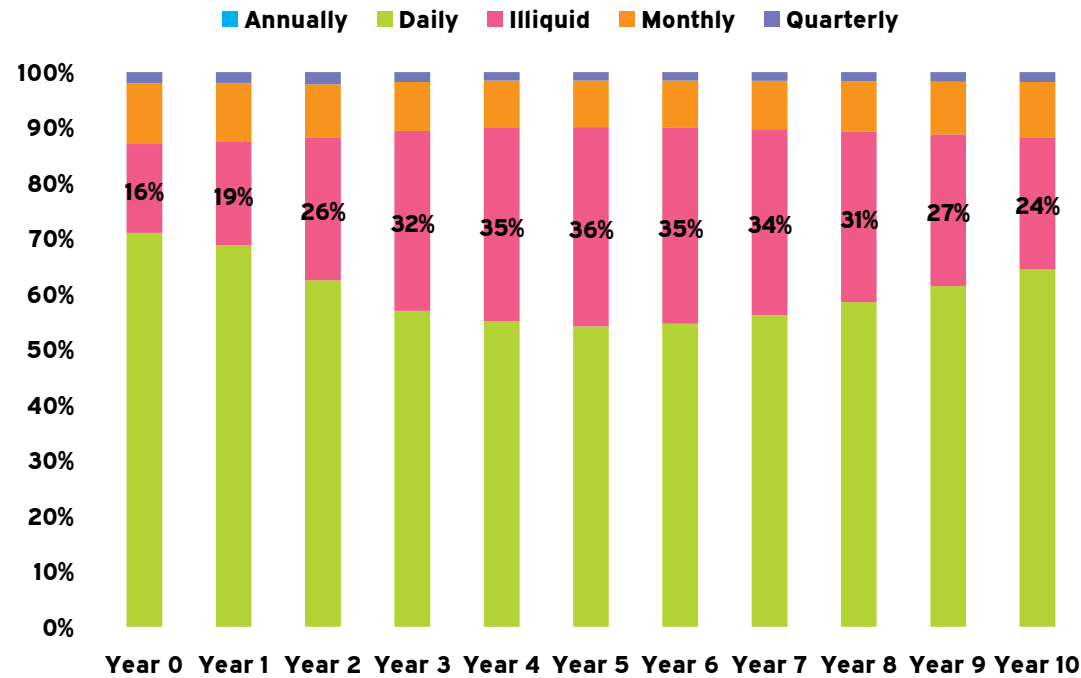
- The Portfolio must maintain adequate liquidity to satisfy benefit payments and to avoid having to sell assets at distressed prices if possible.
- We conducted an extreme stress test to analyze liquidity. Specifically, we evaluated whether the Portfolio could:
 - *Continue to meet its benefit obligations and expenses (including any obligations to fund commitments to private market managers),*
 - *While staying within its target allocation ranges,*
 - *And at what cost (i.e., to what extent would it be forced to sell stressed or distressed assets).*
- The scenario is designed to be extreme.
 - *In years 1 – 3, we use the returns produced by each mix in 4Q07, 2008, and 1Q09, respectively. In years 4 – 5, we assume the expected returns for each mix (i.e., no rebound).*
 - *The model takes into account the projected net cash outflows over the next 10-years.*
 - *We assume closed-end funds offer no liquidity in years 1 – 4, and very limited liquidity in year 5.*
 - *We assume open-end funds offer no liquidity in years 1-3, and limited liquidity in years 4-5.*
 - *We assume the Portfolio would rebalance toward its policy targets each year (except for illiquid asset classes).*
- We show the results for Recommended Policy on the following pages.



Dallas Police and Fire Pension System

2024 Asset Allocation

Liquidity Stress Test: Liquidity Profile
(for Recommended Policy)



→ At the trough, the policy portfolio would have over 50% of its assets in liquid vehicles (green above).



Dallas Police and Fire Pension System

2024 Asset Allocation

Liquidity Stress Test: Summary (for Recommended Policy)

Metric	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Starting Market Value	2000.0	2000.0	1876.8	1251.5	1100.0	1134.1	1181.3	1244.3	1317.7	1399.9	1492.1
Portfolio Return (%)		0.0	-28.7	-6.0	8.2	8.3	8.4	8.4	8.4	8.3	8.2
Total Net Flows (External and Private Markets)		-139.8	-137.7	-126.5	-100.8	-82.6	-57.5	-37.8	-19.7	-2.5	10.3
Flows As Percentage of Market Value (%)		-7.0	-7.3	-10.1	-9.2	-7.3	-4.9	-3.0	-1.5	-0.2	0.7
Net Flows (External)		-124.0	-104.0	-80.0	-55.0	-46.0	-35.0	-30.0	-27.0	-23.0	-19.0
Net Flows (Private Markets)		-15.8	-33.7	-46.5	-45.8	-36.6	-22.5	-7.8	7.3	20.5	29.3
Ending Market Value	2000.0	1876.8	1251.5	1100.0	1134.1	1181.3	1244.3	1317.7	1399.9	1492.1	1594.8
Total Illiquid Assets	320.0	349.3	321.3	356.6	394.8	424.2	440.3	442.5	430.6	408.4	379.7
Percentage of Illiquid Assets (%)	16.0	18.6	25.7	32.4	34.8	35.9	35.4	33.6	30.8	27.4	23.8
Assets Sold in Duress		0.0	-108.2	-102.6	-79.0	-64.9	-39.7	-26.1	-18.6	-15.9	0.0

→ Even under this extreme scenario, the Recommended Policy would maintain sufficient liquidity to pay benefits and other expenses. Initially, the Safety Reserve would be able to cover benefit payments and private markets contributions for approximately 21 months. Refilling the Safety Reserve after that would require the selling other public securities.



