AGENDA

DALLAS POLICE & FIRE PENSION SYSTEM

Date: November 8, 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, November 14, 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=OG5CbEFhajN5V0hWaUFJMlhYcHQ2Zz09 Passcode: 923237.** Items of the following agenda will be presented to the Board:

A. MOMENT OF SILENCE

B. APPROVAL OF MINUTES

1. **Required Public meeting of October 10, 2024**
2. **Regular meeting of October 10, 2024**

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. **2023 Financial Audit**

2. **Report on Audit Committee Meeting**

3. **Commerce Street Report for the City of Dallas**

4. **Portfolio Update**

5. **Investment Policy Statement Review & Amendments**

6. **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.

7. **2023 Annual Comprehensive Financial Report**

8. **Second Reading and Discussion of the 2025 Budget**

9. **Quarterly Financial Reports**

10. **Executive Director Approved Pension Ministerial Actions**

11. Monthly Contribution Report

12. Board Members' reports on meetings, seminars and/or conferences attended

13. Board approval of Trustee education and travel

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

14. Required Training Manual Delivery & Ethics Policy Certification

15. 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.

16. City of Dallas Proposition U

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

17. 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 DPFP 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 (November 2024)
- NCPERS PERSist (Fall 2024)

b. Open Records

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.

DALLAS POLICE & FIRE PENSION SYSTEM

MOMENT OF SILENCE

In memory of our Members and Pensioners who recently passed away

NAME	ACTIVE/ RETIRED	DEPARTMENT	DATE OF DEATH
Robert C. Bunger	Retired	Fire	Sep. 9, 2024
Weldon E. Robbins	Retired	Police	Oct. 6, 2024
Thomas L. Butler	Retired	Police	Oct. 15, 2024
Floyd G. Phillips	Retired	Police	Oct. 16, 2024
Jose E. Chavez	Active	Fire	Oct. 19, 2024
Phillip W. Brown	Retired	Fire	Oct. 19, 2024
Larry D. Self	Retired	Police	Oct. 21, 2024
Bird E. Senter	Retired	Police	Oct. 28, 2024
Kenneth R. Pigg	Retired	Fire	Oct. 28, 2024
Billy M. Watson	Retired	Fire	Oct. 30, 2024
Jerry M. Rhodes	Retired	Police	Nov. 6, 2024

Regular Board Meeting –Thursday, November 14, 2024

Dallas Police and Fire Pension System
Thursday, October 10, 2024
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

Required Public meeting, Nicholas A. Merrick, Chairman, presiding

ROLL CALL

Board Members

Present at 8:30 a.m.	Nicholas Merrick, Tina Hernandez Patterson, Michael Taglienti, Michael Brown, Tom Tull, Matthew Shomer, Marcus Smith, Steve Idoux, Nancy Rocha, Mark Malveaux
By telephone at 8:30 a.m.	Anthony Scavuzzo
Absent	None
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)
Others	Jeff Williams, Caitlin Grice, Leandro Festino, Colin Kowalski, Fernando Gallegos, Gay Donnell Willis
By telephone	Ken Haben

* * * * * * * *

The second of two annual public meetings of the Dallas Police and Fire Pension System Board of Trustees as required by Section 3.01 (j-9) of Article 6243a-1 of Vernon's Revised Civil Statutes.

* * * * * * * *

The Required Public meeting was called to order at 8:30 a.m.

* * * * * * * *

1. **Report on the health and performance of the Pension System**

January 1, 2024 Actuarial Valuation

Jeff Williams and Caitlin Grice of Segal, DPFP's actuarial firm, discussed the results of the January 1, 2024 actuarial valuation report.

No motion was made.

* * * * * * * *

Required Public Meeting
Thursday, October 10, 2024

2. Public Comment

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

* * * * * * * *

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. Shomer, the meeting was adjourned at 9:38 a.m.

____
Nicholas A. Merrick,
Chairman

ATTEST:

____
Kelly Gottschalk
Secretary

Dallas Police and Fire Pension System
Thursday, October 10, 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 8:30 a.m.	Nicholas Merrick, Tina Hernandez Patterson, Michael Taglienti, Michael Brown, Tom Tull, Matthew Shomer, Marcus Smith, Steve Idoux, Nancy Rocha, Mark Malveaux
By telephone at 8:30 a.m.	Anthony Scavuzzo
Absent	None
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)
Others	Jeff Williams, Caitlin Grice, Leandro Festino, Colin Kowalski, Fernando Gallegos, Gay Donnell Willis
By telephone	Ken Haben

* * * * * * * *

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

The Regular meeting was reconvened at 9:38 a.m.

* * * * * * * *

A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of active police officer Carlos Guzman, and retired police officers James A. Wallace, Raymond D. Lewis Jr., Thomas C. Rengstorff, Joe B. Warren, Jack F. Allison Jr., Frank J. Dorn Jr., Donald A. Stafford, Sallie J. Henderson, and retired firefighters James K. Doss, David R. Thomas, William A. Massie, Charles T. Allison, Todd M. Wilson.

No motion was made.

Regular Board Meeting
Thursday, October 10, 2024

* * * * * * * *

B. APPROVAL OF MINUTES

Regular meeting of September 12, 2024

After discussion, Mr. Taglienti made a motion to approve the minutes of the Regular meeting of September 12, 2024. Mr. Tull seconded the motion, which was unanimously approved by the Board.

Ms. Rocha was not present for the vote.

* * * * * * * *

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. January 1, 2024 Actuarial Valuation

Jeff Williams and Caitlin Grice of Segal Consulting, DPFP's actuarial firm, discussed the results of the January 1, 2024 actuarial valuation report.

After discussion, Mr. Malveaux made a motion to 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. Mr. Shomer seconded the motion, which was unanimously approved by the Board.

Mr. Taglienti was not present for the vote.

* * * * * * * *

2. Section 2.025 Funding Process Update

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

No motion was made.

* * * * * * * *

3. Report on Professional Service Committee Meeting

The Professional Services Committee met on October 10, 2024 with Jeff Williams and Caitlin Grice of Segal, DPFP's actuary. The Committee Chair reported to the Board that Segal had positive remarks regarding the staff and no concerns were raised by Segal.

No motion was made.

* * * * * * * *

Regular Board Meeting
Thursday, October 10, 2024

4. Initial Reading and discussion of the 2025 Budget

The Chief Financial Officer presented the initial reading of the 2025 budget, prepared in total for both the Combined Pension Plan and the Supplemental Plan.

After discussion, Mr. Malveaux made a motion to to bring the proposed budget to the Board at the November 2024 Board meeting for consideration for adoption and to 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. Mr. Smith seconded the motion, which was unanimously approved by the Board.

* * * * * * * *

5. Financial Audit Status

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

No motion was made.

* * * * * * * *

6. Executive Director Approved Pension Ministerial Actions

The Executive Director reported on the September pension ministerial actions.

No motion was made.

* * * * * * * *

7. Monthly Contribution Report

The Executive Director reviewed the Monthly Contribution Report.

No motion was made.

* * * * * * * *

8. Board approval of Trustee education and travel

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

After discussion, Mr. Idoux made a motion to approve Mr. Taglienti's request to attend the NCPERS Public Safety Conference. Mr. Tull seconded the motion, which was unanimously approved by the Board.

* * * * * * * *

Regular Board Meeting
Thursday, October 10, 2024

9. Portfolio Update

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

No motion was made.

* * * * * * * *

10. Report on Investment Advisory Committee Meeting

The Investment Advisory Committee met on September 26, 2024. The Committee Chair commented on the Committee's observations and advice.

No motion was made.

* * * * * * * *

11. Private Market Diligence and Approval Process

Staff discussed private market investment diligence and approval process options that were reviewed with the Investment Advisory Committee (IAC) at the September 26, 2024 IAC meeting, and the Board provided guidance on formalizing these processes. The Board agreed with the staff's recommendation to set up a small Private Markets sub-committee that could meet on an ad hoc basis to review investment opportunities and make recommendations to the Board.

No motion was made.

* * * * * * * *

12. Asset Allocation Study

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

After discussion, Mr. Tull made a motion to 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. Mr. Shomer seconded the motion, which was unanimously approved by the Board.

* * * * * * * *

Regular Board Meeting
Thursday, October 10, 2024

13. Lone Star Investment Advisors

The Board went into closed executive session – Legal at 11:50 a.m.

The meeting reopened at 12:25 p.m.

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

After discussion, Mr. Tull made a motion to authorize the Executive Director to manage DPFP's investments with Lone Star Investment Advisors in her discretion with the approval of the Chairman and Michael Brown. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

* * * * * * * *

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 DPFP 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 11:50 a.m.

The meeting reopened at 12:25 p.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.

* * * * * * * *

D. BRIEFING ITEMS

1. Public Comments

Prior to commencing items for Board discussion and deliberation, the Chairman extended an opportunity for public comment. No one requested to speak to the Board.

* * * * * * * *

Regular Board Meeting
Thursday, October 10, 2024

2. Executive Director's Report

a. Associations' newsletters
- NCPERS Monitor (October 2024)

b. Open Records
c. Education Class Update

The Executive Director's report was presented.

* * * * * * * *

Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Taglienti and a second by Ms. Hernandez Patterson, the meeting was adjourned at 12:27 p.m.

____
Nicholas A. Merrick,
Chairman

ATTEST:

____
Kelly Gottschalk,
Secretary

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C1

Topic: **2023 Financial Audit**

Attendees: Jody Hillenbrand, BDO, Assurance National Technical Principal
Kiara Segura, BDO, Audit Senior

Discussion: Representatives from BDO, DPFP's independent audit firm, will be present to discuss the results of their audit for the year ended December 31, 2023.

Staff Recommendation: **Approve** issuance of the 2023 audit report.

REPORT TO THOSE CHARGED WITH GOVERNANCE

DALLAS POLICE & FIRE PENSION SYSTEM

2023 AUDIT RESULTS

NOVEMBER 8, 2024

BDO

Welcome

November 8, 2024

Board of Trustees and Audit Committee
Dallas Police & Fire Pension System

We look forward to discussing with you the current year audit results for the Dallas Police & Fire Pension System. On May 9, 2024, we presented an overview of our plan for the audit of the financial statements of Dallas Police & Fire Pension System (the System) as of and for the year ended December 31 2023.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the System's accounting practices and policies, management's judgments and estimates, financial statement disclosures, and other required matters to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the System is responsible.

We are pleased to be of service to the System and look forward to meeting with you on November 14, 2024 to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

BDO USA, P.C.

Contents

The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., Board of Directors) and, if appropriate, management of the System, and is not intended and should not be used by anyone other than these specified parties.

Executive Summary

Executive Summary

Results of Our Audit

- Overview and Status - We have substantially completed our audit of the financial statements, including procedures applied to the supplemental schedule, of Dallas Police and Fire Pension System (the System) as of and for the year ended December 31, 2023.
- Quality of the System's Financial Reporting
- Significant Risk Overview & Discussion
- Corrected and Uncorrected Misstatements
- Internal Control Over Financial Reporting

Required Communications

Open Discussion and Questions

Year End Inquiries of Those Charged With Governance (see page 24).

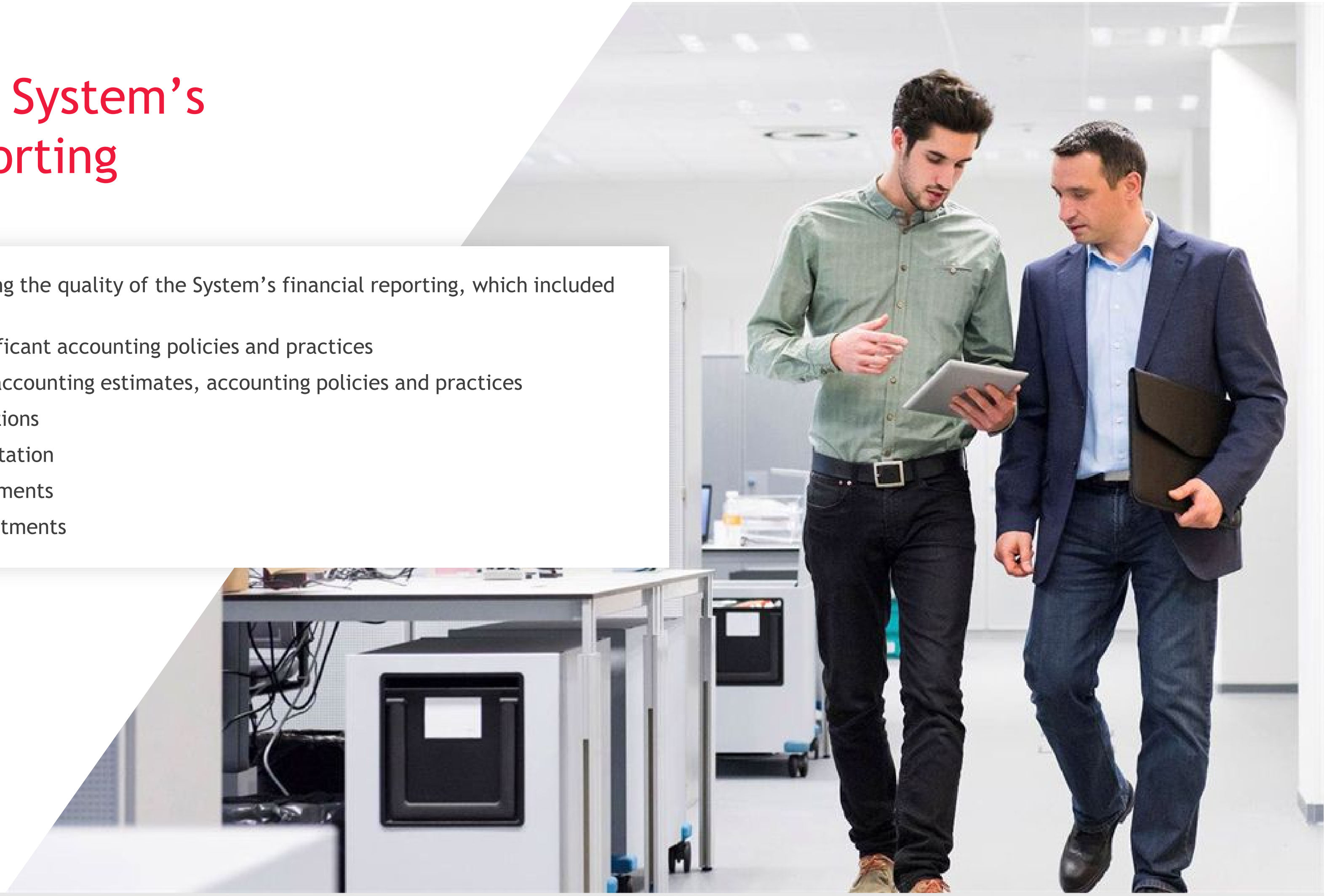
Audit Results

Overview & Status of Our Audit

We have substantially completed our audit of the financial statements as of and for the year ended December 31, 2023. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

- The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements.
- The scope of the work performed was substantially the same as that described to you in our earlier Audit Plan communications.
- We expect to issue an unmodified opinion on the financial statements and release our report on November 15, 2024.
- We expect to issue our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* on the same date as our audit report..
- Our responsibility for other information in documents containing the System's audited financial statements (e.g., the annual comprehensive financial report) does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we will read the information included by the System and consider whether such information, or the manner of its presentation, is materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.
- All records and information requested by BDO were freely available for our inspection.

Quality of the System's Financial Reporting



A discussion was held regarding the quality of the System's financial reporting, which included the following:

- Qualitative aspects of significant accounting policies and practices
- Our assessment of critical accounting estimates, accounting policies and practices
- Significant unusual transactions
- Financial statement presentation
- New accounting pronouncements
- Alternative accounting treatments

Areas of Significant Risk

Our areas of significant risk, which are risks with both a higher likelihood of occurrence and a higher magnitude of effect that require special audit considerations, are as follows. Our audit procedures for these risks are detailed starting on page 14.

- Financial Reporting and Management Override (accuracy, completeness, presentation)
- Actuarial Valuation (valuation, presentation)
- Alternative Investment (valuation)

Corrected and Uncorrected Misstatements

CORRECTED AND UNCORRECTED MISSTATEMENTS

- There were no corrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we brought to the attention of management.
- There were no uncorrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we presented to management.

Internal Control Over Financial Reporting

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the System's internal control over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Control Deficiency	A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
Significant Deficiency	A deficiency or combination of deficiencies in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
Material Weakness	A deficiency or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented or detected and corrected on a timely basis.

In conjunction with our audit of the financial statements, we noted no material weaknesses.

Detail of Significant Risks & Additional Audit Considerations

Financial Reporting and Management Override

SUMMARY OF AREA OF SIGNIFICANT RISK

- System management controls in place are not designed and operated in a manner to maintain compliance with applicable rules and regulations and provisions of the Plan Document and Amendments.
- The System does not have sufficient controls to monitor the activities of the outside service providers.
- Significant changes to personnel and internal control processes increase the risk that an internal control failure will occur due to either the design or operation of a particular control.
- Entity level controls are not designed sufficiently to identify instances where management, due to the presence of fraud risk factors, may override the established controls and procedures to materially misstate the financial statements.

SUMMARY OF AUDIT PROCEDURES

To address this significant risk, we performed the following procedures:

- Reviewed internal controls in place over financial reporting, distributions, payroll data, investments, system expenses, and system obligations.
- Obtained and reviewed the Service Organization Controls reports for JPMorgan, the System's Custodian, and STP Investment Services, LLP, the System's investment accounting service provider.
- Performed interviews with a sample of members of the Board of Trustees, Management, and other individuals and considered responses received in determining necessary audit procedures.
- The nature, timing and extent of our procedures across areas of the audit were also varied, mainly by auditing items that would be considered below our normal vouching scope.
- Performed detailed journal entry testing to review for any potential unusual or fraudulent transactions or instances of management override.

Changed since Planning Communication?	[ ]
Internal Control Deficiency Noted	[ ]
Specialized Skill or Knowledge Involved	[ ]
Additional Disclosure Consideration	[ ]
Misstatement Identified	[ ]

Actuarial Valuation

Changed since Planning Communication?	[ ]
Internal Control Deficiency Noted	[ ]
Specialized Skill or Knowledge Involved	[✓]
Additional Disclosure Consideration	[ ]
Misstatement Identified	[ ]

SUMMARY OF AREA OF SIGNIFICANT RISK

- Management lacks significant judgement and expertise that is required in developing assumptions and performing evaluations.
- Actuarial valuation data is inaccurate or inconsistent.
- The effects of amendments, terminations, curtailments and other System events have not been reflected in the calculation.
- The actuarial calculation does not appropriately apply current standards.
- Actuarial provisions and assumptions are outside reasonable parameters.
- Disclosures over actuarial assumptions and funding issues are omitted or inaccurate.

SUMMARY OF AUDIT PROCEDURES

To address this significant risk, we performed the following procedures:

- Obtained actuarial reports and related requested data directly from the actuary.
- Ensured the census information provided was complete, accurate, and as of benefit information date.
- Tested census information in correlation with eligibility testing.
- Considered cash flow projections and determination of GASB 67 discount rates.
- Reviewed the actuarial valuation reports and utilized BDO's Actuarial Managing Director to perform an independent review of the reports and assumptions used. Primary areas of focus included demographic assumptions (mortality, termination prior to retirement, retirement and DROP participation eligibility which affect DROP utilization and retirement rates, disability) and economic assumptions (discount rate, inflation rate, investment rate of return, salary scale, administrative expenses, interest on DROP accounts) as well as the actuarial methods used (asset smoothing, actuarial cost method, amortization of unfunded actuarial accrued liability).
- Reviewed actuarial disclosures for completeness and accuracy during the review of the financial statements.

Alternative Investments

Changed since Planning Communication?	[ ]
Internal Control Deficiency Noted	[ ]
Specialized Skill or Knowledge Involved	[✓]
Additional Disclosure Consideration	[ ]
Misstatement Identified	[ ]

SUMMARY OF AREA OF SIGNIFICANT RISK

- Investments are improperly valued or classified in conformity with accounting principles generally accepted in the U.S.
- Investment transactions are not recorded in conformity with accounting principles generally accepted in the U.S.
- Management bias over the valuation of investments.

SUMMARY OF AUDIT PROCEDURES

To address this significant risk, we performed the following procedures:

- Obtained confirmations from investment managers and reviewed audited financial statements for investments selected. Reviewed confirmations for unusual items and misclassifications. Additionally, performed recalculations based on the unit values in the audited financials.
- Reviewed all complex investment valuation techniques and utilized BDO Valuation experts where necessary.
- Reviewed Management's valuation memos in obtaining an understanding of the supporting process for establishing fair value.
- Reconciled unit information recorded by the System to JPMorgan and to the fund's financial statements.
- Selected a sample of transactions for investment transaction testing and agreed the purchase/sales price to approved pricing sources.
- Reviewed Management's fair value considerations and fair value hierarchy by investment in correlation with GASB No. 72.

Detail of Significant Accounting Practices, Policies, Estimates and Disclosures

Significant Accounting Practices (including Policies, Estimates and Disclosures)

ACCOUNTING PRACTICES, POLICIES, ESTIMATES, AND DISCLOSURES

The following summarizes the more significant required communications related to our audit concerning the System's accounting practices, policies, and estimates:

The System's significant accounting practices and policies are those included in the notes to the financial statements. These accounting practices and policies are appropriate, comply with the applicable financial reporting framework and industry practice, were consistently applied, and are adequately described within the notes to the financial statements.

- There were no changes in significant accounting policies and practices during 2023.

Critical accounting estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The System's critical accounting estimates, including a description of management's processes and significant assumptions used in development of the estimates, are disclosed in the notes to the financial statements.

Critical Accounting Estimates
Valuation of the co-mingled investments (pooled, alternative, fixed income, & equity, but specifically those which are not publicly traded) and related net appreciation/depreciation and underlying disclosures
Total and net pension liability and related disclosures and underlying assumptions (i.e. expected rate of return, inflation rates, and retirement rates)

- As part of the plan changes adopted by the Board on August 8, 2024, an immediate partial COLA, payable while the Plan is under 70% funded on a market value basis, was added effective October 1, 2025. The January 1, 2023 actuarial valuation has been restated to reflect the adopted provisions.

Additional Required Communications

Other Required Communications

Following is a summary of other required items, along with specific discussion points as they pertain to the System:

Requirement	Discussion Point
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our Audit Plan communications.
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the System's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
Alternative accounting treatment	No alternative accounting treatments permissible under the applicable financial reporting framework for policies and practices related to material items were identified and discussed with management.
Significant unusual transactions	During the year ended December 31, 2023, we were not aware of any significant unusual transactions.
Consultations with other accountants	We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of requirements of an applicable financial reporting framework.
Significant findings and issues arising during the audit in connection with the System's related parties	We have evaluated whether the identified related party relationships and transactions have been appropriately identified, accounted for, and disclosed and whether the effects of the related party relationships and transactions, based on the audit evidence obtained, prevent the financial statements from achieving fair presentation.
Significant findings or issues arising during the audit that were discussed, or were the subject of correspondence, with management	There were no significant findings or issues arising during the audit that were discussed, or were the subject of correspondence, with management.

Other Required Communications (cont.)

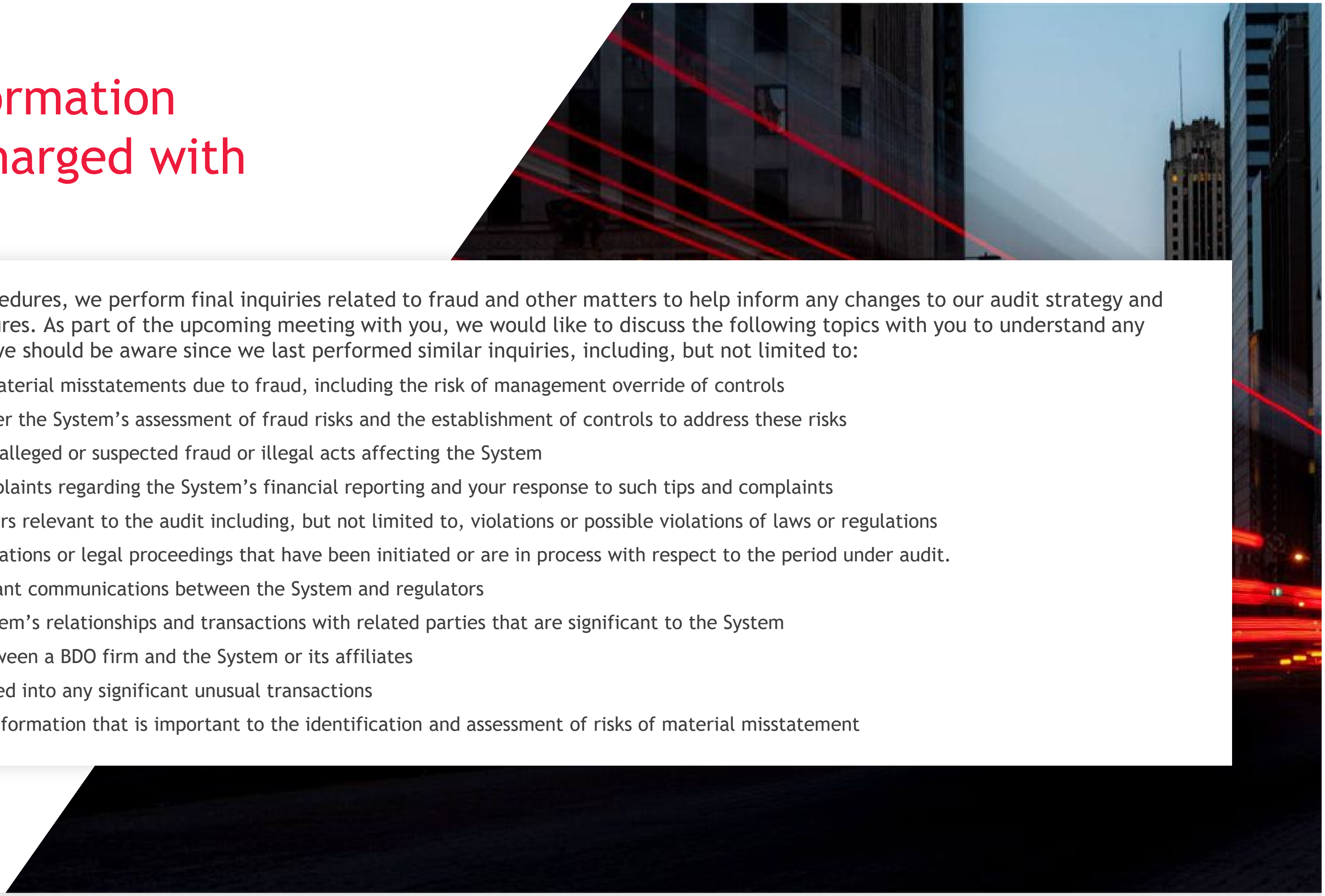
Following is a summary of other required items, along with specific discussion points as they pertain to the System:

Requirement	Discussion Point
Other matters significant to the oversight of the System's financial reporting process, including complaints or concerns regarding accounting or auditing matters	There are no other matters that we consider significant to the oversight of the System's financial reporting process that have not been previously communicated.
Representations requested from management	Please refer to the management representation letter that will be provided upon receipt.
Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the System's financial statements or to our auditor's report.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit.
Matters that are difficult or contentious for which the auditor consulted outside the engagement team	There were no difficult or contentious matters that we consulted with others outside the engagement team that we reasonably determined to be relevant to those charged with governance regarding their oversight of the financial reporting process.

Independence

Our engagement letter to you dated May 9, 2024 describes our responsibilities in accordance with professional standards and certain regulatory authorities and *Government Auditing Standards* regarding independence and the performance of our services. This letter also stipulates the responsibilities of the System with respect to independence as agreed to by the System. Please refer to that letter for further information.

Year-end Inquiries of Those Charged with Governance



Obtaining Information from Those Charged with Governance

As we complete our audit procedures, we perform final inquiries related to fraud and other matters to help inform any changes to our audit strategy and execution of our audit procedures. As part of the upcoming meeting with you, we would like to discuss the following topics with you to understand any matters of which you believe we should be aware since we last performed similar inquiries, including, but not limited to:

- Your views about the risk of material misstatements due to fraud, including the risk of management override of controls
- How you exercise oversight over the System’s assessment of fraud risks and the establishment of controls to address these risks
- Your awareness of any actual, alleged or suspected fraud or illegal acts affecting the System
- Your awareness of tips or complaints regarding the System’s financial reporting and your response to such tips and complaints
- Your awareness of other matters relevant to the audit including, but not limited to, violations or possible violations of laws or regulations
- Your awareness of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.
- Your awareness of any significant communications between the System and regulators
- Your understanding of the System’s relationships and transactions with related parties that are significant to the System
- Any business relationships between a BDO firm and the System or its affiliates
- Whether the System has entered into any significant unusual transactions
- Your awareness of any other information that is important to the identification and assessment of risks of material misstatement

Other Topics

BDO's System of Quality Management

An effective quality management system in an audit firm is crucial for supporting the consistent performance of high-quality audits and reviews of financial statements, or other assurance or related services engagements under professional standards, and applicable legal and regulatory requirements.

Accordingly, BDO has implemented a system of quality management designed to provide reasonable assurance that its professionals fulfill their responsibilities and conduct engagements in accordance with those professional standards, and legal and regulatory requirements. The firm's system of quality management supports the consistent performance of quality audits through many ongoing activities including, at least annually, certification by leaders with responsibility for key controls and related processes. Our Assurance Quality Management team performs regular reviews and testing of key controls and processes throughout the system of quality management and identifies and communicates areas for improvement. In addition, our Audit Quality Advisory Council supports our system of quality management by providing guidance and input on audit quality initiatives.

As required by International Standard on Quality Management 1 (ISQM 1) under the International Auditing and Assurance Standards Board (IAASB), BDO has conducted an evaluation of the effectiveness of its system of quality management and concluded, as of July 31, 2023, that, except for certain deficiencies related to the execution of its issuer audits, that system provides the reasonable assurance that our professionals will perform audits and reviews of financial statements or related assurance services engagements in accordance with professional standards, and applicable legal and regulatory requirements. BDO has either implemented or is designing remedial actions to address those deficiencies prior to our next evaluation.

We will continue to provide you with updates on our progress. Currently, you may find discussion of BDO's system of quality management within our annual Audit Quality Reports, the most recent of which is accessible here.

CLICK HERE TO ACCESS IAASB ISQM-1 IN ITS ENTIRETY >

Dallas Police and Fire Pension System

(An Independently Governed Component Unit of the City of Dallas, Texas)

Combining Financial Statements, Required Supplementary Information and Supplementary Schedule

December 31, 2023 and 2022

(With Independent Auditor's Reports Thereon)

Contents

Independent Auditor's Reports

Tel: 214-969-7007
Fax: 214-953-0722
www.bdo.com

600 North Pearl, Suite 1700
Dallas, Texas 75201

To the Board of Trustees
Dallas Police and Fire Pension System
Dallas, TX

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Dallas Police and Fire Pension System (DPFP), a component unit of the City of Dallas, Texas, as of and for the years ended December 31, 2023 and 2022, and the related notes to the combining financial statements, which collectively comprise the DPFP's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the fiduciary net position of DPFP as of December 31, 2023 and 2022, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of DPFP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the DPFP's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DPFP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the DPFP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying supplementary schedule of Administrative, Investment and Professional Services Expenses is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule of Administrative, Investment and Professional Services Expenses is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated _______________ on our consideration of DPFP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of DPFP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DPFP's internal control over financial reporting and compliance.

Dallas, Texas

____

Tel: 214-969-7007
Fax: 214-953-0722
www.bdo.com

600 North Pearl, Suite 1700
Dallas, Texas 75201

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Trustees
Dallas Police and Fire Pension System
Dallas, TX

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Dallas Police and Fire Pension System (DPFP), including the Combined Pension Plan and the Supplemental Police and Fire Pension Plan of the City of Dallas (Supplemental Plan), collectively referred to as the "Plans", for the fiscal years ended December 31, 2023 and 2022, which comprise the combining statements of fiduciary net position, and the related combining statements of changes in fiduciary net position for the years then ended, and the related notes to the combining financial statements, and have issued our report thereon dated _______________.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered DPFP's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DPFP's internal control. Accordingly, we do not express an opinion on the effectiveness of DPFP's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of DPFP's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Dallas Police and Fire Pension System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of DPFP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DPFP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dallas, Texas

Management's Discussion and Analysis

(Unaudited)

Overview

Management's Discussion and Analysis (MD&A) provides an overall review of the financial activities of the Dallas Police and Fire Pension System (DPFP), including the Combined Pension Plan and the Supplemental Police and Fire Pension Plan of the City of Dallas (Supplemental Plan), collectively referred to as the Plans, for the fiscal years ended December 31, 2023 and 2022. This discussion and analysis is intended to serve as an introduction to the financial statements, which reflect the Plans' resources available for payment of benefits and other related expenses. MD&A should be read in conjunction with the combining financial statements, notes to the combining financial statements, required supplementary information, and additional supplementary information provided in this report.

Financial Statements

The combining financial statements consist of the following:

Combining Statements of Fiduciary Net Position which reflect a snapshot of the Plans' financial position and reflect resources available for the payment of benefits and related expenses at year end. The resulting Net Position (Assets – Liabilities = Net Position) represents the value of the assets held in trust for pension benefits, net of liabilities owed as of the financial statement date.

Combining Statements of Changes in Fiduciary Net Position which reflect the results of all transactions that occurred during the fiscal year and present the additions to and deductions from the net position. Effectively, these statements present the changes in plan net position during the fiscal year (Additions – Deductions = Net Change in Net Position). If the change in net position increased, additions were more than deductions. If the change in net position decreased, additions were less than deductions.

Notes to Combining Financial Statements, which are an integral part of the combining financial statements, include additional information that may be needed to obtain an adequate understanding of the overall financial status of the Plans.

Required Supplementary Information (Unaudited) and additional Supplementary Information provide historical and additional information considered useful in obtaining an overall understanding of the financial positions and activities of the Plans.

Financial Highlights

The combining financial statements are presented solely on the accounts of the Plans. The accrual basis of accounting is utilized, whereby revenues are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the related liability has been incurred. Investments are reported at fair value.

A summary of the Combining Statements of Fiduciary Net Position of the Plans is as follows (in thousands):

DECEMBER 31:	2023	2022	2021
Assets			
Investments, at fair value	$ 1,875,833	$ 1,730,354	$ 2,100,504
Receivables	15,349	11,951	9,964
Cash and cash equivalents	62,346	75,286	60,032
Prepaid expenses	561	403	411
Capital assets, net	11,456	11,606	11,847
Total assets	**1,965,545**	**1,829,600**	**2,182,758**
Liabilities			
Securities purchased	4,476	1,139	358
Accounts payable and accrued liabilities	4,307	5,253	5,899
Total liabilities	**8,783**	**6,392**	**6,257**
Deferred inflow of resources	**2,138**	-	-
Net position restricted for pension benefits	**$ 1,954,624**	**$ 1,823,208**	**$ 2,176,501**

The assets of the Combined Pension Plan and the Supplemental Plan are co-invested through a Group Master Trust (Group Trust). The rate of return on Group Trust investments during 2023 was 10.15%, net of fees, compared to a rate of return of -2.77% for 2022 and 5.52% for 2021. Meketa Investment Group, Inc., DPFP's investment consultant at December 31, 2023, provides the rate of return for all years. The methodology used by the investment consultants to calculate the money-weighted rate of return incorporates a one-quarter lag on fair value adjustments for private equity, private debt, and real assets investments. This "lagged with cash flow adjustments" methodology is consistent with standard industry practice and allows for timely reporting to the Board of Trustees (Board). Gains and losses on lagged investments, which occur in the fourth quarter of any year, are recognized in the following year's rate of return.

The Plans' net position increased by $131 million in 2023. While benefit payments continue to exceed contribution payments, the shortfall was offset by investment gains.

The Plans' net position decreased by $353 million in 2022 due to investment losses and benefit payments exceeding contribution payments, which were slightly offset by increased cash and receivables.

The increase in receivables in 2023 is primarily the result of the application of GASB 87, *Leases*, to the new lease signed in May 2023, which requires the recognition of a lease receivable and deferred inflow of resources. See Note 11 for additional information on leases. Receivables were also impacted by the timing of settlement of pending investment trades, as well as the timing of the last payroll of the year for the City of Dallas as such timing impacts the collection of benefit contributions.

The cash balance decreased in 2023 due to the timing of transactions and cash used to pay benefits during the year.

A summary of the Combining Statements of Changes in Fiduciary Net Position of the Plans is as follows (in thousands):

YEARS ENDED DECEMBER 31:	2023	2022	2021
Additions			
Contributions			
City	$ 175,626	$ 172,719	$ 167,640
Members	62,789	59,962	58,788
Total contributions	**238,415**	**232,681**	**226,428**
Net income(loss) from investing activities	197,575	(245,390)	323,489
Other income	47,748	2,318	338
Total additions	**483,738**	**(10,391)**	**550,255**
Deductions			
Benefits paid to members	340,976	332,031	324,098
Refunds to members	5,310	4,450	3,285
Professional and administrative expenses	6,036	6,421	6,446
Total deductions	**352,322**	**342,902**	**333,829**
Net increase (decrease) in net position	131,416	(353,293)	216,426
Net position restricted for pension benefits			
Beginning of period	1,823,208	2,176,501	1,960,075
End of period	$ 1,954,624	$ 1,823,208	$ 2,176,501

The 2022 and 2023 Contribution rates for both members and the City were statutorily defined. Contributions for all active members (including members in DROP) were 13.5% of Computation Pay. Computation Pay is defined as base pay, education incentive pay and longevity pay. City contributions for the Combined Pension Plan were 34.5% of Computation Pay, plus a floor amount to meet the minimum required contribution, plus an additional amount of $13 million in 2022 and 2023. The 34.5% of Computation Pay was greater than the floor for all pay periods in 2023. In 2022, the floor was greater than the 34.5% of Computation Pay for all periods. See Note 1 for additional information on City contribution rates.

City contributions to the Plans increased by $2.9 million or 1.7% and member contributions increased by $2.8 million or 4.7% in 2023 due to increased salaries and the number of employees. City contributions to the Plans increased by $5.1 million or 3.0% in 2022 due to an increase in the bi-weekly floor amount. Member contributions of $60.0 million exceeded 2021 contributions by $1.2 million because of increased salaries.

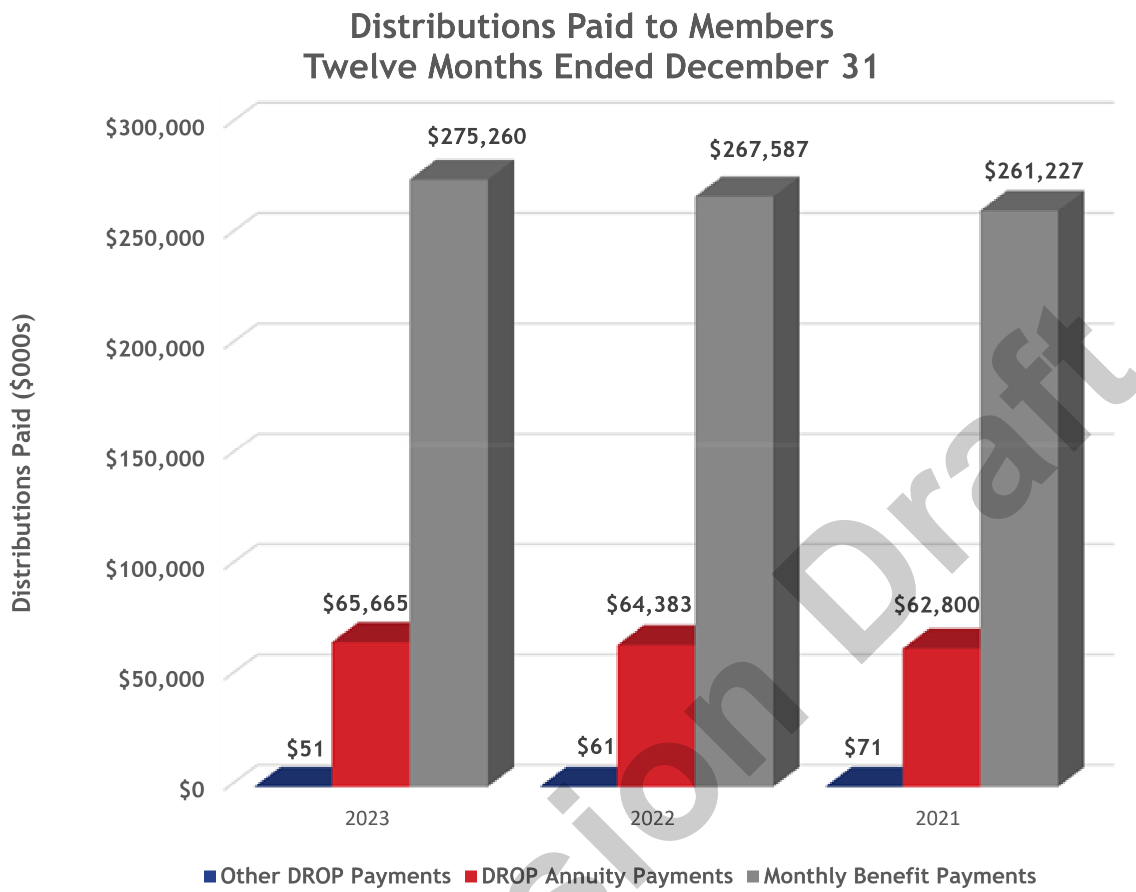
City Contributions to the Combined Pension Plan increased $2.0 million or 1.2% in 2023 due to increased salaries and the number of employees. City Contributions to the Combined Pension Plan increased $4.4 million or 2.6% in 2022 due to the scheduled increase in the bi-weekly floor amount.

The City is required by ordinance to contribute amounts necessary to ensure the payment of benefits in the Supplemental Plan. The City's contributions shall be made in accordance with actuarial requirements established by the actuary and the board. City contributions to the Supplemental Plan in 2023 increased by $859 thousand over 2022 contributions and City contributions to the Supplemental Plan in 2022 increased by $708 thousand over 2021 contributions.

Other income increased $45 million in 2023 because the System reached an agreement with a prior vendor and received a financial settlement.

Net investment income/(loss) is presented net of investment expenses and is comprised of interest, dividend income, gains/(losses) from the sale of investments and net unrealized appreciation (depreciation) in the fair value of investments. Net investment gain for 2023 was driven primarily by the increase in the public markets. Net investment loss for 2022 was driven by both public market changes and by changes in the fair value of private equity assets while net investment income during 2021 was driven by changes in the fair value of private equity assets.

Distributions to members consist of monthly payments of retirement, disability, and survivor benefits, as well as monthly DROP annuity payments and other DROP payments made in accordance with Section 6.14 of Article 6243a-1 of the Texas Statutes. The chart on the next page compares the components of distributions paid to members for the years ended December 31, 2023, 2022 and 2021.



Total benefits paid in 2023 increased $8.9 million or 2.7% over 2022. Monthly benefit payments increased $7.7 million or 2.9% due to an additional 89 retirees and beneficiaries receiving monthly benefits in 2023. Distributions from DROP balances in 2023 totaled $65.7 million, paid as DROP annuity payments, up $1.3 million from 2022.

Total benefits paid in 2022 increased $7.9 million or 2.4% over 2021. Monthly benefit payments increased $6.4 million or 2.4% due to an additional 75 retirees and beneficiaries receiving monthly benefits in 2022. Distributions from DROP balances in 2022 totaled $64.4 million, paid as DROP annuity payments, up $1.6 million from 2021. See Note 6 for additional information on DROP.

Refund expense increased $860 thousand in 2023 and $1.2 million in 2022.

The cost of administering the benefit plans, including administrative costs and professional fees, decreased approximately $385 thousand in 2023. Decreases in non-investment legal expenses and risk insurance along with an increase in legal reimbursements received were partially offset by increases in actuarial services, information technology expense and salaries and benefits. The cost of administering the benefit plans, including administrative costs and professional fees, decreased approximately $25 thousand in 2022. Decreased non-investment legal expenses were offset by increases in risk insurance.

A pro rata share of the total expenses of the Plans is allocated to the Combined Pension Plan and the Supplemental Plan according to the ratio of Combined Pension Plan and Supplemental Plan investment assets to the total investment assets of the Group Trust. Any expenses specific to either the Combined Pension Plan or the Supplemental Plan are charged directly as a reduction of such plan’s net position.

Funding Overview

DPFP's actuarial firm, Segal Consulting (Segal), conducts the annual actuarial valuations to determine if the assets and contributions are sufficient to provide the prescribed benefits (funding positions) of the Plans.

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. The changes included resetting the actuarial value of assets to the market value of assets as of January 1, 2023. Resetting the actuarial value of assets to the market value of assets immediately recognized $246.8 million of market value losses. Other changes included recalculating the Actuarially Determined Contribution (ADC) and the inclusion of an immediate partial COLA as of January 1, 2024, that is assumed to be effective October 1, 2025.

The January 1, 2024 actuarial valuation reported a funded ratio of 32%, based on the actuarial value of assets, an unfunded actuarial accrued liability of $3.9 billion and an expected fully funded date of 2053 for the Combined Pension Plan. The January 1, 2023 restated funded ratio was 34.4%, compared to 39.1% before restatement, based on the actuarial value of assets. The restated unfunded actuarial accrued liability was $3.4 billion, compared to $3.2 billion before restatement, and the expected fully funded date remained unchanged at 2105 for the Combined Pension. These projections may vary on an annual basis due to actual experience and demographics, which may vary from the current actuarial assumptions.

The Actuarially Determined Contribution (ADC) is equal to the City normal cost payment and a payment on the unfunded actuarial accrued liability. As of January 1, 2024, for the Combined Plan, the ADC was $262 million or 53.5% of Computation Pay. The restated ADC as of the January 1, 2023 was $202.4 million or 41.9% of Computation Pay, compared to $251.6 million before restatement or 54.4% of Computation Pay. Pursuant to the requirements of Section 2.025 of Article 6243a-1, 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 method 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.

In October 2024, the City began contributing based on an ADC. Beginning with the January 1, 2024 valuation, the ADC will be reported on the City's fiscal year beginning in the year after the valuation date. For the January 1, 2024 actuarial valuation, the calculated ADC will be payable in the City's fiscal year beginning October 1, 2025.

The January 1, 2024 actuarial valuation for the Supplemental Plan reports a funded ratio of 40.8% and an unfunded actuarial accrued liability of $28.7 million compared to a funded ratio of 38.6% and an unfunded actuarial accrued liability of $26.4 million as reported in the January 1, 2023 actuarial valuation. The increase is due to plan changes offset by investment gains. These projections may vary on an annual basis due to actual experience and demographics, which may vary from the current actuarial assumptions. The City's contributions for the Supplemental Plan are based on the ADC as determined by the actuary.

The Board's funding policy for the Supplemental Plan is based on a closed amortization period of 20 years. Beginning in 2021, future gains or losses each year are amortized over separate, closed 10-year periods.

Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans –An Amendment of GASB Statement No. 25*, (GASB No. 67) requires disclosure of the Net Pension Liability (NPL). The GASB No. 67 valuation is prepared by Segal and is a calculation for accounting purposes as opposed to the actuarial valuation, which is completed to determine the funding adequacy of the Plans. The NPL is the difference between the Total Pension Liability (TPL) and the Fiduciary Net Position (FNP). GASB No. 67 requires the determination of the TPL using the individual entry age method, level percent of pay actuarial cost method, and a discount rate. The GASB No. 67 for December 31, 2023 reports a NPL of $3.8 billion, which is an increase of $341.7 million from the NPL reported at December 31, 2022 for the Combined Pension Plan. The FNP as a Percentage of Total Pension Liabilities is 33.8% at December 31, 2023 compared to 34.4% at December 31, 2022 for the Combined Pension Plan.

The GASB No. 67 for December 31, 2022 reports a NPL of $3.4 billion, which is an increase of $442 million from the NPL reported at December 31, 2021 for the Combined Pension Plan. The Fiduciary Net Position as a Percentage of Total Pension Liabilities (FNP) is 34.4% at December 31, 2022 compared to 41.8% at December 31, 2021 for the Combined Pension Plan.

The Supplemental Plan had a NPL of $28.7 million and $26.4 million at December 31, 2023 and 2022, respectively. The Supplemental Plan had a FNP of 40.8% and 38.6% at December 31, 2023 and 2022, respectively.

Information about whether the Plans' net positions are increasing or decreasing over time relative to the TPL is provided in the accompanying Schedule of Changes in the Net Pension Liability and Related Ratios.

Contacting DPFP's Financial Management

This financial report is designed to provide members and other users with a general overview of DPFP's finances and present the Plans' accountability for the funding received. If you have questions about this report, you may contact the Executive Director of the Dallas Police and Fire Pension System at 4100 Harry Hines Boulevard, Suite 100, Dallas, Texas 75219, by phone at 214-638-3863, or by email at info@dpfp.org.

Combining Statements of Fiduciary Net Position

	2023			2022		
DECEMBER 31,	COMBINED PENSION PLAN	SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS	TOTAL	COMBINED PENSION PLAN	SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS	TOTAL
Assets						
Investments, at fair value						
Short-term investments	$ 16,809,984	$ 172,577	$ 16,982,561	$ 14,754,633	$ 136,207	$ 14,890,840
Fixed income securities	362,092,006	3,717,369	365,809,375	318,424,211	2,939,523	321,363,734
Equity securities	985,512,002	10,117,626	995,629,628	819,431,503	7,564,557	826,996,060
Real assets	275,723,992	2,830,683	278,554,675	344,739,510	3,182,452	347,921,962
Private equity	216,632,700	2,224,030	218,856,730	217,177,506	2,004,867	219,182,373
Forward currency contracts	-	-	-	(961)	(9)	(970)
Total investments	1,856,770,684	19,062,285	1,875,832,969	1,714,526,402	15,827,597	1,730,353,999
Receivables						
City	5,728,687	-	5,728,687	5,140,928	-	5,140,928
Members	2,073,930	9,382	2,083,312	1,811,630	7,708	1,819,338
Interest and dividends	4,621,058	47,441	4,668,499	3,753,553	34,651	3,788,204
Investment sales proceeds	1,943	20	1,963	1,141,865	10,541	1,152,406
Lease receivable	2,246,460	23,063	2,269,523	-	-	-
Other receivables	590,516	6,062	596,578	49,431	456	49,887
Total receivables	15,262,594	85,968	15,348,562	11,897,407	53,356	11,950,763
Cash and cash equivalents	61,712,765	633,566	62,346,331	74,596,937	688,639	75,285,576
Prepaid expenses	555,759	5,706	561,465	399,478	3,688	403,166
Capital assets, net	11,339,331	116,414	11,455,745	11,499,772	106,160	11,605,932
Total assets	**1,945,641,133**	**19,903,939**	**1,965,545,072**	**1,812,919,996**	**16,679,440**	**1,829,599,436**
Liabilities						
Other Payables						
Securities purchased	4,430,810	45,488	4,476,298	1,128,527	10,418	1,138,945
Accounts payable and other accrued liabilities	4,277,517	28,896	4,306,413	5,224,128	28,620	5,252,748
Total liabilities	**8,708,327**	**74,384**	**8,782,711**	**6,352,655**	**39,038**	**6,391,693**
Deferred inflow of resources	**2,116,246**	**21,726**	**2,137,972**	**-**	**-**	**-**
Net position restricted for pension benefits	**$ 1,934,816,560**	**$ 19,807,829**	**$ 1,954,624,389**	**$ 1,806,567,341**	**$ 16,640,402**	**$ 1,823,207,743**

See accompanying notes to combining financial statements.

Combining Statements of Changes in Fiduciary Net Position

YEARS ENDED DECEMBER 31,	2023 COMBINED PENSION PLAN	2023 SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS	2023 TOTAL	2022 COMBINED PENSION PLAN	2022 SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS	2022 TOTAL
Additions (Reductions)						
Contributions						
City	$ 171,960,839	3,665,783	$ 175,626,622	$ 169,911,420	$ 2,806,863	$ 172,718,283
Members	62,510,063	278,622	62,788,685	59,706,574	255,703	59,962,277
Total contributions	234,470,902	3,944,405	238,415,307	229,617,994	3,062,566	232,680,560
Investment income (loss)						
Net appreciation (depreciation) in fair value of investments	180,060,356	1,577,820	181,638,176	(255,777,638)	(2,318,539)	(258,096,177)
Interest and dividends	22,238,000	228,303	22,466,303	21,233,270	196,014	21,429,284
Total gross investment income	202,298,356	1,806,123	204,104,479	(234,544,368)	(2,122,525)	(236,666,893)
Less: Investment expense	(6,463,286)	(66,354)	(6,529,640)	(8,643,345)	(79,791)	(8,723,136)
Net investment income (loss)	195,835,070	1,739,769	197,574,839	(243,187,713)	(2,202,316)	(245,390,029)
Other income	47,263,208	485,221	47,748,429	2,296,327	21,198	2,317,525
Total additions	**477,569,180**	**6,169,395**	**483,738,575**	**(11,273,392)**	**881,448**	**(10,391,944)**
Deductions						
Benefits paid to members	338,035,629	2,940,634	340,976,263	329,187,721	2,843,026	332,030,747
Refunds to members	5,310,084	-	5,310,084	4,449,977	-	4,449,977
Professional and administrative expenses	5,974,248	61,334	6,035,582	6,361,999	58,731	6,420,730
Total deductions	**349,319,961**	**3,001,968**	**352,321,929**	**339,999,697**	**2,901,757**	**342,901,454**
Net increase/(decrease) in fiduciary net position	128,249,219	3,167,427	131,416,646	(351,273,089)	(2,020,309)	(353,293,398)
Net position restricted for pension benefits						
Beginning of period	1,806,567,341	16,640,402	1,823,207,743	2,157,840,430	18,660,711	2,176,501,141
End of period	$ 1,934,816,560	$ 19,807,829	$ 1,954,624,389	$ 1,806,567,341	$ 16,640,402	$ 1,823,207,743

See accompanying notes to combining financial statements.

Notes to Combining Financial Statements

1. Organization

General

The Dallas Police and Fire Pension System (DPFP) is an independently governed component unit of the City of Dallas (City, or Employer) and serves as a single-employer pension and retirement fund for police officers and firefighters employed by the City. The general terms "police officers" and "firefighters" also include fire and rescue operators, fire alarm operators, fire inspectors, apprentice police officers, and apprentice firefighters. DPFP is comprised of a single defined benefit pension plan (Combined Pension Plan) designed to provide retirement, death, and disability benefits for police officers and firefighters (collectively, members). DPFP was originally established under former Article 6243a of the Revised Civil Statutes of Texas and, since 1989, derives its authority to continue in operation under the provisions of Article 6243a-1 of the Revised Civil Statutes of Texas (the Governing Statute). All active police officers and firefighters employed by the City are required to participate in the Combined Pension Plan.

The Supplemental Police and Fire Pension Plan of the City of Dallas (Supplemental Plan) was created in 1973 to supplement DPFP's Plan B Defined Benefit Pension Plan (Plan B). Former Plan B members are now denominated as Group B members of the Combined Pension Plan. The intent of the Supplemental Plan is to provide additional retirement benefits to those members of the Supplemental Plan holding a rank higher than the highest corresponding civil service rank as provided in the Combined Pension Plan. Members receive a supplemental pension based upon the difference between compensation for the civil service position held before entrance into the Supplemental Plan and compensation while in the Supplemental Plan. The Supplemental Plan was established and derives its authority from a City ordinance.

The Combined Pension Plan and Supplemental Plan are collectively referred to as the Plans.

As of December 31, 2023 and 2022, the Combined Pension Plan's membership consisted of:

	2023	2022
Retirees and beneficiaries	5,231	5,142
Beneficiaries, DROP Only	141	147
Non-active vested members not yet receiving benefits	254	252
Non-active non-vested members not yet refunded	326	474
Total non-active members	**5,952**	**6,015**
Vested active members	3,854	3,732
Non-vested active members	1,277	1,353
Total active members	**5,131**	**5,085**

As of December 31, 2023 and 2022, the Supplemental Plan's membership consisted of:

	2023	2022
Retirees and beneficiaries	152	149
Beneficiaries, DROP Only	3	2
Non-active vested members not yet receiving benefits	1	1
Non-active non-vested members not yet refunded	-	-
Total non-active members	**156**	**152**
Vested active members	55	51
Non-vested active members	1	1
Total active members	**56**	**52**

No changes to benefit, contribution or administration plan provisions were made to the Combined Pension Plan or the Supplemental Plan in 2023.

The benefit, contribution and administration plan provisions discussed below are as of December 31, 2023 and 2022.

Benefits

Members hired by the City before March 1, 1973 are Group A members of the Combined Pension Plan. Members hired on or after March 1, 1973 are Group B members of the Combined Pension Plan.

Group A members of the Combined Pension Plan have elected to receive one of two benefit structures as of December 31, 2023:

- Members with 20 years or more of pension service are entitled to monthly pension benefits beginning at age 50 equal to 50% of base pay, defined as the maximum monthly civil service pay established by the City for a police officer or firefighter at the time of retirement, plus 50% of the longevity pay the member was receiving either at the time he or she left active service with the City or the effective date the member joined the Deferred Retirement Option Plan (DROP). Benefit payments are adjusted annually according to changes in active service base pay, if any. Additionally, a member is eligible to receive 50% of the difference between any annualized City service incentive pay granted to the member less annual longevity pay.

- Members with 20 years or more of pension service are entitled to monthly pension benefits beginning at age 55 equal to 3% of their base pay, computed as noted in the prior paragraph, for each year of pension service with a maximum of 32 years. In addition, a member receives 50% of the longevity pay and 1/24th of any City service incentive pay the member was receiving either at the time he or she left active service with the City or the effective date the member joined DROP. As part of the plan changes adopted by the Board on August 8, 2024, an immediate partial COLA, payable while the Plan is under 70% funded on a market value basis, has been added effective October 1, 2025. The immediate partial COLA is equal to the annual change in the 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 does not exceed 1.5%.

Group B members of the Combined Pension Plan receive one of two benefit structures as of December 31, 2023:

- Members who began membership before March 1, 2011 with 5 or more years of pension service are entitled to monthly pension benefits beginning at age 50 equal to 3% of the member's average base pay plus education and longevity pay (Computation Pay) determined over the highest 36 consecutive months of Computation Pay, multiplied by the number of years of pension service prior to September 1, 2017. The monthly pension benefit for service earned after September 1, 2017 is based on the highest 60 consecutive months of Computation Pay multiplied by a 2.5% multiplier at age 58. The multiplier is reduced to between 2.0% and 2.4% for retirement prior to age 58. The member cannot accrue a monthly pension benefit that exceeds 90% of the member's average Computation Pay. Certain members may receive a 2.5% multiplier for pension service after September 1, 2017 prior to age 58 if the combination of their pre and post September 1, 2017 pension service calculations using the 2.5% multiplier for post September 1, 2017 meets or exceeds the 90% maximum benefit. Certain members who meet the service prerequisite or were 45 prior to September 1, 2017 may elect to take early retirement with reduced benefits starting at age 45, or earlier if the member has 20 years of pension service.

- Members who began membership after February 28, 2011 are entitled to monthly pension benefits after accruing 5 years of pension service and the attainment of age 58. Pension benefits are equal to the member's average Computation Pay determined over the highest 60 consecutive months of Computation Pay, multiplied by 2.5% for the number of years of pension service. The member cannot accrue a monthly pension benefit that exceeds 90% of the member's average Computation Pay. Members who have 20 years of service may elect to take early retirement. Vested members may take a reduced benefit starting at age 53.

- A Group B member who has accrued 20 or more years of pension service and who has been on active service at any time on or after January 1, 1999 may take a pension benefit regardless of age except that the percent multiplier would be based on the member's age at the time of applying for the pension, or earlier if the member has 20 years of pension service.

- All members are eligible for an ad hoc cost of living increase after the Combined Plan is 70% funded after accounting for the impact of the COLA as approved by the Board. The ad hoc cost of living adjustment is 1.5% of the original benefit. As part of the plan changes, adopted by the Board on August 8, 2024, all Group B members are eligible for an immediate partial COLA, payable while the Plan is under 70% funded on a market value basis. The immediate partial COLA has been added effective October 1, 2025. The immediate partial COLA is equal to the annual change in the Consumer Price Index for All Urban Consumers (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 does not exceed 1.5%.

Additional provisions under the Combined Pension Plan as of December 31, 2023 are as follows:

- Prior to September 1, 2017 members with over 20 years of pension service, upon attaining age 55, received a monthly supplement equal to the greater of $75 or 3% of their total monthly benefits (excluding the benefit supplement amount). After September 1, 2017, no additional members will receive the monthly supplement and no increases will be made to the amount of the supplement received by those members receiving the supplement prior to September 1, 2017.

- Service-connected disability benefits are available for members in active service who began service prior to March 1, 2011 and have not entered DROP who become disabled during the performance of their duties from the first day of employment. Members receiving service-connected disability benefits are given credit for the greater of actual pension service or 20 years of pension service. A benefit of 3% times the average of the highest 36 consecutive months of Computation Pay times the number of years of pension service prior to September 1, 2017, plus a 2.5% multiplier for pension service after September 1, 2017, times the average of the highest 60 consecutive months of Computation Pay times the number of years of pension service. If needed, additional service time necessary to reach 20 years of service credit will be included with pension service after September 1, 2017. Members who began membership after February 28, 2011 and have not entered DROP are entitled to a disability benefit based on the average of the highest 60 consecutive months of Computation Pay times a 2.5% multiplier regardless of their age. If a member has more than 20 years of service and was hired prior to March 1, 2011, the benefit is calculated in the same manner as their service retirement pension. If the member has fewer than 36 or 60 months of service, based on hire date, the benefit is based on the average Computation Pay during their entire pension service. All service-connected disability benefits are subject to a minimum benefit of $2,200 per month.

- Members who began membership before March 1, 2011, who are determined to be eligible for a non-service connected disability benefit are entitled to a benefit of 3% times the average of the highest 36 consecutive months of Computation Pay times the number of years of pension service prior to September 1, 2017, plus a 2.5% multiplier for pension service after September 1, 2017 times the average of the highest 60 consecutive months of Computation Pay. Total service is rounded to the nearest whole year.

- Members who began membership after February 28, 2011, are entitled to a disability benefit based on the average of the highest 60 consecutive months of Computation Pay, times a 2.5% multiplier regardless of their age. All non-service-connected disability benefits are subject to a minimum benefit of $110 for every year of pension service. The minimum benefit cannot exceed $2,200 per month. If the member has fewer than 36 or 60 months of service, based on hire date, the benefit is based on the average Computation Pay during their entire pension service.

- Members who are eligible to retire are eligible to enter the DROP program, which is an optional method of accruing monthly pension benefits prior to leaving active service. The amount of an active member's DROP balance is based on the accumulation of the member's monthly benefit each month while in active DROP, and interest accrued prior to September 1, 2017. DROP balances of retired members and other DROP account holders, excluding active member DROP account holders, were converted to annuities (a stream of payments) on November 30, 2017. DROP balances of active members are annuitized upon retirement. The life expectancy of a DROP account holder at the time of annuitization determines the term of the annuity. Interest is included in the annuity calculation for balances accrued prior to September 1, 2017. The interest rate is based on the provisions of Article 6243a-1 and rules adopted by the Board. See Note 6 for information about the changes in the DROP program resulting from the passage of HB 3158. See below, under Contributions, for discussion of required DROP contributions. The total DROP balance and the present values of the annuitized balances for the Combined Pension Plan was $902.7 million and $943.9 million at December 31, 2023 and 2022, respectively. The total DROP balances include amounts that may be paid out of the Excess Benefit Plan and Trust.

- A minimum benefit is paid to vested retired members of $2,200 per month subject to any restrictions contained in the Combined Pension Plan. The minimum benefit is prorated for members who retire with less than 20 years of service credit and equals $1,200 monthly for a qualified surviving spouse if there are no qualified surviving children receiving benefits. The minimum benefit is $1,100 monthly for qualified surviving children combined and qualified surviving spouses if qualified surviving children are receiving or had received benefits.

Additional provisions under the Supplemental Plan as of December 31, 2023 are as follows:

- The Supplemental Plan's benefits are designed to supplement Group B benefits for those members holding a rank higher than the highest civil service rank because their Combined Pension Plan benefits are capped by the Combined Pension Plan's definition of considered compensation. Accordingly, when Group B benefits are amended, the Supplemental Plan's benefit calculation is also affected. The basis for a member's benefits is the difference between the monthly rate of pay a member is due as the base pay for the rank the member currently holds and the monthly rate of pay the member is due for the highest civil service rank (and pay step) the member held as a result of competitive examinations. The service time used to determine the member's Group B benefit is used to determine the member's benefit under the Supplemental Plan so that the same length of time is used for both plans. Average Computation Pay is calculated for each plan separately and combined to determine the benefit. Application for benefits under the provisions of the Combined Pension Plan is deemed to be an application for benefits under the Supplemental Plan and no additional application need be filed.

- Members of the Supplemental Plan who enter the DROP program in the Combined Pension Plan also enter the DROP program in the Supplemental Plan. The total DROP account balance and the present value of the annuitized balances related to the Supplemental Plan was $5.7 million and $6.0 million on December 31, 2023 and 2022, respectively. The total DROP balances include amounts that may be paid out of the Excess Benefit Plan and Trust.

Death benefits are available to a surviving spouse, dependent children, disabled children, or dependent parents in the event of the death of a member either after disability or service retirement, prior to leaving active service or retirement eligible deferred vested members.

Contributions

Employee contribution rates did not change in 2023. The employee contribution rate is 13.5% of Computation Pay for all active members.

City contribution rates did not change in 2023. The City contributes the greater of (i) 34.5% of Computation Pay and (ii) a bi-weekly minimum (floor) amount defined in the bill, plus $13 million annually until 2024. The floor amounts were $5.812 million and $6.043 million, respectively, for 2023 and 2022. After 2024, the floor amount and the additional $13 million annual amount are eliminated.

In accordance with Section 2.025 of Article 6243a-1, during 2024 an independent actuary selected by the Texas State Pension Review Board (PRB) performed an analysis that included the independent actuary's 1) conclusion regarding whether the pension system meets funding guidelines under the Texas Government Code Section 802 and 2) recommendations regarding changes to benefits or to member or city contribution rates. This independent analysis, conducted by Cheiron, was completed and presented to the Board at the August 8, 2024 board meeting, where it was accepted by the Board and subsequently included in the January 1, 2024 actuarial report.

Cheiron's principal recommendations were:

- Adopt an Actuarially Determined Contribution
- Reduce Employee Contribution Rate as Funding Improves
- Provide Some COLA Earlier Than Current Provisions Permit

The January 1, 2024 actuarial valuation report reflects that on August 8, 2024, the Board adopted by rule a plan that 1) complies with funding and amortization period requirements applicable to the pension system under Subchapter C, Chapter 802 of the Texas Government Code and 2) took into consideration the recommendation of the independent actuary.

City contributions can be changed by section 2.025 of Article 6243a-1, by the legislature, by a majority vote of the voters of the city or in accordance with a written agreement entered into between the city and the pension system, where at least eight trustees have approved the agreement, provided that the change does not increase the period required to amortize the unfunded accrued liability of the Combined Pension Plan. Decreases in employee contributions require the approval of the legislature. Increases in employee contributions require the approval of at least a two-thirds vote of all trustees of the Board.

The City is required by ordinance to contribute amounts necessary to ensure the payment of benefits in the Supplemental Plan. The City's contributions shall be made in accordance with actuarial requirements established by the actuary and the board. Member contributions in the Supplemental Plan follow the same rules as the Combined Pension Plan on Computation Pay over the compensation of the highest civil service rank held as a result of competitive examinations.

The Supplemental Plan's plan document can be amended only by the City Council in accordance with City ordinance. The benefit and contribution provisions of the Supplemental Plan follow those of the Combined Pension Plan.

Members of Group B are immediately vested in their member contributions. If a member's employment is terminated and the member is not vested, or the member elects not to receive present or future pension benefits, the member's contributions are refunded, without interest, upon written application. If application for a refund is not made within three years of normal retirement age, the member forfeits the right to a refund of his or her contribution; however, a procedure exists whereby the member's right to the contributions can be reinstated and refunded by the Board after the three-year period.

Administration
Collectively, the Combined Pension Plan Board of Trustees and the Supplemental Plan Board of Trustees are referred to as the Board. The Board is responsible for the general administration of DPFP and has the full power to invest the Plans' assets.

The Plans are administered by an eleven-member Board consisting of six Trustees appointed by the Mayor of the City of Dallas, in consultation with the City Council; one current or former police officer, nominated and elected by active members; one current or former firefighter, nominated and elected by active members; and three non-member Trustees (who may not be active members or retirees) elected by the active members and retirees from a slate of nominees vetted and nominated by the Nominations Committee. The Nominations Committee consists of representatives from 11 named police and fire associations and the Executive Director of DPFP. The Executive Director is a nonvoting member of the committee.

To serve as a Trustee, a person must have demonstrated financial, accounting, business, investment, budgeting, real estate or actuarial expertise and may not be an elected official or current employee of the City of Dallas, with the exception of a current police officer or firefighter.

2. Summary of Significant Accounting Policies

Basis of Presentation
The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States (GAAP). In doing so, DPFP adheres to guidelines established by the Governmental Accounting Standards Board (GASB). The accompanying financial statements include solely the accounts of the Plans on a combined basis, which include all programs, activities and functions relating to the accumulation and investment of the net position and related income necessary to provide the service, disability and death benefits required under the terms of the governing statutes and amendments thereto.

Basis of Accounting
The economic resources measurement focus is the method by which revenues and expenses are recognized in the accounts and reported in the basic financial statements. The accrual basis of accounting is used for the Plans. Under the accrual basis of accounting, revenues, which include contributions and investment income, are recognized in the period in which they are earned, and collection is reasonably assured. Expenses are recognized when the liability is incurred. Member and employer contributions are recognized in the period in which the contributions are due, pursuant to Plan requirements and State statute. Accrued income, when deemed uncollectible, is charged to operations.

Contributions for the final biweekly payroll of the year for the years ended December 31, 2023 and 2022 were not received by DPFP until after year end and accordingly, uncollected contributions are recorded as receivables in the accompanying financial statements. Benefits, lump sum payments, and refunds are recognized when due and payable. Dividend income is recorded on the ex-dividend date. Other income consists primarily of rental income, which is recognized based on the systematic and rational allocation of the deferred inflow of resources over the term of the lease. Realized gains and losses on sales of securities are recognized on the trade date. The cost of investments sold is determined using the average cost method.

Reporting Entity

DPFP is an independently governed component unit of the City and the basic financial statements and required supplementary information of the Plans are therefore included in the City's Annual Comprehensive Financial Report.

Administrative Costs

All costs of administering the Plans are paid from the Plans' assets pursuant to an annual fiscal budget approved by the Board.

Federal Income Tax

Favorable determinations that the Plans are qualified and exempt from Federal income taxes were received on October 20, 2014. The Board believes that the Plans are designed to meet and operate in material compliance with the applicable requirements of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the actuarial information included in the notes to the financial statements as of the benefit information date, the reported amounts of income and expenses during the reporting period, and when applicable, disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

DPFP considers only demand deposits as cash. Cash equivalent securities, which are composed of all highly liquid investments with a maturity of three months or less when purchased, are considered to be cash equivalents. Highly liquid securities invested by third party investment managers as part of a short-term investment fund are not considered cash equivalents and are classified as short-term investments.

Plan Interest in the Group Master Trust

Effective January 1, 2006, the Board elected to establish a Group Master Trust (Group Trust) in order to unitize the investments of the Combined Pension Plan and the Supplemental Plan. JPMorgan Chase Bank, N.A. (JPMorgan) served as custodian of the Group Trust for the years ended December 31, 2023 and 2022. The fair value of the Combined Pension Plan's interest and the Supplemental Plan's interest in the Group Trust is based on the unitized interest that each plan has in the Group Trust. The Combined Pension Plan's interest in the Group Trust's investments was approximately 99% on December 31, 2023 and 2022, while the remaining interest belongs to the Supplemental Plan. The allocation of investment income and expenses between the Combined Pension Plan and the Supplemental Plan is based on percentage interest in the Group Trust. Shared professional and administrative expenses are allocated to each plan directly in proportion to each plan's ownership interest. Benefits and contributions are attributed directly to the plan that such receipts and disbursements relate to and are not subject to a pro-rated allocation.

Investments

Investment Policy

Statutes of the State of Texas authorize DPFP to invest surplus funds in the manner provided by Government Code, Title 8, Subtitle A, Subchapter C, which provides for the investment of surplus assets in any investment that is deemed prudent by the Board. These statutes stipulate that the governing body of the Plans is responsible for the management and administration of the funds of the Plans and shall determine the procedure it finds most efficient and beneficial for the management of the funds of the Plans. The governing body may directly manage the investments of the Plans or may contract for professional investment management services. Investments are reported at fair value.

The investment policy of the Board does not restrict the types of investments authorized to be made on behalf of the Group Trust. The Governing Statute requires at least eight members of the Board to approve an investment in an alternative asset. The Board determined that alternative assets include all asset classes other than traditional assets. Traditional assets include publicly traded stocks, bonds and cash equivalents. The investment policy considers the current and expected financial condition of the Plans, the expected long-term capital market outlook and DPFP's risk tolerance. The following is the Board's adopted asset allocation contained in the Investment Policy Statement as of December 31, 2023 and 2022. The actual asset allocation as of December 31, 2023 has variances to the long-term target allocation.

ASSET CLASS	TARGET ALLOCATION
Equity	**65%**
Global Equity	55%
Emerging Markets Equity	5%
Private Equity	5%
Safety Reserve and Fixed Income	**25%**
Cash	3%
Short-term Investment Grade Bonds	6%
Investment Grade Bonds	4%
High Yield Bonds	4%
Bank Loans	4%
Emerging Markets Debt	4%
Real Assets	**10%**
Private Real Estate	5%
Private Natural Resources	5%

The value and performance of DPFP's investments are subject to various risks, including, but not limited to, credit risk, interest rate risk, concentration of credit risk, custodial credit risk, and foreign currency risk, which are in turn affected by economic and market factors impacting certain industries, sectors or geographies. See Note 3 for disclosures related to these risks.

Investment Transactions

The accompanying Combining Statements of Changes in Fiduciary Net Position present the net appreciation (depreciation) in the fair value of investments, which consists of the realized gains and losses on securities sold and the changes in unrealized gains and losses on those investments still held in the portfolio at year end.

Purchases and sales of investments and forward foreign exchange contracts are recorded on the trade date. Unsettled investment trades as of fiscal year end are reported in the financial statements on the accrual basis of accounting. Realized gains or losses on forward foreign exchange contracts are recognized when the contract is settled.

Interest earned but not yet received and dividends declared but not yet received are recorded as accrued interest and dividends receivable, respectively. In addition, unsettled investment purchases and sales are accrued.

Valuation of Investments

The diversity of the investment types in which the Group Trust invests requires a wide range of techniques to determine fair value.

Short-term investments include money market funds and government bonds with a maturity of less than one year and are valued based on stated market rates.

Fixed income investments include government securities such as Treasury securities, bank loans, US corporate bonds, foreign securities such as dollar denominated and non-dollar denominated issues of non-US governments and private corporations, plus units of commingled fixed income funds of both US and foreign securities. Equity securities consist of individual shares of equity securities plus units of commingled stock funds of both US and foreign entities. The stated fair value of investments in publicly traded fixed income and equity securities is based on published market prices or quotations from major investment dealers as provided by JPMorgan, utilizing vendor supplied pricing. Vendor supplied pricing data for equity securities is based upon the daily closing price from the primary exchange of each security while vendor supplied pricing data for fixed income securities is based upon a combination of market maker quotes, recent trade activity, and observed cash flows. Securities traded on an international exchange are valued at the last reported sales price as of year-end at exchange rates as of year-end. The fair value of non-publicly traded commingled fixed income funds and commingled stock funds is based on their respective net asset value (NAV) as reported by the investment manager.

Real assets consist of privately held real estate, infrastructure, timberland, and farmland investments. Real estate is held in separate accounts, limited partnerships, joint ventures and as debt investments in the form of notes receivable. Infrastructure, timberland, and farmland are held in separate accounts, limited partnerships, and joint ventures. Real estate, timberland and farmland are generally subject to independent third-party appraisals performed in accordance with the Uniform Standards of Professional Appraisal Practice on a periodic basis, every three years at minimum, as well as annual financial statement audits. Infrastructure funds are valued based on audited NAV reported by the manager, which is based on internal manager valuation or independent appraisal at the discretion of the manager. Interests in joint ventures, limited partnerships and notes receivable are valued at the dollar value reported by the general partner or investment manager, as applicable. Externally managed partnerships, joint venture and separate accounts are valued at the NAV provided by the investment or fund manager, as applicable. The investment or fund manager on a continuous basis values the underlying investment holdings.

Private equity investments consist of various investment vehicles including limited partnerships and notes receivable. Private equity limited partnership investments and notes receivable are valued as reported by the investment manager. Private equity funds are valued using their respective NAV as reported by the fund's custodian, investment manager or independent valuations obtained by DPFP, as applicable.

DPFP has established a framework to consistently measure the fair value of the Plans' assets and liabilities in accordance with applicable accounting, legal, and regulatory guidance. This framework has been provided by establishing valuation policies and procedures that provide reasonable assurance that assets and liabilities are carried at fair value as described above and as further discussed in Note 4.

Foreign Currency Transactions

DPFP, through its investment managers, is party to certain financial arrangements, utilizing forward contracts, options and futures as a hedge against foreign currency fluctuations. Entering into these arrangements involves not only the risk of dealing with counterparties and their ability to meet the terms of the contracts, but also the risk associated with market fluctuations. Realized gains and losses on option and future arrangements are recorded as they are incurred. Realized gains and losses on forward contracts are recorded on the settlement date.

Gains and losses resulting from foreign exchange contracts (transactions denominated in a currency other than the Group Trust's functional currency - US dollar) are recorded based on changes in fair values and are included in investment income (loss) in the accompanying financial statements. Investment managers, on behalf of the Group Trust, structure foreign exchange contracts and enter into transactions to mitigate exposure to fluctuations in foreign exchange rates.

Investments and broker accounts denominated in foreign currencies outstanding on December 31, 2023 and 2022 were converted to the US dollar at the applicable foreign exchange rates quoted as of December 31, 2023 and 2022, respectively. The resulting foreign exchange gains and losses are included in net appreciation (depreciation) in fair value of investments in the accompanying financial statements.

Leases

DPFP is a lessor for a noncancelable lease of office space and recognizes a lease receivable and a deferred inflow of resources in the System's statements of fiduciary net position.

At the commencement of a lease, the System initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for the lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the System determines the discount rate and lease term it uses to discount the expected lease receipts to present value. The System uses the market rate of interest at lease inception as the discount rate for leases. Lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments as outlined in the lease agreements.

3. Investments

The Board has contracted with investment managers to manage the investment portfolio of the Group Trust subject to the policies and guidelines established by the Board. The Board has a custody agreement with JPMorgan under which JPMorgan assumes responsibility for the safekeeping of certain investments, handling of transactions based on the instructions of investment managers and reporting investment transactions.

The fair value of investments on December 31, 2023 and 2022 is as follows (in thousands):

	2023	2022
Short-term investments		
Short-term investment funds	$ 16,982	$ 14,891
Fixed income securities		
US Treasury bonds	48,856	29,661
US government agencies	20,085	14,047
Corporate bonds	162,551	135,059
Commingled funds	129,426	137,665
Municipal bonds	4,891	4,932
Equity securities		
Domestic	328,071	329,167
Foreign	185,696	196,873
Commingled funds	481,863	300,956
Real assets		
Real estate	158,353	187,413
Infrastructure	25,505	53,707
Timberland	14,602	14,043
Farmland	80,095	92,759
Private equity	218,857	219,182
Forward currency contracts	-	(1)
Total	**$ 1,875,833**	**$ 1,730,354**

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the System's deposits might not be recovered. DPFP does not have a formal deposit policy for custodial credit risk of its deposits.

The Federal Depository Insurance Corporation (FDIC) insures any deposits of an employee benefit plan in an insured depository institution on a "pass- through" basis, in the amount of up to $250,000 for the non-contingent interest of each plan participant at each financial institution. The pass-through insurance applies only to vested participants. DPFP believes the custodial credit risk for deposits, if any, is not material.

Investments

Portions of DPFP's investments are classified as security investments. A security is a transferable financial instrument that evidences ownership or creditorship. Investments in companies, partnerships and real estate are investments that are evidenced by contracts rather than securities.

Custodial credit risk is the risk that, in the event of the failure of an investment counterparty, the investor will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the investor, and are held by either the counterparty or the counterparty's trust department or agent, but not in the investor's name. DPFP mitigates this risk by having investments held at a custodian bank on behalf of DPFP. On December 31, 2023 and 2022, all investment securities held by the custodian were registered in the name of DPFP and were held by JPMorgan in the name of DPFP. DPFP does not have a formal policy for custodial credit risk of its investments; however, management believes that custodial credit risk exposure is mitigated by the financial strength of the financial institutions in which the securities are held.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Group Trust's investment in a single issue. The DPFP Investment Policy specifically addresses concentration of credit risk by limiting the portfolio to 5% of Public Equity or Public Fixed Income assets invested in a single issuer. Additionally, the target allocations of assets among various asset classes are determined by the Board with the objective of optimizing the investment return of the Group Trust within a framework of acceptable risk and diversification. For major asset classes, the Group Trust will further diversify the portfolio by employing multiple investment managers who provide guidance for implementing the strategies selected by the Board.

As of December 31, 2023 and 2022, the Group Trust did not have any single investment in an issuer which represented greater than 5% of the Plans' net position.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is the greatest risk faced by an investor in the fixed income market. The price of a fixed income security typically moves in the opposite direction of the change in interest rates. The weighted average maturity of a fixed income security expresses investment time horizons (when the investment comes due and payable) in years, weighted to reflect the dollar size of individual investments within the investment type. DPFP does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates, but rather mandates such limits within investment management services contracts. Investment managers have full discretion in adopting investment strategies to address these risks.