Dallas Police and Fire Pension System

2024 Asset Allocation

MPT-Based Risk Analysis

Scenario	Current Policy (%)	Recommended Policy (%)
Worst Case Returns (1)		
Three Years (annualized)	-8.1	-8.1
Five Years (annualized)	-4.7	-4.6
Ten Years (annualized)	-1.1	-1.0
Twenty Years (annualized)	1.5	1.6
Probability of Experiencing Negative Returns		
Three Years	13.2	13.0
Five Years	7.4	7.3
Ten Years	2.1	2.0
Twenty Years	0.2	0.2
Probability of Achieving at least a 6.5% Return		
Three Years	58.6	59.0
Five Years	61.1	61.5
Ten Years	65.5	66.0
Twenty Years	71.3	72.1

¹ "Worst Case Returns" refers to the 99.7th percentile return.



Dallas Police and Fire Pension System

2024 Asset Allocation

Historical Negative Scenario Analysis¹ (Cumulative Return)

Scenario	Current Policy (%)	Recommended Policy (%)
Post-COVID Rate Hikes (Jan 2022-Oct 2023)	-8.5	-7.3
COVID-19 Market Shock (Feb 2020-Mar 2020)	-22.8	-22.6
Taper Tantrum (May - Aug 2013)	-0.9	-0.2
Global Financial Crisis (Oct 2007 - Mar 2009)	-32.1	-32.6
Popping of the TMT Bubble (Apr 2000 - Sep 2002)	-24.4	-24.3
LTCM (Jul - Aug 1998)	-10.3	-9.2
Asian Financial Crisis (Aug 97 - Jan 98)	-0.9	1.1
Rate spike (1994 Calendar Year)	3.7	4.6
Early 1990s Recession (Jun - Oct 1990)	-7.3	-6.8
Crash of 1987 (Sep - Nov 1987)	-12.5	-11.9
Strong dollar (Jan 1981 - Sep 1982)	-0.6	-0.5
Volcker Recession (Jan - Mar 1980)	-3.9	-3.7
Stagflation (Jan 1973 - Sep 1974)	-26.4	-25.7

¹ See the Appendix for our scenario inputs. In periods where the ideal benchmark was not yet available we used the next closest benchmark(s) as a proxy.



Dallas Police and Fire Pension System

2024 Asset Allocation

Historical Positive Scenario Analysis¹
(Cumulative Return)

Scenario	Current Policy (%)	Recommended Policy (%)
Covid Recovery (Apr 2020-Dec 2021)	54.0	56.0
Global Financial Crisis Recovery (Mar 2009 - Nov 2009)	43.1	41.1
Best of Great Moderation (Apr 2003 - Feb 2004)	34.1	32.2
Peak of the TMT Bubble (Oct 1998 - Mar 2000)	44.5	42.1
Plummeting Dollar (Jan 1986 - Aug 1987)	68.2	64.5
Volcker Recovery (Aug 1982 - Apr 1983)	34.3	33.1
Bretton Wood Recovery (Oct 1974 - Jun 1975)	31.2	30.0

¹ See the Appendix for our scenario inputs. In periods where the ideal benchmark was not yet available we used the next closest benchmark(s) as a proxy.



Dallas Police and Fire Pension System

2024 Asset Allocation

Stress Testing: Impact of Negative Market Movements (Expected Return under Negative Conditions)¹

Scenario	Current Policy (%)	Recommended Policy (%)
10-year Treasury Bond rates rise 100 bps	5.0	4.8
10-year Treasury Bond rates rise 200 bps	-0.9	-1.0
10-year Treasury Bond rates rise 300 bps	-1.7	-1.8
Baa Spreads widen by 50 bps, High Yield by 200 bps	0.2	0.1
Baa Spreads widen by 300 bps, High Yield by 1000 bps	-23.7	-23.5
Trade Weighted Dollar gains 10%	-5.6	-5.2
Trade Weighted Dollar gains 20%	-3.1	-2.9
U.S. Equities decline 10%	-6.3	-6.3
U.S. Equities decline 25%	-17.5	-17.5
U.S. Equities decline 40%	-27.6	-27.5

¹ Assumes that assets not directly exposed to the factor are affected nonetheless. See the Appendix for further details.



Dallas Police and Fire Pension System

2024 Asset Allocation

Stress Testing: Impact of Positive Market Movements (Expected Return under Positive Conditions)¹

Scenario	Current Policy (%)	Recommended Policy (%)
10-year Treasury Bond rates drop 100 bps	1.2	1.2
10-year Treasury Bond rates drop 200 bps	11.1	10.6
10-year Treasury Bond rates drop 300 bps	13.5	12.9
Baa Spreads narrow by 30bps, High Yield by 100 bps	7.4	7.5
Baa Spreads narrow by 100bps, High Yield by 300 bps	15.4	14.6
Trade Weighted Dollar drops 10%	8.7	8.2
Trade Weighted Dollar drops 20%	25.3	24.1
U.S. Equities rise 10%	6.6	6.6
U.S. Equities rise 30%	17.2	16.8

¹ Assumes that assets not directly exposed to the factor are affected nonetheless. See the Appendix for further details.



Dallas Police and Fire Pension System

2024 Asset Allocation

Summary

- In creating this recommendation, many factors were thoroughly reviewed and discussed including the size of the Safety Reserve, the Emerging Markets allocation (both equity and debt), Private Equity and Credit, and splitting Fixed Income into Investment Grade and Credit allocations, among others.
- The resulting recommendation is expected to marginally improve risk adjusted returns and further diversifies the Fund.
- The increased private markets targets may provide an additional lever to improve outcomes, if executed successfully.
- From a liquidity perspective, the consideration of an increase in illiquid assets would be sustainable even in a stressed scenario, despite a temporary increase in illiquidity, as well as a temporary overweight in certain private asset classes.
- Overall, the Recommended Policy has an improved risk/return profile and better odds of achieving the 6.5% actuarial target.



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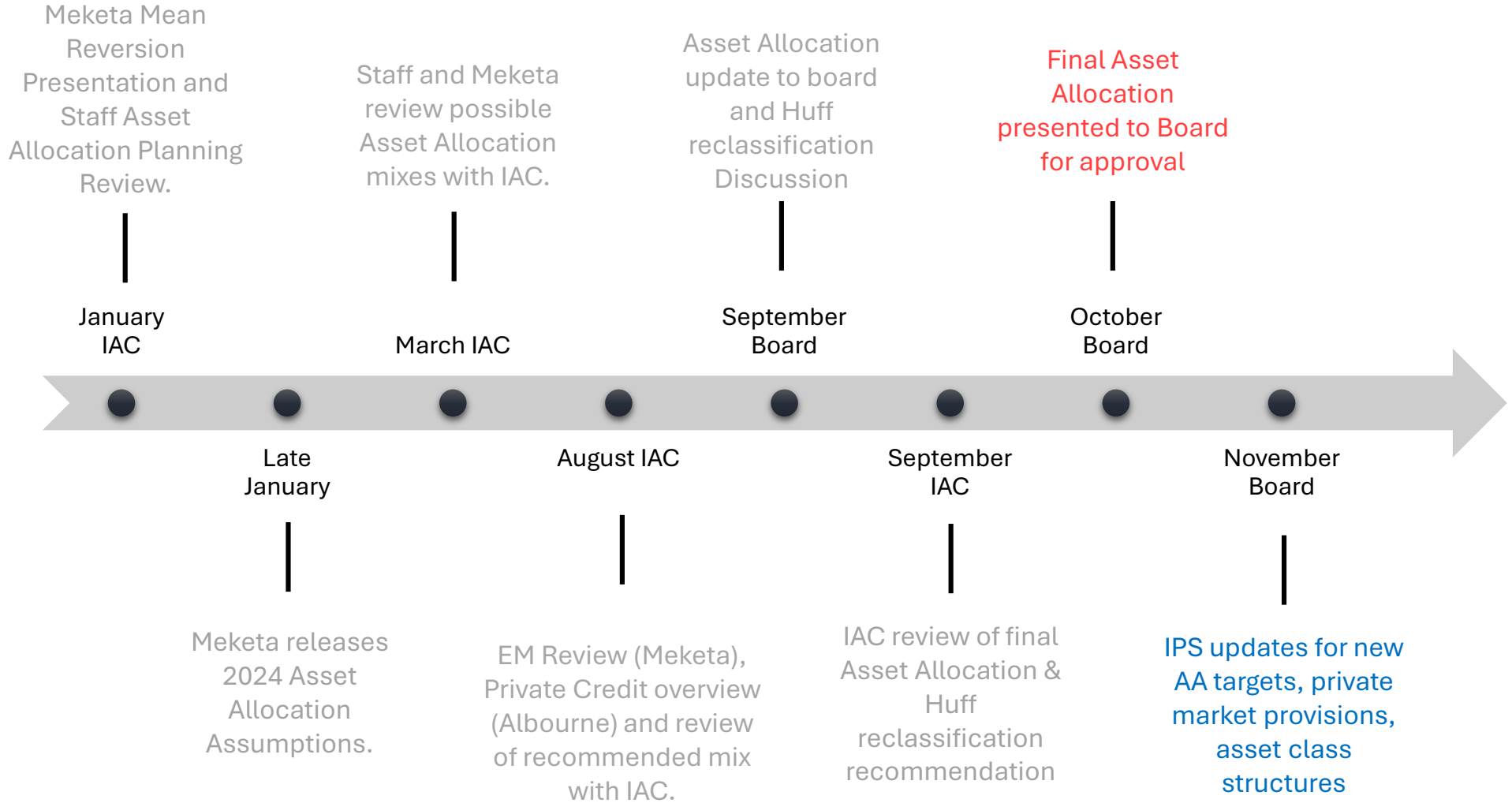
D A L L A S
POLICE & FIRE
PENSION SYSTEM



Staff Asset Allocation Implementation

October 10, 2024 Board Meeting

2024 Asset Allocation Study Timeline



Asset Allocation Recommendation

	Current Allocation 9/30/2024		Current Target	Staff/Meketa Rec.	Change
	\$ (M)	%	%	%	%
Equity	1,297	63.4%	65%	64%	
Public Equity	1,124	55.0%	60%	58%	(2%)
Private Equity	54	2.6%	5%	6%	+ 1%
Huff Energy Fund	120	5.8%	0%	0%	
Credit	205	10.0%	12%	15%	
Public Credit	203	9.9%	12%	11%	(1%)
Private Credit	2	0.1%	0%	4%	+ 4%
Real Assets	264	12.9%	10%	8%	
Real Estate	150	7.3%	5%	5%	
Natural Resources	90	4.4%	5%	3%	(2%)
Infrastructure	23	1.1%	0%	0%	
Fixed Income & Cash	279	13.6%	13%	13%	
Cash	92	4.5%	3%	3%	
ST Investment Grade Bonds	120	5.9%	6%	6%	
Investment Grade Bonds	67	3.3%	4%	4%	
Total	2,046	100.0%	100%	100%	
Safety Reserve	212	10.4%	9%	9%	
Private Markets	439	21.5%	15%	18%	+ 3%

Key Changes from Current Allocation:

- Addition of a 4% allocation to Private Credit, 1% increase to the Private Equity target allocation
- Decreases to Public Equity (2%), Public Credit (1%) and Natural Resources (2%)
- Huff Energy moved to new Asset Class with 0% Target
- High Yield, Bank Loans and EM Debt combined into a single Public Credit asset class
- Global Equity and EM Equity Combined into a single Public Equity asset class.

New Benchmarks

- Based on the updated Asset Allocation, new/changed benchmarks need to be considered for several asset classes.

Asset Class	Current Benchmark	New Benchmark	Rationale
Private Equity	Russell 3000 + 2% Lagged	MSCI ACWI IMI + 200 bps (Lagged)	Consistent with approach of many peers, and more accurately reflects the total equity universe Additional benchmarks may be considered for fund performance evaluation
Public Credit	None	35% High Yield, 35% Leveraged Loans, 30% Blended EMD	Based on sub-component strategies in Public Credit benchmarks
Private Credit	None	50% High Yield / 50% Leveraged Loans + 150 bps (Lagged)	1.5% Over Public Credit is consistent with Meketa Capital Market Assumptions

Reclassifying Huff

- The current allocation to Private Equity is \$174M or 8.4% of the DFPF portfolio, compared to a proposed target of 6%. DFPF has not made a new private equity commitment since 2016.
- Huff Energy is a 2006 vintage investment with only one remaining asset (~18,000 acres in the Eagle Ford Shale).
- Staff has little transparency from the Huff Energy GP and a low level of confidence as to when the asset will eventually sell. Additionally, Huff is not expected to behave like a private equity investment and is more accurately characterized as private energy.
- Based on internal discussions and conversations with the IAC and Albourne, **staff does not feel it is prudent to wait until Huff sells/resolves to start making new private equity investments.**
- Staff completed internal analysis on four separate approaches to moving Huff and presented to the IAC and board in September a recommendation to **move Huff to its own asset class with a 0% target.** This is reflected in the proposed asset allocation.