The Group Trust invests in fixed income securities including, but not limited to, investments representing instruments with an obligated fixed rate of interest including public and private debentures, mortgage-backed securities, guaranteed investment contracts with maturities greater than one year, and options/futures. Purchases and sales, investment selection, and implementation of investment strategies are delegated to the discretion of the investment manager, subject to compliance with its management agreement and DPFP's investment policy.

On December 31, 2023, the Group Trust had the following fixed income securities and maturities (in thousands):

INVESTMENT TYPE	LESS THAN 1 YEAR	1 TO 5 YEARS	6 TO 10 YEARS	MORE THAN 10 YEARS	TOTAL
US Treasury bonds	$ -	$ 38,763	$ 4,588	$ 5,505	$ 48,856
US Government agencies	-	1,549	2,523	16,013	20,085
Corporate bonds	4,564	109,780	22,625	25,582	162,551
Municipal bonds	280	1,374	581	2,656	4,891
Total	**$ 4,844**	**$ 151,466**	**$ 30,317**	**$ 49,756**	**$ 236,383**

On December 31, 2022, the Group Trust had the following fixed income securities and maturities (in thousands):

INVESTMENT TYPE	LESS THAN 1 YEAR	1 TO 5 YEARS	6 TO 10 YEARS	MORE THAN 10 YEARS	TOTAL
US Treasury bonds	$ 3,836	$ 17,966	$ 2,705	$ 5,154	$ 29,661
US Government agencies	-	1,025	647	12,375	14,047
Corporate bonds	5,631	74,817	26,154	28,457	135,059
Municipal bonds	705	1,403	469	2,355	4,932
Total	**$ 10,172**	**$ 95,211**	**$ 29,975**	**$ 48,341**	**$ 183,699**

Commingled fixed income funds do not have specified maturity dates and are therefore excluded from the above tables. The average duration for these funds ranges from 0.3 to 4.9 years.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The books and records of the Plans are maintained in US dollars. Foreign currencies and non-US dollar denominated investments are translated into US dollars at the bid prices of such currencies against US dollars at each balance sheet date. Realized and unrealized gains and losses on investments, which result from changes in foreign currency exchange rates, have been included in net appreciation (depreciation) in fair value of investments in the accompanying financial statements. Net realized foreign currency gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date of investment securities transactions, foreign currency transactions, and the difference between the amounts of interest and dividends recorded on the books of the Plans and the amount actually received. International and global managers have permission to use currency forward and futures contracts to hedge currency against the US dollar.

DPFP does not have an investment policy specific to foreign currency risk, however, to mitigate foreign currency risk, investment managers with international exposure are expected to maintain diversified portfolios by sector and by issuer.

The Group Trust's exposure to foreign currency risk in US dollars as of December 31, 2023, is as follows (in thousands):

CURRENCY	EQUITY	REAL ASSETS	TOTAL
Australian Dollar	$ 2,112	$ 399	$ 2,511
Brazilian Real	-	3,422	3,422
British Pound Sterling	36,425	-	36,425
Canadian Dollar	6,715	-	6,715
Danish Krone	9,732	-	9,732
Euro	80,209	-	80,209
Hong Kong Dollar	1,833	-	1,833
Japanese Yen	29,286	-	29,286
Norwegian Krone	-	-	-
Singaporean Dollar	1,275	-	1,275
South African Rand	-	12,148	12,148
South Korean Won	5,625	-	5,625
Swedish Krona	7,882	-	7,882
Swiss Franc	4,602	-	4,602
Total	**$ 185,696**	**$ 15,969**	**$ 201,265**

The Group Trust's exposure to foreign currency risk in US dollars as of December 31, 2022, is as follows (in thousands):

CURRENCY	EQUITY	REAL ASSETS	TOTAL
Australian Dollar	$ 2,635	$ 145	$ 2,780
Brazilian Real	-	3,077	3,077
British Pound Sterling	28,063	-	28,063
Canadian Dollar	7,886	-	7,886
Danish Krone	10,500	-	10,500
Euro	82,785	-	82,785
Hong Kong Dollar	4,799	-	4,799
Japanese Yen	32,545	-	32,545
Norwegian Krone	1,125	-	1,125
Singaporean Dollar	2,275	-	2,275
South African Rand	-	14,226	14,226
South Korean Won	4,452	-	4,452
Swedish Krona	8,743	-	8,743
Swiss Franc	11,065	-	11,065
Total	**$ 196,873**	**$ 17,448**	**$ 214,321**

In addition to the above exposures, certain fund-structure investments in the public equity, emerging markets debt, private debt and real assets asset classes with a total fair value of $572.4 million on December 31, 2023 and $416 million on December 31, 2022, have some level of investments in various countries with foreign currency risk at the fund level. The individual investments in these funds with such exposure are not included in the above table.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. DPFP was party to negotiated derivative contracts in the form of forward foreign exchange contracts as of December 31, 2023 as discussed below. DPFP does not have an investment policy specific to credit risk, however, to mitigate credit risk on the currency forward contracts, investment managers who manage such contracts maintain a diversified portfolio by counterparty.

The Group Trust's exposure to credit risk in fixed income securities as of December 31, 2023 and 2022 using the Standard & Poor's rating scale, at fair value, is as follows (in thousands):

DECEMBER 31, 2023

RATING	CORPORATE BONDS	MUNICIPAL BONDS	US GOVERNMENT SECURITIES	TOTAL
AAA	$ 20,796	$ 200	$ 838	$ 21,834
AA+	2,171	413	49,538	52,122
AA	1,589	547	110	2,246
AA-	4,563	1,432	-	5,995
A+	5,884	1,755	-	7,639
A	7,422	280	-	7,702
A-	13,497	153	-	13,650
BBB+	11,926	-	-	11,926
BBB	10,587	-	-	10,587
BBB-	6,120	-	-	6,120
BB+	7,720	-	-	7,720
BB	7,271	-	-	7,271
BB-	9,363	-	-	9,363
B+	10,631	-	-	10,631
B	8,679	-	-	8,679
B-	6,166	-	-	6,166
CCC+	2,785	-	-	2,785
CCC	2,639	-	-	2,639
CCC-	1,845	-	-	1,845
CC	530	-	-	530
C	146	-	-	146
D	10	-	-	10
NR(1)	20,211	111	18,455	38,777
Total	**$ 162,551**	**$ 4,891**	**$ 68,941**	**$ 236,383**

Total credit risk debt securities	$ 236,383
Commingled	129,426
Total	**$ 365,809**

(1) NR represents those securities that are not rated.

DECEMBER 31, 2022

RATING	CORPORATE BONDS	MUNICIPAL BONDS	US GOVERNMENT SECURITIES	TOTAL
AAA	$ 15,900	$ 249	$ 945	$ 17,094
AA+	1,660	718	30,602	32,980
AA	964	212	144	1,320
AA-	2,102	1,120	-	3,222
A+	2,956	1,697	-	4,653
A	3,316	648	-	3,964
A-	8,731	142	-	8,873
BBB+	9,349	-	-	9,349
BBB	9,369	-	-	9,369
BBB-	10,515	-	-	10,515
BB+	5,266	-	-	5,266
BB	7,064	-	-	7,064
BB-	9,797	-	-	9,797
B+	11,349	-	-	11,349
B	7,327	-	-	7,327
B-	5,457	-	-	5,457
CCC+	6,095	-	-	6,095
CCC	1,293	-	-	1,293
CCC-	141	-	-	141
CC	168	-	-	168
C	105	-	-	105
D	20	-	-	20
NR(1)	16,115	146	12,017	28,278
Total	**$ 135,059**	**$ 4,932**	**$ 43,708**	**$ 183,699**

Total credit risk debt securities		$ 183,699
Commingled		137,665
Total		**$ 321,364**

(1) NR represents those securities that are not rated.

Forward Contracts

During fiscal years 2023 and 2022, certain investment managers, on behalf of the Group Trust, entered into forward foreign exchange contracts as permitted by guidelines established by the Board. A currency forward is a contractual agreement between two parties to pay or receive specific amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. Forward commitments are not standardized and carry credit risk due to possible nonperformance by one of the counterparties. The maximum potential loss is the aggregate face value in US dollars at the time the contract was entered into. Forwards are usually traded over the counter. These transactions are initiated to hedge risks from exposure to foreign currency rate fluctuation and to facilitate trade settlement of foreign security transactions. Forwards carry market risk resulting from adverse fluctuations in foreign exchange rates. Recognition of realized gain or loss depends on whether the currency exchange rate has moved favorably or unfavorably to the contract holder upon termination of the contract. Prior to termination of the contract, the Group Trust records the unrealized currency translation gain or loss based on the applicable forward exchange rates. Forward currency contracts are considered derivative financial instruments and are reported at fair value.

The fair value and notional amounts of derivative instruments outstanding on December 31, 2023 and 2022, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows (in thousands):

DECEMBER 31, 2023

	CHANGE IN FAIR VALUE	FAIR VALUE	NOTIONAL VALUE
Currency Forwards	$ 1	$ -	$ -

DECEMBER 31, 2022

	CHANGE IN FAIR VALUE	FAIR VALUE	NOTIONAL VALUE
Currency Forwards	$ (1)	$ (1)	$ 484

4. Fair Value Measurement

GASB Statement No. 72 requires all investments to be categorized under a fair value hierarchy. Fair value of investments is determined based on both observable and unobservable inputs. Investments are categorized within the fair value hierarchy established by GASB and the levels within the hierarchy are as follows:

- Level 1 – quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date

- Level 2 – inputs (other than quoted prices included within Level 1) that are observable for an asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs

- Level 3 – significant unobservable inputs for an asset or liability

The remaining investments not categorized under the fair value hierarchy are shown at NAV. These are investments in non-governmental entities for which a readily determinable fair value is not available, such as member units or an ownership interest in partners' capital, to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

The following table presents a summary of the Group Trust's investments by type as of December 31, 2023, at fair value (in thousands):

	FAIR VALUE DECEMBER 31, 2023	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Investments by Fair Value Level				
Short-term investment funds	$ 16,982	$ 16,982	$ -	$ -
Fixed income securities				
US Treasury bonds	48,856	-	48,856	-
US government agencies	20,085	-	20,085	-
Corporate bonds	162,551	-	162,551	-
Municipal bonds	4,891	-	4,891	-
Equity securities				
Domestic	328,071	328,071	-	-
Foreign	185,696	185,696	-	-
Real assets				
Real estate (1)	60,374	-	-	60,374
Farmland	80,095	-	-	80,095
Private equity	18,974	-	-	18,974
Forward currency contracts	-	-	-	-
Total Investments by Fair Value Level	**$ 926,575**	**$ 530,749**	**$ 236,383**	**$ 159,443**

Investments Measured at NAV	
Equity - commingled funds	$ 481,863
Fixed income - commingled funds	129,426
Real assets (1)	138,086
Private equity	199,883
Total Investments Measured at NAV	**$ 949,258**

Total Investments Measured at Fair Value	**$ 1,875,833**

(1) Direct holdings of real estate at Level 3 include only the assets which are wholly owned and valued using significant unobservable inputs. Remaining real estate investments are valued at NAV.

The following table presents a summary of the Group Trust's investments by type as of December 31, 2022, at fair value (in thousands):

	FAIR VALUE DECEMBER 31, 2022	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Investments by Fair Value Level				
Short-term investment funds	$ 14,891	$ 14,891	$	$
Fixed income securities				
US Treasury bonds	29,661	-	29,661	-
US government agencies	14,047	-	14,047	-
Corporate bonds	135,059	-	135,059	-
Municipal bonds	4,932	-	4,932	-
Equity securities				
Domestic	329,167	329,167	-	-
Foreign	196,873	196,873	-	-
Real assets				
Real estate (1)	88,790	-	-	88,790
Farmland	92,759	-	-	92,759
Private equity	7,500	-	-	7,500
Forward currency contracts	(1)	-	(1)	-
Total Investments by Fair Value Level	**$ 913,678**	**$ 540,931**	**$ 183,698**	**$ 189,049**

Investments Measured at NAV	
Equity - commingled funds	$ 300,956
Fixed income - commingled funds	137,665
Real assets (1)	166,373
Private equity	211,682
Total Investments Measured at NAV	**$ 816,676**

Total Investments Measured at Fair Value	**$ 1,730,354**

(1) Direct holdings of real estate at Level 3 include only the assets which are wholly owned and valued using significant unobservable inputs. Remaining real estate investments are valued at NAV.

Short-term investments consist of highly liquid securities invested by third party investment managers and held directly by the Group Trust with the custodian.

Fixed income securities consist primarily of US treasury securities, US corporate securities, international debt securities and commingled funds. Fixed income securities classified in Level 2 of the fair value hierarchy are valued using matrix pricing. This method uses quoted prices for securities with the same maturities and ratings rather than a fixed price for a designated security. Many debt securities are traded on a dealer market and much less frequently, which is consistent with a Level 2 classification as these investments are valued using observable inputs. Forward currency contracts are classified as Level 2 as these securities are priced using the cost approach on a dealer market traded on lower frequencies.

Equity securities, which include both domestic and foreign securities, are classified as Level 1 as fair value is obtained using a quoted price from active markets. The security price is generated by market transactions involving identical or similar assets, which is the market approach to measuring fair value. Inputs are observable in exchange markets, dealer markets, and brokered markets for which prices are based on trades of identical securities.

Real assets classified as Level 3 are investments in which DPFP either owns 100 percent of the asset or for which the valuation is based on non-binding offers from potential buyers to purchase the investments. Real asset investments, which are wholly owned direct holdings, are valued at the income, cost, or market approach depending on the type of holding. All direct holdings are valued using unobservable inputs and are classified in Level 3 of the fair value hierarchy. Private equity investments classified as Level 3 are investments valued by an independent appraiser. Private equity and real assets valued at NAV are based on per share (or its equivalent) of DPFP's ownership interest in the partners' capital valued by the managers and based on third party appraisals, valuations and audited financials.

The following table presents a summary of the fair value and remaining unfunded commitments of the Group Trust's investments measured at NAV at December 31, 2023 (in thousands):

ASSET CATEGORY/CLASS	FAIR VALUE	UNFUNDED COMMITMENTS
Equity - commingled funds	$ 481,863	$ -
Fixed Income - commingled funds	129,426	514
Real assets	138,086	7,141
Private equity	199,883	450
Total	**$ 949,258**	**$ 8,105**

The following table presents a summary of the fair value and remaining unfunded commitments of the Group Trust's investments measured at NAV at December 31, 2022 (in thousands):

ASSET CATEGORY/CLASS	FAIR VALUE	UNFUNDED COMMITMENTS
Equity - commingled funds	$ 300,956	$ -
Fixed Income - commingled funds	137,665	514
Real assets	166,373	7,695
Private equity	211,682	485
Total	**$ 816,676**	**$ 8,694**

Investments measured at NAV include commingled funds, real assets and private equity.

Equity commingled funds are primarily invested in the equity securities of publicly traded companies. Strategies held within commingled funds include international small cap, emerging markets equity and a passive MSCI ACWI IMI allocation. Liquidity is available within 1 -15 days of notice.

Fixed income commingled funds have redemption periods of 7-30 days. Approximately half of the funds are invested in bank debt instruments of non-investment grade companies, while the other half is invested in debt instruments of emerging markets countries or corporations, denominated in both local currency and USD.

Real asset investments (including investment strategies in commercial real estate, infrastructure and farmland) are held in separate accounts, as a limited partner, or in a joint venture. These investments are illiquid and resold at varying rates, with distributions received over the life of the investments. They are typically not redeemed, nor do they have set redemption schedules.

Private equity holdings include fund-structure investments with general partners. By their nature, these investments are illiquid and typically not resold or redeemed. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over a period ranging from 5 to 15 years on average. These investments seek long-term capital appreciation in privately held companies. The current composition of the private equity portfolio has a significant concentration to the energy sector.

Upon initial investment with a general partner or in certain fund-structures, DPFP commits to a certain funding level for the duration of the contract. At will, the partners or fund managers may request that DPFP fund a portion of this amount. Such amounts remaining as of December 31, 2023 and 2022 for investments measured at NAV are disclosed above as unfunded commitments.

5. Net Pension Liability

The net pension liability is measured as the total pension liability, less the amount of the plan's fiduciary net position. The components of the net pension liability on December 31, 2023 and 2022 are as follows (in thousands):

Combined Pension Plan

	2023	2022
Total pension liability	$ 5,724,587	$ 5,254,660
Less: Plan fiduciary net position	(1,934,816)	(1,806,567)
Net pension liability	$ 3,789,771	$ 3,448,093

Plan fiduciary net position as a percentage of the total pension liability at December 31, 2023 and 2022 is 33.8% and 34.4%, respectively.

Supplemental Plan

	2023	2022
Total pension liability	$ 48,553	$ 43,067
Less: Plan fiduciary net position	(19,808)	(16,641)
Net pension liability	$ 28,745	$ 26,426

Plan fiduciary net position as a percentage of the total pension liability at December 31, 2023 and 2022 is 40.8% and 38.6%, respectively.

Actuarial Assumptions as of December 31, 2023

The total pension liability was determined by an actuarial valuation as of January 1, 2024, using the below significant assumptions, applied to all periods included in the measurement, except as noted below.

Investment rate of return	6.50% per annum, compounded annually, net of investment expenses. This rate is based on an average inflation rate of 2.50% and a real rate of return of 4.00%.
Discount rate	6.50%, used to measure the total pension liability
Administrative expenses	Explicit assumption of $7.0 million per year or 1% of Computation Pay, whichever is greater for the Combined Pension Plan and $55 thousand per year for the Supplemental Plan. Includes investment-related personnel costs.
Projected salary increases	Range of 2.50% to 3.00% 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% per year, to match inflation assumption
Actuarial cost method	Entry age actuarial cost method
Post-retirement benefit increases	Beginning October 1, 2025, 0.85% on original benefit for first five years, 1.00% for years 6 through 10, 1.25% for years 11 through 15 and 1.5% thereafter.
Actuarial Value of Assets	Combined Pension Plan – Reset of the actuarial value of assets to market value as of January 1, 2023, with a 5-year smoothed market value, further adjusted, if necessary, to be within 20% of market value; Supplemental Pension Plan – Market value of assets
Amortization methodology	Combined Pension Plan – 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 billion and is to be amortized over 30 years on a level percent of pay basis. The second amortization base was in the amount of $1.331 billion, 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 January 1, 2024, each year's experience due to actual 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. Supplemental Pension Plan – The unfunded actuarial accrued liability as of January 1, 2020 is amortized on a closed 20-year period. Beginning January 1, 2021, each year's gains and losses are amortized over a closed, 10-year period. Amortization is on a level-percentage-of-pay basis.
Interest on DROP account	2.75% on active balances as of September 1, 2017, payable upon retirement, 0% on balances accrued after September 1, 2017.
Retirement age	Experience-based table of rates based on age, extending to age 65, with separate tables for police officers and firefighters
Pre-retirement mortality	Pub-2010 Public Safety Employee Amount-Weighted Mortality Table, set forward five years for males; projected generationally using Scale MP-2019.
Post-retirement mortality	Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, with a one-year setback for females; projected generationally using Scale MP-2019.

Disabled mortality	Pub-2010 Public Safety Disabled Retiree Amount-Weighted Mortality Table, with a four-year set forward for both males and females; projected generationally using Scale MP-2019.
DROP election	The DROP Utilization factor is 0% for new entrants.

Actuarial Assumptions as of December 31, 2022

The total pension liability was determined by an actuarial valuation as of January 1, 2023, using the below significant assumptions, applied to all periods included in the measurement, except as noted below.

Investment rate of return	6.50% per annum, compounded annually, net of investment expenses. This rate is based on an average inflation rate of 2.50% and a real rate of return of 4.00%.
Discount rate	6.50%, used to measure the total pension liability
Administrative expenses	Explicit assumption of $7.0 million per year or 1% of Computation Pay, whichever is greater for the Combined Pension Plan and $55 thousand per year for the Supplemental Plan. Includes investment-related personnel costs.
Projected salary increases	Range of 6.25% to 7.25% 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% per year, to match inflation assumption
Actuarial cost method	Entry age actuarial cost method (level percentage of payroll)
Post-retirement benefit increases	Ad hoc COLA after the Combined Plan is 70% funded after accounting for the impact of the COLA. 1.50% of original benefit, beginning October 1, 2073.
Actuarial Value of Assets	Combined Pension Plan – 5-year smoothed Market value, further adjusted, if necessary, to be within 20% of market value; Supplemental Pension Plan – Market value of assets
Amortization methodology	Combined Pension Plan – As of January 1, 2020 the unfunded actuarial accrued liability is amortized on a closed, 25-year period. Beginning January 1, 2021, each year's gains and losses are amortized over a closed, 20-year period. Amortization is on a level-percentage-of-pay basis. Supplemental Pension Plan – The unfunded actuarial accrued liability as of January 1, 2020 is amortized on a closed 20-year period. Beginning January 1, 2021, each year's gains and losses are amortized over a closed, 10-year period. Amortization is on a level-percentage-of-pay basis.
Interest on DROP account	2.75% on active balances as of September 1, 2017, payable upon retirement, 0% on balances accrued after September 1, 2017.
Retirement age	Experience-based table of rates based on age, extending to age 65, with separate tables for police officers and firefighters
Pre-retirement mortality	Pub-2010 Public Safety Employee Amount-Weighted Mortality Table, set forward five years for males; projected generationally using Scale MP-2019.
Post-retirement mortality	Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, with a one-year setback for females; projected generationally using Scale MP-2019.

Disabled mortality	Pub-2010 Public Safety Disabled Retiree Amount-Weighted Mortality Table, with a four-year set forward for both males and females; projected generationally using Scale MP-2019.
DROP election	The DROP Utilization factor is 0% for new entrants.

Long Term Expected Rate of Return

The long-term expected rate of return used by the external actuary to evaluate the assumed return on the Plans' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges 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 and by adding expected inflation. The actuary's best estimates of arithmetic real rates of return for each major asset class included in the Plans' target asset allocation as of December 31, 2023 are summarized as shown below. The rates of return below are net of the inflation component of 2.5%.

ASSET CLASS	LONG-TERM EXPECTED REAL RATE OF RETURN	TARGET ASSET ALLOCATION
Global Equity	6.80%	55%
Emerging Markets Equity	8.00%	5%
Private Equity	9.90%	5%
Cash	1.00%	3%
Short-Term Investment Grade Bonds	1.25%	6%
Investment Grade Bonds	1.80%	4%
High Yield Bonds	3.60%	4%
Bank Loans	3.20%	4%
Emerging Markets Debt	3.70%	4%
Real Estate	3.40%	5%
Natural Resources	4.85%	5%

Discount rate

The discount rate used to measure the Combined Pension Plan Total Pension Liability (TPL) was 6.50%. Based on changes adopted by the Board, which include 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. Member contributions will equal 13.50% of Computation Pay. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

The discount rate used to measure the Total Pension Liability for the Supplemental Plan was 6.50%. The projection of cash flows used to determine the discount rate assumed that City contributions will equal the employer's normal cost plus a twenty-year amortization payment on the January 1, 2020, unfunded actuarial accrued liability and ten-year amortization payments on each year's actuarial gain or loss beginning on January 1, 2021. Member contributions will equal 13.50% of Supplemental Computation Pay. Based on those assumptions, the Supplemental Plan'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 Total Pension Liability.

Sensitivity of the net pension liability to changes in the discount rate

The following tables present the Net Pension Liability, calculated using the current discount rate, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate (in thousands).

DECEMBER 31, 2023

Combined Pension Plan	1% DECREASE (5.50%)	CURRENT DISCOUNT RATE (6.50%)	1% INCREASE (7.50%)
Net pension liability	$ 4,533,891	$ 3,789,771	$ 3,179,133

Supplemental Plan	1% DECREASE (5.50%)	CURRENT DISCOUNT RATE (6.50%)	1% INCREASE (7.50%)
Net pension liability	$ 34,042	$ 28,745	$ 24,310

DECEMBER 31, 2022

Combined Pension Plan	1% DECREASE (5.50%)	CURRENT DISCOUNT RATE (6.50%)	1% INCREASE (7.50%)
Net pension liability	$ 4,080,686	$ 3,448,093	$ 2,923,063

Supplemental Plan	1% DECREASE (5.50%)	CURRENT DISCOUNT RATE (6.50%)	1% INCREASE (7.50%)
Net pension liability	$ 30,677	$ 26,426	$ 22,819

6. Deferred Retirement Option Plan

Deferred Retirement Option Plan (DROP) interest for active DROP members was eliminated after September 1, 2017; only the balance as of September 1, 2017, is eligible for interest once active DROP members retire. Active DROP participation is limited to 10 years. Retirees are not allowed to defer payments into their DROP accounts. Retirees and other DROP account holders, excluding active DROP members, had their DROP balance converted to an annuity (stream of payments) on November 30, 2017. The term of the annuity was based on the DROP account holders expected lifetime at November 30, 2017. The annuity included interest on balances accrued prior to September 1, 2017 at a rate that is correlated to the United States Treasury Note or Bond rates based on the term of the annuity and rules adopted by the Board.

DROP account balances of a member that retires after November 30, 2017 are converted to an annuity (stream of payments) at the time the member retires. The annuity is based on the member's life expectancy and interest rates at the time of retirement. Interest on retiree DROP accounts is based on the length of the retiree's expected lifetime and will be based on U.S. Treasury Bond Rates and rules adopted by the Board. Interest is only payable on the September 1, 2017 account balance.

The following tables reflect the change in DROP balances and the change in the present value of DROP annuities and the number of participants and annuitants during the year ended December 31, 2023:

Combined Pension Plan

	DROP BALANCE (000'S)		DROP PARTICIPANTS
Balance on December 31, 2022	**$ 98,251**	**Participants on December 31, 2022**	**244**
Accumulations	10,244		
Balances Annuitized	(18,772)		
Other Distributions/Deductions	(51)		
Adjustments	(408)		
Balance on December 31, 2023	**$ 89,264**	**Participants on December 31, 2023**	**218**
	ANNUITY BALANCE (000'S)		ANNUITY PARTICIPANTS
Present Value of Annuities on December 31, 2022 [1]	$ 845,643	Annuitants on December 31, 2022	2,601
Present Value of Annuities on December 31, 2023 [1]	**$ 813,462**	**Annuitants on December 31, 2023**	**2,666**

Supplemental Plan

	DROP BALANCE (000'S)		DROP PARTICIPANTS
Balance on December 31, 2022	$ 132	Participants on December 31, 2022	2
Accumulations			
Balances Annuitized			
Other Distributions/Deductions			
Adjustments			
Balance on December 31, 2023	**$ 132**	**Participants on December 31, 2023**	**2**
	ANNUITY BALANCE (000'S)		ANNUITY PARTICIPANTS
Present Value of Annuities on December 31, 2022 [1]	$ 5,834	Annuitants on December 31, 2022	67
Present Value of Annuities on December 31, 2023 [1]	**$ 5,552**	**Annuitants on December 31, 2023**	**68**

[1] Includes annuities that may be paid out of the Excess Benefits and Trust.

7. Staff Retirement Plan

In November 2021 the Board passed a resolution authorizing the DPFP staff to participate in the Texas Municipal Retirement System (TMRS) beginning in January 2022. TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with Texas Government Code, Title 8, Subtitle G (TMRS Act) for the benefit of the employees of Texas participating cities. The TMRS plan is a cash-balance retirement plan. DPFP employees become a participant in the TMRS plan on their first day of service. Employees are required to contribute 7% of their total pay, not to exceed IRS Code limitations, and the system contributes an actuarially determined amount to equal a 2:1 match. DPFP contributed approximately $261 thousand and $251 thousand for years 2023 and 2022, respectively. Participants contributed approximately $193 thousand and $186 thousand to the TMRS plan for the years 2023 and 2022, respectively. The TMRS plan is not a component of the accompanying financial statements.

8. Capital Assets

The DPFP office building and land are recorded at acquisition value. Purchased capital assets, which include building improvements and information technology hardware, are recorded at historical cost. Depreciation is charged over the estimated useful lives of the assets using a straight-line method. Depreciation expense of $225 thousand and $241 thousand for years 2023 and 2022, respectively is included in professional and administrative expenses in the accompanying financial statements for the years ended December 31, 2023 and 2022. All capital assets belong to DPFP. Maintenance and repairs are charged to expense as incurred.

Capitalization thresholds for all capital asset classes and useful lives for exhaustible assets are as follows (in thousands):

ASSET CLASS	CAPITALIZATION THRESHOLD	DEPRECIABLE LIFE
Building	$ 50	50 years
Building improvements	$ 50	15 years or term of lease
Information Technology Hardware	$ 50	5 years

Capital asset balances and changes for the fiscal years ending December 31, 2023 and 2022 are as follows (in thousands):

ASSET CLASS	BALANCE DECEMBER 31, 2021	INCREASES	DECREASES	BALANCE DECEMBER 31, 2022	INCREASES	DECREASES	BALANCE DECEMBER 31, 2023
Land	$ 3,562	$ -	$ -	$ 3,562	$ -	$ -	$ 3,562
Building	8,162	-	190	7,972	-	190	7,782
Building improvements	86	-	36	50	75	20	105
IT Hardware	37	-	15	22	-	15	7
Total	**$ 11,847**	**$ -**	**$ 241**	**$ 11,606**	**$ 75**	**$ 225**	**$ 11,456**

9. Commitments and Contingencies

Members

As described in Note 1, certain members of the Plans whose employment with the City is terminated prior to being eligible for pension benefits are entitled to refunds of their accumulated contributions, without interest, if they have less than five years of pension service. As of December 31, 2023 and 2022, aggregate contributions from active non-vested members for the Combined Pension Plan were $25.0 million and $30.3 million, respectively. The portion of these contributions that might be refunded to members who terminate prior to pension eligibility and request a refund has not been determined. Refunds due to terminated non-vested members in the amount of $1.5 million and $2.1 million for December 31, 2023 and 2022, respectively, were included in accounts payable and other accrued liabilities of the Combined Pension Plan. As of December 31, 2023, the aggregate contributions from active non-vested members of the Supplemental Plan were $98 thousand and $62 thousand for 2022. One member was eligible for a refund from the Supplemental Plan as of December 31, 2023 and 2022.

On December 31, 2023 the total accumulated DROP balance and the present value of the DROP annuities was $902.7 million for the Combined Plan and $5.7 million for the Supplemental Plan. At December 31, 2022 the total accumulated DROP balance and the present value of the DROP annuities was $943.9 million for the Combined Plan and $6.0 million for the Supplemental Plan.

Investments

The following table depicts the total commitments and unfunded commitments to various limited partnerships and investment advisors on December 31, 2023, by asset class (in thousands).

ASSET CLASS	TOTAL COMMITMENT	TOTAL UNFUNDED COMMITMENT
Real assets	$ 107,000	$ 7,141
Private equity	5,000	450
Fixed income - commingled funds	10,000	514
Total	$ 122,000	$ 8,105

Legal

In August 2021, The Dallas Police Retired Officers Association filed suit against DPFP and Nicholas Merrick in his capacity as Board Chairman in state district court in Dallas County alleging that changes to the provisions of the DPFP Plans relating to the benefit supplement and annual adjustment were violative of the Texas Constitution. In March 2022, the district court granted DPFP's motion for summary judgment. The plaintiff appealed this judgment. In November 2023, the Fifth Court of Appeals affirmed the decision of the district court. The plaintiff filed a motion for a rehearing by the original panel as well as a request for a hearing en banc. These motions were denied. The plaintiff has filed a petition for review with the Texas Supreme Court. A judgment for the plaintiffs would have a material effect upon DPFP and its financial statement and condition. The ultimate outcome of this lawsuit cannot be determined at this time and, accordingly, no amounts related to these claims have been recorded in the accompanying financial statements as of December 31, 2023.

10. Risks and Uncertainties

The Group Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. The effect of such risks on the Group Trust's investment portfolio is mitigated by the diversification of its holdings. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities may occur over the course of different economic and market cycles and that such change could be material to the financial statements.

The Plans' actuarial estimates disclosed in Note 5 are based on certain assumptions pertaining to investment rate of return, inflation rates, and participant demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

11. Leases

DPFP entered into a lease agreement, as a lessor, for office space owned by the Plan on May 15, 2023. The lease term is 10 years with no cancellation period. Upon commencement of the lease, the Plan recognized a lease receivable and a deferred inflow of resources, which were measured at the present value of the future lease payments, discounted using a 6.50% interest rate. The lease receivable is amortized over the life of the lease. In 2023, the principal reduction was $11 thousand and the interest income recorded was $86 thousand. The deferred inflow of resources is amortized and recognized as revenue based on a systematic and rational allocation over the term of the lease. The amount of deferred inflow of resources amortized and recorded as revenue in 2023 was $143 thousand.

The following schedule represents future minimum lease payments receivable as of December 31, 2023:

YEAR	PRINCIPAL	INTEREST	TOTAL FUTURE MINIMUM LEASE PAYMENTS
2024	$ 96,862	$ 142,736	$ 239,598
2025	191,877	135,574	327,451
2026	183,459	124,188	307,647
2027	203,104	111,568	314,672
2028	224,213	97,617	321,830
2029 – 2033	1,370,008	219,015	1,589,023
Total	**$ 2,269,523**	**$ 830,698**	**$ 3,100,221**

As of December 31, 2022, the System did not have any material non-cancellable leases.

12. Subsequent Events

Legal

In September 2024, DPFP filed a Declaratory Judgement Action against the City of Dallas related to interpretation of the DPFP plan and Section 802 of the Texas Government Code. The City has filed a response to the lawsuit and a ruling by the District Court in Travis County is pending. The ultimate outcome of this lawsuit cannot be determined at this time. While the outcome of this suit is not expected to have a material effect on DPFP and its financial statement, the actuarial results and assumptions could be affected.

In November 2024, the Dallas Police Retired Officers Association, the plaintiff in a suit filed against DPFP, filed a Petition for Review with the Texas Supreme Court. See Note 9 for more information.

Change in Service Provider

In July 2024, the Board voted to change the Custodian of the fund to BNY, which will begin serving as Custodian of the fund on January 1, 2025.

Member Plan Changes

In August 2024, pursuant to the requirements of Section 2.025 of Article 6243a-1 of Vernon's Revised Civil Statutes, the Board of Trustees adopted a new rule which changed sections of Article 6243a-1, subject to any subsequent change by legislative action. This rule changed the City's contribution requirement and the member Cost of Living adjustment.

Asset Allocation Changes

In October 2024, the Board approved a revised Asset Allocation which included updates to asset class targets, ranges, benchmarks and implementation considerations.

Real Asset and Private Equity Sales

Subsequent to year end and prior to the issuance date of the financials, there were eight distributions from Real Assets totaling $12.6 million, two distributions from Fixed Income totaling $2.1 million and ten distributions from Private equity totaling $48.7 million.

Management has evaluated subsequent events through _______________, which is the date that the financial statements were available for issuance and noted no subsequent events to be disclosed other than those which are disclosed in this Note or elsewhere in the Notes to Combining Financial Statements.

Required Supplementary Information

(Unaudited)

Schedule of Changes in the Net Pension Liability and Related Ratios

For Last Ten Fiscal Years (in Thousands)

COMBINED PENSION PLAN

FOR FISCAL YEAR ENDING DECEMBER 31,	2023	2022	2021	2020	2019
Total pension liability					
Service cost	$ 80,051	$ 71,625	$ 69,963	$ 56,244	$ 49,155
Interest	335,598	329,455	326,951	324,046	318,703
Changes of benefit terms	417,332	-	-	-	-
Differences between expected and actual experience	(19,708)	(42,456)	(26,683)	70,548	16,723
Changes of assumptions	-	65,942	(4,238)	257,525	155,569
Benefit payments, including refunds of employee contributions	(343,346)	(333,638)	(324,633)	(317,951)	(309,860)
Net change in total pension liability	469,927	90,928	41,360	390,412	230,290
Total pension liability - beginning	5,254,660	5,163,732	5,122,372	4,731,960	4,501,670
Total pension liability - ending (a)	**$ 5,724,587**	**$ 5,254,660**	**$ 5,163,732**	**$ 5,122,372**	**$ 4,731,960**
Plan fiduciary net position					
Employer contributions	$ 171,961	$ 169,911	$ 165,541	$ 161,950	$ 155,721
Employee contributions	62,510	59,706	58,560	57,305	52,268
Net investment income (loss), net of expenses	243,098	(240,891)	321,064	(8,927)	124,260
Benefits payments	(343,346)	(333,638)	(324,633)	(317,951)	(309,861)
Interest expense	-	-	-	-	-
Administrative expenses	(5,974)	(6,362)	(6,391)	(6,534)	(6,445)
Net change in plan fiduciary net position	128,249	(351,274)	214,141	(114,157)	15,943
Plan fiduciary net position - beginning	1,806,567	2,157,841	1,943,700	2,057,857	2,041,914
Plan fiduciary net position - ending (b)	**$ 1,934,816**	**$ 1,806,567**	**$ 2,157,841**	**$ 1,943,700**	**$ 2,057,857**
Net pension liability - ending (a) - (b)	$ 3,789,771	$ 3,448,093	$ 3,005,891	$ 3,178,672	$ 2,674,103
Plan fiduciary net position as a percentage of total pension liability	33.8%	34.4%	41.8%	38.0%	43.5%
Covered payroll	$ 469,276	$ 462,820	$ 436,971	$ 427,441	$ 396,955
Net pension liability as a percentage of covered payroll	807.6%	745.0%	687.9%	743.7%	673.7%

(Continued)

COMBINED PENSION PLAN

FOR FISCAL YEAR ENDING DECEMBER 31,	2018	2017	2016	2015	2014
Total pension liability					
Service cost	$ 44,792	$ 148,552	$ 167,432	$ 125,441	$ 131,312
Interest	318,536	348,171	360,567	359,023	369,408
Changes of benefit terms	16,091	(1,167,597)	-	-	(329,794)
Differences between expected and actual experience	(46,555)	(134,665)	(77,463)	379,461	(4,453)
Changes of assumptions	(31,460)	(2,851,241)	(712,003)	908,988	-
Benefit payments, including refunds of employee contributions	(297,081)	(296,154)	(825,092)	(285,003)	(245,932)
Net change in total pension liability	4,323	(3,952,934)	(1,086,559)	1,487,910	(79,459)
Total pension liability - beginning	4,497,347	8,450,281	9,536,840	8,048,930	8,128,389
Total pension liability - ending (a)	**$ 4,501,670**	**$ 4,497,347**	**$ 8,450,281**	**$ 9,536,840**	**$ 8,048,930**
Plan fiduciary net position					
Employer contributions	$ 149,357	$ 126,318	$ 119,345	$ 114,886	$ 109,792
Employee contributions	49,332	32,977	25,518	25,676	29,333
Net investment income (loss), net of expenses	42,822	98,911	164,791	(235,207)	(138,893)
Benefits payments	(297,081)	(296,154)	(825,092)	(285,003)	(245,932)
Interest expense	-	(1,279)	(4,532)	(8,417)	(7,361)
Administrative expenses	(5,861)	(8,090)	(9,492)	(6,006)	(8,003)
Net change in plan fiduciary net position	(61,431)	(47,317)	(529,462)	(394,071)	(261,064)
Plan fiduciary net position - beginning	2,103,345	2,150,662	2,680,124	3,074,195	3,335,259
Plan fiduciary net position - ending (b)	**$ 2,041,914**	**$ 2,103,345**	**$ 2,150,662**	**$ 2,680,124**	**$ 3,074,195**
Net pension liability - ending (a) - (b)	$ 2,459,756	$ 2,394,002	$ 6,299,619	$ 6,856,716	$ 4,974,735
Plan fiduciary net position as a percentage of total pension liability	45.4%	46.8%	25.5%	28.1%	38.2%
Covered payroll	$ 363,117	$ 346,037	$ 357,414	$ 365,210	$ 383,006
Net pension liability as a percentage of covered payroll	677.4%	691.8%	1,762.6%	1,877.5%	1,298.9%

Required Supplementary Information

(Unaudited)

Schedule of Changes in the Net Pension Liability and Related Ratios

For Last Ten Fiscal Years (in Thousands)

SUPPLEMENTAL PENSION PLAN					
FOR FISCAL YEAR ENDING DECEMBER 31,	2023	2022	2021	2020	2019
Total pension liability					
Service cost	$ 1,262	$ 1,020	$ 394	$ 379	$ 212
Interest	2,786	2,630	2,373	2,438	2,223
Changes of benefit terms	3,287	-	-	-	-
Differences between expected and actual experience	1,092	501	3,371	47	3,007
Changes of assumptions	-	891	(4)	1,559	1,332
Benefit payments, including refunds of employee contributions	(2,941)	(2,843)	(2,750)	(2,778)	(2,766)
Net change in total pension liability	5,486	2,199	3,384	1,645	4,008
Total pension liability - beginning	43,067	40,868	37,484	35,839	31,831
Total pension liability - ending (a)	**$ 48,553**	**$ 43,067**	**$ 40,868**	**$ 37,484**	**$ 35,839**
Plan fiduciary net position					
Employer contributions	$ 3,666	$ 2,807	$ 2,099	$ 1,777	$ 1,530
Employee contributions	279	256	228	245	111
Net investment income (loss), net of expenses	2,224	(2,181)	2,765	(122)	169
Benefits payments	(2,941)	(2,843)	(2,750)	(2,778)	(2,766)
Interest expense	-	-	-	-	-
Administrative expenses	(61)	(59)	(55)	(55)	(55)
Net change in plan fiduciary net position	3,167	(2,020)	2,287	(933)	(1,011)
Plan fiduciary net position - beginning	16,641	18,661	16,374	17,307	18,318
Plan fiduciary net position - ending (b)	**$ 19,808**	**$ 16,641**	**$ 18,661**	**$ 16,374**	**$ 17,307**
Net pension liability - ending (a) - (b)	$ 28,745	$ 26,426	$ 22,207	$ 21,110	$ 18,532
Plan fiduciary net position as a percentage of total pension liability	40.8%	38.6%	45.7%	43.7%	48.3%
Covered payroll	$ 1,923	$ 1,800	$ 1,631	$ 627	$ 584
Net pension liability as a percentage of covered payroll	1,495.1%	1,468.0%	1,361.3%	3,368.0%	3,172.8%

(Continued)

SUPPLEMENTAL PENSION PLAN					
FOR FISCAL YEAR ENDING DECEMBER 31,	2018	2017	2016	2015	2014
Total pension liability					
Service cost	$ 222	$ 111	$ 70	$ 36	$ 28
Interest	2,359	2,799	2,911	2,953	2,969
Changes of benefit terms	888	(5,305)	-	-	(526)
Differences between expected and actual experience	(2,628)	(1,435)	1,105	928	336
Changes of assumptions	28	(479)	(916)	(600)	-
Benefit payments, including refunds of employee contributions	(2,708)	(2,668)	(5,912)	(2,640)	(3,414)
Net change in total pension liability	(1,839)	(6,977)	(2,742)	677	(607)
Total pension liability - beginning	33,670	40,647	43,389	42,712	43,319
Total pension liability - ending (a)	**$ 31,831**	**$ 33,670**	**$ 40,647**	**$ 43,389**	**$ 42,712**
Plan fiduciary net position					
Employer contributions	$ 1,979	$ 2,077	$ 3,064	$ 2,443	$ 1,817
Employee contributions	74	66	35	43	49
Net investment income (loss), net of expenses	1,220	740	1,141	(1,689)	(517)
Benefits payments	(2,708)	(2,668)	(5,912)	(2,640)	(3,414)
Interest expense	-	(11)	(78)	(44)	(51)
Administrative expenses	(52)	(69)	(37)	(61)	(56)
Net change in plan fiduciary net position	513	135	(1,787)	(1,948)	(2,172)
Plan fiduciary net position - beginning	17,805	17,670	19,457	21,405	23,577
Plan fiduciary net position - ending (b)	**$ 18,318**	**$ 17,805**	**$ 17,670**	**$ 19,457**	**$ 21,405**
Net pension liability - ending (a) - (b)	$ 13,513	$ 15,865	$ 22,977	$ 23,932	$ 21,307
Plan fiduciary net position as a percentage of total pension liability	57.6%	52.9%	43.5%	44.8%	50.1%
Covered payroll	$ 622	$ 916	$ 525	$ 725	$ 557
Net pension liability as a percentage of covered payroll	2,173.8%	1,731.6%	4,376.2%	3,303.3%	3,827.3%

See notes below related to this schedule.