Asset Class Structures

- Section 6.B of the IPS defines and outlines Asset Class Structures.
 - An Asset Class Structure is prepared for any (public) asset class with multiple managers. Currently required only for the Global Equity allocation.
 - The purpose of the structure review is to establish the **investment manager roles and allocations** that will be used to implement the asset allocation.
 - Asset Class Structures are updated as needed and require Board approval, after IAC input.
- Utilizing the Asset Class Structure concept allows for changes to strategies, benchmarks, allocations or implementation within an asset class without the need to update the Long-Term Asset Allocation or IPS.
- When the IPS is updated to reflect Asset Allocation changes, staff and Meketa plan to clarify the Asset Class Structure language.
- The current document that gets “approved” is a presentation from Meketa. Staff plans to change this to a memo/policy style document, so it is clearer what the Board is approving.

Public/Global Equity Asset Class Structure Example

- The Global/Public Equity Asset Class structure was updated in 2020, 2021, 2023. An example of the output is below.
- The Public Equity Structures have reviewed manager benchmarks, active vs. passive weight, and any geographical, sector, market cap or style tilts in the portfolio. Updates included the addition of passive ACWI, US and International small cap allocations, and resized active manager targets from 8% to 6%.
- Combining EM Equity with Global Equity into the new Public Equity asset class is more consistent with how DFPF has treated the other active public equity managers.



Dallas Police and Fire Pension System

Public Equity Structure Review

Proposed DFPF Full Weighting Allocation

Manager	Previous Manager Target Weights (as % of total DFPF)	Proposed Manager Weights (as % of total DFPF)	Current Market Value 3/31/23 DFPF equity exposure (\$M)	Projected MV (Once public equity is fully funded to 60% of DFPF ¹) (\$M)	Funding required to reach full weight (\$M)
Boston Partners Global Equity	8%	6%	\$130	\$113	- \$17
Manulife Global Equity	8%	6%	\$129	\$113	- \$16
Walter Scott Global Strategy	8%	6%	\$139	\$113	- \$26
TBD Global Growth Manager	8%	6%	\$131	\$113	- \$18
NT MSCI ACWI IMI Index	15%	25%	\$193	\$469	+ \$276
Global Alpha Small Cap	4%	3%	\$57	\$56	- \$1
Eastern Shore Small Cap	4%	3%	\$50	\$56	+ \$6
RBC Emerging Markets Equity	5%	5%	\$89	\$94	+ \$5
Totals	60%	60%	\$918	\$1,127	\$209

→ The proposed manager weights would require a significant increase into the NT MSCI ACWI IMI index.



EM Equity and EM Debt – Lowering to new targets

- Upon Board approval, the new Asset Allocation changes will be **effective 1/1/25**.
- The implied targets to **EM Equity and EM Debt are being lowered by 1%** each within Public Equity and Public Credit, respectively.
- This would be a **combined decrease of \$35M** from current levels as outlined in the table.
- Staff intends to draw down this overallocation to fund cash needs over the remainder of the year.

	Current Allocation		Proposed		Variance	
	9/30/2024		Target			
	\$(M)	%	%	\$	%	
Equity	1,297	63.4%	64%	(11.7)	-0.6%	
Global Equity	1,016	49.7%	54%	(88.3)	-4.3%	
Emerging Markets Equity	108	5.3%	4%	26.0	1.3%	
Private Equity	54	2.6%	6%	(69.1)	-3.4%	
Huff Energy Fund	120	5.8%	0%	119.6	5.8%	
Credit	205	10.0%	15%	(101.8)	-5.0%	
Bank Loans	65	3.2%	4%	(17.0)	-0.8%	
High Yield Bonds	68	3.3%	4%	(13.5)	-0.7%	
Emerging Markets Debt	70	3.4%	3%	8.9	0.4%	
Private Credit	2	0.1%	4%	(80.1)	-3.9%	
Real Assets	264	12.9%	8%	100.2	4.9%	
Real Estate	150	7.3%	5%	48.0	2.3%	
Natural Resources	90	4.4%	3%	29.1	1.4%	
Infrastructure	23	1.1%	0%	23.1	1.1%	
Fixed Income & Cash	279	13.6%	13%	13.3	0.6%	
Cash	92	4.5%	3%	30.4	1.5%	
ST Investment Grade Bonds	120	5.9%	6%	(2.5)	-0.1%	
Investment Grade Bonds	67	3.3%	4%	(14.6)	-0.7%	
Total	2,046	100.0%	100%			

Asset Allocation Next Steps & Tentative Timing

1. Board review and approval of Asset Allocation Study & Recommended Asset Allocation including benchmarks and ranges – [October Board Meeting](#)
2. Outline expected due diligence & selection process for new Private Market investments – [October Board Meeting](#)
3. Investment Policy Statement revisions for Asset Allocation changes, rebalancing, asset class structure language, private market provisions – [November Board Meeting](#)
4. Public Equity Structure Review – [Q4 2024/Q1 2025](#)
5. Public Credit Structure Review – [Q4 2024/Q1 2025](#)
6. Initial Private Credit and Equity Pacing Plans – [Q1 2025](#)



DISCUSSION SHEET

ITEM #C13

Topic: Lone Star Investment Advisors

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.071 of the Texas Government Code.

Discussion: Investment staff will update the Board on investments with this manager.