Notes to Schedule:

Changes of benefit terms:

As of December 31, 2023
An immediate partial COLA, payable while the Plan is under 70% funded on a market value basis, has been added effective October 1, 2025.

As of December 31, 2022 - None

As of December 31, 2021
HB 3375 amended section 6.14 of Article 6243a-1 replacing the word "participant" with "any person" allowing survivors and beneficiaries additional flexibility regarding their DROP accounts, specifically as it relates to hardship distributions.

As of December 31, 2020, 2019 and 2018 – None

As of December 31, 2017
HB 3158 was signed by the Governor on May 31, 2017, the significant benefit and contribution changes in the bill were effective September 1, 2017.

- Normal Retirement Age increased from either age 50 or 55 to age 58
- For members less than the age of 45 on September 1, 2017, hired prior to March 1, 2011, and less than 20 years of pension service the Early Retirement Age increased from age 45 to age 53
- Vesting for members hired after February 28, 2011 was reduced from ten years to five years of service
- Benefit multiplier for all future service for members hired prior to March 1, 2011 was lowered from 3.00% to 2.50%
- Benefit multiplier retroactively increased to 2.50% for members hired on or after March 1, 2011
- Benefit multipliers for 20 and Out benefit lowered
- Members hired after February 28, 2011 are eligible for an early retirement benefit after 20-years of service
- Maximum benefit reduced from 96% of Computation Pay to 90% of Computation Pay for members hired prior to March 1, 2011
- Average Computation Pay period changed from 36 months to 60 months for future service for members hired prior to March 1, 2011
- Annual Adjustment (COLA) discontinued for all members. The Board may choose to provide a COLA if the funded ratio on a market value basis is at least 70% after the implementation of a COLA.
- The supplemental benefit is eliminated prospectively; only those for whom the supplement was already granted as of September 1, 2017 will maintain the supplement
- Active DROP participation is limited to 10 years
- DROP interest for active DROP members was eliminated after September 1, 2017; only the balance as of September 1, 2017 will be eligible for interest once active DROP members retire
- Retirees with DROP accounts as of September 1, 2017 will have their DROP account balances paid out over their expected lifetime based on their age as of September 1, 2017
- Future retirees with DROP accounts will have their DROP account balances paid out over their expected lifetime as of the date of the retirement
- Interest on retiree DROP accounts as of August 31, 2017 will be paid based on the length of the retiree's expected lifetime and will be based on U.S. Treasury rates which correlate to expected lifetime, as determined by the Board of Trustees
- Member contributions for both DROP and non-DROP members increased to 13.5% effective September 1, 2017
- The City's contribution rate will increase to 34.5% of Computation Pay. Between September 1, 2017 and December 31, 2024, the City's contribution will be the greater of (i) 34.5% and (ii) a biweekly contribution amount as stated in HB3158, plus $13 million per year.

As of December 31, 2016 and 2015 – None

As of December 31, 2014
The Board approved a plan amendment implementing changes to DROP interest rates on April 16, 2015. Such changes were reflected in the valuation of the net pension liability as of December 31, 2015 and 2014.

Changes of methods and assumptions:

The following assumption changes were adopted by the Board for use in the January 1, 2024 actuarial valuation. For further information regarding the changes to actuarial assumptions, refer to the January 1, 2024 Dallas Police and Fire Pension System actuarial valuation reports for the Combined Pension Plan and the Supplemental Plan.

As of December 31, 2023
- Effective January 1, 2023, the Board immediately recognized market value losses and reset the actuarial value of assets equal to the market value of assets.
- An immediate partial COLA, payable while the Plan is under 70% funded on a market value basis, has been added effective October 1, 2025.

As of December 31, 2022
- The salary scale assumption was updated based on the 2023 Meet and Confer agreement.
- The DROP Active retirement rates for participants in DROP for ten years was lowered from 100% to 75%.

As of December 31, 2021
- Administrative expense assumption was reduced to $7.0 million from $8.5 million or 1% of Computation Pay for the Combined Plan and to $55 thousand from $65 thousand for the Supplemental Plan for the year beginning January 1, 2022.
- The ad-hoc COLA assumption was lowered from 2.0% to 1.5%. Ongoing, the COLA assumption will remain at five percentage points less than the investment return assumption.
- The ad-hoc COLA assumption was updated to begin October 1, 2073. Last year, the COLA was assumed to begin October 1, 2069.

As of December 31, 2020
- The net investment return assumption was lowered from 7.00% to 6.50%.
- The ad-hoc COLA assumption was updated to begin October 1, 2069. Last year, the COLA was assumed to begin October 1, 2063.

As of December 31, 2019
The following assumption changes were adopted by the Board for use in the January 1, 2020 actuarial valuation. Some of the assumption changes were related to the actuarial experience study completed for the five-year period ending December 31, 2019.

- The net investment return assumption was lowered from 7.25% to 7.0%.
- The salary scale assumption was updated based on the 2019 Meet and Confer agreement, with a new ultimate rate of 2.50%.
- The payroll growth assumption was lowered from 2.75% to 2.50%.
- The mortality rates were updated to the Pub-2010 Public Safety Amount-weighted Mortality Tables, with varying adjustments by status and sex, projected generationally with Scale MP-2019.
- The withdrawal rates were updated, and the ultimate 0% rate was moved up from 38 to 25 years of service.
- The DROP retirement rates were increased at most ages and the ultimate 100% retirement was updated from the earlier of 67 years or 8 years in DROP to the earlier of age 65 or 10 years in DROP.
- The non-DROP retirement rates were lowered at most ages and simplified from three sets to two sets of rates.
- The retirement assumption for inactive vested participants was updated to include an assumption that 75% of those who terminate with a vested benefit prior to age 40 will take a cash out at age 40.

- The DROP annuitization interest rate for account balances as of September 1, 2017 was lowered from 3.0% to 2.75%.
- The ad-hoc COLA assumption was updated to begin October 1, 2063. Last year, the COLA was assumed to begin October 1, 2050.
- The system's expectations for near-term market returns were lowered to -6.0% for 2020, +5.25% for 2021, +5.75% for 2022 and +6.25% for 2023. For valuation purposes, these return assumptions are used for determining the projected full-funding date and the projected COLA start date.

As of December 31, 2018

- The salary scale assumption was updated to reflect the 2016 Meet and Confer Agreement, as amended in 2018.
- The ad-hoc COLA assumption was updated to begin October 1, 2050 based on the updated projection of the unfunded actuarial accrued liability; last year, the COLA was assumed to begin October 1, 2053

As of December 31, 2017

The discount rate used to measure the total pension liability changed from a blended discount rate of 4.12% to the assumed rate of return of 7.25% for the Combined Pension Plan and from a blended discount rate of 7.10% to the assumed rate of return of 7.25% for the Supplemental Plan.

As a result of the passage of HB 3158 the following assumption were changed:

- The DROP utilization factor was changed from 100% to 0%
- Current DROP members with at least eight years in DROP as of January 1, 2017 are assumed to retire in 2018. Current DROP members with less than eight years in DROP as of January 1, 2017 are assumed to retire once they have been in the DROP for eight years
- Retirement rates were changed effective January 1, 2018
- 100% retirement rate once the projected sum of age plus service equals 90
- New terminated vested members are assumed to retire at age 58
- DROP account balances annuitized as of September 1, 2017 are assumed to earn 2.75% interest; DROP account balances as of September 1, 2017 for active members are assumed to earn 3.00% interest upon retirement; DROP account balances accrued after September 1, 2017 for active members do not earn interest
- DROP payment period based on an 85%/15% male/female blend of the current healthy annuitant mortality tables
- COLA assumed to be a 2.00% COLA beginning October 1, 2053 and payable every October 1st thereafter
- The administrative expense assumption was changed from the greater of $10 million per year or 1% of Computation Pay to the greater of $8.5 million per year or 1% of Computation Pay for the Combined Plan and from $60 thousand to $65 thousand for the Supplemental Plan

As of December 31, 2016

- The blended discount rate used to measure the total pension liability changed from 3.95% to 4.12% for the Combined Pension Plan and from 7.19% to 7.10% for the Supplemental Plan.
- The remaining amortization period was adjusted from 40 years to 30 years for the Combined Pension Plan based on Section 802.101(a) of the Texas Government Code.

The salary scale was modified for valuation years 2017-2019 in accordance with the Meet and Confer Agreement. DROP interest is assumed to decline from 6.00% to 5.00% effective October 1, 2017, and to 0.00% effective October 1, 2018, per Section 6.14(c) of the plan document as amended and restated through April 16, 2015.

As of December 31, 2015

The blended discount rate used to measure the total pension liability changed from 4.94% to 3.95% for the Combined Pension Plan and from 7.13% to 7.19% for the Supplemental Plan.

As a result of the actuarial experience study completed for the five-year period ending December 31, 2014, the following changes in assumptions were adopted by the Board. For further information regarding the changes to actuarial assumptions, refer to the January 1, 2016 Dallas Police and Fire Pension System actuarial valuation reports for the Combined Pension Plan and the Supplemental Plan.

- Salary scales were updated with separate service-based salary assumptions for police officers and firefighters, lowering the range of increase to 3.00% to 5.20% from the previous assumed range of 4.00% to 9.64%.
- The payroll growth rate assumption was lowered from 4.00% to 2.75% to equal the assumed inflation rate.
- In the prior valuation, the investment return assumption was net of both investment and administrative expenses. In the December 31, 2015 valuation, an explicit assumption for administrative expenses was added to the normal cost. Assumptions of $10 million and $60 thousand per year were utilized for the Combined Pension Plan and Supplemental Plan, respectively.
- In the prior valuation for the Combined Pension Plan, an asset valuation method using a 10-year smoothing period was applied. In the December 31, 2015 valuation, the actuarial value of assets was reset to market value as of the measurement date. A five-year smoothing period will be used in future periods.
- The remaining amortization period was adjusted from 30 years to 40 years for the Combined Pension Plan based on Section 802.101(a) of the Texas Government Code.
- Mortality tables were updated from the RP-2000 tables to the RP-2014 tables.
- Assumed rates of turnover were lowered for police officers and raised for firefighters to reflect recent experience.
- Retirement rates were lowered for both police officers and firefighters, with the separation of service-based assumptions implemented based on recent experience.
- Disability rates were lowered for both police officers and firefighters and service-based assumptions were eliminated based on the similarity of recent experience between the two services.
- The assumption of the portion of active employees who are married was lowered from 80% to 75% and the age of the youngest child was raised from 1 to 10.

As of December 31, 2014

The assumption for the future interest rates credited to DROP balances was changed from 8.5% to the following rates prescribed by the 2014 plan amendment:

- On October 1, 2014 – 8.0%;
- On October 1, 2015 – 7.0%;
- On October 1, 2016 – 6.0%; and
- On October 1, 2017 and thereafter – 5.0%

Schedule of Employer Contributions – Combined Pension Plan
(In Thousands)

MEASUREMENT YEAR ENDING DECEMBER 31,	ACTUARIALLY DETERMINED CONTRIBUTION	CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTIONS	CONTRIBUTION DEFICIENCY (EXCESS)	COVERED PAYROLL	ACTUAL CONTRIBUTION AS A % OF COVERED PAYROLL
2023	$ 251,606(1)	$ 171,961	$ 79,646	$ 462,820	37.2%
2022	228,531	169,911	58,619	436,971	38.9%
2021	221,286	165,541	55,744	427,441	38.7%
2020	185,429	161,950	23,479	396,955	40.8%
2019	152,084	155,721	(3,637)	363,117	42.9%
2018	157,100	149,357	7,743	346,037	43.2%
2017	168,865	126,318	42,547	357,414	35.3%
2016	261,859	119,345	142,514	365,210	32.7%

Note 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 is intended to show information for 10 years. Additional years will be presented as they become available.

Prior to January 1, 2016, the actuarial determined contribution for the Combined Plan was not determined by the actuary.

The City's contribution rate for the Combined Pension Plan is set by State statutes. The difference between the actuarial determined contribution and the City contribution set by State statutes results in the contribution excess or deficiency.

Notes to Schedule:

The following methods and assumptions used to calculate the actuarial determined contribution:

As of December 31, 2023

Actuarial cost method	Entry age normal cost method
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% per annum, including inflation, net of pension plan investment expense
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 Post-retirement: Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, set back one year for females, projected generationally using Scale MP-2019 Disabled: Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, set forward four years for males and females, projected generationally using Scale MP-2019
Interest on DROP accounts	Beginning January 1, 2018, DROP balances as of September 1, 2017 for active members are assumed to earn 2.75% interest upon retirement.
DROP utilization	The DROP utilization factor is 0% for new entrants.

As of December 31, 2022

Actuarial cost method	Entry age normal cost method
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	68 years as of January 1, 2022
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% per annum, including inflation, net of pension plan investment expense
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 Post-retirement: Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, set back one year for females, projected generationally using Scale MP-2019 Disabled: Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, set forward four years for males and females, projected generationally using Scale MP-2019
Interest on DROP accounts	Beginning January 1, 2018, DROP balances as of September 1, 2017 for active members are assumed to earn 2.75% interest upon retirement.
DROP utilization	The DROP utilization factor is 0% for new entrants.

As of December 31, 2021 that differed from above

Remaining amortization period	63 years as of January 1, 2021
Post-retirement benefit	COLA assumed to be 2.00% simple increases beginning October 1, 2073

As of December 31, 2020 that differed from above

Amortization method	25-year level percent of pay, using 2.50% annual increases. Beginning January 1, 2021, each year's gains and losses will be amortized over a closed 20-year period.
Remaining amortization period	55 years as of January 1, 2020
Investment rate of return	7.00% per annum, compounded annually, net of pension plan investment expense
Post-retirement benefit	COLA assumed to be a 2.00% COLA beginning October 1, 2063 and increases payable every October 1 thereafter

As of December 31, 2019 that differed from above

Amortization method	30-year level percent of pay, using 2.75% annual increases
Remaining amortization period	38 years as of January 1, 2019
Investment rate of return	7.25% per annum, compounded annually, net of all expense, including administrative expenses.
Inflation rate	2.75%
Projected salary increases	Inflation plus merit increases, varying by group and service

Post-retirement benefit	COLA assumed to be a 2.00% COLA beginning October 1, 2050 and increases payable every October 1 thereafter
Mortality	Pre-retirement: Sex-distinct RP-2014 Employee Mortality Table, set back two years for males, projected generationally using Scale MP-2015 Post-retirement: Sex-distinct RP-2014 Healthy Annuitant Mortality Table, set forward two years for females, projected generationally using Scale MP-2015 Disabled: Sex-distinct RP-2014 Disabled Retiree Mortality Table, set back three years for males and females, projected generationally using Scale MP-2015
Interest on DROP accounts	Beginning January 1, 2018, DROP balances as of September 1, 2017 for active members are assumed to earn 3.00% interest upon retirement.

As of December 31, 2018 that differed from above

Remaining amortization period	45 years as of January 1, 2018
Projected salary increases	Inflation plus merit increases, varying by group and service, ranging from 0.00% to 2.25%
Post-retirement benefit	COLA assumed to be a 2.00% COLA beginning October 1, 2053 and increases payable every October 1 thereafter
Interest on DROP accounts	Beginning September 1, 2017, DROP account balances for annuitants are assumed to earn 2.75% interest; DROP account balances as of September 1, 2017 for active members are assumed to earn 2.75% interest upon retirement; DROP account balances accrued after September 1, 2017 for active members do not earn interest. Beginning January 1, 2018 DROP balances as of September 1, 2017 for active members are assumed to earn 3.00% interest upon retirement.

As of December 31, 2017 that differed from above

Projected salary increases	Inflation plus merit increases, varying by group and service, ranging from 0.25% to 2.45%
Post-retirement benefit	COLA assumed to be a 2.00% COLA beginning October 1, 2049 and increases payable every October 1 thereafter
Interest on DROP accounts	6% per year until September 1, 2017. Beginning September 1, 2017, DROP account balances for annuitants are assumed to earn 2.75% interest; DROP account balances as of September 1, 2017 for active members are assumed to earn 2.75% interest upon retirement; DROP account balances accrued after September 1, 2017 for active members do not earn interest.

DROP election	The DROP utilization factor is 0% for new entrants. Current DROP members with at least eight years in the DROP as of January 1, 2017 are assumed to retire in 2018. Current DROP members with less than eight years in DROP as of January 1, 2017 are assumed to retire once they have been in the DROP for eight years.

As of December 31, 2016 that differed from above

Post-retirement benefit increases	4.00% simple COLA, October 1st
DROP balance returns	At October 1, 2015 – 7.0% At October 1, 2016 – 6.0% At October 1, 2017 and thereafter – 5.0%
DROP election	Age 50 with 5 years of service. Any active member who satisfies these criteria and has not entered DROP are assumed never to join DROP. Active members who retire with a DROP account are assumed to receive the balance of their account over a 10-year time period.

Schedule of Employer Contributions – Supplemental Plan
(In Thousands)

MEASUREMENT YEAR ENDING DECEMBER 31,	ACTUARIALLY DETERMINED CONTRIBUTION	CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTIONS	CONTRIBUTION DEFICIENCY	COVERED PAYROLL	ACTUAL CONTRIBUTION AS A % OF COVERED PAYROLL
2023	$ 3,666	$ 3,666	$ -	$ 1,800	203.6%
2022	2,807	2,807	-	1,631	172.1%
2021	2,099	2,099	-	627	334.8%
2020	1,777	1,777	-	584	304.3%
2019	1,881	1,530	351	622	246.2%
2018	2,274	1,979	295	916	216.0%
2017	2,087	2,077	10	525	395.6%
2016	3,063	3,063	-	725	422.9%
2015	2,443	2,443	-	557	438.8%
2014	1,817	1,817	-	521	348.5%

The City is required by ordinance to contribute amounts necessary to ensure the payment of benefits in the Supplemental Plan. The City's contributions shall be made in accordance with actuarial requirements established by the actuary and the Board. Actuarially determined contributions are calculated as of January 1 in the fiscal year in which the contribution is reported. The deficiency shown on the table is due to Supplemental Plan contributions paid directly to the Excess Benefit Plan in compliance with Internal Revenue Code Section 415.

Notes to Schedules:
The following methods and assumptions were used to calculate the actuarial determined contribution for the Supplemental Plan:

As of December 31, 2023

Actuarial cost method	Entry age normal cost method
Amortization method	20-year level percent of payroll for UAL as of January 1, 2020, 10-year level percent of payroll for changes to the UAL thereafter, using 2.50% annual increases.
Remaining amortization period	15 years as of January 1, 2023.
Asset valuation method	Market Value of assets
Investment rate of return	6.50% per annum, including inflation, net of all expense, including administrative expenses.
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 Post-retirement: Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, set back one year for females, projected generationally using Scale MP-2019 Disabled: Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, set forward four years for males and females, projected generationally using Scale MP-2019
Interest on DROP accounts	Beginning January 1, 2018, DROP balances as of September 1, 2017 for active members are assumed to earn 2.75% interest upon retirement.
DROP election	The DROP utilization factor is 0% for new entrants.

As of December 31, 2022

Actuarial cost method	Entry age normal cost method
Amortization method	20-year level percent of payroll for UAL as of January 1, 2020, 10-year level percent of payroll for changes to the UAL thereafter, using 2.50% annual increases.
Remaining amortization period	16 years as of January 1, 2022.
Asset valuation method	Market value of assets
Investment rate of return	6.50% per annum, including inflation, net of all expense, including administrative expenses.
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 Post-retirement: Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, set back one year for females, projected generationally using Scale MP-2019 Disabled: Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, set forward four years for males and females, projected generationally using Scale MP-2019
Interest on DROP accounts	Beginning January 1, 2018, DROP balances as of September 1, 2017 for active members are assumed to earn 2.75% interest upon retirement.

DROP election	The DROP utilization factor is 0% for new entrants.

As of December 31, 2021 that differed from above

Remaining amortization period	17 years as of January 1, 2021.
Post-retirement benefit increases	COLA assumed to be a 1.5% COLA beginning October 1, 2073 and payable every October 1st thereafter

As of December 31, 2020 that differed from above

Amortization method	20-year level percent of pay, using 2.50% annual increases. Beginning January 1, 2021 each year's gains and losses will be amortized over a closed 10-year period.
Remaining amortization period	20 years
Investment rate of return	7.00% per annum, compounded annually, net of all expense, including administrative expenses.
Projected salary increases	Inflation plus merit increases, varying by group and service
Post-retirement benefit increases	COLA assumed to be a 2.00% COLA beginning October 1, 2063 and payable every October 1st thereafter

As of December 31, 2019 that differed from above

Amortization method	10 years level percent of pay, using 2.75% annual increases
Remaining amortization period	10 years
Investment rate of return	7.25% per annum, compounded annually, net of all expense, including administrative expenses.
Inflation rate	2.75%
Post-retirement benefit increases	COLA assumed to be a 2.00% COLA beginning October 1, 2050 and payable every October 1st thereafter
Mortality	Pre-retirement: Sex-distinct RP-2014 Employee Mortality Table, set back two years for males, projected generationally using Scale MP-2015 Post-retirement: Sex-distinct RP-2014 Healthy Annuitant Mortality Table, set forward two years for females, projected generationally using Scale MP-2015 Disabled: Sex-distinct RP-2014 Disabled Retiree Mortality Table, set back three years for males and females, projected generationally using Scale MP-2015

Interest on DROP accounts	Beginning January 1, 2018, DROP balances as of September 1, 2017 for active members are assumed to earn 3.00% interest upon retirement.

As of December 31, 2018 that differed from above

Projected salary increases	Inflation plus merit increases, varying by group and service, ranging from 0.00% to 2.25%
Post-retirement benefit increases	COLA assumed to be a 2.00% COLA beginning October 1, 2053 and payable every October 1st thereafter
Interest on DROP accounts	Beginning September 1, 2017, DROP account balances for annuitants are assumed to earn 2.75% interest; DROP account balances as of September 1, 2017 for active members are assumed to earn 2.75% interest upon retirement; DROP account balances accrued after September 1, 2017 for active members do not earn interest. Beginning January 1, 2018 DROP balances as of September 1, 2017 for active members are assumed to earn 3.00% interest upon retirement.

As of December 31, 2017 that differed from the above

Projected salary increases	Inflation plus merit increases, varying by group and service, ranging from 0.25% to 2.45%
Post-retirement benefit increases	COLA assumed to be a 2.00% COLA beginning October 1, 2049 and payable every October 1 thereafter
Interest on DROP accounts	6% per year until September 1, 2017. Beginning September 1, 2017, DROP account balances for annuitants are assumed to earn 2.75% interest; DROP account balances as of September 1, 2017 for active members are assumed to earn 2.75% interest upon retirement; DROP account balances accrued after September 1, 2017 for active members do not earn interest.

As of December 31, 2016 that differed from above

Post-retirement benefit increases	4.00% simple COLA, October 1st
DROP balance returns	October 1, 2015 – 7% October 1, 2016 – 6% October 1, 2017 and thereafter – 5%
DROP election	Age 50 with 5 years of service. Any active member who satisfy these criteria and have not entered DROP are assumed never to join DROP. Active members who retire with a DROP account are assumed to receive the balance of their account over a 10-year time period.

As of December 31, 2015 and 2014 that differed from above

Projected salary increases	Range of 4.00% - 9.64%
Mortality	RP-2000 Combined Healthy Mortality Table projected to 10 years beyond the valuation date using Scale AA for healthy retirees and active members.

Schedule of Investment Returns

FISCAL YEAR ENDED DECEMBER 31,	ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE
2023	10.15%
2022	(2.77%)
2021	5.52%
2020	1.48%
2019	11.51%
2018	(1.49%)
2017	5.07%
2016	3.09%
2015	(12.70%)
2014	3.98%

Notes to Schedule:

The annual money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense, and expresses investment performance adjusted for the changing amounts actually invested. Pension plan investment expense consists of manager fees. The return is calculated using a methodology which incorporates a one quarter lag for fair value adjustments on private equity, debt, and real assets investments.

Supplementary Information

Administrative, Investment, and Professional Services Expenses

Year Ended December 31, 2023

ADMINISTRATIVE EXPENSES		
Information technology	$	622,710
Education		36,642
Insurance		573,072
Personnel		3,516,766
Office equipment		145,258
Dues and subscriptions		152,939
Board meetings		3,641
Office supplies		19,935
Utilities		20,219
Postage		11,271
Printing		8,068
Elections		12,253
Facilities		686,530
Other		9,667
Total administrative expenses	**$**	**5,818,971**
INVESTMENT EXPENSES		
Investment management	$	5,219,010
Custodial		214,595
Investment level valuations and audits		498,294
Research		42,987
Consulting and reporting		377,083
Legal		71,135
Tax		3,751
Other		102,785
Total investment expenses	**$**	**6,529,640**
PROFESSIONAL SERVICES EXPENSES		
Actuarial		261,226
Auditing		128,150
Accounting		61,619
Medical review		500
Legal		(417,573)
Mortality records		5,660
Legislative		157,478
Other		19,551
Total professional services expenses	**$**	**216,611**

Notes to Schedule:
Supplementary information on investment expenses does not include investment management fees and performance fees embedded in the structure of private equity and other limited partnership investments. Rather, these fees are a component of the net appreciation (depreciation) in fair value of investments in the accompanying Statements of Changes in Fiduciary Net Position. In addition, management fees paid directly by DPFP are included net of rebates received. The members of the Board of Trustees serve without compensation; they are reimbursed for actual expenses incurred.

See accompanying independent auditor's report

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C2

Topic: **Report on Audit Committee**

Discussion: The Audit Committee met with representatives of BDO on November 14, 2024. The Committee Chair will comment on Committee observations and advice.

Regular Board Meeting – Thursday, November 14, 2024

DISCUSSION SHEET

ITEM #C3

Topic: **Commerce Street Report for the City of Dallas**

Attendees:
Dory Wiley – President & CEO, Commerce Street
Matt DenBleyker – Managing Director and Co-CIO, Commerce Street
Duke Meythaler – Managing Director, Commerce Street
Grant Glover – Investment Analyst, Commerce Street

Discussion: Commerce Street was hired by the City of Dallas to provide an independent performance evaluation for each of DPFP and ERF, specifically 1) the appropriateness, adequacy, and effectiveness of investments and fund management and 2) evaluation and recommendations for improvements for the fund's investment policies, procedures, and practices to ensure alignment with the long-term financial goals of the pension fund. This ultimately culminated in a presentation to the Ad-Hoc Pension Committee in August and a briefing to the full City Council in September. Dory Wiley, CEO of Commerce Street, will present their evaluation at the November DPFP Board meeting.

Dallas Police & Fire Pension

Objectives 1-8

Commerce Street Investment Management

CommerceStreet Investments | August 8th, 2024

Discussion Topics

Preliminary Disclosures

The analysis that follows is the result of a few weeks' work analyzing the Plans as well as peers we found relevant

There are certain assumptions made in this analysis that could be enhanced with further ongoing collaboration with both Plans

We recommend that the best approach to achieving a complete analysis of the Plans is to continue to collaborate with their staffs to check key assumptions, gain a better understanding of how their Plans work, and receive the most up-to-date data to give the City the clearest understanding of the pension fund

Initial Discussion

A few points most everyone can agree on:

- Dallas Police & Fire Pension Fund is underfunded: ~39%* funding ratio
- The City of Dallas will have to contribute significant funds to improve the funding status
- The public, city officials, beneficiaries, and all stakeholders want assurance that the plan has optimal performance
- The goal of the review of DPFP is an evaluation of the appropriateness, adequacy, and effectiveness of the pension's performance, and the evaluation and recommendations for overall improvements for the pension
- Legacy assets continue to contribute to underperformance
- Performance, over time, should, net of fees and investment costs, exceed appropriate benchmarks and the median of the Plan's peers
- Improved performance combined with increased contributions from the City should get DPFP to the Texas PRB funding goal in order to get a livable COLA for the participants

*Source: Texas Pension Review Board as of 12/31/23

Initial Observations

We know that being average or above average over the last 5 years would have made a material improvement in funding status, and would do so going forward

- Improved risk adjusted returns are needed to lower City contributions and increase funded status
- DPFP has underperformed its peers both nationally and in the state of Texas over the 5 and 10-year time periods
- DPFP has struggled with legacy assets the last 10 years and have made improvements with them in the last 7 years
- Need to target reducing volatility risk and improving risk adjusted asset allocation at DPFP as well as PE manager selection
- Need to create improved private markets strategy for DPFP going forward*

*The last in-depth private markets' plan was formulated in 2018, but DPFP hired Albourne in 2023 as a consultant to create a new strategic plan now that many of the legacy assets have been offloaded

What Commerce Street has been asked to do

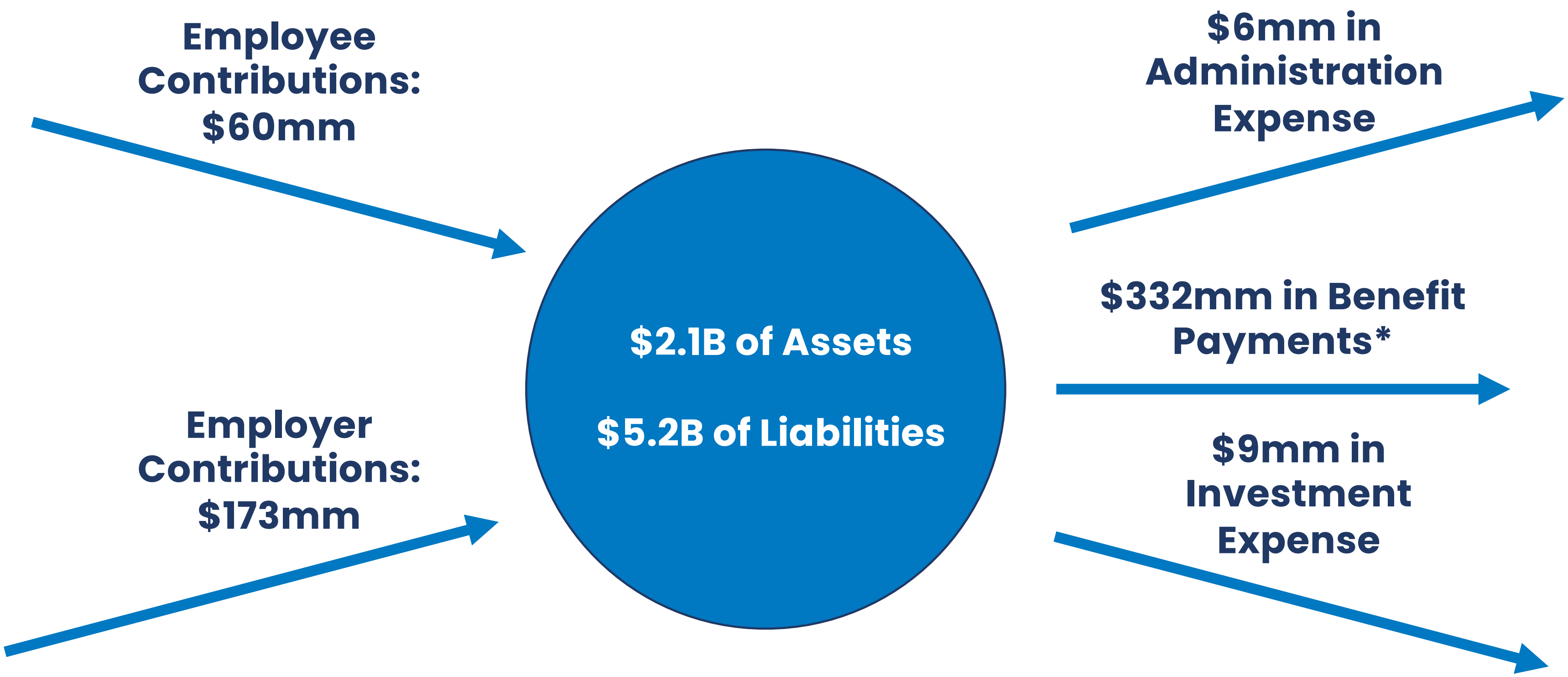
The City requested a report comprised of the following objectives:

1. Assess the overall structure and asset allocation of the investment portfolio
2. Assess the overall performance and current/historical rate of return of the investment portfolio
3. Identify appropriate state and national benchmarking for asset allocation and investment performance
4. Identify areas of potential risk and propose risk mitigation strategies
5. Evaluate the effectiveness of the current asset allocation strategy
6. Evaluate the effectiveness of the current manager selection and their strategies
7. Review the adherence to investment policies and guidelines
8. Review the current fee structure and trading costs

Objective 1: Assess the overall structure and asset allocation of the investment portfolio

DPFP's current inflows and outflows

DPFP 2022 Pension Activities



Source: Dallas Police and Fire Pension System, *Actuarial Valuation and Review*, as of January 1, 2023; DPFP ACFR 2022

*Includes contribution refunds

DPFP's assets, outflows, and returns

	FY 2022	FY 2021
Market Value of Assets (As of 1/1)	$2,157,840,430	$1,943,700,593
Actuarial Value of Assets (As of 1/1)	$2,117,978,431	$2,127,834,406
Total Actuarial Accrued Liability	$5,158,782,340	$5,115,966,592
Percent Fund MVA	41.83%	37.99%
Percent Fund AVA	41.06%	41.59%
Contributions from City and Members	$232,681,000	$226,428,000
Benefits/refunds paid to Members	$332,031,000	$327,383,000
Professional/Admin Expenses	$6,421,000	$6,446,000
Net Cash Outflow*	**$(105,771,000)**	**$(107,401,000)**
Rate Needed to Maintain MVA	4.90%	5.53%
Actual Net Return	-2.20%	5.00%
Rate to be Fully Funded by 2105	6.50%	6.50%

Dallas Police & Fire's recent returns have not been high enough to maintain the market value of the pension fund

Source: Dallas Police and Fire Pension System, *Actuarial Valuation and Review*, as of January 1, 2023 and as of January 1, 2022; DPFP ACFR 2022

*Not including investment income/expenses

DPFP benchmarking introduction

Data as of 12/31/23	1-Year	3-Year	5-Year	10-Year
DPFP (78/22)	**10.3%**	**4.3%**	**5.2%**	**2.3%**
DPFP ex Private Markets	**16.7%**	**3.4%**	**7.7%**	**5.5%**
Policy Index (75/25)*	15.7%	4.0%	7.8%	6.9%
60 ACWI/40 AGG	15.1%	1.1%	6.9%	5.5%

As of 12/31/23, DPFP's portfolio was comprised of 78% Equity (including Legacy)/22% Fixed Income & Credit. However, over the last 7 years, the Fund has averaged a 60/40 allocation, which is why the 60/40 benchmark is provided for informational purposes. The Policy Index is the official DPFP Benchmark.

A 60/40 asset allocation is not a typical long-term institutional asset allocation, while a 75/25 or 80/20 is more typical

*The Policy Index is composed of each of DPFP's asset class benchmarks weighted by the target allocation to the asset class. 3% 3-Mo T-Bill / 6% US 1-3 Yr Agg / 4% Agg / 4% US Corp HY / 4% US Lev Loan / 4% JPM EMD / 55% ACWI IMI / 5% MSCI EM / 5% Russell 3000 + 2% / 5% NCREIF Property / 5% NCREIF Farmland

Recommendation: new reference benchmark

Data as of 12/31/23	1-Year	3-Year	5-Year	10-Year
DPFP (78/22)	**10.3%**	**4.3%**	**5.2%**	**2.3%**
DPFP ex Private Markets	**16.7%**	**3.4%**	**7.7%**	**5.5%**
Policy Index (75/25)	15.7%	4.0%	7.8%	6.9%
75 ACWI/25 AGG	18.4%	3.9%	9.6%	7.0%
60 ACWI/40 AGG	15.1%	1.1%	6.9%	5.5%

A 60/40 benchmark is appropriate when looking backwards, but as DPFP has increased its equity allocation in recent years, a 75/25 benchmark should be added in addition to the policy index to measure performance

The closer to the present, the more relevant the 75/25 benchmark is, and when gauged by these standards, DPFP has outperformed over the 3-year time period

Source: Dallas Police & Fire Pension System, *Fund Evaluation Report December 31st, 2023*, and Morningstar Direct as of 12/31/23

*An 80 ACWI/20 AGG benchmark is shown because that is DPFP's current strategic allocation

DPFP public equities have under-performed ACWI over the last 3 years, yet have outperformed over the last 10 years

Data as of 12/31/23	1-Year	3-Year	5-Year	10-Year
DPFP Public Equities	20.0%	5.2%	11.7%	8.8%
MSCI ACWI	22.2%	5.8%	11.7%	7.9%

- **ACWI is an appropriate benchmark for measuring performance**
- **DPFP has picked good performing public equity managers over the last 10 years**
- **Our assumption is the recent underperformance can be attributed to an under-allocation to US markets**

Source: Dallas Police & Fire Pension System, *Fund Evaluation Report December 31st, 2023*, and Morningstar Direct as of 12/31/23

Label analysis gives us a better understanding

Asset Class	% of Portfolio
Global Equity	46.5%
Emerging Markets	4.6%
Total Equity	**51.1%**

On their reporting, Dallas Police & Fire lists they are invested in 46.5% "Global Equity"

Asset Class	% of Portfolio
US Equity	25.4%
Developed Markets	20.0%
Emerging Markets	5.4%
Total Equity	**50.8%**
Cash	0.4%

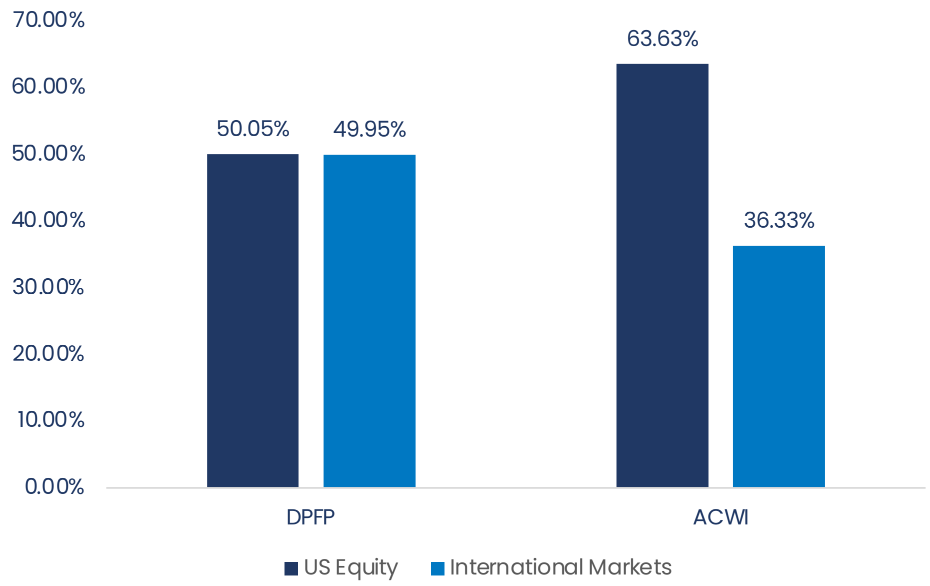
When you analyze DPFP's Global Equity funds manager by manger, there is a mix of US Equity, Developed Markets Equity, Emerging Markets Equity, and Cash

Source: Dallas Police & Fire Pension System, *Meketa Fund Evaluation Report*, as of September 30, 2023

When you compare DPFP's allocation to ACWI, it is allocated differently

DPFP's Asset Allocation compared to its benchmark is:

Under-weight US Equity
Over-weight International Markets



Source: Dallas Police & Fire Pension System, *Fund Evaluation Report December 31st, 2023*

Historical advantages of higher allocation to US equity*

DALLAS POLICE & FIRE PENSION SYSTEM

- Foreign equities have historically underperformed US equities
- Foreign equities have historically been more volatile than US equities
- Foreign equities have currency risk costs

Data as of 12/31/23	1-Year	3-Year	5-Year	10-Year	20-Year
S&P 500	26.29%	10.00%	15.69%	12.03%	9.69%
Russell 3000	25.36%	8.06%	14.61%	10.89%	9.06%
MSCI ACWI	22.20%	5.75%	11.72%	7.93%	7.55%
Developed Markets Index	18.24%	4.02%	4.95%	4.28%	5.59%
Emerging Markets Index	18.59%	3.36%	7.24%	4.01%	7.94%

20 Year	S&P 500	Russell 3000	MSCI ACWI	Developed*	Emerging*
Volatility (Risk)	14.89%	15.49%	15.86%	16.73%	21.80%

*Past performance does not guarantee future results

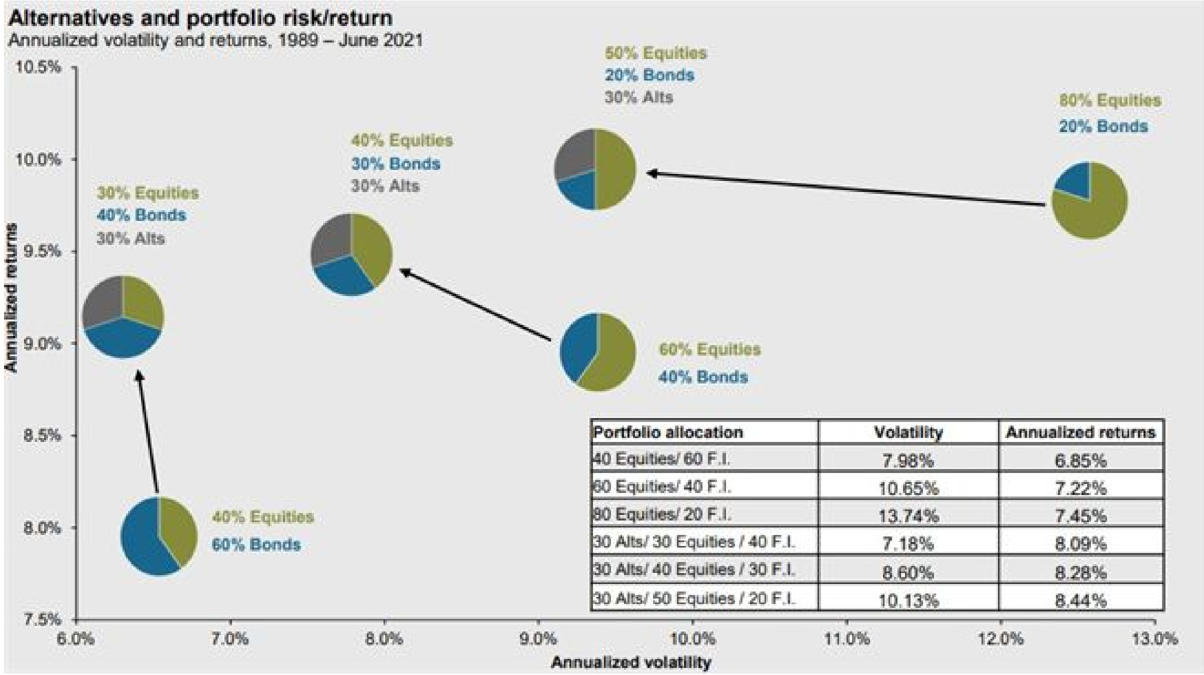
Source: Morningstar Direct as of December 31st, 2023

Developed markets Index: MSCI EAFE; Emerging Markets Index: MSCI Emerging Markets

CommerceStreet Investments

DPFP is under-allocated to private equity: this can increase the risk in terms of volatility of the portfolio and decrease returns

Data as of 12/31/23	PE % of Portfolio
DPFP Current	11.3%
DPFP Target	5.0%
National Average*	14.7%
Texas Average*	17.8%



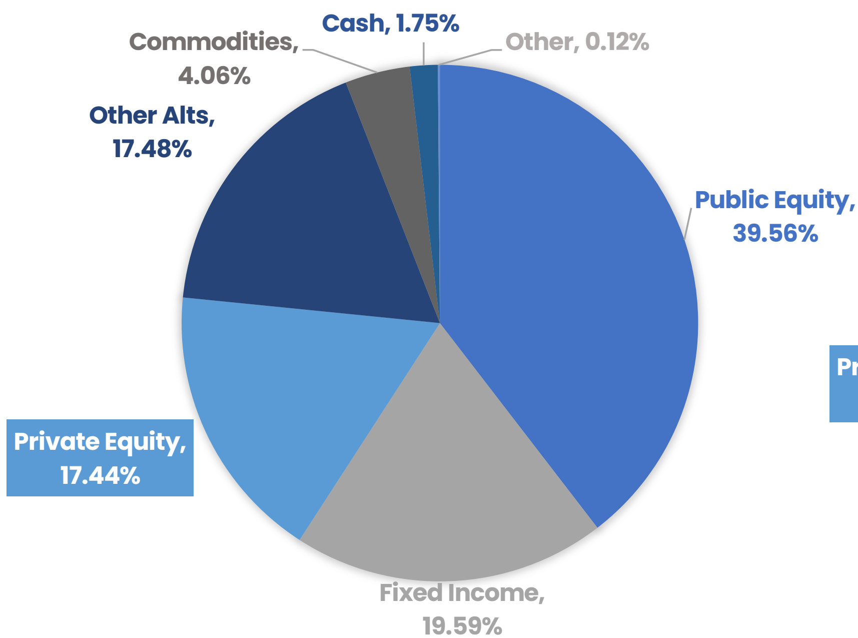
Portfolio allocation	Volatility	Annualized returns
40 Equities/ 60 F.I.	7.98%	6.85%
60 Equities/ 40 F.I.	10.65%	7.22%
80 Equities/ 20 F.I.	13.74%	7.45%
30 Alts/ 30 Equities / 40 F.I.	7.18%	8.09%
30 Alts/ 40 Equities / 30 F.I.	8.60%	8.28%
30 Alts/ 50 Equities / 20 F.I.	10.13%	8.44%

Source: JPMorgan Guide to the Markets

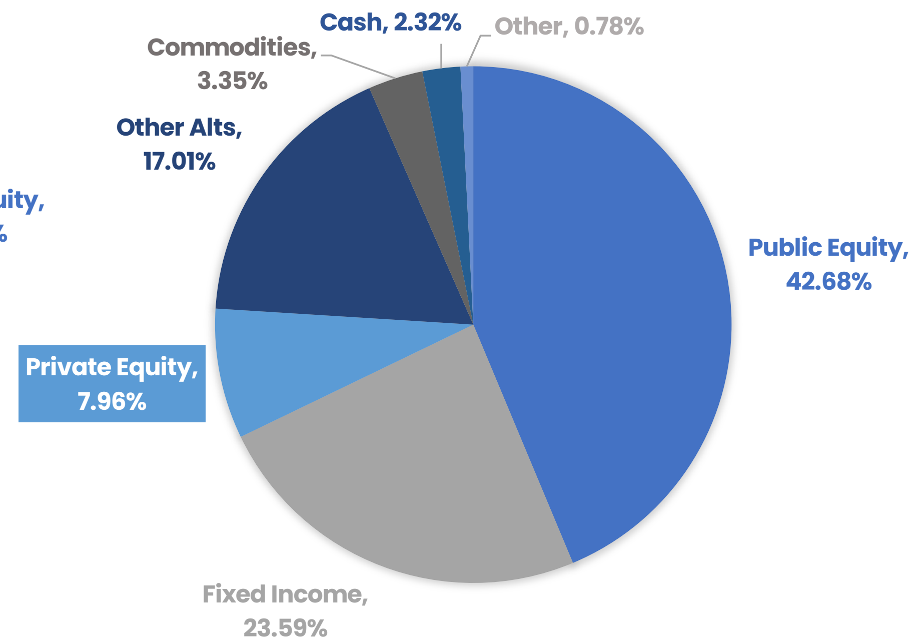
*https://publicplansdata.org/public-plans-database/browse-data/

DPFP's allocation resembles a bottom quartile more than a top quartile pension

Top Quartile Pension Funds



Bottom Quartile Pension Funds



DPFP has 5% allocation to PE as its target, below even bottom quartile funds

Source: https://publicplansdata.org/public-plans-database/browse-data/, data as of 12/31/22

Reasons for under-allocating to private equity

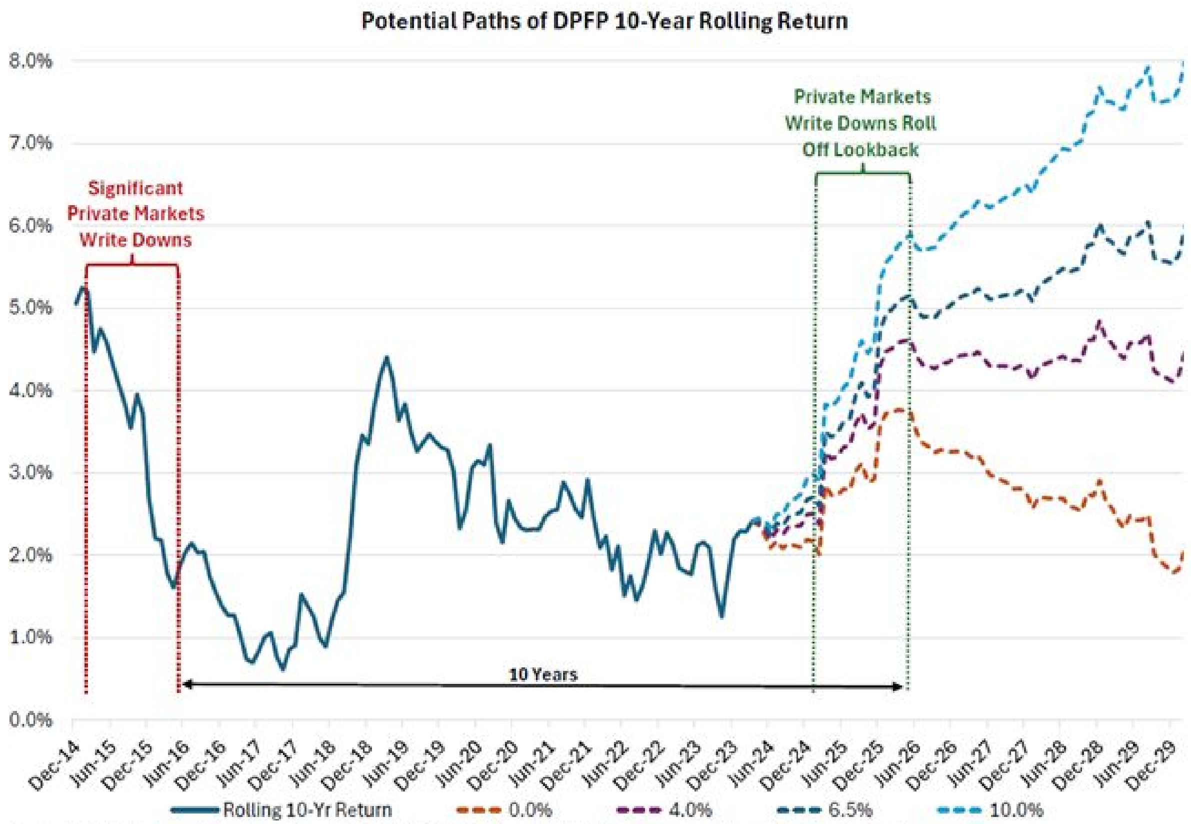
DALLAS POLICE & FIRE PENSION SYSTEM

After sitting down with DPFP staff, we learned some of the rationale and causes for the private equity allocation:

- In 2018, under the new Board, staff worked with Meketa to set a long-term private equity allocation at 5%. At the time, the actual private equity allocation was 13% and the overall private markets allocation was 49%.
- They successfully navigated off-loading $1.4B of poor performing legacy assets since 9/30/16 and have plans to continue to do so.
- They have concerns over liquidity issues, given DPFP still has 25% of the portfolio allocated to private markets. Allocating to new private markets funds would lower the fund's liquidity profile.
- That being said, staff is working on an updated Asset Allocation Policy that would increase the target allocation to private markets from 15% to 18% and expects to begin making initial new commitments in early 2025.
- Staff is working on plans to rebuild the private markets portfolio. Specialty investment consultant, Albourne, was selected by the Board in 2023 to oversee all private market asset classes.

Objective 2: Assess the overall performance and current/historical rate of return of the investment portfolio

DPFP's 10-year returns should improve when legacy asset returns from prior years roll off



Source: Total Fund net monthly returns through 3/31/2024, DPFP Staff analysis. Dotted lines represent hypothetical path of the ten year net return if a given annual return were to be consistently achieved moving forward.

Even if the portfolio were to earn 0% over the next two years, the 10-year return will still improve

CommerceStreet Investments

DPFP has performed adequately in its public equity and fixed income, but has lagged in its private market investments

Data as of 12/31/2023	1-Year	3-Year	5-Year	10-Year
DPFP Public Equity	20.0%	5.2%	11.7%	8.5%
MSCI ACWI	21.6%	5.5%	11.5%	7.8%
DPFP Fixed Income	9.8%	-0.3%	2.2%	2.7%
Bloomberg Agg	5.5%	-3.3%	1.1%	1.8%
DPFP Private Equity	-8.0%	11.4%	2.7%	-3.7%
Russell 3000 + 2%	22.8%	11.6%	11.3%	13.5%
DPFP Real Assets	0.7%	4.7%	2.5%	0.1%
Real Assets Policy Index	-1.4%	6.7%	5.7%	7.7%

DPFP's private markets portfolio is generating negative value

Private Equity Portfolio

Fund Name	Vintage Year	Gain/Loss	Net IRR	Quartile
Hudson Clean Energy	2009	$(19,526,488)	(20.97%)	4*
Lone Star CRA	2008	$22,640,961	5.34%	4
Lone Star Growth Capital	2006	$(9,614,842)	(20.47%)	4
Lone Star Opportunities V	2012	$(70,621,681)	(36.17%)	4
Lone Star Bridge Loan	2020	$(362,000)	(6.19%)	4*
North Texas Opportunity Fund	2000	$(8,592,527)	0.68%	2
Industry Ventures Partnership IV	2016	$6,233,846	21.93%	1
Huff Energy Fund LP	2006	$56,936,429	3.50%	N/A
Total		**$(22,906,302)**	**(6.54%)**	

Private Credit Portfolio

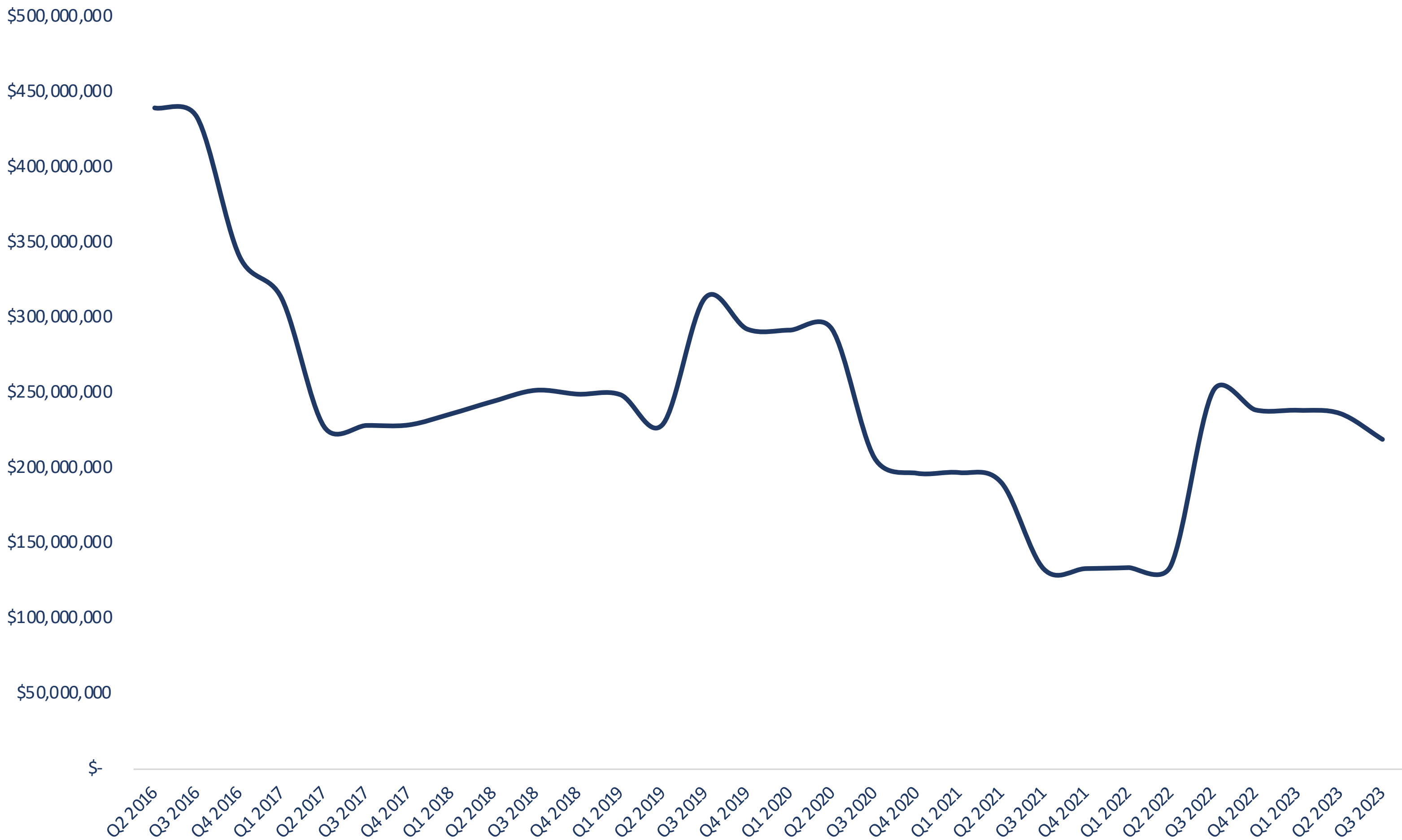
Fund Name	Vintage Year	Gain/Loss	Net IRR	Quartile
Huff Alternative Fund	2000	$12,676,607	1.74%	2
Highland Crusader Fund	2003	$16,725,841	4.67%	N/A
Riverstone Credit Partners LP	2016	$2,038,749	5.01%	4
Average		**$31,441,197**	**3.81%**	

Source: 2023 Q3 Dallas Police & Fire Pension Meketa Private Markets Performance Report. https://www.dpfp.org/-financial-/investments/. Preqin Alternative Assets Database. https://pro.preqin.com/discover/funds

*Quartile ranking unavailable on Preqin, but has a negative IRR

DPFP has been lowering its existing allocation of legacy assets and private equity

They have successfully managed to offload legacy assets, but without replacing them, they are likely to not generate strong future returns



COMMERCESTREET INVESTMENTS

22

Under-allocating to private equity will make it difficult to succeed in the long-term

DALLAS POLICE & FIRE PENSION SYSTEM

Private Equity is not the problem, legacy asset PE managers are the problem

Data as of 12/31/23	PE % of Portfolio
DPFP Current	11.3%
DPFP Target	5.0%
National Average	14.7%
Texas Average	17.8%

Data as of 12/31/23	10 Year Returns
DPFP	-3.7%
National Average*	15.2%
TX Peer Group Average**	15.5%

DPFP is under-allocated to private equity compared to its peers

Source: https://publicplansdata.org/public-plans-database/browse-data/

**U.S. public pension funds earn 10-year median return of 15.2% from private equity*, Pensions & Investments

**Peer Group consist of similar-size funds in Texas reporting 10-Year PE Returns: Houston Firefighters Relief and Retirement Fund,, Houston Municipal Employees' Pension System, Austin Firefighters Retirement Fund, Texas County and District Retirement System, Employees' Retirement Fund of the City of Dallas

Utilizing a top quartile allocation with indices could have resulted in top quartile returns

DALLAS POLICE & FIRE PENSION SYSTEM

As of 12/31/23	Weighting*	1-Year	3-Year	5-Year	10-Year
Public Equity	39.6%	22.2%	5.8%	11.7%	7.9%
Fixed Income	21.5%	9.6%	-0.6%	3.2%	3.2%
Private Equity	17.4%	9.3%	14.1%	17.9%	15.6%
Other Alts	17.5%	8.2%	8.8%	8.0%	6.7%
Commodities	4.1%	-7.9%	10.8%	7.2%	-1.1%
Top Quartile Allocation	**100.0%**	**13.6%**	**6.6%**	**10.1%**	**7.7%**
DPFP (78/22)	**100.0%**	**10.3%**	**4.3%**	**5.2%**	**2.3%**
DPFP ex Privates	**100.0%**	**16.7%**	**3.4%**	**7.7%**	**5.5%**

It should be noted that returns in asset categories have to take into account risk and liquidity

Source: Meketa, *Dallas Police & Fire Pension System: Fund Evaluation Report as of December 31, 2023*

*Weightings come from previous slide of the averages for top quartile pension funds nationally. Note that returns may differ based upon market fluctuations and allocation drift.

Indices used: Public Equity – MSCI ACWI, Fixed Income – 50% Bloomberg Agg + 50% Bloomberg US Corporate High Yield, Private Equity – Cambridge Associates Private Equity Index, Other Alts – Indxx Private Credit TR + S&P Global Infrastructure + Cambridge Associates Real Estate Index (equal-weighted), Commodities – Dow Jones Commodity

CommerceStreet INVESTMENTS

Objective 3: Identify appropriate state and national benchmarking for asset allocation and performance

Benchmarking basics

"If you can't measure it, you can't manage it" – Peter Drucker

We should define a strong peer group

- If peers are significantly outperforming us, then we should understand why we are underperforming
- Underperformance will show up in asset allocation and manager selection

Benchmarking helps the City and the Plan in many ways

- It provides transparency for performance, management, and governance's effectiveness
- It can give us new ideas and insight
- Done correctly, it lays the groundwork for outperformance

If we are below average, we must get to average; if we are average, let us work our way to above average

DPFP vs. largest Texas cities

DALLAS POLICE & FIRE PENSION SYSTEM

Data as of 6/30/23	1-Year	3-Year	5-Year	10-Year
Dallas Police and Fire	**17.7%**	**4.3%**	**4.1%**	**2.1%**
DPFP ex Private Markets	**13.2%**	**6.4%**	**5.5%**	**5.7%**
Houston Firefighters	4.2%	11.7%	8.5%	8.0%
Houston Police	7.8%	12.0%	8.6%	8.3%

Data as of 12/31/23	1-Year	3-Year	5-Year	10-Year
Dallas Police and Fire	**10.3%**	**4.3%**	**5.2%**	**2.3%**
DPFP ex Private Markets	**16.7%**	**3.4%**	**7.7%**	**5.5%**
Austin Fire	8.4%	4.4%	8.3%	6.8%
Austin Police	11.5%	5.1%	9.4%	6.4%
San Antonio Fire & Police	11.9%	4.3%	-	6.4%

Source: Texas Pension Review Board. https://data.prb.texas.gov/plans/index.html

CommerceStreet Investments

DPFP vs. national and Texas averages

Data as of 12/31/23	3-Year	5-Year	10-Year
Dallas Police and Fire	**4.3%**	**5.2%**	**2.3%**
DPFP ex Private Markets	**3.4%**	**7.7%**	**5.5%**
National Top Quartile	5.5%	9.0%	7.1%
National Average	4.5%	8.4%	6.4%
National Bottom Quartile	3.6%	7.7%	6.1%
Texas Top Quartile*	5.3%	9.0%	6.6%
Texas Average*	5.1%	8.6%	6.5%
Texas Bottom Quartile*	4.3%	7.9%	6.2%

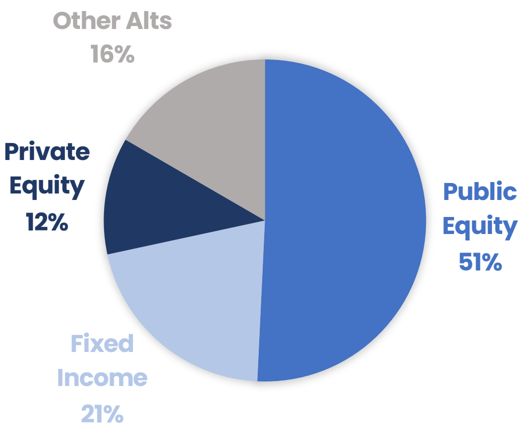
Source: https://publicplansdata.org/public-plans-database/browse-data/

National quartile rankings provided by Meketa

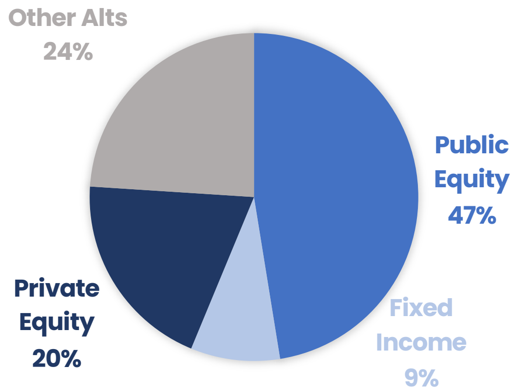
*Quartile rankings only taken from Texas Plans with fiscal years ending 12/31/23

DPFP allocation vs. largest Texas cities

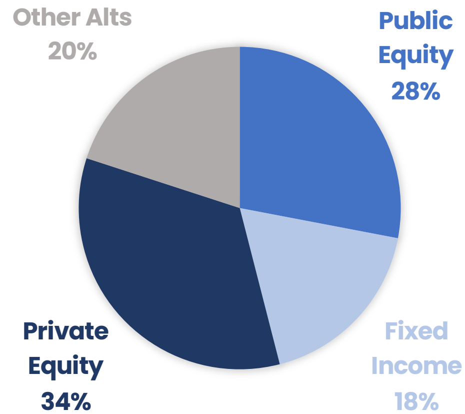
DPFP



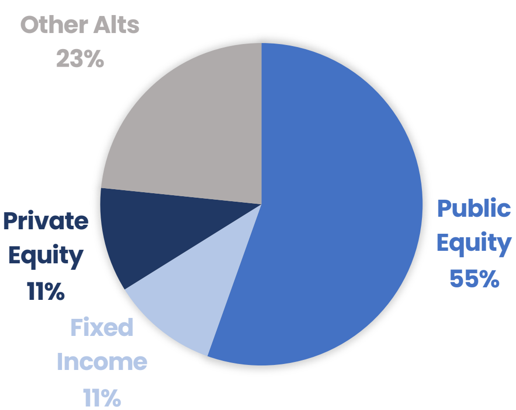
HOUSTON POLICE



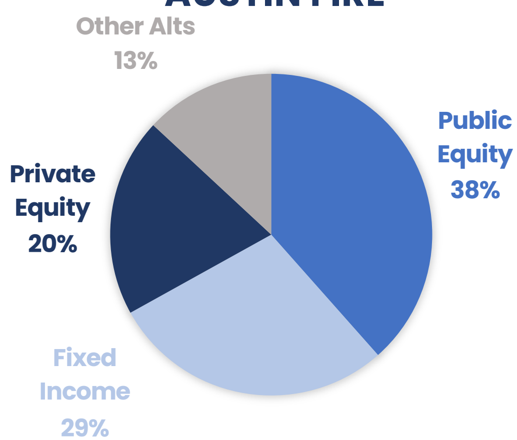
HOUSTON FIRE



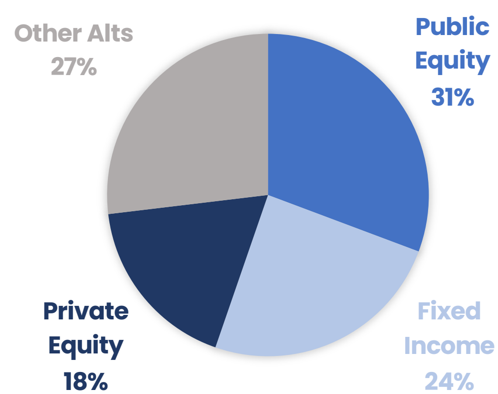
AUSTIN POLICE



AUSTIN FIRE



SAN ANTONIO POLICE & FIRE



Source: Year End Reports as of 12/31/22 from each pension

Note these are different than DPFP's current allocation. To compare to peers, you have to do so over the same time frame.

Objective 4: Identify areas of potential risk and propose risk mitigation strategies

Some pension risks to consider

- Liabilities – Current and Future
- Governance Risk
- Asset Allocation Risk
- Manager Selection Risk
- Monitoring Risk

The City of Dallas needs to increase its knowledge of DPFP

There are many parties affected by the running of the pension: the police and firefighters, the staff of DPFP, and the taxpayers of Dallas.

To best ensure the health of all stakeholders, the City of Dallas should take it upon itself to become more knowledgeable of the Plan

The City needs to increase its knowledge on these elements of the Plan:

- Asset allocation, risk, and liquidity
- Policies and procedures
- Reporting and benchmarking

This can be enabled by the City hiring:

- Internal staff or dedicated outside experts that work with the City and the Pension with ongoing communication and two-way feedback

DALLAS POLICE & FIRE PENSION SYSTEM

Objective 5: Evaluate the effectiveness of the current asset allocation strategy

The biggest contributor to DPFP's under-performance is the under-allocation to and poor performance of PE and other alternatives

As of 6/30/23	Allocation		Returns (5 Year)	
	DPFP	TX Peer Group	DPFP	TX Peer Group
Public Equity	51.4%	43.3%	8.2%	7.5%
Private Equity	12.2%	21.3%	4.8%	17.5%
Fixed Income	20.5%	18.1%	1.1%	2.6%
Other Alts	15.8%	21.5%	2.5%	6.9%

While their Texas peers (selected for illustrative purposes) earned 17.5% on PE and 6.9% on other alts, DPFP was under-allocated to private equity by 9.1% and other alts by 5.7%

Peer Group consist of similar-size funds in Texas: Houston Firefighters Relief and Retirement Fund, Houston Police Officers' Pension System, Houston Municipal Employees' Pension System, Austin Police Retirement System, Austin Firefighters Retirement Fund, Fort Worth Employees' Retirement Fund, Texas County and District Retirement System

Reasons the private markets target allocation for DPFP should be higher

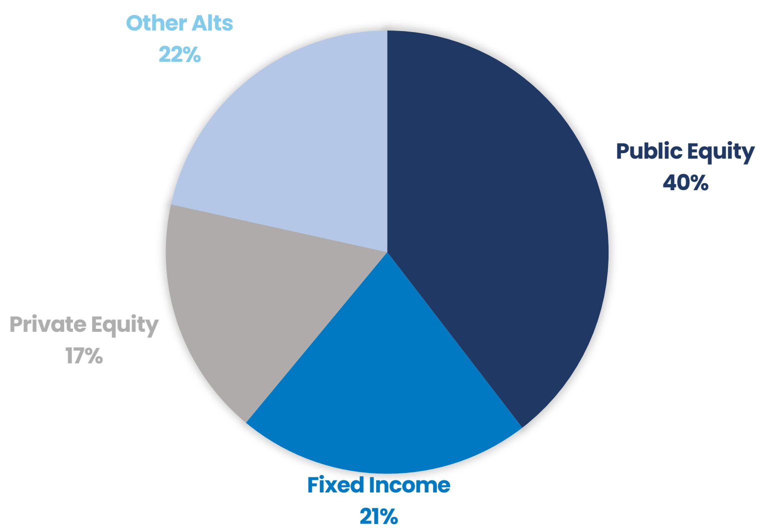
DALLAS POLICE & FIRE PENSION SYSTEM

While we understand the issues that have plagued DPFP's private markets portfolio in the past, it would be most beneficial to the Fund to raise its target allocation to private markets:

- The private market target allocation was set in 2018, so enough time has passed for re-evaluation
- DPFP will need to increase long-term risk adjusted returns to reduce the City's contribution limits
- Private equity (and other private assets) is an asset class that historically has the highest expected risk adjusted return
- New private equity investments can create other issues that must be dealt with
- But, new investments can be made into private assets without causing J-Curve/liquidity issues, such as interval funds, secondaries, and private credit

Under-allocation to PE/PM all but ensures DPFP will not be a top-performing pension fund and improve its funding status

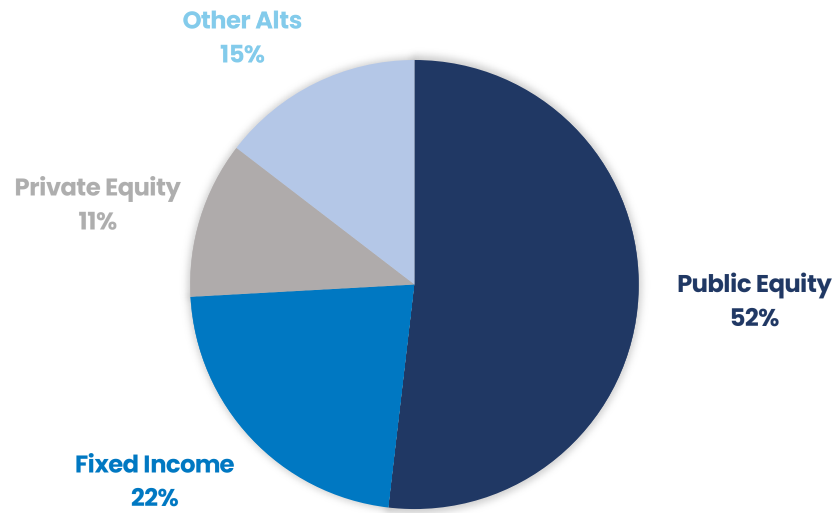
National Top Quartile Pensions



Total Returns

1-Year	3-Year	5-Year	10-Year
-3.6%	8.5%	8.1%	8.6%

DPFP



Total Returns

1-Year	3-Year	5-Year	10-Year
-2.2%	1.5%	2.8%	2.0%

Source: https://publicplansdata.org/public-plans-database/browse-data/ as of 12/31/22

The picture this paints

- Without better investment performance, Dallas Police and Fire will have a more difficult time with cash outflows from the Plan and improving its funding ratio

- Private equity is an asset class that more easily allows for the Fund to generate excess returns

Which is what DPFP's peers are doing

	5-Year Annualized PE Returns
DPFP	**4.3%**
Dallas ERF	16.0%
Houston MEPS	17.6%
Fort Worth ERF	19.1%
Texas TRS	13.9%
Texas MRS	18.3%
Texas CDRS	16.9%
Houston Firefighters	17.4%
Austin Fire	20.1%
Austin Police	11.7%
Average	**16.8%**

Data as of 12/31/22

Objective 6: Evaluate the effectiveness of the current manager selection and their strategies

DPFP's private markets pre-2016 manager selection is a large driver of its underperformance

As of 6/30/23	Returns (5 Year)	
	DPFP	TX Peer Group
Public Equity	8.2%	7.5%
Private Equity	4.8%	17.5%
Fixed Income	1.1%	2.6%
Other Alts	2.5%	6.9%

The gap between DPFP's private market returns and their peers will continue to drive underperformance if left unaddressed

Peer Group consist of similar-size funds in Texas: Houston Firefighters Relief and Retirement Fund, Houston Police Officers' Pension System, Houston Municipal Employees' Pension System, Austin Police Retirement System, Austin Firefighters Retirement Fund, Fort Worth Employees' Retirement Fund, Texas County and District Retirement System

DPFP has performed competitively in its public equity portfolio compared to Texas peers

Data as of 6/30/23	3-Year	5-Year	10-Year
DPFP	10.9%	8.2%	9.3%
HMEPS	9.4%	6.8%	8.2%
Houston Police	12.6%	9.1%	9.7%
Austin Police	11.6%	8.1%	9.4%
Fort Worth ERF	10.7%	6.1%	-

PE manager selection was a problem for DPFP pre-2016

Fund Name	Vintage Year	DPI	Net IRR	Quartile
Huff Alternative Income Fund	1995	1.67	17.8%	2
Oaktree Fund IV	2001	1.65	28.0%	1
Merit Energy Partners E-1	2004	2.13	14.5%	N/A
Pharos Capital Partners IIA	2004	0.64	1.0%	3
Merit Energy Partners F-1	2005	0.43	(17.2%)	4*
Highland Credit Ops	2006	0.85	(2.0%)	4*
Levine Leichtman Capital Partners Deep Value Fund	2006	1.03	0.7%	4
Ashmore Global Special Situations Fund IV	2007	0.62	(9.0%)	4
BankCap Partners Fund I	2007	1.25	2.6%	4
HM Capital Sector Performance Fund	2007	0.94	(4.0%)	4
Oaktree Loan Fund 2x	2007	1.01	0.3%	4
Pharos Capital Co-Investment, LLC	2007	0.50	(10.0%)	4*
CDK Southern Cross	2008	0.00	(20.1%)	4*
Levine Leichtman Capital Partners IV	2008	1.66	20.0%	2
Merit Energy Partners G	2008	0.68	(10.0%)	4*
Pharos Capital Co-Investment, LP	2008	1.69	8.0%	N/A
Yellowstone Capital	2008	0.29	(27.7%)	4*
Lone Star Fund VII	2010	1.71	47.0%	2
Merit Energy Partners H	2010	-0.14	(13.8%)	4*
Oaktree Power Opportunities Fund III	2010	1.61	1.03%	3
Kainos Capital Partners	2012	1.76	24.8%	2
BankCap Partners Opportunity Fund	2013	0.93	(6.0%)	4
Levine Leichtman Capital Partners V	2013	1.64	17.20%	3
Levine Leichtman Capital Partners Private Capital Solutions	2013	2.16	14.0%	N/A
Lone Star Fund VIII	2013	1.05	7.90%	4
Pharos Capital Partners III	2013	1.19	13.0%	1
Lone Star Fund IX	2014	1.12	12.2%	3

Over half of the funds are **Bottom Quartile Performers**

Over one-third of the funds have a **Negative IRR**

Only 2 funds are Top Quartile Performers

Source: 2023 Q1 Dallas Police & Fire Pension Meketa Private Markets Performance Report. https://www.dpfp.org/-financial-/investments/. Preqin Alternative Assets Database. https://pro.preqin.com/discover/funds

*Quartile ranking unavailable on Preqin, but has a negative IRR

Pre-2016 PE manager selection remains a problem for DPFP

Private Equity Portfolio ($219mm)

Fund Name	Vintage Year	Gain/Loss	Net IRR	Quartile
Hudson Clean Energy	2009	$(19,526,488)	(20.97%)	4*
Lone Star CRA	2008	$22,640,961	5.34%	4
Lone Star Growth Capital	2006	$(9,614,842)	(20.47%)	4
Lone Star Opportunities V	2012	$(70,621,681)	(36.17%)	4
Lone Star Bridge Loan	2020	$(362,000)	(6.19%)	4*
North Texas Opportunity Fund	2000	$(8,592,527)	0.68%	2
Industry Ventures Partnership IV	2016	$6,233,846	21.93%	1
Huff Energy Fund LP	2006	$56,936,429	3.50%	N/A
Total		**$(22,906,302)**	**(6.54%)**	

Private Credit Portfolio ($3.8mm)

Fund Name	Vintage Year	Gain/Loss	Net IRR	Quartile
Huff Alternative Fund	2000	$12,676,607	1.74%	2
Highland Crusader Fund	2003	$16,725,841	4.67%	N/A
Riverstone Credit Partners LP	2016	$2,038,749	5.01%	4
Average		**$31,441,197**	**3.81%**	

Source: 2023 Q3 Dallas Police & Fire Pension Meketa Private Markets Performance Report. https://www.dpfp.org/-financial-/investments/. Preqin Alternative Assets Database. https://pro.preqin.com/discover/funds

*Quartile ranking unavailable on Preqin, but has a negative IRR

DALLAS POLICE & FIRE PENSION SYSTEM

Objective 7: Review the adherence to investment policies and guidelines

The DPFP Investment Policy Statement observations

Based on our initial review of the IPS, there are several potential enhancements that we would suggest:

- While DPFP has a robust monitoring policy for Public Managers, the language in Section 7.B could more explicitly outline current staff procedures (quarterly manager calls and written internal reviews, annual review with consultant researcher, etc.)
- In Section 7.A Investment Manager Search and Selection, make clear that IAC reviews and approves written Search Process document
- Add language to clarify that the consultant flags underperforming managers to the Board/IAC on a quarterly basis
- Consider adding a section on Control Procedures to the IPS that addresses how the consultant will provide information to the board regarding performance objectives for each manager, manager probation and watch list criteria, evaluation and analysis of underperformance.