Regular Board Meeting – Thursday, October 10, 2024



DISCUSSION SHEET

ITEM #C14

Topic: **Legal issues - In accordance with Section 551.071 of the Texas Government Code, the Board will meet in executive session to seek and receive the advice of its attorneys about pending or contemplated litigation or any other legal matter in which the duty of the attorneys to DFPF and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws.**

Discussion: Counsel will brief the Board on these issues.

Regular Board Meeting – Thursday, October 10, 2024



DISCUSSION SHEET

ITEM #D1

Topic: Public Comment

Discussion: Comments from the public will be received by the Board.

Regular Board Meeting – Thursday, October 10, 2024



DISCUSSION SHEET

ITEM #D2

Topic: Executive Director's Report

- a. Associations' newsletters
 - NCPERS Monitor (October 2024)
- b. Open Records
- c. Education Class Update

Discussion: The Executive Director will brief the Board regarding the above information.

Regular Board Meeting – Thursday, October 10, 2024

THE NCPERS

MONITOR

The Latest in Legislative News

October 2024

NCPERS

Executive Director's Corner



Public Pension Insights 2024: A Comprehensive Survey on Compensation Trends

By [Hank Kim](#), Executive Director and Counsel, NCPERS

NCPERS and CBIZ are thrilled to present *Public Pension Insights 2024: A Comprehensive Survey on Compensation Trends*. This year's report marks a significant step forward in providing comprehensive, actionable data to help public pension funds enhance their compensation strategies and better navigate the challenges of recruitment and retention.

This is the first year of our successful survey partnership, which was formed in response to feedback from HR professionals participating in [NCPERS' HR Roundtable](#). These conversations underscored the need for a broader set of data to help public pensions make informed decisions. By combining NCPERS' deep understanding of the public pension sector with CBIZ's expertise in compensation evaluation, we've been able to deliver the most robust dataset yet.

The 2024 Public Pension Compensation Survey—executed from May through July—merged elements of both NCPERS' and CBIZ's previously existing surveys to capture in-depth compensation data on 88 common positions at public pension funds, as well as comprehensive data on benefits, salary increases, and bonuses.

This year's dataset paints a clear picture that public pension funds are beginning to find relief from the recruitment and retention challenges faced during the pandemic as they embrace highly desirable benefits and begin to see the effects of the recent surge in public sector wage growth. Almost half of responding funds indicated they are having no problems attracting and recruiting skilled staff, up from 38 percent of respondents to NCPERS 2022 Public Pension Compensation Survey. Only 12.3 percent of respondents indicated that recruitment and retention is a significant problem. ☺



The survey received responses from 158 public pension funds that collectively administer 3,788 public employee retirement systems on behalf of 22,561,043 active and retired public servants. These organizations have a combined 18,969 full-time equivalent (FTE) employee positions and more than \$4.5 trillion in assets under management. Respondents ranged from smaller local plans with less than \$1 billion in assets under management to statewide plans with more than \$100 billion in assets.

In addition to the report, the data are presented online in an interactive dashboard. Organizations are able to filter the data in a number of ways—such as region, number of fund staff, or assets under management—to help optimize the mix of funds to which they would like to compare themselves.

The report and dashboard have been made available to survey participants for free. If your organization did not participate but would like to gain access to these tools, please [complete this order form](#) and return to research@ncpers.org. Additional details about the report and dashboard are available [here](#).

The results were first previewed at NCPERS inaugural [Public Pension HR Summit](#), and attendees received a 20 percent discount on the survey. If you were unable to join us in Denver this year, we invite you to [watch our October 3rd webinar on demand](#) to gain essential insights into the public pension industry's compensation and benefits landscape.

We hope you find the report, *Public Pension Insights 2024: A Comprehensive Survey on Compensation Trends*, and accompanying interactive dashboard to be valuable tools as you evaluate your organization's compensation and benefits packages. Please don't hesitate to reach out to research@ncpers.org if we can assist in any way. ♦

A promotional banner for the NCPERS 2024 Public Safety Conference. The left side features a red-to-orange gradient background with white and blue text. The right side shows a photograph of firefighters in yellow gear standing near a red fire truck with a helicopter in the background. The text on the banner includes the event title, subtitle, dates, location, and a registration call to action with a website link and a mouse cursor icon.

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WWW.NCPERS.ORG/PUBLIC-SAFETY-CONFERENCE

A Look at GASB's Post-Implementation Review of Pension Standards

By: [Lizzy Lees](#), Director of Communications, NCPERS



Photo Illustration © 2024, iStock.com

Earlier this year, the Governmental Accounting Standards Board (GASB) completed an extensive post-implementation review (PIR) of the pension standards issued in 2012, Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*. NCPERS spoke with the GASB team about the review and the report issued at its conclusion earlier this year.

Q: The GASB's 2012 pension standards established new accounting and financial reporting requirements for pensions. What led up to the release of these standards?

A: The GASB's existing pension standards at that time had been in place for more than ten years and staff research indicated that there were significant opportunities for improving them in terms of their effectiveness in supporting accountability and providing information that could be helpful to financial statement users in making decisions. The 2012 pension standards brought about substantial improvements in the transparency, consistency, and comparability of the pension information reported by state and local government and pension plans. The standards spanned every aspect of financial reporting – recognition, measurement, disclosure, and presentation. ☺

Q: What does the GASB's post-implementation review process look like?

A: This review begins once a major standard has been issued and doesn't conclude until at least the standard has fully implemented for at least five years. So rather than marking the end of the journey, the issuance of a final GASB standard actually launches a new project phase. For all of our standards, the GASB continues to provide education, respond to technical inquiries, and potentially issue questions and answers via implementation guidance. More complex projects like pensions enter a more formal post-implementation review (PIR) phase, which evaluates whether standards are achieving their objectives, including whether they provide financial statement users with relevant information in ways that justify the cost of providing it.

Following the *effective* date of the standard, staff uses a range of outreach methods to evaluate whether:

- Standards are accomplishing their intended purpose,
- The information's benefits to financial statement users justify the costs to governments in providing it, and
- There are any potential areas of improvement for the standard-setting process.

Having PIR embedded into our process of setting standards allows us to continually learn about how financial statement information is being used and whether there are challenges in applying the standards. PIR also provides us with the feedback we need to make improvements to our processes for setting standards going forward.