Objective 8: Review the current fee structure and trading costs

DPFP's expenses are below average when compared to peers

System	Fiscal Year End	Net Total Assets	SB 322 Total Direct & Indirect Expenses	SB 322 Total Investment Expense	Annual Audit Investment Expense
Dallas Police & Fire Pension System-Combined Plan	12/31/2022	$1,824	0.64%	0.80%	0.48%
Houston Police Officers' Pension System	6/30/2023	$7,208	2.20%	2.21%	0.11%
San Antonio Fire & Police Pension Fund	12/31/2022	$3,586	1.19%	1.22%	0.41%
Houston Municipal Employees Pension System	6/30/2023	$4,072	1.08%	1.16%	0.24%
Houston Firefighters' Relief & Retirement Fund	6/30/2023	$5,109	0.98%	1.16%	0.18%
Fort Worth Employees' Retirement Fund	9/30/2023	$2,605	1.03%	1.11%	0.15%
Austin Police Retirement System	12/31/2022	$933	0.83%	0.88%	0.21%
Dallas Employees' Retirement Fund	12/31/2022	$3,516	0.54%	0.56%	0.55%
Austin Employees' Retirement System	12/31/2023	$3,279	0.22%	0.26%	0.16%
Average			**0.97%**	**1.04%**	**0.28%**

Source: https://www.prb.texas.gov/wp-content/uploads/2024/07/2024.07.25-Board-Meeting-Packet.pdf

Considerations for the City of Dallas

We recommend that the City of Dallas hire a qualified firm to help the City's understanding of the independently managed pension, who:

1. Helps the City's understanding of factors contributing to the performance of other top performing peers
2. Works with city constituents to improve the City's understanding of the pensions
3. Conducts an ongoing analysis to help the City be better informed on any issues related to performance
4. As needed, prepares ongoing reports and clarifications for the City of Dallas
5. Is able to provide, as needed, recommendations for consideration to achieve best practice

An improvement in long-term performance would increase the funding ratio and lessen the burden on the City and taxpayers

LIMITATIONS & DISCLAIMER

This presentation ("Presentation") has been prepared solely for informational purposes. Under no circumstances shall this Presentation be deemed or construed to be an offer to sell or the solicitation of an offer to buy any securities, and it is not intended to be the basis of any investment decision or any decision to invest.

NOT AN OFFER TO SELL: This presentation is for informational purposes only and is not an offer to sell nor solicitation of an offer to invest in any entity or other investment vehicles. Should an offer be made in the future, each prospective investor shall be provided with a Private Placement Memorandum ("PPM") disclosing the nature and extent of the offering. Further, any interest in any investment has not and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), the securities laws of any state, or the securities laws of any other jurisdiction. If offered, the interests will only be offered and sold in the United States under the exemption provided by Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder."

Although we have taken reasonable care to ensure the statements of facts and opinion contained within this presentation are fair and accurate, such accuracy cannot be guaranteed. Commerce Street Investment Management ("CSIM") does not necessarily have access to information from industry data and in some cases we must use data from third parties and there we cannot ensure the accuracy of the information presented and any information received from third parties may be incomplete or inaccurate. Certain information presented is of high-level summary, condensed and aggregated in nature, and is inherently limited, incomplete, and required the application of simplifications, generalizations and assumptions to produce. CSIM expressly disclaims any representation or warranty as to the accuracy, completeness, availability or timeliness of the information presented.

This document may contain statements that are not purely historical in nature but are "forward-looking statements." These include, among other things, projections, forecasts, estimates of income, yield or return or future performance targets. These forward-looking statements are based upon certain assumptions, some of which are described herein. Actual events are difficult to predict and may substantially differ from those assumed. All forward-looking statements included herein are based on information available on the date hereof and CSIM assumes no duty to update any forward-looking statement. Accordingly, there can be no assurance that estimated returns or projections can be realized, that forward-looking statements will materialize or that actual returns or results will not be materially lower than those presented.

Commerce Street Investment Advisor ("CSIA"), dba Commerce Street Investment Management ("CSIM"), is a wholly-owned subsidiary of Commerce Street Holdings LLC, a Texas limited liability company.

Past Performance is no Guarantee of Future Results

Diversification of your overall investment portfolio does not assure a profit or protect against a loss in declining markets

DALLAS POLICE & FIRE PENSION SYSTEM

DPFP RESPONSE TO FINAL COMMERCE STREET REPORT

Date:	August 9, 2024
To:	City of Dallas and DPFP Board
From:	DPFP Investments Staff
Subject:	Commerce Street Investment Management Final Report on DPFP

Executive Summary

The City of Dallas engaged Commerce Street to provide a report evaluating the investment practices of both the Dallas Police and Fire Pension System (DPFP) and Dallas Employee's Retirement Fund. DPFP expresses its appreciation to the City of Dallas and Commerce Street Investment Management for the opportunity to comment on the Commerce Street report.

Over the past several months, DPFP's investment staff has met with Commerce Street on several occasions in an attempt to inform them of both institutional investment practices and how DPFP operates the plan. While some of the initial errors and misstatements in drafts of the report were corrected, the report provided by Commerce Street remains an incomplete and inaccurate representation of DPFP. Unfortunately, Commerce Street has chosen to omit substantial and material information provided by DPFP that offers readers appropriate context for understanding the System's past underperformance, current governance structure, and how DPFP is positioned to succeed in the future.

As required by state law, DPFP and all other public pension plans in Texas submit to the Pension Review Board (PRB), a formal Investment Practices and Performance Evaluation (IPPE) conducted by a firm with substantial experience in evaluating institutional investors. The IPPE report evaluates the appropriateness, adequacy, and effectiveness of a retirement system's investment practices and performance. The most recent DPFP IPPE, which can be found on the PRB Website here, is a far more comprehensive and informed evaluation than the Commerce Street report. DPFP staff has provided the IPPE report to Dallas City Council Members, City of Dallas staff, and Commerce Street on several occasions.

The primary recommendation of the Commerce Street report appears to be that the City of Dallas should hire a qualified firm or internal staff to gain a better understanding of DPFP. The City already appoints a majority of the DPFP Board. The Board along with a very skilled and experienced Investment Advisory Committee (IAC) and Investment Consultants acting as fiduciaries provide robust oversight of all aspects of the investment function. DPFP does not believe that the City hiring internal staff or an outside group with no fiduciary responsibility could add any value.

The following pages outline selected areas where DPFP agrees with Commerce Street's observations but also highlights seemingly intentionally omitted information, and unsupported, misleading, or disputed investment claims within the final version of the Commerce Street report.

DALLAS POLICE & FIRE PENSION SYSTEM

DPFP Agreement with Commerce Street Observations

- **Legacy assets (p. 3) and poor manager selection in the mid-2000s (p. 41, 42) are largely responsible for historical underperformance.**
  - DPFP agrees with this assessment and has hired a specialty private markets consultant, Albourne, to assist in building a robust and institutional quality private markets portfolio moving forward.

- **Commerce Street has recommended increasing the target allocation to private equity.**
  - DPFP staff is currently recommending an increase to the private markets target allocation – including increasing the private equity allocation and creating a new private credit allocation – as part of the Asset Allocation Study which has been underway since March 2024.

Intentionally Omitted Information

- **Objective 4: Identify areas of potential risk and propose risk mitigation strategies (p. 30).**
  - The report fails to provide any analysis of risks, nor does it offer any substantive recommendations for how these risks might be mitigated. Commerce Street was provided with extensive information as well as detailed explanations on the elements of plan risks listed on page 32 of the report (asset allocation, risk, and liquidity; policies and procedures; and reporting and benchmarking). Commerce Street omitted this information from the final report.

- **Objective 7: Review the adherence to investment policies and guidelines (p. 43).**
  - Commerce Street fails to evaluate whether DPFP adheres to investment policies and guidelines. The below excerpt from the most recent IPPE report includes this evaluation:

Conclusions

Subsection	Overall Status	Adhering to established policies?
A. Investment Policy Statement analysis	Meets Industry Best Practices	Yes
B. Asset allocation (and liability) process review and execution	Meets Industry Best Practices	Yes
C. Fees review and procedures	Meets Industry Best Practices	Yes
D. Governance processes	Meets Industry Best Practices	Yes
E. Investment manager selection and monitoring	Meets Industry Best Practices	Yes

  - DPFP provided an in-depth explanation to Commerce Street of the Investment Policy Statement (IPS) with the intent of ensuring their understanding of institutional investment policies. DPFP also described the annual IPS review and Board approval process, as well as emphasizing that our IPS complies with both CFA and Texas PRB guidelines.
  - Commerce Street's recommendation that DPFP add a "Control Procedures" section to the IPS is not necessary. The IPS clearly addresses these objectives in Appendix C.

DALLAS POLICE & FIRE PENSION SYSTEM

Unsupported, Misleading, or Disputed Investment Claims

- **"Dallas Police & Fire's recent returns have not been high enough to maintain the market value of the pension fund" (p. 8).**
    - DPFP is unclear what this sentence intends to convey. If Commerce Street means to say that they would expect the market value to have dropped, this is not factually supported as DPFP's market value has been relatively stable since 2017. The table on page 8 does not support their conclusion as it shows an increase in both the market value of assets and the funded ratio.

- **"Need to target reducing volatility risk and improving risk adjusted asset allocation at DPFP as well as PE manager selection" (p. 4); Having more private equity would reduce the risk of the portfolio (p. 15); and "Private equity (and other private assets) is an asset class that has the highest expected risk-adjusted return" (p. 35)**
    - Adding private equity does not decrease the risk of the portfolio – this is a fundamental concept that is widely accepted amongst institutional investors. Further, institutional investors concur that private equity is one of the riskiest asset classes.
    - The chart on page 15 of the report implies that adding alternatives to a portfolio reduces the volatility; however, volatility risk present in alternatives is far greater than what is measured by appraisal-based indices.
    - The 2023 Horizon Survey of Capital Market Assumptions, which compiles investment assumptions from institutional consultants across the country, presents a clear illustration of the higher risk inherent in private equity. The median annualized geometric return expectation for private equity over the next ten years is 9.5%, with a standard deviation of 22.6%. Compare this with a median return expectation of 6.9% and a standard deviation of 16.6% for domestic large cap equities.
    - While private equity has been one of the top performing asset classes looking backward, institutional consultants broadly acknowledge that the environment may very well be different moving forward.

- **"DPFP's portfolio was comprised of 78% Equity (including Legacy)/ 22% Fixed Income & Credit" (p. 9).**
    - DPFP's Policy Index, which is well defined in the IPS and was provided to Commerce Street on multiple occasions, is not a 75% Equity/25% Fixed Income index. Furthermore, Commerce Street is over-generalizing "equity" in their statement by including real estate, infrastructure, and agriculture investments in the "equity" category.
    - Additionally, Commerce Street's assertion that a 75/25 or 80/20 allocation is more typical is not accurate, and no support is provided for this statement.

DALLAS POLICE & FIRE PENSION SYSTEM

- **Benchmarks presented are not DPFP's official benchmarks (p. 11, 20).**
    - For example, MSCI ACWI is presented rather than MSCI ACWI IMI, which is a broader representation of the investible public equity universe and is DPFP's official benchmark for public equities.

- **Foreign equities are worse than domestic equities (p. 14).**
    - DPFP agrees that from the end of 2023 looking backward, domestic equities have performed better than foreign equities with less volatility. However, there is severe end-point bias. Analysis of rolling historical returns confirms that there are also periods when foreign equities have outperformed.
    - DPFP takes a global approach, hiring institutional quality investment managers who make informed decisions about where the best opportunities exist in the entirety of the opportunity set. This at times leads them to over- or underweight different geographies. Many institutional investors take a global approach to their public equity portfolio.

- **"Utilizing a top quartile allocation with indices could have resulted in top quartile returns" (p. 24).**
    - This analysis is flawed. Of course, choosing the best performing asset allocation on a backwards-looking basis would produce the best returns knowing that allocation drives a majority of return outcomes.
    - Additionally, many of the indices included are not investible, meaning an investor cannot simply "utilize" passive exposure to invest in private equity, private credit, or private real estate.

- **"We should define a strong peer group" (p. 26).**
    - Commerce Street's selected peer group is inconsistent throughout the report. The peer group changes across pages 26, 27, 29, 34, 37, and 39.
    - Additionally, Commerce Street fails to explain why a small and rotating group of Texas-specific peers would be more robust than comparing with top performing peers across the nation (which DPFP does on a regular basis through quarterly consultant reporting).

- **Austin Police Asset Allocation (pg. 29)**
    - While Commerce Street asserts that more private equity is the solution to higher returns, Austin Police – which has the lowest private equity allocation of the peer plans shown – has one of the highest 1, 3, and 5 year returns as presented on page 27 for peer plans reporting returns as of 12/31/23.

- **"Under-allocation to PE/PM all but ensures DPFP will not be a top-performing pension fund and improve its funding status" (p. 36).**
    - This claim by Commerce Street seems to be based solely on historical performance of the private equity asset class, which any institutional investor would acknowledge is no guarantee of future results. Commerce Street fails to make any case, let alone a convincing one, that private equity is the best solution to achieving higher risk-adjusted returns.

- **"The gap between DPFP's private market returns and their peers will continue to drive underperformance if left unaddressed" (p. 39).**
    - This statement seems to suggest that the private markets underperformance is not being addressed. DPFP has made significant progress in unwinding legacy investments in a prudent manner and continues to spend a significant amount of time addressing private markets.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C4

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, November 14, 2024

DALLAS POLICE & FIRE PENSION SYSTEM

Portfolio Update

November 14th, 2024

Board Meeting

Executive Summary

- **Estimated YTD Return (As of 10/31/24):** 7.6% for DPFP Portfolio; 11.5% for Public Portfolio (ex-Cash) which makes up 76% of the assets.
- **Liquidation of private market assets remains a top focus.**
  - ~$64M 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 were rebalanced into IG Bonds, Bank Loans and Global Equity in October.

Investment Initiatives – 2024/25 Plan

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.

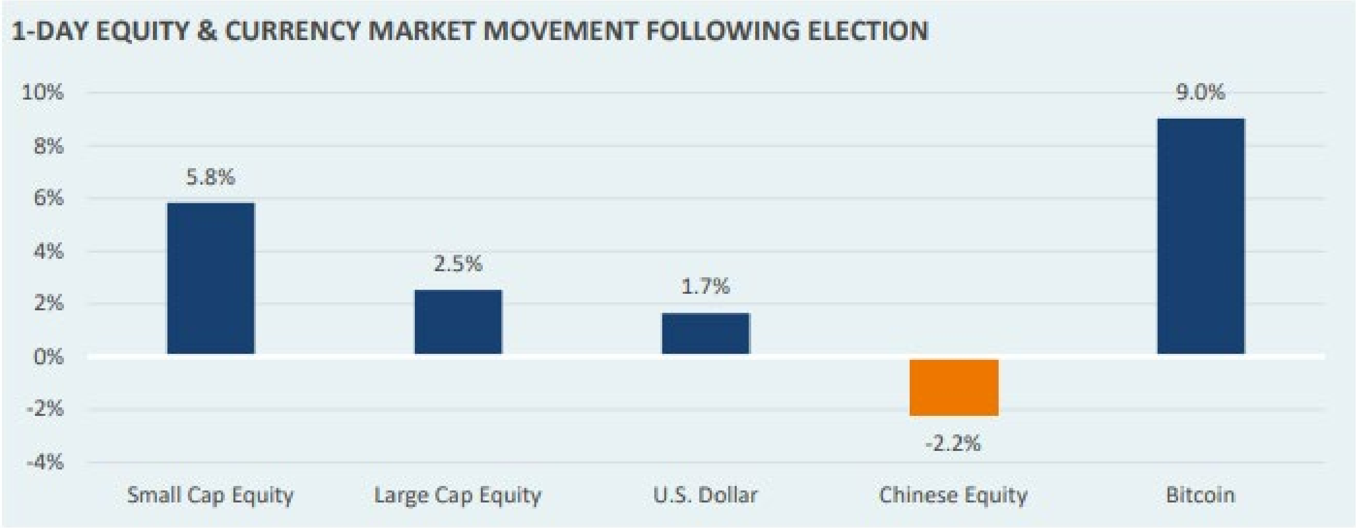
Q1 2025

- Private Credit Pacing Plan
- Public Equity and Public Credit Asset Class Structure updates
- Potential High Yield Search

Q2 2025 & Beyond

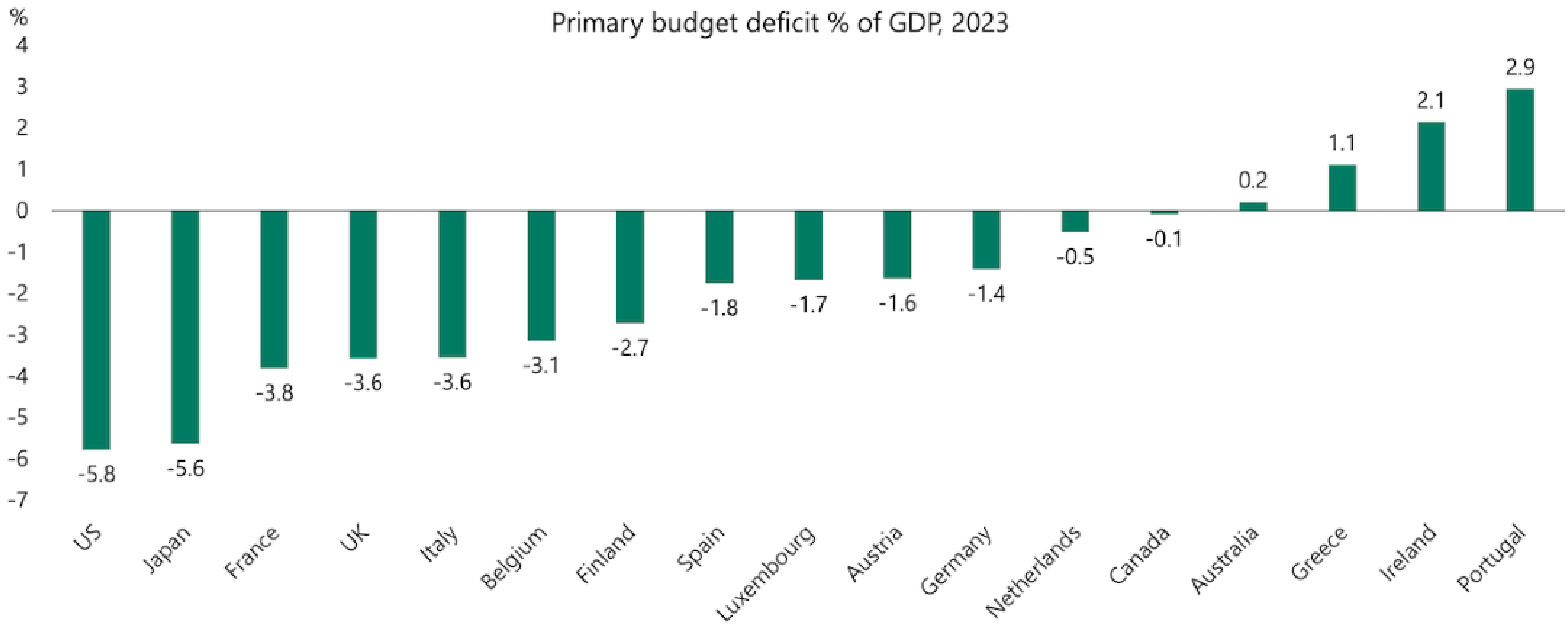
- Private Equity Pacing Plan
- Initial New Private Market Investments

Market Movements Following Election



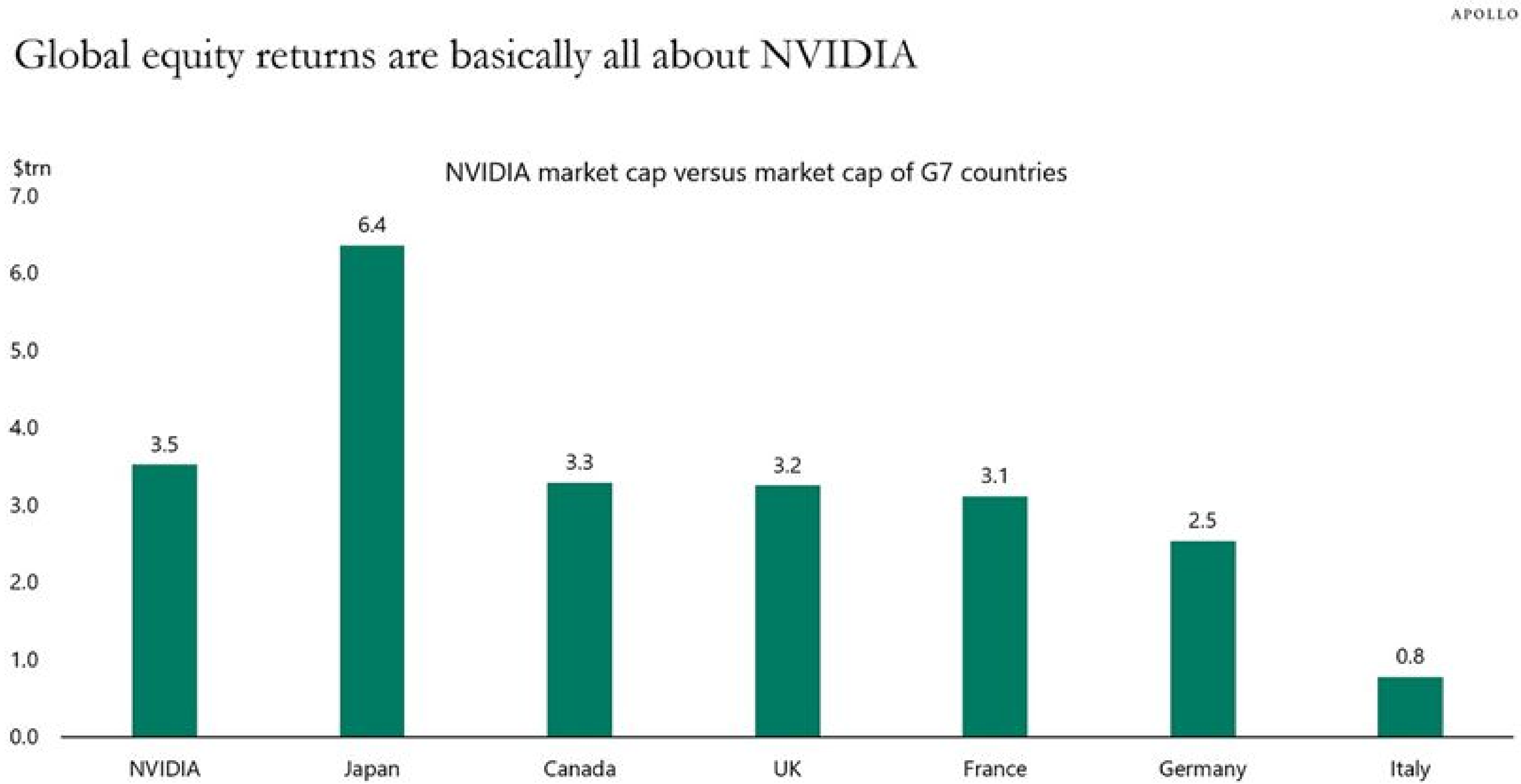
Source: Verus, ICE, FTSE Russell, Standard & Poor's, Coindesk, Hang Seng, U.S. Treasury, FRED, as of 11/6/24 market close

US Budget Deficit Largest Among OECD Countries

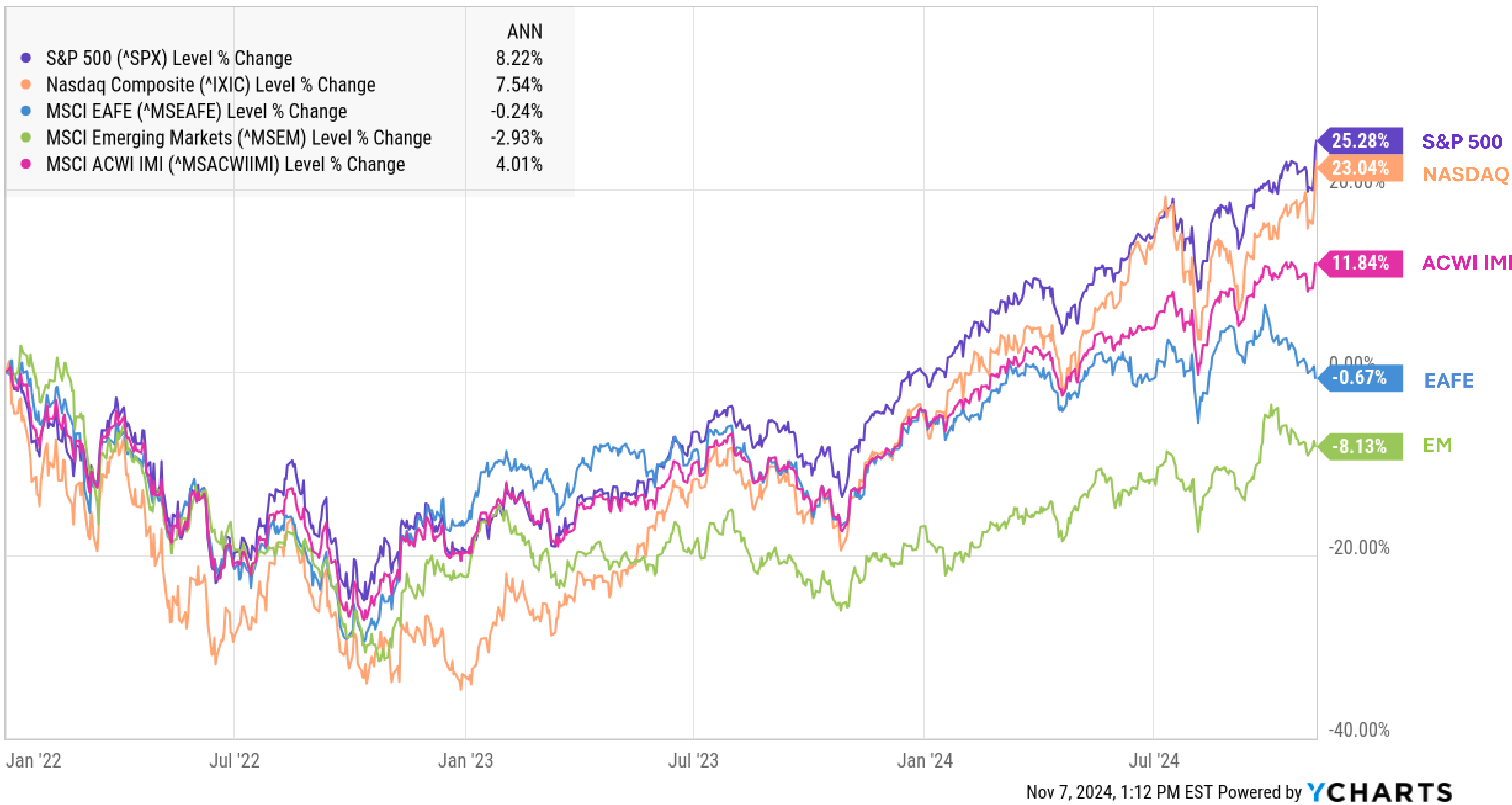


Source: Apollo

NVIDIA Market Cap vs G7 Countries (As of 10/24/24)



Equity Market Returns (1/1/22 to 11/06/24)



Public Markets Performance Snapshot

Dallas Police & Fire System

Asset Allocation & Performance | As of October 31, 2024

Performance Summary Ending October 31, 2024	Market Value ($)	1 Mo (%)	YTD (%)	3 Yrs (%)	5 Yrs (%)
Total Public Portfolio (ex-Cash)	**1,523,572,620**	**-2.0**	**11.5**	**3.7**	**7.4**
60% MSCI ACWI IMI Net/40% Bloomberg Global Aggregate Index		*-2.7*	*8.9*	*1.4*	*5.9*
Public Equity	**1,100,747,128**	**-2.5**	**13.6**	**4.4**	**10.3**
MSCI AC World IMI Index (Net)		*-2.3*	*15.1*	*4.9*	*10.7*
Global Equity	**998,405,207**	**-2.2**	**14.0**	**4.6**	**10.7**
MSCI AC World IMI Index (Net)		*-2.3*	*15.1*	*4.9*	*10.7*
Boston Partners Global Equity Fund	119,380,029	-3.8	10.3	7.8	10.9
MSCI World Net		*-2.0*	*16.5*	*6.4*	*12.0*
Manulife Global Equity Strategy	119,930,390	-2.4	12.4	6.2	10.0
MSCI ACWI Net		*-2.2*	*16.0*	*5.5*	*11.1*
Walter Scott Global Equity Fund	121,897,042	-2.3	9.5	3.3	10.1
MSCI ACWI Net		*-2.2*	*16.0*	*5.5*	*11.1*
WCM Global Equity	130,161,997	1.2	25.7	--	--
MSCI AC World Index Growth (Net)		*-2.0*	*18.6*	*4.4*	*13.5*
NT ACWI Index IMI	389,747,211	-2.3	15.4	5.4	--
MSCI AC World IMI Index (Net)		*-2.3*	*15.1*	*4.9*	*10.7*
Eastern Shore US Small Cap	61,996,872	0.2	14.9	-1.1	--
Russell 2000 Index		*-1.4*	*9.6*	*0.0*	*8.5*
Global Alpha International Small Cap	55,291,666	-7.6	0.2	--	--
MSCI EAFE Small Cap (Net)		*-6.3*	*4.1*	*-3.0*	*4.1*

Public Markets Performance Snapshot

Dallas Police & Fire System

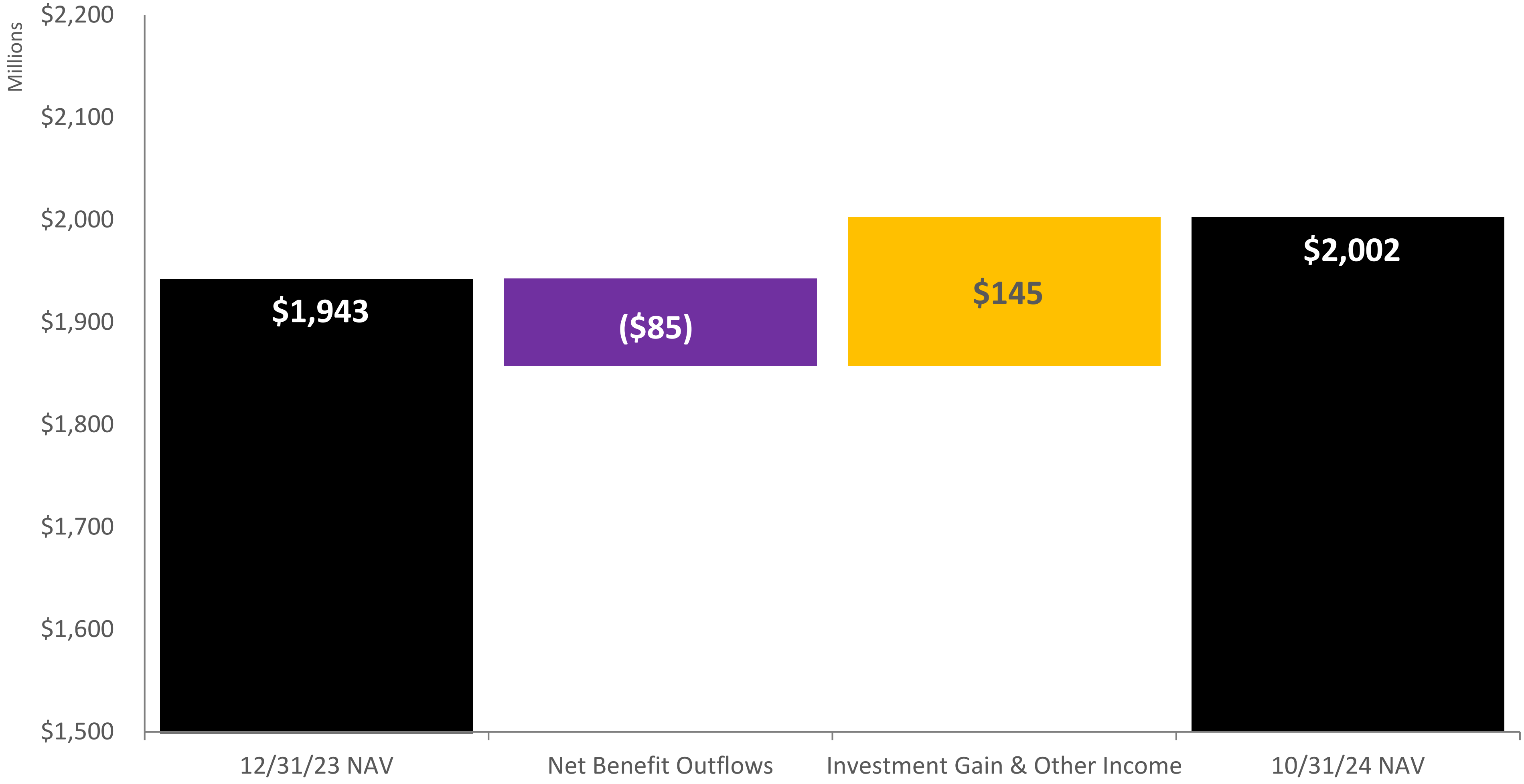
Asset Allocation & Performance | As of October 31, 2024

	Market Value ($)	1 Mo (%)	YTD (%)	3 Yrs (%)	5 Yrs (%)
Emerging Markets Equity	**102,341,921**	**-5.1**	**10.4**	**1.8**	**4.5**
MSCI Emerging Markets IMI (Net)		*-4.4*	*11.2*	*-0.8*	*4.7*
RBC Emerging Markets Equity	102,341,921	-5.1	10.4	1.8	4.5
MSCI Emerging Markets IMI (Net)		*-4.4*	*11.2*	*-0.8*	*4.7*
Public Fixed Income	**422,825,492**	**-0.8**	**5.6**	**0.5**	**2.1**
Bloomberg Global Multiverse Index		*-3.3*	*0.4*	*-3.8*	*-1.4*
IR&M 1-3 Year Strategy	122,609,796	-0.5	4.3	1.9	2.1
Blmbg. U.S. Aggregate 1-3 Yrs		*-0.6*	*3.8*	*1.4*	*1.5*
Longfellow Core Fixed Income	80,534,219	-2.5	2.8	-1.8	--
Blmbg. U.S. Aggregate Index		*-2.5*	*1.9*	*-2.2*	*-0.2*
Aristotle Pacific Capital Bank Loan	82,858,158	1.0	7.5	7.1	6.0
Credit Suisse Leveraged Loan		*0.8*	*7.5*	*6.5*	*5.9*
Loomis US High Yield Fund	67,972,967	-0.4	7.9	2.2	--
Blmbg. U.S. High Yield - 2% Issuer Cap		*-0.5*	*7.4*	*3.0*	*4.5*
Metlife Emerging Markets Debt Blend	68,850,353	-1.9	6.0	--	--
35% JPMEMBI Glbl/35% JPM CEMBI Broad Div/30% JPMGBI-EM Di		*-2.3*	*4.8*	*--*	*--*

Change in Market Value Bridge Chart - As of 10/31/24

In Millions

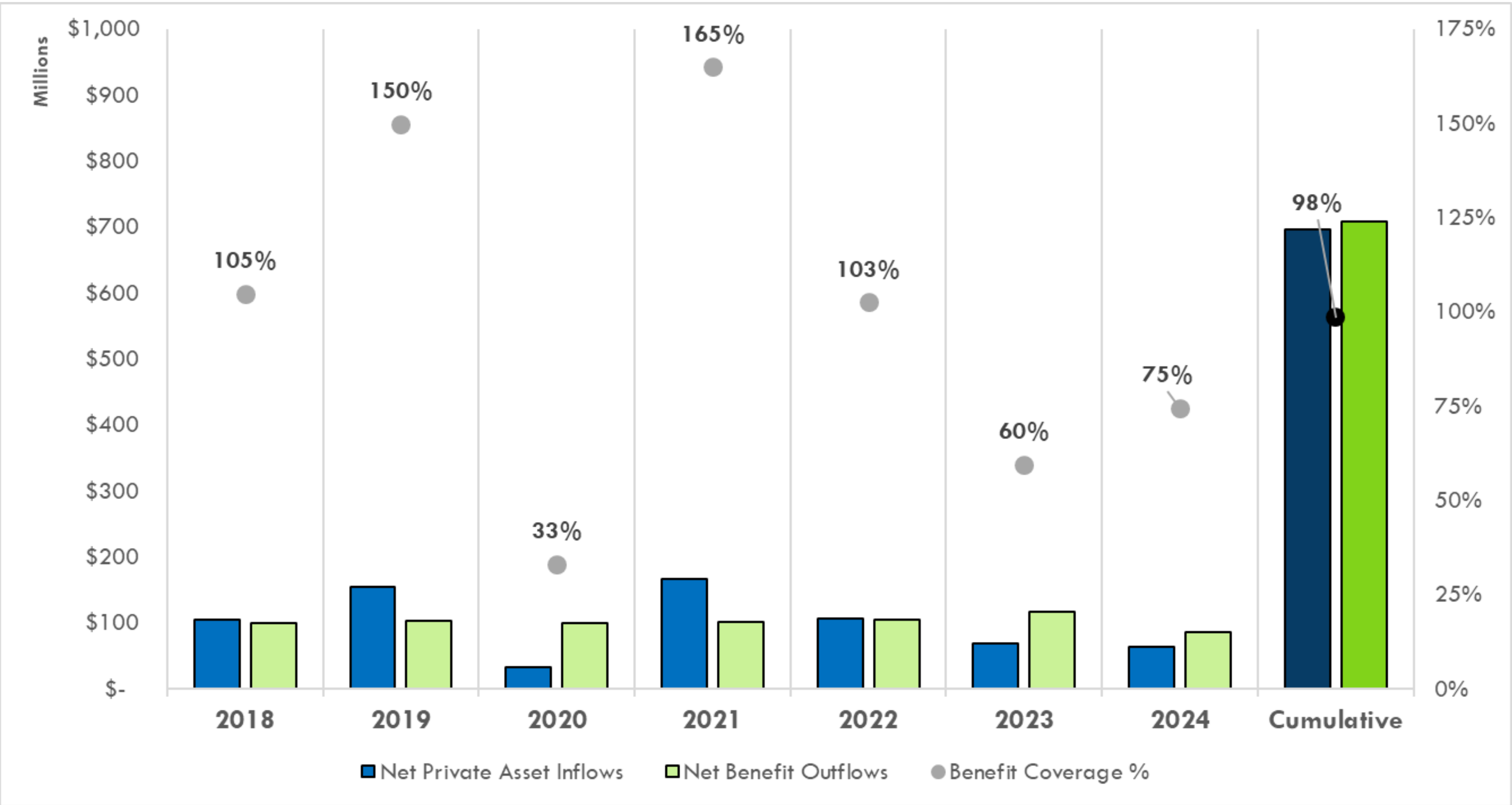
2024 YTD Preliminary Investment Return estimated at 7.6%



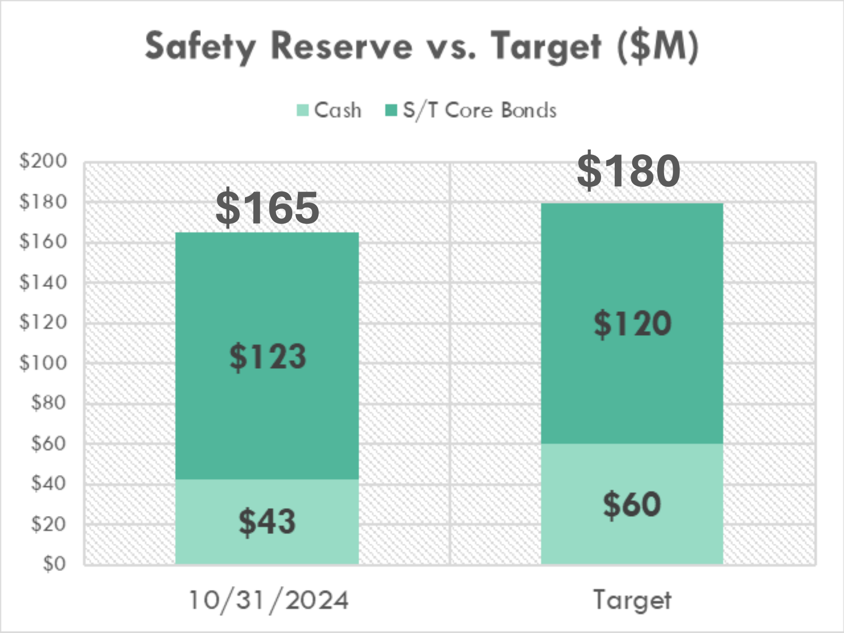
The beginning 12/31/23 value is from the Q4 2023 Meketa Performance Report and includes a one-quarter lag on private assets.
Numbers may not foot due to rounding.