Q: What are the key takeaways from the PIR Report on the pension standards that government pension plans should be aware of?

A: The pension PIR team's primary conclusion was that, overall, the statements are accomplishing their stated purposes, that the costs and benefits are in line with what the Board contemplated and stakeholders expected at the time of the issuance of the standards. This conclusion was reached following extensive research and outreach activities following the effective date of the standards including roundtables with five stakeholder groups (government preparers, auditors, pension plans, actuaries/benefits consultants, and users of financial statements), surveys of all five stakeholder groups, an analysis of archival data, and a synthesis of the relevant academic literature. In addition, the pension PIR team did not make any recommendations for changes to the standard-setting process.



Q: What were the findings related to staff hours and costs incurred by the governmental plans as part of the implementation process?

A: Some governments and pension plans volunteered to provide us with cost data, including hours and dollars required to implement the standard in the year prior to implementation, the year of implementation, and the year following implementation. In this sample of plans, we observed the expected trend – that costs peaked in the year of implementation and declined in the subsequent year.

Q: Does the GASB have any planned next steps in this process related to pensions?

A: The way our process works is that any changes to the pension standards would start with the Board deciding to add a standard-setting project to the agenda to evaluate pensions and go through our established due process and the Board has not made such a decision at this time. It is important to note that we also have an ongoing PIR on other postemployment benefits (OPEB), which are closely related to the pension standards. That review will offer opportunities in the near future for NCPERS members to share their views with us about how those standards are working.

Q: Are there any additional resources available for plans interested in learning more?

A: You can learn more about additional GASB PIR projects by visiting the PIR web portal. The full PIR report on pension [is available here](#).

In August 2024, the GASB released a pair of podcasts on the PIR process and the PIR report on the pension standards, which [are available here](#).

The GASB would like to thank all the NCPERS members who participated in the Pension PIR process. We appreciate your perspective, time, and engagement.

If you have any questions about this Q&A or any other governmental accounting related topic, [please reach out to us](#). We always look forward to hearing from you. ♦



Discharge Petition on WEP-GPO Repeal Bill

By: [Tony Roda](#), Williams & Jensen



Back in the spring, April 16 to be precise, the House Ways and Means Committee's Subcommittee on Social Security [held a hearing](#) to examine the Social Security penalties known as the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO), which affect workers who earn both a Social Security benefit and a pension from work that was not covered by Social Security. This hearing by the Ways and Means Committee was the second such hearing devoted to the topic in this Congress and marked the most attention WEP and GPO have received in Congress in decades. Yet here we are in the final few months of the Congress and there has not been any action on the issue.

As a reminder, WEP reduces your Social Security benefit if you also earn a retirement benefit from non-Social Security employment. Roughly 28 percent of state and local government employees across the U.S. are not covered by Social Security. Many of these workers also will separately earn a Social Security benefit, particularly those in public safety and education, whose work schedules often allow them to hold a second job that is covered by Social Security. GPO reduces Social Security dependent benefits (spousal or widow(er)) for those who receive a non-Social Security covered pension. ☺

Following the April 16 hearing the Committee's majority Republicans released a press statement emphasizing three key points:

- Social Security has the data to improve WEP and GPO for retirees.
- Social Security is currently facing fiscal challenges.
- Solutions impacting four percent of beneficiaries, i.e., those affected by WEP and GPO, will in turn affect 100 percent of beneficiaries.

Emphasizing the third point, Ways and Means Committee Member Greg Steube (R-FL) said the following:

"We recognize that all beneficiaries deserve fair treatment. The Windfall Elimination Provision and the Government Pension Offset were put in place over forty years ago with the intention to prevent preferential treatment for workers with employment exempt from Social Security. This policy impacts about 4 percent of Social Security beneficiaries, but any changes made by Congress to the Social Security Trust Fund affects 100 percent of Social Security beneficiaries."

This argument is taken from the theoretical to the practical when it is viewed in terms of cost to the Social Security system. The legislation to fully repeal the WEP and GPO penalties (H.R. 82) has been estimated by the Congressional Budget Office at a cost of \$196 billion over 10 years to the Social Security trust fund. Further, full repeal would accelerate the insolvency of the Social Security trust fund by six months. Given this, it has been my conclusion that the most viable path forward in Congress is not full repeal, but formulaic changes to both WEP and GPO.

However, frustration has boiled over in the last few weeks. Tired of inaction on a bill that has enormous support (H.R. 82 has 329 current cosponsors), the bill's chief sponsors, Reps. Garret Graves (R-LA) and Abigail Spanberger (D-VA), have led the charge to use the House rules to discharge the bill from the Ways and Means Committee and bring it to the full House for an up or down vote. On September 19, the cosigners of the discharge petition reached the magic number of 218, a simple majority in the House, which discharges the Committee and triggers expedited consideration in the full House. Under the discharge petition rules, the House vote would take place in the post-election, lame-duck session. A motion to proceed to the bill would have to pass, and then the vote on H.R. 82 would occur. This would be an historic vote on issue that has been simmering for decades.

It's unclear how the House Leadership and the Ways and Means Committee will approach the vote. Any party leadership and committee of jurisdiction strongly oppose having their ability to set the legislative calendar circumvented. The Leadership and Committee may urge a no vote on the motion to proceed based on the policy rationale that the bill's \$196 billion price tag is not offset. Interestingly, the previous Chairman of the Ways and Means Committee's Social Security Subcommittee and now current Ranking Member, Rep. John Larson (D-CT), recently cautioned his colleagues against supporting the bill, stating that, "If an item is not paid for, that impacts the Trust Fund directly, and that's my concern." Congressman Larson has his own comprehensive Social Security reform legislation, H.R. 4583, which would repeal WEP and GPO for five years, paying for repeal and other changes by raising the income cap on taxable earnings for Social Security.



In an effort to muddy the waters and peel votes away from H.R. 82, the Ways and Means Committee could report alternative legislation to instead modify the underlying formulas of WEP and GPO. This legislation might contain a revenue offset, giving cover to those Members unsure about voting for full repeal without paying for it. Votes on such an alternative bill or bills could be held on the same day the House considers H.R. 82, thereby creating confusion and controversy among the Members.