Benefit Outflow Coverage

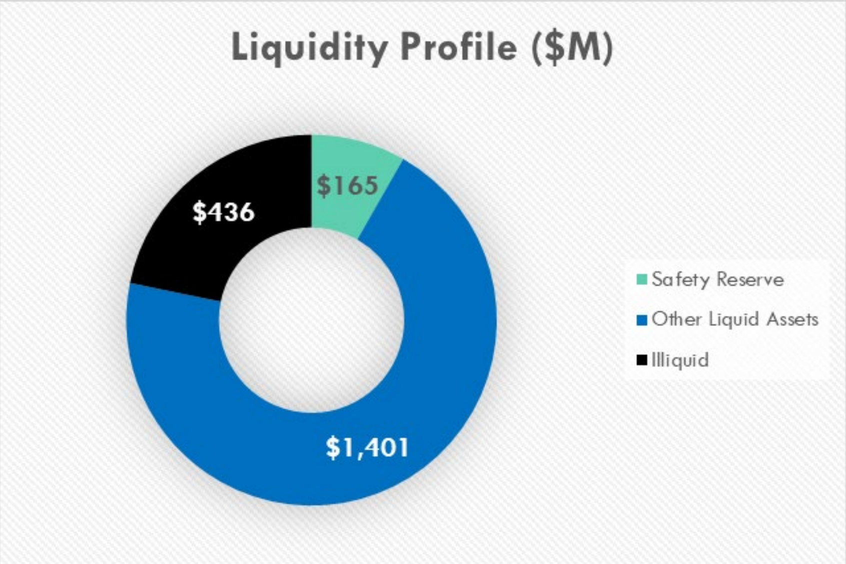
Since 2018, net Private Asset inflows have covered 98% of net benefit outflows.



Safety Reserve Dashboard – As of 10/31/24



Projected Net Monthly outflows of **$8.3M** per month. Safety Reserve of **$165M** would cover net monthly outflows for next **19 months** or through **June 2026.**



Expected Cash Activity	Date	Amount ($M)	Projected Cash Balance ($M)	Projected Cash (%)
	10/31/24		**$42.5**	**2.1%**
City Contribution	11/8/24	$9.7	$52.2	2.6%
City Contribution	11/22/24	$9.7	$62.0	3.1%
Pension Payroll	11/27/24	($28.7)	$33.2	1.7%
City Contribution	12/6/24	$9.7	$42.9	2.1%
City Contribution	12/20/24	$9.7	$52.7	2.6%
Pension Payroll	12/25/24	($28.7)	$23.9	1.2%
City Contribution	1/3/25	$9.7	$33.6	1.7%
City Contribution	1/17/25	$9.7	$43.4	2.2%
Pension Payroll	1/29/25	($28.7)	$14.6	0.7%
City Contribution	1/31/25	$9.7	$24.4	1.2%

Numbers may not foot due to rounding.

DALLAS POLICE & FIRE PENSION SYSTEM

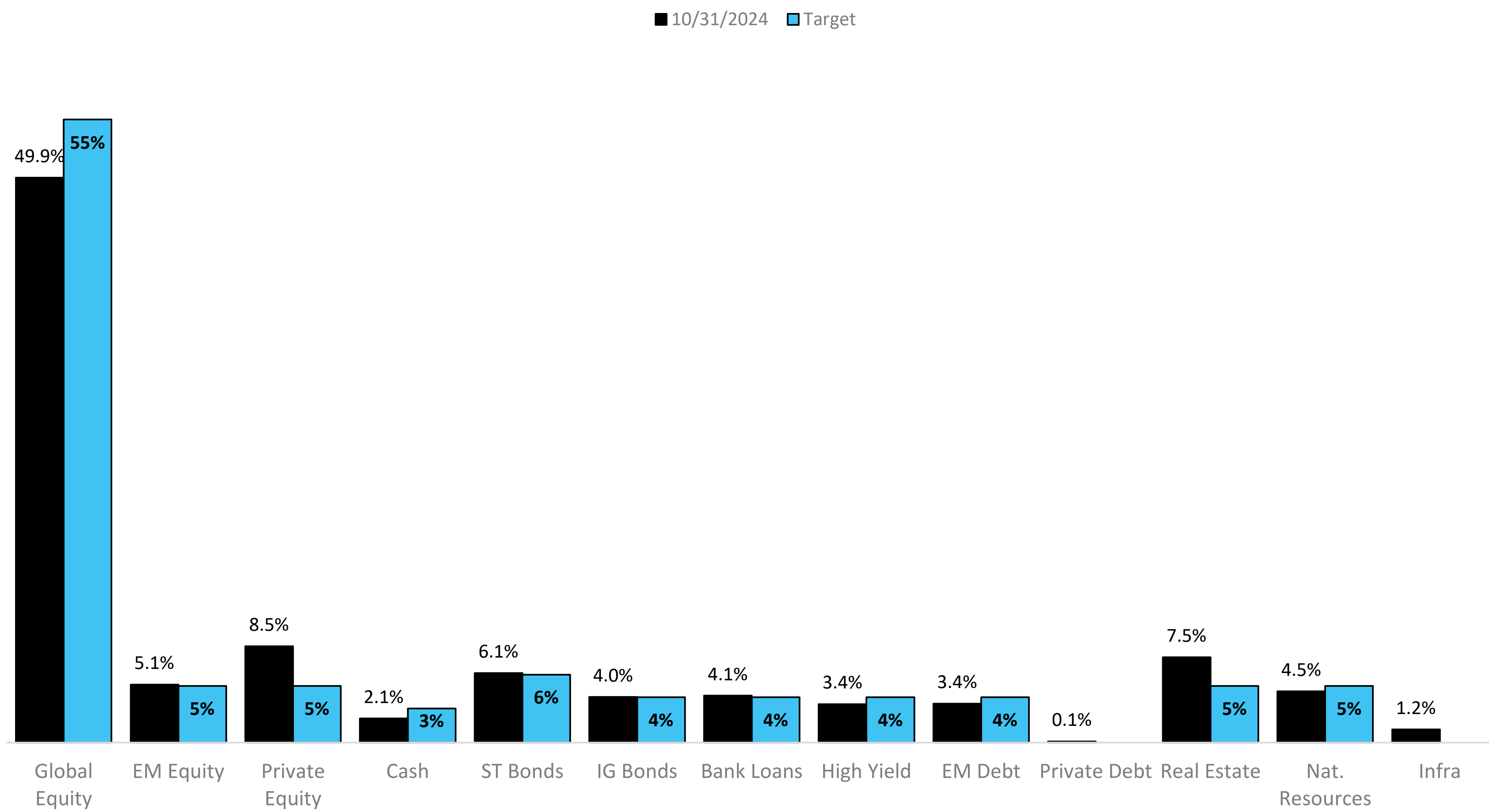
Asset Allocation Detail

DPFP Asset Allocation	10/31/2024 NAV	%	Targets $ mil.	%	% of Target	Variance $ mil.	%
Equity	**1,271**	**63.5%**	**1,302**	**65%**	**98%**	**-31**	**-1.5%**
Global Equity	998	49.9%	1,101	55%	91%	-103	-5.1%
Boston Partners	*119*	*6.0%*	*120*	*6%*	*99%*	*-1*	*0.0%*
Manulife	*120*	*6.0%*	*120*	*6%*	*100%*	*0*	*0.0%*
Walter Scott	*122*	*6.1%*	*120*	*6%*	*101%*	*2*	*0.1%*
WCM	*130*	*6.5%*	*120*	*6%*	*108%*	*10*	*0.5%*
Northern Trust ACWI IMI Index	*390*	*19.5%*	*501*	*25%*	*78%*	*-111*	*-5.5%*
Eastern Shore US Small Cap	*62*	*3.1%*	*60*	*3%*	*103%*	*2*	*0.1%*
Global Alpha Intl Small Cap	*55*	*2.8%*	*60*	*3%*	*92%*	*-5*	*-0.2%*
Emerging Markets Equity - RBC	102	5.1%	100	5%	102%	2	0.1%
Private Equity*	170	8.5%	100	5%	170%	70	3.5%
Fixed Income	**467**	**23.3%**	**501**	**25%**	**93%**	**-34**	**-1.7%**
Cash	43	2.1%	60	3%	71%	-18	-0.9%
S/T Investment Grade Bonds - IR+M	123	6.1%	120	6%	102%	2	0.1%
Investment Grade Bonds - Longfellow	81	4.0%	80	4%	101%	0	0.0%
Bank Loans - Aristotle Pacific	83	4.1%	80	4%	103%	3	0.1%
High Yield Bonds - Loomis Sayles	68	3.4%	80	4%	85%	-12	-0.6%
Emerging Markets Debt - MetLife	69	3.4%	80	4%	86%	-11	-0.6%
Private Debt*	2	0.1%	0	0%		2	0.1%
Real Assets*	**264**	**13.2%**	**200**	**10%**	**132%**	**64**	**3.2%**
Real Estate*	151	7.5%	100	5%	151%	51	2.5%
Natural Resources*	90	4.5%	100	5%	90%	-10	-0.5%
Infrastructure*	23	1.2%	0	0%		23	1.2%
Total	**2,002**	**100.0%**	**2,002**	**100%**		**0**	**0.0%**
Safety Reserve ~$162M=18 mo net CF	165	8.2%	180	9%	92%	-15	-0.8%
*Private Market Assets	436	21.8%	300	15%		136	6.8%

Source: Preliminary JP Morgan Custodial Data, Staff Estimates and Calculations.
Numbers may not foot due to rounding

DALLAS POLICE & FIRE PENSION SYSTEM

Asset Allocation – Actual vs Target



DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C5

Topic: **Investment Policy Statement Review & Amendments**

Discussion: At the September 26, 2024 IAC meeting, staff discussed changes needed to the Investment Policy Statement (IPS) regarding the updated Asset Allocation, new private markets program, updated rebalancing language, updates to sections based on Texas Pension Review Board guidance and other minor changes. Staff will review the proposed changes to the IPS with the Board.

Staff Recommendation: **Approve**, to be effective 1/1/2025, the proposed revised Investment Policy Statement

Investment Policy Statement (IPS) Amendments

November 14, 2024

Investment Policy Statement Revisions

- The Investment Policy Statement (IPS) was last updated in October 2023.
- The IPS needs to be updated for the new long-term Asset Allocation, and incorporate other changes around the private markets program, rebalancing, updated PRB guidance, etc.
- Staff discussed the major planned changes with the IAC in September.
- This presentation will review key changes to the IPS. A full redlined version of the IPS are attached to this item.

Section 2 – Goals, Objectives and Constraints

- Simplified to single Goal – Earn investment return that is sufficient to meet obligations of the plan.
- Removed constraint regarding liquidity and weak funded status based on move to ADC funding.

Section 2 Goals, Objectives, and Constraints

A. Goals

~~1.~~ Earn a long-term, net of fees, investment return that, together with contributions, will be sufficient to meet current and future obligations of the plan when due, subject to any legal requirements.

~~2. Earn a long-term, net of fees, investment return greater than the actuarial return assumption.~~

B. Objectives

1. Maintain a diversified asset allocation that seeks to ~~maximize~~meet the investment return goal while accepting prudent exposure to key investment risks.
2. Meet or exceed~~Outperform~~ the Policy Benchmark[1] over rolling five-year periods.
3. Control and monitor the costs of administering and managing the investments.

C. Constraints

~~1. DPFP will be managed on a going-concern basis. The assets of the Fund will be invested with a long-term time horizon, while being cognizant of the weak actuarial funded ratio and ongoing liquidity needs.~~

~~2.~~1. The Board intends to maintain sufficient liquidity in either cash equivalents or short-term investment grade bonds to meet 18 months of anticipated benefit payments and expenses (net of contributions).

~~3.~~2. DPFP is a tax-exempt entity. Therefore, investments and strategies will be evaluated on a basis that is generally indifferent to taxable status.

Asset Class Structures – Section 6.B

- Asset Class Structures will be short written memo/policy like documents approved by the Board (rather than a consultant presentation containing other information).
- Clarifies that the Asset Class Structures only apply to public market asset classes with multiple underlying strategies (Public Equity and Public Credit).
- Added requirement for manager allocation ranges.
- Staff plans to present Public Equity and Public Credit Asset Class Structures to IAC in January.

B. Asset Class Structure

1. An Asset Class Structure will be prepared for any public market asset class with multiple managers.
2. The Asset Class Structure will be a document that establishes the investment manager roles, allocations and ranges, and any implementation considerations for the asset class.
3. Asset Class Structures should emphasize simplicity and cost control, and toward that end will consider passive strategies and employ the minimum number of managers necessary to assure appropriate diversification within each asset class.
4. Asset Class Structures will be reviewed periodically, approximately every two years.
5. Any changes to the Asset Class Structure must be approved by the Board.

Safety Reserve & Rebalancing – Section 6.C & D

- Staff and Meketa have discussed the merits of increasing flexibility in the current rebalancing language, which is rigid and requires multiple levels of approval.
- The updated language is more consistent with other plan's IPS language per Meketa and based on a review by Staff.
- **Changes:**
  - Moved Safety Reserve draw-down language out of Rebalancing section and into Safety Reserve section (6.C.1 & 2)
  - Allows for rebalancing to move Asset Classes and managers within their range, rather than only towards the target. Though it is not expected, this would allow tactical rebalancing within the ranges, subject to Consultant and Executive Director approval. (6.D.4 & 5)
  - Clarifies that Rebalancing Recommendations and General Consultant/Executive Director approval will be **written** (6.D.3 & 7)

DALLAS POLICE & FIRE PENSION SYSTEM

Updated Rebalancing Language – Section 6.D

Section 6 Strategic Asset Allocation and Rebalancing (continued)

D. Rebalancing

1. Investment Returns (gains or losses) and cash flows affect the value of each asset class in the portfolio. These changes will cause the actual allocation to differ from asset allocation targets, which may require rebalancing.

~~1.~~2. It is expected to take multiple years to fully transition from the current exposure in~~to~~ ~~the~~ private markets towards the long-term asset allocation.

~~2.~~3. Staff shall submit a written rebalancing recommendation to the General Consultant and Executive Director at least annually based on consideration of the entire portfolio, and additionally as soon as practicable when an asset class breaches an established ~~rebalancing~~ range or when deemed prudent by Staff or General Consultant.

4. Rebalancing will be used to keep asset classes within their defined ranges, to keep underlying strategies consistent with the approved Asset Class Structures and to ensure sufficient assets in the Safety Reserve to meet anticipated cash flows. Rebalancing actions must move asset classes and the underlying strategies within the established ranges.

5. While rebalancing actions will generally move an asset class towards the target, moves away from target may be appropriate given market conditions and volatility, forward-looking cash flows, and liquidity, provided such a move is deemed prudent by Staff and the General Consultant.

~~3. Rebalancing actions must move an asset class or the Safety Reserve towards its target allocation.~~

~~3. The Safety Reserve will be evaluated based on both the percentage allocation and the total dollars required for 18 months of expected, forward net benefit cash outflows when making rebalancing recommendations.~~

~~3. The Safety Reserve is not required to be rebalanced to target if deemed prudent by Staff and Consultant during periods of market stress.~~

~~3. Staff will notify the Board if the determination has been made to draw down the Safety Reserve to meet liquidity needs, rather than rebalancing to target. After the commencement of a draw down period in the Safety Reserve, staff will notify the Board if the determination has been made to restore the Safety Reserve to the target.~~

6. Rebalancing recommendations should consider expected future cash flows, investment liquidity, market volatility, and costs. Transition management should be considered to minimize transition costs.

~~4.~~1. ~~Transition management should be considered to minimize transition costs.~~

~~5.~~7. Staff is responsible for implementing the rebalancing plan following General Consultant and Executive Director written approval.

~~6.~~8. Rebalancing ~~recommendations and~~ activity shall be reported to the Board and the IAC.

Updated Long Term Asset Allocation

- The Board approved the new Long Term Asset Allocation at the October Board meeting.
- Appendix A (Asset Class Descriptions) and Appendix B (Asset Allocation Targets, Ranges and Benchmarks) the IPS have been updated to reflect the new Asset Allocation.

Asset Class	Policy Benchmark	Target Weight	Minimum Weight	Maximum Weight
Equity		**64%**		
Public Equity	MSCI ACWI IMI Net	58%	50%	66%
Private Equity	MSCI ACWI IMI Net + 2% 1Q lag	6%	N/A[1]	N/A[1]
Huff Energy	Actual Return of Fund[2]	0%	N/A[1]	N/A[1]
Credit		**15%**		
Public Credit	35% Bloomberg US HY Index, 35% Credit Suisse Leveraged Loans, 30% Blended EMD Benchmark[3]	11%	7%	15%
Private Credit	50% Bloomberg US HY / 50% Credit Suisse Leveraged Loans + 1.50% 1Q Lag	4%	N/A[1]	N/A[1]
Real Assets		**8%**		
Real Estate	NCREIF Property Index 1Q Lag	5%	N/A[1]	N/A[1]
Natural Resources	NCREIF Farmland TR Index 1Q Lag	5%	N/A[1]	N/A[1]
Infrastructure	S&P Global Infrastructure[2]	0%	N/A[1]	N/A[1]
Fixed Income & Cash		**13%**		
Cash	91 Day T-Bills	3%	0%	6%
Short Term Investment Grade Bonds	Bloomberg Barclays 1-3 Year U.S. Aggregate TR	6%	0%	9%
Investment Grade Bonds	Bloomberg Barclays U.S. Aggregate TR	4%	2%	6%
Total		**100%**		

1 - Rebalancing Ranges are not established for illiquid asset classes.
2 – Huff Energy and Infrastructure benchmarks are for purposes of the Allocation Index and are not included in the Policy Index.
3 - Emerging Markets Debt benchmark consists of 35% JPMEMBI Global / 35% JPM CEMBI Broad Diversified / 30% JPM GBI-EM.

DALLAS POLICE & FIRE PENSION SYSTEM

Private Market Provisions

- Added Private Markets Consultant section (5.F)
- Added Private Market Manager Selection Process (7.B) including annual pacing plans, IAC sub-committee review and Board approval process
- Reviewed (with no changes) Private Markets concentration and risk limits (8.D)
- Added Private Markets Consultant quarterly reporting requirements (Appendix C)

Other IPS Changes

- Updated Board requirement for IPS review timing from annual to periodic (5.A.7)
- Clarified that IAC members can be reappointed (5.B.1.d)
- Added language that Investment Managers vote proxies on behalf of DPFP based on PRB guidance (5.G.1.f & 5.G.2.d)
- Added policy language on Public Investment Manager quarterly review process with Staff based on processes already in place (5.G.1.j, 5.G.2.e & 7.C.2)
- Added manager termination language based on processes already in place (7.C.5)
- Added Investment Fee and Expense Monitoring Section (7.D) per PRB guidance based on current processes already in place.

DALLAS POLICE & FIRE PENSION SYSTEM

INVESTMENT POLICY STATEMENT

As Amended Through February 9, 2023

INVESTMENT POLICY STATEMENT

Adopted April 14, 2016
As Amended Through February 9, 2023

Table of Contents

DALLAS POLICE & FIRE PENSION SYSTEM

INVESTMENT POLICY STATEMENT

Adopted April 14, 2016
As Amended Through February 9, 2023

Section 1 Introduction and Purpose

This policy statement shall guide investment of the assets of the Dallas Police and Fire Pension System (DPFP). This Investment Policy Statement (IPS) is issued for the guidance of the Dallas Police and Fire Pension System Board of Trustees (Board), Investment Advisory Committee (IAC), Executive Director, Staff, Consultant(s), Custodian, and Investment Managers. This IPS is intended to set forth an appropriate set of goals and objectives for DPFP. It defines guidelines and governance to assist fiduciaries and Staff in the supervision of the investments of DPFP. The investment program processes and procedures are defined in the various sections of the IPS by:

A. Stating in a written document DPFP's expectations, objectives, governance and guidelines for the investment of assets;

B. Setting forth an investment structure for managing the portfolio. This structure includes assigning various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce an appropriate level of overall risk and total investment return over the investment time horizon;

C. Encouraging effective communications between the Board, IAC, Executive Director, Staff, Consultant(s), Investment Managers and Custodian(s);

D. Setting forth policy that will consider various factors, including inflation, global economic growth, liquidity and expenses, that will affect the portfolio's short and long-term total expected returns and risk;

E. Establishing criteria to select and evaluate Investment Managers; and

F. Complying with applicable fiduciary and due diligence requirements experienced investment professionals would utilize, and with laws, rules and regulations applicable to DPFP~~.~~ , including the provisions of Article 6243a-1 (DPFP Plan).

Section 2 Goals, Objectives, and Constraints

A. Goal~~s~~

~~1.~~ Earn a long-term, net of fees, investment return that, together with contributions, will be sufficient to meet current and future obligations of the plan when due, subject to any legal requirements.

~~2. Earn a long-term, net of fees, investment return greater than the actuarial return assumption.~~

B. Objectives

1. Maintain a diversified asset allocation that seeks to ~~maximize~~meet ~~-~~the investment return goal while accepting prudent exposure to key investment risks.

Section 2 Goals, Objectives, and Constraints (continued)

2. Meet or exceed~~Outperform~~ the Policy Benchmark[1] over rolling five-year periods.
3. Control and monitor the costs of administering and managing the investments.

C. Constraints

~~1. DPFP will be managed on a going-concern basis. The assets of the Fund will be invested with a long-term time horizon, while being cognizant of the weak actuarial funded ratio and ongoing liquidity needs.~~

~~2.~~1. The Board intends to maintain sufficient liquidity in either cash equivalents or short-term investment grade bonds to meet 18 months of anticipated benefit payments and expenses (net of contributions).

~~3.~~2. DPFP is a tax-exempt entity. Therefore, investments and strategies will be evaluated on a basis that is generally indifferent to taxable status.

Section 3 Ethics, Standards of Conduct, and Fiduciary Responsibility

The following are standards of conduct for the Board, Investment Advisory Committee, Staff, Investment Managers, Consultant(s), and all other ~~investment related~~investment-related service providers of DPFP.[2]

A. Place the interest of DPFP above personal interests.

B. Act with integrity, competence, diligence, respect, and in an ethical manner.

C. Use reasonable care, diligence, and exercise independent professional judgment when conducting analysis, making recommendations, and taking actions.

D. Promote the integrity of and uphold the rules governing DPFP.

E. Comply with all applicable laws, rules, and regulations of any government agency, regulatory organization, licensing agency, or professional association governing their professional activities.

F. Adhere to applicable policies relating to ethics, standard of conduct and fiduciary responsibility including the:

1. Board of Trustees and Employees Ethics and Code of Conduct Policy;
2. Board of Trustees Governance and Conduct Policy; and the
3. Contractor's Statement of Ethics.

[1] The Policy Benchmark represents the return of the investable and non-investable indices as defined in Appendix B, at the target allocation for each asset class.
[2] These are informed by the CFA Institute and the Center for Fiduciary Studies.

Section 4 Core Beliefs and Long-Term Acknowledgements

This section outlines the core beliefs and long-term acknowledgements for the overall governance of DPFP. These beliefs and acknowledgements will serve as guiding principles in the decision making and implementation of DPFP's investment mandate.

A. A well-defined governance structure with clearly delineated responsibilities is critical in achieving consistent, long-term performance objectives.

B. The strategic asset allocation determines the risk reward profile of the portfolio and thus drives overall portfolio performance and volatility.

1. Asset allocation has a greater effect on return variability than asset class investment structure or manager selection.
2. It is essential to account for liabilities in setting long-term investment strategy.
3. Rebalancing the portfolio is a key aspect of prudent long-term asset allocation policy.

C. Investment costs will be monitored and minimized within the context of maximizing net return. The goal is not low fees, but rather maximum returns, net of fees.

1. The opportunity for active manager risk-adjusted outperformance (alpha) is not uniformly distributed across asset classes or Investment Managers' strategies.
2. Active strategies are preferred when there is strong conviction that they can be expected to add alpha, net of fees.
3. Passive strategies should be considered when appropriate. ~~if alpha expectations are unattractive.~~
4. ~~Professional~~ Management fees will be negotiated when feasible.

D. Risk is multifaceted and will be evaluated holistically, incorporating quantitative measures and qualitative assessments.

1. Global investment reduces risk through diversification.
2. Diversification across different risk factors reduces risk.
3. The pattern of returns matters because volatility levels and the sequence of gains and losses can impact funded status.

~~4. Risk that is not expected to be rewarded over the long-term, or mitigated through diversification, will be minimized.~~

~~5.~~4. Generating positive investment return requires recognizing and accepting non-diversifiable risk. ~~Not taking enough risk is risky; therefore,~~ DPFP will accept a prudent amount of risk to achieve its long-term target returns.

Section 5 Roles and Responsibilities

A. Board of Trustees

The Board of Trustees (Board) has a fiduciary responsibility to ensure prudent management of the plan and compliance with all state and federal laws. Additionally, the Board:

1. Establishes investment objectives consistent with the needs of DPFP and approves the IPS of DPFP;
2. Approves strategic asset allocation targets and ranges, and asset class structures;
3. Prudently hires, monitors, and terminates key investment service providers including: Consultant(s), Investment Managers and Custodian(s);
4. Appoints members to the Investment Advisory Committee (IAC);
5. Reviews investment related expenses;
6. Approves Board travel related to investments; and
7. Reviews the IPS ~~annually~~ periodically and revises it as needed.

B. Investment Advisory Committee (IAC)

1. IAC Composition, Selection and Criteria
   a. The requirements and general composition of the IAC are~~is~~ defined by statute.
   b. The IAC serves at the discretion of the Board of Trustees.
   c. The IAC is composed of a minimum of three members including at least one current Board member and a majority of outside investment professionals.
   d. IAC members will serve two-year terms and may be reappointed.
   e. The Board will appoint members of IAC members by vote.
   f. One IAC member who is also a member of the Board will function as Chair of the IAC. The Chair shall serve as liaison to the Board and preside over IAC meetings.
   g. The Board of Trustees may elect to dismiss a member of the IAC for any reason.

2. IAC Roles and Responsibilities:
   a. A key role of the IAC is to ensure that DPFP investments are prudently managed.
   b. IAC recommendations are not binding on the Board, provided however the Board may in the exercise of its fiduciary discretion grant decision-making authority to the IAC.

Section 5 Roles and Responsibilities (continued)

c. The IAC will advise regarding the search and selection process for investment managers and other matters that the Board may request.

d. All investment related agenda materials for the Board will be made available to the IAC.

e. The IAC Chair will report to the Board regarding IAC activity as well as investment-related concerns and recommendations.

f. Any IAC member may address the Board to communicate investment related concerns.

g. IAC members are fiduciaries to DPFP.

3. IAC Meetings

a. The IAC will meet as needed, but at least quarterly, to discuss the investment program and provide insight and recommendations to the Board, Staff and Consultant.

b. IAC meetings require a quorum of at least three IAC members, a majority of whom must not be current Trustees.

c. IAC members shall be provided reasonable notice of upcoming meetings, but this shall not prevent the IAC from meeting on short notice for an urgent item requiring immediate attention.

~~d. Any vote by the IAC which is reported to the Board must also advise the Board as to how each member of the IAC voted who was present for such vote.~~

~~e.~~d. Board members who are not members of the IAC may attend and participate in IAC meetings. If a quorum of the Board shall be present at an IAC meeting, then the meeting shall comply with the Texas Open Meetings Act. Board members who are not on the IAC will give the Executive Director notice that they wish to attend an IAC meeting at least one week prior to the meeting. Board members who are not on the IAC may attend and observe an IAC meeting but may not participate in IAC deliberations if such Board member or members, together with Board members on the IAC participating in such meeting equals or exceeds the number of non-Board IAC members participating in such meeting. The IAC Chair shall determine which Board members not on the IAC, if any, may participate in such meeting to maintain compliance with the previous sentence.

Section 5 Roles and Responsibilities (continued)

C. Executive Director

1. The Executive Director is authorized to administer the operations and investment activities of DPFP under policy guidance from the Board;
2. Is authorized to manage investments approved by the Board including authority to enter into investment agreements and ~~contract~~ amendments thereto ~~including fund extensions~~, act with regard to investment governance issues and engagement of advisors as needed, subject to all relevant rules, regulations and statutory guidelines;
3. Manages the day to day operations of DPFP;
4. Oversees and reports to the Board on investment and due diligence processes and procedures;
5. Approves/declines all Staff travel related to investment manager on-site due diligence;
6. Approves rebalancing recommendations; and
7. Approves Investment Staff recommendations for presentation to the IAC and Board.
8. The Executive Director is a fiduciary to DPFP when exercising discretion in the performance of their duties.

D. Investment Staff

1. The Investment Staff (Staff) has primary responsibility for oversight and management of the investment portfolio. Staff is responsible for investment manager due diligence and recommendations, portfolio implementation consistent with the Board approved asset allocation, and assessment of the Consultant(s);
2. Helps the Board and the IAC to oversee Investment Managers, Consultant(s), Custodian(s), and vendors;
3. Reports to the Executive Director through the Chief Investment Officer;
4. Works closely with the ~~Investment~~ Consultant(s);
5. Notifies the General Consultant in writing of rebalancing needs and recommended implementation;
6. Coordinates the preparation and ~~annual~~ periodic review of the IPS;
7. Prepares Staff Investment Manager recommendations, submits Staff and Consultant(s) recommendations to Executive Director for review;
8. ~~After Board approval of investment, Staff approves Investment Manager strategy guidelines which will be outlined in the Investment Manager agreements, as applicable;~~

~~Section 5 Roles and Responsibilities (continued)~~

D. Investment Staff (continued)

9. Monitors all investments, Investment Managers and investment-related vendors;
10. Accounts for and reviews all external management fees and investment expenses; and
11. ~~Ensures~~ Notifies all investment fiduciaries to DPFP ~~are aware~~ of their fiduciary obligations.~~ annually.~~[3]

E. General Investment Consultant(s)

1. The General Consultant~~(s)~~ provides independent investment expertise to the Board, IAC, and Staff;
2. Reports to the Board and works closely with Staff;
3. Monitors and reports qualitative and quantitative criteria related to Investment Managers and aggregate portfolio activity and performance;
4. Reviews strategic asset allocation targets, ranges, and benchmarks for asset classes as required by the IPS and recommends improvements to the Board;
5. Documents asset allocation recommendations with asset class performance expectations including standard deviation, expected return and correlations for each asset class used by DPFP;
6. Reviews ~~a~~Asset ~~c~~Class ~~s~~Structures periodically as required by the IPS and recommends improvements to the Board;~~.~~
7. Assists in the manager hiring and termination process for all public asset classes including providing background materials, supporting analysis, evaluation factors, modeling and written recommendations;~~selection process and monitoring of Investment Managers;~~
8. Reviews and monitors existing investment managers supporting General Consultant's ongoing decision on whether to recommend continued engagement of a manager;

~~8.~~9. Documents and delivers to Staff written recommendations on Investment Manager new hire, hold and termination reviews;

~~9.~~10. Recommends benchmark and appropriate asset class and sub-allocation for investment managers;

~~10.~~11. Approves ~~and verifies~~ in writing each of Staff's rebalancing recommendations~~ and implementation~~;

~~11.~~12. Monitors the diversification, quality, duration, and risk of holdings as applicable;

~~12.~~13. Assists Staff in negotiation of terms of vendor contracts; and

~~13.~~14. Prepares quarterly investment reports, which include the information outlined in Appendix C.

[3] Verification of this may be through contract, agreement, or annual fiduciary acknowledgement letter.

15. A~~n~~ General~~ Investment~~ Consultant is ~~normally~~ a fiduciary to DPFP and this responsibility must be acknowledged in writing. ~~DPFP may engage subject matter advisors that, while acting in DPFP's interest, may not be a contractual or statutory fiduciary to DPFP.~~

F. Private Markets Consultant

1. Provides independent expertise and advice with respect to Private Markets to the Board, IAC and Staff. Private Markets includes but are not limited to private equity, private credit, private energy, private infrastructure, real estate, natural resources, timber, agriculture, private fund secondary investments, and private equity fund-of-funds;
2. Reports to the Board and works closely with Staff;
3. Provides annual planning which will include annual updates to liquidity analysis and the annual pacing plan, which will outline recommended Private Market commitment levels to maintain vintage year diversification across the program;
4. Provides services including program development, strategy allocation advice, due diligence reviews, operational due diligence, monitoring and manager searches.
5. Prepares quarterly investment performance results for the Private Markets portfolio to the Board and/or the IAC.
6. Assists Staff with fund and manager searches and provides written investment memorandums, including recommendations, and operational due diligence on all potential new private market investments for DPFP;
7. Provides ongoing investment monitoring which may include attendance at fund annual meetings;
8. A Private Markets Consultant is normally a fiduciary to DPFP and this responsibility must be acknowledged in writing. DPFP may engage subject matter advisors that, while acting in DPFP's interest, may not be a contractual or statutory fiduciary to DPFP.

Section 5 Roles and Responsibilities (continued)

~~F.~~G. Investment Managers

1. Public Separate Account Investment Managers

   a. Acknowledge in writing acceptance of the objectives, guidelines, and standards of performance;

   b. Invest the assets of DPFP in accordance with its objectives, guidelines and standards;

   c. Exercise full discretionary authority as to all buy, hold and sell decisions for each security under management, subject to the guidelines established in the Investment Management Agreement or applicable contract;

   d. Send trade confirmations to the Custodian;

   e. Deliver monthly report to Consultant(s)/Staff describing portfolio asset class weights, investment performance, security positions, and transactions;

   f. Vote any proxies in the best economic interest of DPFP;

   ~~f.~~g. Adhere to best execution and valuation policies;

   ~~g.~~h. Inform Staff and Consultant, as soon as practical, in writing of any breach of investment guidelines, ethics violations or violations of self-dealing;

   i. Inform Staff and Consultant as soon as practical, in writing, of any significant changes in the ownership, organizational structure, financial condition, personnel staffing, or other material changes at the firm; ~~and~~

   ~~h.~~j. Conduct a quarterly portfolio review with Staff, detailing adherence to the investment guidelines and overall performance relative to benchmarks; and

   ~~i.~~k. Act as a fiduciary to DPFP. All separate account investment managers are fiduciaries to DPFP and this responsibility must be acknowledged in the contract for services.

2. Public Commingled Fund Investment Managers

   a. Provide the objectives, guidelines, and standards of performance of the fund;

   b. Provide a report detailing fund performance and holding on a monthly basis or as agreed by DPFP;

   c. Prices and fair market valuations will be based on reference to liquid markets, or obtained from an independent service provider if the assets held by the fund cannot be reasonably valued by reference to liquid markets;

   d. Vote any proxies in the best economic interest of DPFP;

   e. All active managers will conduct a quarterly portfolio review with Staff, detailing adherence to investment guidelines and overall performance relative to benchmarks; and

   ~~d.~~f. Require fiduciary standards that are not unreasonable in light of market terms for similar investments.

Section 5 Roles and Responsibilities (continued)

G. Investment Managers (continued)

3. Private Investment Managers

   a. Provide objectives, strategy guidelines, and standards of performance as evidenced in investment manager, operating, or partnership agreement;

   b. Ensure that financials statements undergo annual audits and that investments are reported at fair market value, as outlined in the Investment Management, Partnership, or Operating Agreement(s);

   c. Communicate to Staff any material changes in the ownership or management of the firm, and or the stability of the organization;

   d. Inform Staff, as soon as practical, in writing of any breach of investment guidelines, ethics violations or violations of self-dealing.

~~G.~~H. Custodian

1. Safe keep and hold all DPFP's assets in the appropriate domestic or international accounts across all asset classes and provide highly secure storage of physical stock certificates and bonds such that there is no risk of loss due to theft, fire, or accident;[4]

2. Maintain separate accounts by legal registration;

3. Arrange for timely execution and settlement of Investment Manager securities transactions made for DPFP;

~~3.~~4. Provide investment accounting statements and regulatory reporting support as book of record for financial reporting;

~~4.~~5. Proactively reconcile transactions and reported values to Investment Manager statements;

~~5.~~6. Provide for receipt and prompt crediting of all dividend, interest and principal payments received as a result of DPFP portfolio holdings or securities lending activities;

~~6.~~7. Monitor income receipts to ensure that income is received when due and institute investigative process to track and correct late or insufficient payments, including reimbursement for any interest lost due to tardiness or shortfall;

~~7.~~8. At the direction of the Staff, expeditiously transfer funds into and out of specified accounts;

9. Manage the portfolio's interest in securities litigation related to any financial losses;

~~8.~~10. Timely collection of income, including tax reclaim;

~~9.~~11. Prompt and accurate administration of corporate actions, including proxy issues; and

~~10.~~12. Manage securities lending if authorized by the Board.

[4] Electronic transfer records at the Depository Trust Company ("DTC'') are preferred.

Section 6 Strategic Asset Allocation and Rebalancing

~~Note: The investment portfolio is undergoing a transition from a legacy allocation with substantial exposure to illiquid private market assets to a more traditional allocation profile. Significant variances to long-term allocation targets are expected to gradually diminish as private market assets are monetized. Rebalancing ranges have been established to accommodate current variances to target and will be tightened over time as appropriate.~~

A. Asset Allocation

1. The strategic asset allocation establishes target weights and rebalancing ranges for each asset class and is designed to ~~maximize~~ achieve the long-term expected return of the Fund within an acceptable risk tolerance while providing liquidity to meet cash flow needs.
2. A formal asset allocation study will be conducted as directed by the Board, but at least every three years.
3. Asset allocation targets will be reviewed annually for reasonableness in relation to significant economic and market changes or to changes to the investment objectives.
4. Asset class descriptions are provided in Appendix A.
5. The approved asset allocation is included in Appendix B.

B. Asset Class Structure

1. An Asset Class Structure will be prepared for any public market asset class with multiple managers.
2. The Asset Class Structure will be a document that establishes the investment manager roles, allocations and ranges, and any implementation considerations for the asset class.
3. Asset Class Structures should emphasize simplicity and cost control, and toward that end will consider passive strategies and employ the minimum number of managers necessary to assure appropriate diversification within each asset class.
4. Asset Class Structures will be reviewed periodically, approximately every two years.
5. Any changes to the Asset Class Structure must be approved by the Board.

~~B.~~C. The Safety Reserve

The allocation to Cash and Short Term Investment Grade Bonds (the "Safety Reserve") is designed to cover approximately 18 months of projected benefit payments (net of contributions.) ~~Based upon the current policy targets approved by the Board, the Safety Reserve target allocation is 9% of the Fund.~~ The purpose of the Safety Reserve is to serve as the primary source of meeting any liquidity needs, particularly during a prolonged period of investment market stress. ~~While the projected net benefit cash outflows are effectively known in advance, the market value of the Pension Fund's assets will fluctuate with market activity. Consequently, the size of the Safety Reserve, as a percentage of Pension Fund assets, will fluctuate.~~

The Safety Reserve may be drawn down away from target if deemed prudent by Staff and General Consultant during periods of market stress.

1. Staff will notify the Board if the determination has been made to draw down the Safety Reserve away from target to meet liquidity needs.
2. After the commencement of a draw down period in the Safety Reserve, staff will notify the Board if the determination has been made to restore the Safety Reserve to the target.

~~C. Asset Class Structure~~

~~1. An asset class structure will be prepared for any asset class with multiple managers. The purpose of the structure review is to establish the investment manager roles and allocations that will be used to implement the asset allocation.~~

~~2. The asset class structure will emphasize simplicity and cost control, and toward that end will employ the minimum number of managers necessary to assure appropriate diversification within each asset class.~~

~~3. Asset class structures will be reviewed periodically, approximately every two years.~~

~~4. Any changes to the asset class structure must be approved by the Board.~~

~~5. Asset class structures for Private Markets will not be conducted until such time that new investments are being made in the asset class.~~

Section 6 Strategic Asset Allocation and Rebalancing (continued)

D. Rebalancing

1. Investment Returns (gains or losses) and cash flows affect the value of each asset class in the portfolio. These changes will cause the actual allocation to differ from asset allocation targets, which may require rebalancing.

~~1.~~2. It is expected to take multiple years to fully transition from the current exposure in~~to the~~ private markets towards the long-term asset allocation.

~~2.~~3. Staff shall submit a written rebalancing recommendation to the General Consultant and Executive Director at least annually based on consideration of the entire portfolio, and additionally as soon as practicable when an asset class breaches an established ~~rebalancing~~ range or when deemed prudent by Staff or General Consultant.

4. Rebalancing will be used to keep asset classes within their defined ranges, to keep underlying strategies consistent with the approved Asset Class Structures and to ensure sufficient assets in the Safety Reserve to meet anticipated cash flows. Rebalancing actions must move asset classes and the underlying strategies within the established ranges.