In considering their vote, House Members also may examine the possible aftermath of full repeal. Will a future Congress, possibly in the throes of negotiating a comprehensive Social Security reform bill, simply reinstate similar or identical WEP and GPO offsets, or seek to cover all state and local government employees in the Social Security program, a proposal commonly referred to as mandatory Social Security. Mandatory Social Security coverage is a proposal that NCPERS opposes. Both changes would generate new revenue in the Social Security system that could be used for benefit increases.

Clearly, the full story has not been told on H.R. 82 in the House, and certainly not in the Senate. Sixty votes are needed in order to cut off debate on the Senate floor. The Senate repeal bill, S. 597, introduced by Sen. Sherrod Brown (D-OH), has 62 cosponsors, but three are from California. How is that possible? The late Senator Dianne Feinstein (D-CA) cosponsored the bill prior to her passing, as have both current California Senators. In any event, you can see that the margin in the Senate is razor thin and there is cause for concern that some of the cosponsors may not support the bill without a cost offset.

Please be assured that NCPERS will pay close attention to the continuing WEP-GPO debate and will keep its members apprised of any significant developments. Be sure to join us in Washington, DC for the [2025 Legislative Conference & Policy Day](#) to get the latest on legislation impacting public pensions. ♦

Tony Roda is a partner at the Washington, D.C. law and lobbying firm **Williams & Jensen**, where he specializes in legislative, regulatory, and fiduciary matters affecting state and local pension plans. He represents the National Conference on Public Employee Retirement Systems and state-wide, county, and municipal pension plans in California, Colorado, Georgia, Kentucky, Ohio, Tennessee, and Texas. Tony has an undergraduate degree in government and politics from the University of Maryland, J.D. from the Catholic University of America, and LL.M (tax law) from the Georgetown University Law Center.

- NCPERS 2024 WEBINAR -

Public Pension Insights 2024: Compensation & Benefits Trends

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NCPERS Now Accepting Nominations for the 2024 Public Pension Communicator of the Year Award

By: [Lizzy Lees](#), Director of Communications, NCPERS



NCPERS is pleased to announce that we are now accepting nominations for the second annual [Public Pension Communicator of the Year Award](#). This award was created to honor communications staff at public pensions who have demonstrated superior leadership skills; innovation and creativity; and created an impact with their communications endeavors in the preceding year. Here's what you need to know:

How do I nominate someone for the Public Pension Communicator of the Year Award?

To nominate yourself or a colleague, please [complete this online form](#). We strongly recommend reviewing the [scoring rubric](#) and [FAQs](#) before beginning your submission. The deadline to submit your nomination is Wednesday, November 13th.

Can I nominate more than one person?

Yes, we encourage you to nominate anyone you believe deserves recognition (including yourself)!

Can there be more than one winner?

Yes! Nominees are reviewed against their peers in three categories based on the fund's AUM (less than \$10 billion, between \$10-50 billion, and more than \$50 billion) to account for varying resources. ☺

New this year: Judges may recognize a Rising Star. This separate award category is meant to honor staff who have been at their organization for 5 years or less and have demonstrated exceptional potential and growth in their role.

At their discretion, judges will select a winner in each category. Judges may also award an honorable mention.

Who is eligible to win the Public Pension Communicator of the Year Award?

Employees of public pension funds. The fund must be an active NCPERS member in good standing. To verify your membership status, please contact membership@ncpers.org.

How will the winner(s) be recognized?

Award winners will be honored in person at NCPERS Pension Communications Summit, held January 26-27, 2025 in Washington, DC. View the preliminary agenda. Winner(s) will receive complimentary registration to the Summit and will be recognized in a press release following the awards ceremony.

How can I learn more?

For more information, please review the [award FAQs](#), [judging criteria](#), and [tips for your nomination](#). Please direct any questions to communications@ncpers.org. ♦



Q4: New from NCPERS

By: [William Whitman](#), Director of Membership & Strategic Alliances, NCPERS



The start of October provides a perfect moment to spotlight what NCPERS has in the works for the remainder of this year, while also starting to look ahead to 2025. See below for several important reminders as we approach the end of 2024.

We are gearing up for our [Public Safety Conference in Palm Springs, CA at the end of the month!](#) A [terrific agenda](#) has been assembled for our public safety pension leaders, filled with expert speakers to build your knowledge and social events to build your network. Public safety-focused organizations should be making plans to attend this year's event; please see our [registration page](#) for additional details.

For the 14th consecutive year, we are conducting our [Annual Public Retirement Systems Study](#) to gather **information on fiscal, operational, and business practices** at public pensions across the country. The email sent to your pension plan staff on September 19 from research@ncpers.org contains instructions on how to complete your survey. By participating, your organization will receive the NCPERS *Certificate of Excellence for Public Pension Reporting and Transparency*, along with access to the aggregated data to help benchmark your own fiscal, operational, and business practices. We are requesting submissions by **Friday, October 18**.

Looking ahead to 2025, a reminder that the new year of NCPERS membership will start on January 1st. **Renewal notices have been sent to our billing contacts at each member organization.** Please make sure your organization's renewal is underway and reach out to membership@ncpers.org with any questions about the process. You'll want to renew before the end of December, so that when January 2025 arrives, your organization will continue to access our premier educational conferences, innovative research, and network of pension leaders.

We will be kicking off a full slate of programming for 2025 with our [Pension Communications Summit and Legislative Conference & Policy Day at the end of January](#). Professionals working in pension communications should make plans to attend our Summit to connect with their peers and learn about solutions for common challenges they face. Then our Legislative Conference will prepare plan leaders and government liaisons for 2025's new environment of state and federal activity.

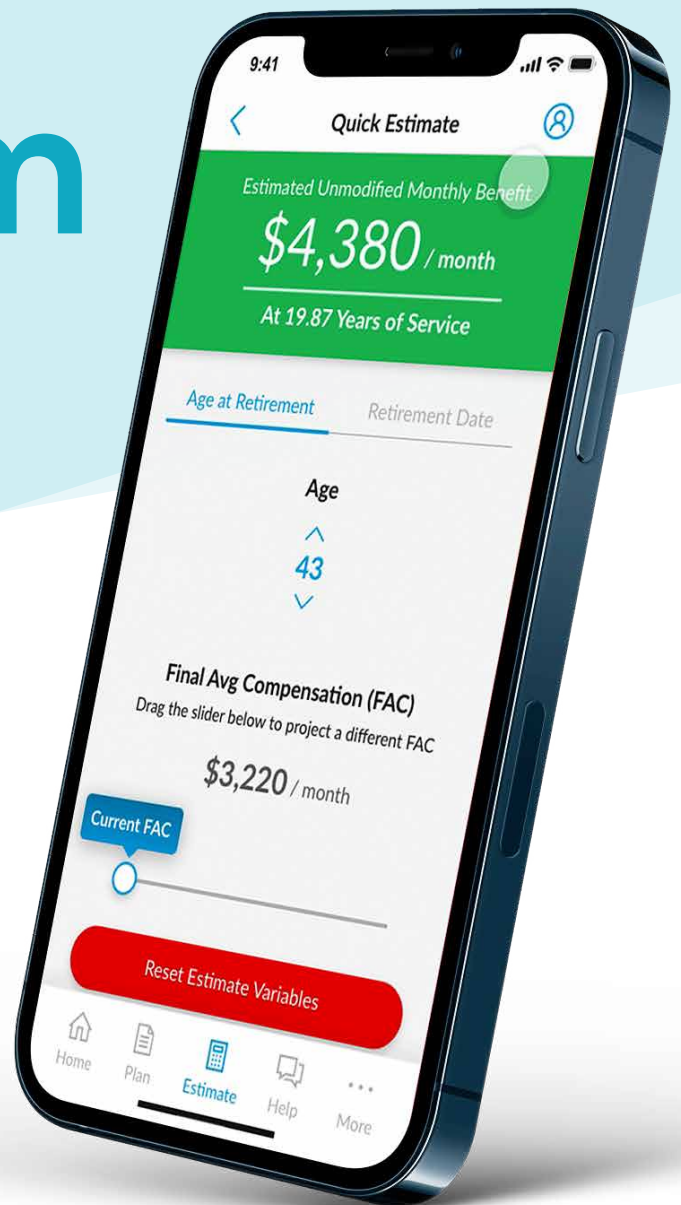
Please begin to think ahead about which NCPERS events are most relevant for you and where you will be engaged with our programming in 2025! It is the engagement of our members that enables NCPERS to promote state and local public pensions and to provide education that keeps you on top of important trends in our industry. ♦

NCPERS PensionX Digital Platform

NCPERS has partnered with Digital Deployment to offer its members a **10% DISCOUNT** on PensionX, the premier digital platform that securely enables pensions to engage with active and retired participants via a mobile self-service app and portal.



pensionX



Learn more about this new NCPERS member benefit at ncpers.org/pensionx

[Jacksonville, Florida City Council Backs Historic Contracts Bring Back Pensions to Police and Firefighters](#)

Agreements with the police and firefighter unions that will award double-digit pay raises this year and return pensions for new hires in 2027 won support from Jacksonville City Council members who said in the same breath the contracts will constrain what the city can afford in future budgets.

[READ MORE](#)

Source: *Jacksonville Florida Times-Union*

[Dallas, Texas Approves New 30-Year Police and Fire Pension Funding Plan](#)

A long battle over the Dallas Police and Fire Pension fund is a step closer to being over. The Dallas City Council approved spending \$11 billion over the next 30 years to hopefully fix a more than \$3 billion budget shortfall. The city's plan also gives retirees a 1% stipend per year based on how the pension performs.

[READ MORE](#)

Source: *Fox 4 KDFW*

[Connecticut Makes 11.5% Return on Pension Asset Investments](#)

Connecticut made an 11.5% return last fiscal year investing its pension assets, placing in the top 25% nationally of large public pension funds, state Treasurer Erick Russell reported. Investment gains, coupled with about \$1.9 billion in budget surplus that state legislators and Gov. Ned Lamont dedicated to unfunded obligations, meant Connecticut's pension funds gained \$6.7 billion last fiscal year.

[READ MORE](#)

Source: *CT Mirror*

[Nevada PERS Dialed Way Back on Stocks; CIO Steve Edmundson Explains Why](#)

Steve Edmundson, the chief investment officer of the Nevada Public Employees' Retirement System, is not one to make big, abrupt moves, but in March he did just that. The self-effacing CIO recommended that the pension fund's board dial down the portfolio's allocation to equities a whopping 12 percentage points — to 48% from 60% — and steer the money to short-term Treasuries instead.

[READ MORE](#)

Source: *Pensions & Investments*

[Trouble Lingers on Horizon for Mississippi's Public Employee Retirement System](#)

Mississippi's Public Employee Retirement System has operated with a considerable unfunded liability for years. According to PERS, that amount sits at over \$20 billion. A new report from PEER highlights the fact that the funding gap cannot be closed by adding new employees, and the Legislature will need to take additional action.

[READ MORE](#)

Source: *Magnolia Tribune*

[New York State and Local Pension Contributions to Increase \\$900 Million](#)

Municipalities' pension contribution rates will increase to 16.5% of payroll from 15.2% for civil employees for the fiscal year beginning April 1 and to 33.7% of payroll from 31.2% for police officers and firefighters, state Comptroller Thomas P. DiNapoli said Sept. 3.

[READ MORE](#)

Source: *Pensions & Investments*



UPCOMING EVENTS

October 2024

NCPERS Accredited Fiduciary (NAF) Program

October 26-27
Palm Springs, CA

Program for Advanced Trustee Studies (PATs)

October 26-27
Palm Springs, CA

Public Safety Conference

October 27-30
Palm Springs, CA

January 2025

Pension Communications Summit

January 26-27
Washington, DC

Legislative Conference

January 27-29
Washington, DC

View all upcoming NCPERS conferences at
www.ncpers.org/future-conferences.



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