5. While rebalancing actions will generally move an asset class towards the target, moves away from target may be appropriate given market conditions and volatility, forward-looking cash flows, and liquidity, provided such a move is deemed prudent by Staff and the General Consultant.

~~3. Rebalancing actions must move an asset class or the Safety Reserve towards its target allocation.~~

~~4. The Safety Reserve will be evaluated based on both the percentage allocation and the total dollars required for 18-months of expected, forward net benefit cash outflows when making rebalancing recommendations.~~

~~5. The Safety Reserve is not required to be rebalanced to target if deemed prudent by Staff and Consultant during periods of market stress.~~

~~6. Staff will notify the Board if the determination has been made to draw down the Safety Reserve to meet liquidity needs, rather than rebalancing to target. After the commencement of a draw down period in the Safety Reserve, staff will notify the Board if the determination has been made to restore the Safety Reserve to the target.~~

6. Rebalancing recommendations should consider expected future cash flows, investment liquidity, market volatility, and costs. Transition management should be considered to minimize transition costs.

~~7.1. Transition management should be considered to minimize transition costs.~~

~~8.~~7. Staff is responsible for implementing the rebalancing plan following General Consultant and Executive Director written approval.

~~9.~~8. Rebalancing ~~recommendations and~~ activity shall be reported to the Board and the IAC.

~~**E.A. Private Market Provisions**~~

1. ~~DPFP will not commit capital to any direct private market investments or co-investments that are tied to a single company. This restriction does not prevent DPFP from holding direct investments that result from the dissolution of a private market fund.~~

~~2.1. DPFP will not commit capital to any private market fund if such commitment would likely result in DPFP holding greater than a 10% interest in the fund.~~

~~3.1. DPFP will not commit capital to any private market fund if such commitment exceeds 2% of the total market value of the DPFP investment portfolio.~~

~~4.1. DPFP will not commit to any private market fund if the current value plus total unfunded commitments to related funds (e.g. fund family) exceeds 5% of the total market value of the DPFP investment portfolio.~~

~~5.1. The private market commitment limitations outlined above, do not prevent the Board from making contributions necessary to protect DPFP interests.~~

~~Section 6 Strategic Asset Allocation and Rebalancing (continued)~~

~~6. The Board and Staff may consider and approve sales of private assets for less than the current net asset value of the asset reported to the Board. Factors affecting such a decision would include prices obtained after marketing the asset, liquidity, or overallocation to the relevant asset class.~~

Section 7 Investment Manager Search, Selection, and Monitoring

A. Public Investment Manager Search and Selection

1. The selection of investment managers will utilize a robust process to ensure an open and competitive universe, proper evaluation and due diligence, and selection of candidates that are best able to demonstrate the characteristics sought in a specific search.
2. Investment manager searches shall be based on one or more of the following reasons:
   a. Changes to the approved asset allocation;
   b. Changes to the approved ~~a~~Asset ~~c~~Class ~~s~~Structure; or
   c. Replacement or possible replacement ~~for terminated manager or~~ of an investment ~~manager of concern~~.
3. Staff and Consultant shall define and document the search process, including evaluation criteria, prior to initiating the search process.

~~3.~~4. The IAC will advise regarding the search, approve the search process document and provide a recommendation to the Board. ~~and selection process for investment managers.~~

~~4.1. Staff and Consultant shall define and document the search process, including evaluation criteria, prior to initiating the search process.~~

5. Each investment manager hiring recommendation shall be supported by a rationale that is consistent with the pre-established evaluation criteria.

6. Each hiring recommendation will generally include the following information:

   a. A description of the investment and the suitability within the relevant asset class;

   ~~b. Whether the investment is categorized as Alternative or Traditional based on the criteria in Appendix D.~~

   ~~c.~~b. A description of the organization and key people:

   ~~d.~~c. A description of the investment process and philosophy;

   ~~e.~~d. A description of historical performance and future expectations;

   ~~f.~~e. The risks inherent in the investment and the manager's approach;

   ~~g.~~f. The proper time horizon for evaluation of results;

   ~~h.~~g. Identification of relevant comparative measures such as benchmarks and/or peer samples; and

   ~~i.~~h. The expected cost of the investment.

~~Section 7 Investment Manager Search, Selection, and Monitoring (continued)~~

~~7.1. Alternative Investments~~

~~The Board has adopted the definition of "Alternative Investments" as outlined in Appendix D, which will be reviewed as part of the due diligence process for any new investment. Pursuant to Section 4.07 of Article 6243a-1, the vote of eight trustees is required to approve any Alternative Investment.~~

~~8.~~7. Inclusion of Diverse Managers in Public Manager Searches

a. Over the long term, inclusion of Diverse Managers as part of external investment management is expected to enhance the expected investment performance of ~~the System~~DPFP. Such relationships shall exhibit strong alignment of interest with investors and seek to provide DPFP with long-term access to the next generation of investment talent. Staff shall seek to find Diverse Managers that can benefit DPFP~~the System~~ by enhancing its risk-adjusted returns, net of expenses.

b. On all public active manager searches, staff will request an RFP from at least one Diverse Manager, so long as the firm meets the minimum criteria outlined in the specific search process. To be considered a Diverse Manager, the firm must have economic ownership of more than 50% of any combination of the following groups: female, veteran, disabled and/or minority (non-white).

B. Private Market Manager Selection

1. Annual Planning: Staff and Private Markets Consultant will develop an annual plan for alternative investments in each private markets asset class and present such plans to the Board. The annual plan will include a recommended target for commitment pacing to achieve DPFP's target allocation to the respective private markets asset class over a reasonable time period.

2. Staff and Private Markets Consultant shall conduct extensive due diligence on potential private markets investments and endeavor to select the highest quality managers available to meet DPFP's long term return objectives. Selection of private markets investments will consider but are not limited to the following criteria:

   a. Quality and stability of the firm and investment team

   a. Investment track record

   b. Proposed investment strategy

   c. Demonstrated capability to generate superior returns

   d. Operational capabilities

   e. Alignment of interests

   f. Legal and economic terms governing the partnership/vehicle

   g. Portfolio fit

3. Board Approval Process

   a. Staff and Private Markets Consultant will periodically present to the IAC a Pipeline Report that contains a list of investments under consideration in each private markets asset class.

   b. The IAC chair will designate a sub-committee comprised of a subset of the IAC to review and advise the Board on recommended investments.

   c. Staff and Private Markets Consultant will provide an overview of recommended investments, including a written recommendation, to the sub-committee.

   d. Based upon the sub-committee recommendation, Staff will seek Board's approval of investments at the next available Board meeting.

4. Alternative Investments

   The Board has adopted the definition of "Alternative Investments" as outlined in Appendix D, which will be reviewed as part of the due diligence process for any new investment. Pursuant to Section 4.07 of Article 6243a-1, the vote of eight trustees is required to approve any Alternative Investment.

~~B.~~C. Investment Manager Monitoring

1. Staff and Consultant(s) are responsible for ongoing monitoring of all Investment Managers using qualitative and quantitative factors as appropriate.

2. Staff will strive to conduct a quarterly review call with all actively managed public managers to evaluate relevant qualitative and quantitative factors.

3. On an annual basis, Staff and the General Consultant will hold a review of all actively managed investment managers in each asset class.

~~2.~~4. Qualitative factors may include, but are not limited to:

   a. Consistent implementation of philosophy and process;

   b. Ownership changes or departure of key personnel;

   c. Assets under management at the firm and product level;

   d. Conflicts of interest;

   e. Material litigation or regulatory challenges involving the investment manager;

   f. Adequate reporting and transparency; and

   g. Material client-servicing problems.

~~3.~~5. Quantitative factors may include, but are not limited to:

   a. Long-term (3-5 years) performance relative to assigned benchmarks and the relevant peer group;

   b. Significant ~~Unusually~~ large short-term performance variance (over or under); and

   c. Risk metrics such as volatility, drawdown, and tracking error.

6. Staff and the Consultant(s) will highlight Investment Manager concerns to the IAC and the Board and recommend an appropriate course of action, including further review or termination.

   a. Manager terminations will include Staff and Consultant written recommendations and require Board approval.

   b. Terminations can be based on, but not limited to, any of the qualitative and quantitative factors listed above.

D. Investment Fee and Expense Monitoring

1. Staff will review the accuracy of management fees charged by managers, ensuring they are in-line with investment agreements.

2. Payment of fee invoices requires multiple levels of internal approval.

3. In addition to the fees paid directly, DPFP incurs investment management fees which are charged by general partners or investment managers at the fund level. Fees charged at the fund level are typically seen in public equity and fixed income commingled funds or private equity, private debt, and infrastructure funds.

4. DPFP considers any incentive, performance, or disposition fees paid directly to the investment manager as management fees.

5. As required by Texas Government Code Section 802.103, Staff reports all investment management fees, including those paid directly and fund-level fees, brokerage fees, commissions, carried interest and other investment expenses annually in the Annual Comprehensive Financial Report.

~~4.~~6. Fees and expenses will be categorized by both the type of fee and by the Asset Class.

Section 8 Risk Management

Staff will work within the parameters of this Investment Policy Statement to mitigate the risk of capital loss. By implementing this Policy, the Board strives to ~~has~~ address~~ed~~:

~~C.~~**A.** Custodial Credit Risk for both public and private holdings;[5]

~~D.~~**B.** Interest Rate Risk through fixed income duration monitoring;[6]

~~E.~~**C.** Issuer Concentration Risk through limits on single issuer exposure in public markets.

1. Public Equity Concentration: Exposure to public equity securities from any individual issuer shall be limited to 5% of the total Public Equity portfolio (Global Equity and Emerging Markets Equity).
2. Fixed Income Concentration: Except for holdings of US government and agency securities, exposure to publicly traded fixed income securities from any individual issuer shall be limited to 5% of the Public Fixed Income portfolio (excludes Private Debt). Convertible bonds will be included in the Fixed Income concentration calculation.
3. Staff will calculate the Public Equity and Public Fixed Income concentration on a quarterly basis and report to the IAC if the concentration from a single issuer exceeds the 5% limit and discuss with the IAC possible courses of action.

D. ~~Private Market Provisions~~Issuer Concentration Risk though limits in private markets

1. DPFP will not commit capital to any direct private market investments or co-investments that are tied to a single company. This restriction does not prevent DPFP from holding direct investments that result from the dissolution of a private market fund.
2. DPFP will not commit capital to any private market fund if such commitment would likely result in DPFP holding greater than a 10% interest in the fund.
3. DPFP will not commit capital to any private market fund if such commitment exceeds 2% of the total market value of the DPFP investment portfolio.
4. DPFP will not commit to any private market fund if the current value plus total unfunded commitments to related funds (e.g. fund family) exceeds 5% of the total market value of the DPFP investment portfolio.
5. The private market commitment limitations outlined above, do not prevent the Board from making contributions necessary to protect DPFP interests.

~~**F.** Private Market Concentration guidelines are addressed in Section 6.E of this policy.~~

[5] Reference Custodian responsibilities in Section 5.

[6] Reference IPS Annual Review in Section 5.A.7of IPS and Investment Manager strategy guidelines reviewed and approved by Staff.

Furthermore, through this Policy, Staff has established the necessary criteria to monitor the Custodian, Consultant(s), and Investment Managers, such that DPFP controls and manages interest rate, custody, concentration, and credit risks.

~~Section 9~~Section 8 Approval and Effective February 9, 2023

The Investment Policy Statement was originally adopted by the Board on April 14, 2016 and was subsequently amended and adopted on the following dates.

December 14, 2017
January 10, 2019
March 14, 2019
February 13, 2020
July 9, 2020
November 12, 2020
March 11, 2021
August 12, 2021
January 13, 2022
February 10, 2022
October 13, 2022
February 9, 2023

APPROVED on ~~February 9, 2023~~November 14, 2024 and effective January 1, 2025, by the Board of Trustees of the Dallas Police and Fire Pension System.

____
Nicholas A. Merrick
Chairman

ATTEST:

____
Kelly Gottschalk
Secretary

Appendix A – Asset Class Descriptions

DPFP investment assets are prudently diversified to optimize expected returns and control risks. Assets can generally be categorized into four broad asset ~~functional~~ categories: ~~of~~ Equity, Credit, Real Assets and Fixed Income & Cash. ~~Growth, Income, Inflation Protection, and Risk Mitigation~~

A. Equity ~~Growth Assets~~

1. Role: Capital appreciation (growth), primary driver of long-term total return
2. Investment Approach: ~~Growth assets g~~Generally represent equity or equity-like interests in current and future income streams and capture long-term economic growth trends throughout the world.
3. Risk Factors: The cost of the high expected long-term returns is higher expected volatility. Equity~~Growth~~ assets are highly sensitive to economic conditions and are subject to potential loss during economic downturns, rising/unexpected inflation, and rising interest rates.
4. Asset ~~Classes~~Categories
   a. **~~Global~~ Public Equity** represents publicly traded stock holdings of companies across the globe, including emerging markets. Liquidity is a key benefit as stocks can be traded daily. Emerging markets equity is expected to capture the higher economic growth of emerging economies. Foreign currency volatility can be a source of risk and return.
   ~~b. **Emerging Markets Equity** represents publicly traded stock holdings of companies located in or highly dependent on developing (emerging) countries. Emerging markets equity is expected to capture the higher economic growth of emerging economies and provide higher long-term returns than global equity coupled with higher volatility. Foreign currency volatility can be a source of risk and return.~~
   ~~c.~~b. **Private Equity** refers to investments in private companies (direct investments) or funds that hold investments in private companies or securities that are not typically traded in the public markets. Frequently these investments need "patient" capital to allow time for growth potential to be realized through a combination of capital investment, management initiatives, or market development. Private equity is expected to provide higher long-term returns than global equity, but illiquidity is a key risk as investment contributions may be locked up for several years.

B. Credit~~Income Assets~~

1. Role: Current income, yield and moderate long-term appreciation
2. Investment Approach: ~~Income~~ Credit assets are generally fixed claims on assets or income streams of an issuer (e.g. government, corporation, asset-backed securities).

3. Risk Factors: The primary risk for Credit assets is the failure of the borrower to make timely payments of interest and principal (credit risk) and the price volatility related to credit risk. Bonds with greater credit risk (i.e., bonds with lower credit ratings) are typically less liquid than higher quality bonds. Illiquidity is a key risk of private credit as the investment vehicles typically lock up investor capital for several years. Credit assets may also be susceptible to interest rate (duration) risk where higher market interest rates reduce their value. Longer maturities have relatively higher interest rate risk.

~~2.~~

~~Risk Factors: The primary risk for Income assets is the failure of the borrower to make timely payments of interest and principal (credit risk) and the price volatility related to credit risk. Bonds with greater credit risk (i.e., bonds with lower credit ratings) are typically less liquid than higher quality bonds. Income assets may also be susceptible to interest rate (duration) risk where higher market interest rates reduce their value. Longer maturities have relatively higher interest rate risk.~~

~~**B. Income Assets (continued)**~~

~~3.~~4. Asset Categories~~lasses~~

a. **Bank Loans** are like high yield bonds in that both represent debt issuers with higher credit risk. Compared to high-yield bonds, bank loans typically have higher seniority in the capital structure, which has historically resulted in much higher recovery following default.

b. **High Yield Debt** refers to bonds with higher credit risk and lower credit ratings than investment-grade corporate bonds, Treasury bonds and municipal bonds. Because of the higher risk of default, these bonds pay a higher yield than investment grade bonds.

c. **Emerging Markets Debt (EMD)** refers to bonds issued by developing countries or corporations based in developing countries. EMD bonds can be denominated in U.S. Dollars or local currency. The primary risk factor is credit quality, but interest rates and foreign currency are also factors.

d. **Private Credit~~Debt~~** includes a wide array of strategies spanning the capital structure, borrower types, collateral types and risk types. Various terms are often used interchangeably when referring to Private Credit including (but not limited to): direct lending, non-bank lending, middle market lending, alternative lending, capital solutions. The underlying loans typically do not trade therefore include an illiquidity premium. Investments are typically structured in a closed-end format with limited liquidity. ~~refers to non-bank direct lending arrangements. Features are similar to bank loans with somewhat higher credit risk and yields. Investments are typically structured in a private market vehicle with limited liquidity. Private debt may be included within the private equity asset class in the strategic asset allocation.~~

C. ~~Inflation Protection (~~Real Assets~~)~~

1. Role: Current income, inflation protection, diversification

2. Investment Approach: Generally, ownership in physical assets.

3. Risk Factors: Real Assets may not provide the desired inflation protection. Loss of principal is also a risk. Foreign assets are also subject to currency movements against the U.S. dollar.

4. Asset Categories~~Classes~~

   a. **Real Estate** includes investments in office buildings, apartments, retail, hotels, industrial warehouses, data centers, life science properties, residential housing, manufactured housing, storage, ~~retail,~~ raw land~~,~~ and development projects.

   b. **Natural Resources** broadly refers to anything mined or collected in raw form but may include assets subject to further processing. Typical assets include permanent and row crops, timber, energy, minerals, ~~and~~ metals and other commodities.

   c. **Infrastructure** refers to investments in physical systems that support world economies. Typical investments include transportation, communication, utilities (electricity, gas, water, sewage).

D. Fixed Income & Cash~~Risk Mitigation~~

1. Role: Liquidity to fund benefit payments and other cash flow needs, capital preservation, modest current income, diversification to growth assets.

2. Investment Approach: Cash equivalents or high-quality domestic and international bonds.

3. Risk Factors: Risks are substantially lower for risk mitigation assets but may include modest exposure to credit or interest rates (duration).

4. Asset ~~Classes~~Categories

   a. **Cash Equivalents**

   b. **Short Term Investment Grade Bonds** have moderate interest rate risk.

   c. **Investment Grade Bonds** including bonds and notes issued by the U.S Treasury, U.S. Government Agencies, state and local municipalities, corporations, or other issuers with similar conservative risk profiles. Risk factors include duration and credit.

Appendix B – Strategic Asset Allocation and Rebalancing Ranges

Asset Class	Policy Benchmark	Target Weight	Minimum Weight	Maximum Weight
Equity		**64%**		
Public Equity	MSCI ACWI IMI Net	58%	50%	66%
Private Equity	MSCI ACWI IMI Net + 2% 1Q lag	6%	N/A[1]	N/A[1]
Huff Energy	Actual Return of Fund[2]	0%	N/A[1]	N/A[1]
Credit		**15%**		
Public Credit	35% Bloomberg US HY Index, 35% Credit Suisse Leveraged Loans, 30% Blended EMD Benchmark[3]	11%	7%	15%
Private Credit	50% Bloomberg US HY / 50% Credit Suisse Leveraged Loans + 1.50% 1Q Lag	4%	N/A[1]	N/A[1]
Real Assets		**8%**		
Real Estate	NCREIF Property Index 1Q Lag	5%	N/A[1]	N/A[1]
Natural Resources	NCREIF Farmland TR Index 1Q Lag	5%	N/A[1]	N/A[1]
Infrastructure	S&P Global Infrastructure[2]	0%	N/A[1]	N/A[1]
Fixed Income & Cash		**13%**		
Cash	91 Day T-Bills	3%	0%	6%
Short Term Investment Grade Bonds	Bloomberg Barclays 1-3 Year U.S. Aggregate TR	6%	0%	9%
Investment Grade Bonds	Bloomberg Barclays U.S. Aggregate TR	4%	2%	6%
Total		**100%**		

1 - Rebalancing Ranges are not established for illiquid asset classes.
2 – Huff Energy and Infrastructure benchmarks are for purposes of the Allocation Index and are not included in the Policy Index.
3 - Emerging Markets Debt benchmark consists of 35% JPMEMBI Global / 35% JPM CEMBI Broad Diversified / 30% JPM GBI-EM.

Appendix C – Investment Consultant Reporting Requirements

The investment ~~c~~Consultant(s) ~~is~~are required to provide the Board with quarterly investment information for portfolio monitoring purposes. Generally, these are as follows:

General Investment Consultant - Quarterly (due in advance of the meeting)

1. DPFP's actual asset allocation relative to its target asset allocation as defined in Appendix B.
2. DPFP's return relative to its Policy Benchmark return and other public pension funds.
3. DPFP's risk adjusted returns relative to the policy and other public pension funds.
4. Asset class performance relative to the benchmarks as defined in Appendix B.
5. Individual Investment Manager returns relative to their stated benchmark.
6. Report will specifically acknowledge any underperforming Investment Managers.
7. Any reportable events affecting any of DPFP's Investment Managers.

~~Private Markets reports which covers Private Debt, Private Equity, Infrastructure, Natural Resources and Real Estate.~~

~~8.~~ **Private Markets Consultant - Quarterly (due in advance of the meeting)**

1. Private Markets reports will cover~~which covers~~ Private ~~Debt~~Credit, Private Equity, Infrastructure, Natural Resources and Real Estate.
2. Investment performance on an overall program, asset class and individual investment basis which will include net IRR, total value to paid in capital (TVPI), distributions to paid in capital (DPI), public market equivalent (PME), and comparisons to peer, private and public benchmarks.
3. Exposure by region, vintage year, asset class and strategy.

Appendix D – Alternative Investments

Alternative Assets means any investment that is not a Traditional Asset. The DPFP plan defines Alternative Assets as an investment that is not an investment in stocks, bonds or cash, including investments in private equity, private real estate, hedge funds and infrastructure.

Traditional Assets include:

1. Common Stocks: publicly traded securities representing ownership in a corporation; also known as publicly-traded equity. Examples include publicly traded equity shares of public companies, REITs, and ADRs. Regional examples include shares of companies domiciled in the US, non-US developed markets and emerging markets.

2. Bonds: publicly-traded securities, the holders of which serve as creditors to either governmental or corporate entities. Examples include government bonds and corporate bonds, including senior bank loans. Regional examples include US government issued bonds, non-US international developed markets issued bonds, and emerging markets issued bonds. Credit examples include investment grade bonds and non-investment grade bonds (e.g. high yield bonds and bank loans).

3. Cash Equivalents: short-term investments held in lieu of cash and readily convertible into cash within a short time span. Examples include CDs, commercial paper, and Treasury bills.

Though an exhaustive list is not included, some of the defining characteristics of Alternative Assets and their vehicles include:

1. Private ownership vehicles
2. Liquidity-constrained, and a lock-up of capital for extended time periods (one-year or longer)
3. Use of leverage
4. Ability to take short positions
5. Use of derivatives

The Board recognizes that certain investments may have characteristics and underlying securities that could be classified as both a Traditional and Alternative Investment. On any new investment recommendation, Staff and Consultant(s) will propose a categorization for such investment as either Alternative or Traditional based on these criteria, with a focus on liquidity of the investment, for the Board's consideration.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C6

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, November 14, 2024

DALLAS POLICE & FIRE PENSION SYSTEM

Section 2.025 Funding Process Update

November 14, 2024
Board Meeting

Update Since the October Board Meeting

- No further negotiations with the City of Dallas.

- The City should have started making contributions based on the ADC with the pay period that ended October 22, 2024, but they failed to do so. Rather than contribute contributions based on the Plan the Board adopted we understood from the PRB that the City intended to make contributions based on the Plan the City adopted, but they did neither. Contributions for the pay period were based on the of 34.5% of computation pay.

- A hearing was held on October 30th in Austin on the 2.025 lawsuit. An update on the litigation will be provided under the Legal Issue agenda item.

- Deloitte presented their 802 Actuarial Audit to the City on November 7th. Deloitte continues to represent that they are an independent actuary for the purposes of the Section 802 audit although they have not communicated their interpretation of independence in their letter as requested at the September Board meeting.

- Virtual meetings were held with both the PRB and Senator Huffman's office to provide updates on the funding process.

Upcoming 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

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C4

Topic: **2023 Annual Comprehensive Financial Report**

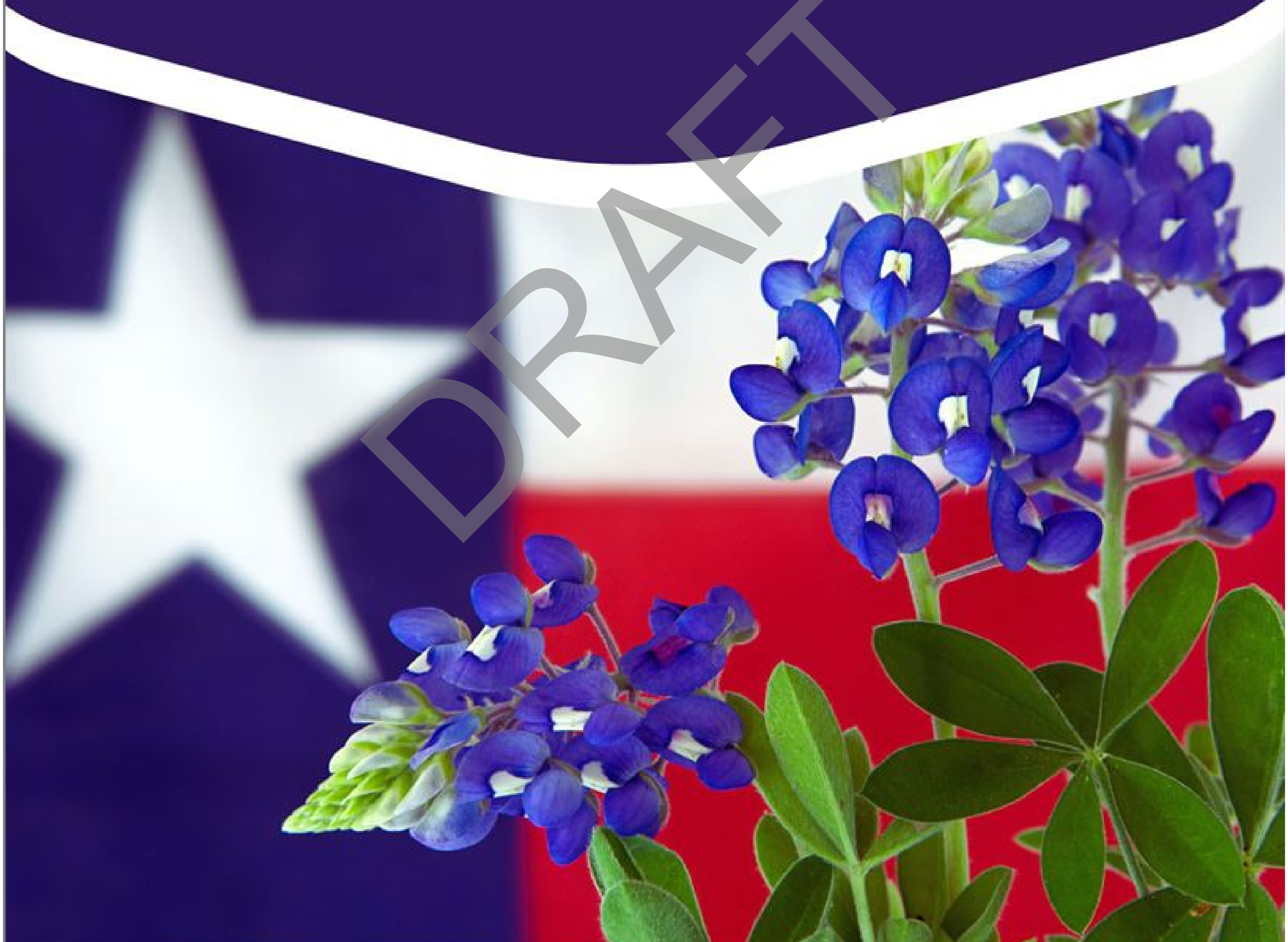
Discussion: Staff will present the 2023 Annual Comprehensive Financial Report.

Staff Recommendation: **Authorize** the Executive Director to issue the 2023 Annual Comprehensive Financial Report and to forward the report to the Pension Review Board, the City of Dallas and to post it on the DPFP website.

ANNUAL COMPREHENSIVE FINANCIAL REPORT

2023

For the years ending December 31, 2023 and 2022



An independently governed component unit of the City of Dallas, Texas

DALLAS POLICE & FIRE PENSION SYSTEM

4100 Harry Hines Blvd.
Ste. 100 Dallas, Texas 75219
www.dpfp.org | 214.638.3863

ANNUAL COMPREHENSIVE FINANCIAL REPORT

2023

For the years ending December 31, 2023 and 2022

Prepared through the combined effors of the Dallas Police & Fire Pension System Staff.
Kelly Gottschalk, Executive Director

An independently governed component unit of the City of Dallas, Texas

DALLAS POLICE & FIRE PENSION SYSTEM

4100 Harry Hines Blvd.
Ste. 100 Dallas, Texas 75219
www.dpfp.org | 214.638.3863

This page intentionally left blank

Contents

This page intentionally left blank

2023

INTRODUCTION

Transmittal Letter

November 15, 2024

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

Dear Trustees and Members:

I am pleased to present the Annual Comprehensive Financial Report (ACFR) of the Dallas Police and Fire Pension System (DPFP), including the Combined Pension Plan and the Supplemental Police and Fire Pension Plan of the City of Dallas (Supplemental Plan), collectively referred to as the Plans, for the fiscal year ended December 31, 2023. Responsibility for both the accuracy of the data, and the completeness and fairness of presentation, rests with DPFP management.

Management is also responsible for establishing a system of internal controls to safeguard assets. The cost of a control should not exceed the benefits to be derived. The objective of the system of internal controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. BDO USA, LLP (BDO) audited the accompanying basic financial statements and related disclosures. The financial statement audit provides reasonable assurance that DPFP's financial statements are presented in conformity with accounting principles generally accepted in the United States of America and are free from material misstatement.

The financial statements include a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. MD&A can be found immediately following the independent auditor's reports in the Financial section.

Profile of DPFP

DPFP is an independently governed component unit of the City of Dallas (City) and serves to provide retirement, death and disability benefits to police officers and firefighters employed by the City. DPFP is a single employer contributory defined benefit plan. The general terms "police officers" and "firefighters" also include fire and rescue operators, fire alarm operators, fire inspectors, apprentice police officers, and apprentice firefighters. A retirement plan for Dallas police officers and firefighters was first created in 1916 by City of Dallas ordinance. In 1933, the 43rd Legislature enacted 6243a, Vernon's Texas Civil Service Statutes, establishing DPFP. The Plan was restated and continued in 1989 by an Act of the 71st Legislature under Article 6243a-1. Article 6243a-1 was significantly amended by House Bill 3158 (HB 3158 or the bill) which was passed unanimously by the 85th Legislature and was signed into law by Governor Abbott on May 31, 2017. This plan is referred to as the Combined Pension Plan. On December 31, 2023, there were 10,757 members and beneficiaries in the Combined Pension Plan.

The Supplemental Plan was created by City ordinance in 1973. The intent of the Supplemental Plan is to provide additional retirement benefits to those members holding a rank higher than the highest corresponding civil service rank as provided in the Combined Pension Plan. On December 31, 2023, there were 212 members and beneficiaries in the Supplemental Plan.

The assets of the Combined Pension Plan and the Supplemental Plan are co-invested through a Group Master Trust. Administrative and professional expenses of DPFP are allocated to each plan on a pro-rata share based on the assets of each plan.

Major Initiatives and Significant Events

Changes to the investment program and efforts to liquidate private assets continued to be a major initiative in 2023. See additional discussion under Investment Program and Illiquid Real Estate and Private Asset Portfolio in this letter.

Continued focus on funding status, litigation management, and policy reviews were areas that also required specific attention in 2023.

Additional information is included in MD&A and the notes to the financial statements in the Financial section, as well as the Investment and Actuarial section of this report.

Funding Status

As has been described in detail in prior years' Annual Comprehensive Financial Reports, the Combined Pension Plan experienced a funding crisis beginning in 2015. At the lowest point, the Combined Plan was projected to be insolvent in seven years. Legislation, which was effective September 1, 2017, created a path to 100% funding. One of the legislative requirements included a mandate that the Board adopt changes if the Combined Plan does not meet Texas Review Board funding guidelines in 2024. Section 2.025 of Article 6243a-1 requires that the State Pension Board select an independent actuary who the Board shall hire to perform an actuarial analysis of the pension system. In 2023, in accordance with this requirement, an independent actuary began work on the analysis, which was required to include 1) a conclusion regarding whether the pension system meets pension funding requirements under Texas Government Code Section 802 and 2) recommendations regarding changes to benefits or to member or city contribution rates. This work was completed in 2024 and on August 8, 2024, the Board accepted the independent actuary's report and subsequently adopted by rule a plan that 1) complies with the funding and amortization period requirements applicable to the pension system under Subchapter C, Chapter 802 of the Texas Government Code and 2) took into consideration the recommendations of the independent actuary. The January 1, 2024 actuarial valuation report includes the plan changes adopted by the Board.

The January 1, 2023 valuation results were restated to reflect the changes incorporated in a rule adopted by the Board of Trustees of the Pension System on August 8, 2024. The changes included resetting the actuarial value of assets to the market value of assets as of January 1, 2023, recalculating the Actuarially Determined Contribution (ADC) and the inclusion of an immediate partial COLA as of January 1, 2024, that is assumed to be effective October 1, 2025. Resetting the actuarial value of assets immediately recognized $246.8 million of market value losses.

The unfunded actuarial accrued liability of the Combined Pension Plan as of January 1, 2024 was $3.9 billion, an increase of approximately $500 million from the previous year's restated actuarially accrued liability of $3.4 billion or $700 million compared to the $3.2 billion before restatement. The January 1, 2024 funding ratio based on the actuarial value of assets for the Combined Pension Plan was 32%, a decrease from the prior year's restated funded ratio of 34.4% or 39.1% before restatement. The funding period decreased from 82 years to 29 years. The amortization period for the Combined Plan is a closed 30-year period, established as of January 1, 2023. For valuation dates beginning 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 January 1, 2024 actuarial funding ratio for the Supplemental Plan was 40.8% and the unfunded liability was $28.7 million, compared to a 38.7% funded ratio and $26.4 million unfunded actuarial accrued liability in 2022. The amortization period for the Supplemental Plan is based on a closed amortization period of 20 years. Beginning in 2021, future gains and losses are amortized over separate, closed 10-year periods. The City's contribution to the Supplemental Plan is the Actuarially Determined Contribution plus payments to the Excess Benefits Plan and Trust related to the Supplemental Plan. The City's contribution to the Supplemental Plan increased by $859 thousand or 30.6% in 2023 due to plan changes offset by investment gains. The small size of the Supplemental Plan makes it more susceptible to fluctuations than a typical defined benefit plan.

Additional information on the funding status, actuarial assumptions and asset values can be found in MD&A, notes to the combining financial statements, Required Supplementary Information, and the Actuarial and Investment sections.

2023 Financial Results

The Plans' net position increased by $131 million in 2023. Investment gains and other income were partially offset by the outflow of benefit payments exceeding contributions. Total contributions increased by $5.7 million or 2.5% in 2023, while benefit payments increased $8.9 million or 2.7% when compared to 2022. Other income increased $45 million in 2023 because the System reached an agreement with a prior vendor and received a financial settlement.

The money-weighted rate of return on investments during 2023 was 10.15% net of fees, compared to a rate of return of -2.77% for 2022. The rate of return is provided by Meketa Investment Group, DPFP's investment consultant for the year ended December 31, 2023. The rate of return calculations was prepared using methodology consistent with standard industry practice and cannot be recalculated from the information provided herein.

Additional information on financial results is provided in the MD&A, Financial and Investment sections. The Investment Consultant's Report in the Investment section provides additional economic information.

Investment Program

The investment program continued to see significant changes in 2023. DPFP made progress in reducing private asset exposure and increasing public markets exposure during the year. Due to the high current level of exposure to illiquid private assets, there is a variance between the current allocation and the new targets in several asset classes. Key challenges for the investment portfolio continued to be an overallocation to private assets and the high level of cash outflows required for benefit payments.

Over the course of the year, the size of the investment portfolio increased by approximately $129 million to $1.94 billion in investment assets. The portfolio returned a time weighted return of 10.3%, net of fees in 2023. DPFP underperformed its benchmarks and peers given its underweight exposure to public equities and the overweight exposure to illiquid investments in real estate and legacy private equity.

The overweight to underperforming or non-performing private assets is an ongoing challenge to achieving the assumed rate of return. It will take several years to reduce the private assets to the levels in the asset allocation and the return on the portfolio is expected to lag during the transition.

The Investment Advisory Committee (IAC) held meetings during 2023 to provide advice to the Board of Trustees to ensure DPFP investments are prudently managed and give advice regarding the search and selection process for investment managers.

Additional information regarding the investment program is included in MD&A and the notes to the financial statements in the Financial section, as well as the Investment section of this report.

Illiquid Real Estate and Private Asset Portfolio

DPFP made progress towards reducing the over allocation to private assets with the continued liquidation of these assets in 2023. Distributions from the private asset portfolio were $69 million in 2023. Capital calls during 2023 were $789 thousand. On December 31, 2023, private asset investments still comprised approximately 26% of the portfolio.

Additional information regarding the investment program is included in MD&A and the notes to the financial statements in the Financial section, as well as the Investment section of this report.

Litigation

The challenges faced by DPFP involved extensive litigation matters related to plan amendments and other matters. In August 2021, The Dallas Police Retired Officers Association filed suit against DPFP alleging that changes to the provisions of the DPFP Plans relating to the benefit supplement and annual adjustment were violative of the Texas Constitution. In March 2022, the district court granted DPFP's motion for summary judgment. The plaintiff has appealed this judgment. In November 2023, the Fifth Court of Appeals affirmed the decision of the district court. The plaintiff filed a motion for a regearing by the original panel as well as a request for a hearing en banc. These motions were denied. The Plaintiff has filed a petition for review with the Texas Supreme Court.

In August 2024, DPFP filed a declaratory judgement in district court in Travis County against the City of Dallas seeking an interpretation of Section 2.025 and Section 802 of the Texas Government Code. This action is currently pending.

Additional litigation related matters are still pending in the courts.

Additional information on ongoing litigation is available in MD&A and Notes 9 and 12 of the financial statements in the Financial section of this report.

Awards and Acknowledgements

Public Pension Standards Award for Administration

The Public Pension Coordinating Council (PPCC) gave the 2023 Public Pension Standards Award for Administration to DPFP in recognition of meeting professional standards for plan administration as set forth in the Public Pension Standards.

Acknowledgements

The compilation of this report reflects the combined effort of the staff under the leadership of the Board of Trustees. Specifically, I would like to acknowledge Brenda Barnes, Bill Scoggins, Larissa Branford, Milissa Romero, John Holt, Ryan Wagner, and Akshay Patel for their work on the ACFR and the annual financial audit. I would like to express my gratitude to the Trustees, staff, advisors and others who have worked so diligently to assure the successful operation of DPFP.

Respectfully submitted,

Kelly Gottschalk, Executive Director

Public Pension Coordinating Council

Recognition Award for Administration 2023

Presented to

Dallas Police and Fire Pension System

In recognition of meeting professional standards for
plan administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

Board of Trustees

Article 6243a-1 of the Texas Statutes governs the makeup and responsibilities of the Board. The Board is responsible for the administration of DPFP and investment of the assets of the Combined Pension Plan and Supplemental Police and Fire Pension Plan of the City of Dallas.

The Board consists of eleven Trustees who are selected as follows:

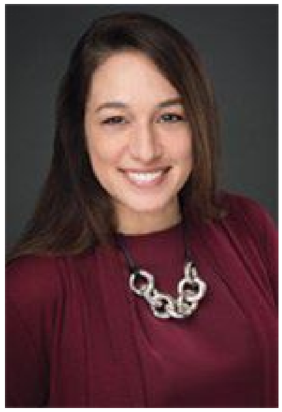
- Six Trustees appointed by the Mayor of the City of Dallas, in consultation with the City Council;
- One current or former police officer Trustee, nominated and elected by active members;
- One current or former firefighter Trustee, nominated and elected by active members; and
- Three Trustees (who may not be active members or retirees) elected by the active members and retirees from a slate of nominees vetted by the Nominations Committee. The Nominations Committee consists of representatives from 11 named police and fire associations and the Executive Director of DPFP. The Executive Director serves as the chair of the committee and is a nonvoting member.

To be appointed or elected, a person must have demonstrated financial, accounting, business, investment, budgeting, real estate or actuarial expertise and may not be an elected official or current employee of the City of Dallas, with the exception of a current police officer or firefighter.

The Board serves without compensation and meets not less than once each month. Six Trustees of the Board constitute a quorum at any meeting. Six affirmative votes are required to pass a motion regardless of the number of Trustees in attendance at a meeting. Some actions, specifically identified in Article 6243a-1, require a vote of at least eight Trustees.

Board of Trustees

Nicholas A. Merrick
Chairman
Mayoral Appointee
Term Expired 8/2023 (1)



Tina Hernandez Patterson
Vice Chairman
Mayoral Appointee
Term Expires 12/2024

Michael Taglienti
Deputy Vice Chairman
Police Trustee
Term Expires 8/2026

Michael Brown
Mayoral Appointee
Term Expires 8/2025

Steve Idoux
Mayoral Appointee
Term Expires 8/2024

Mark Malveaux
Mayoral Appointee
Term Expires 8/2024

Nancy Rocha
Non-member Trustee
Term Expires 8/2025

Anthony Scavuzzo
Non-member Trustee
Term Expires 8/2025

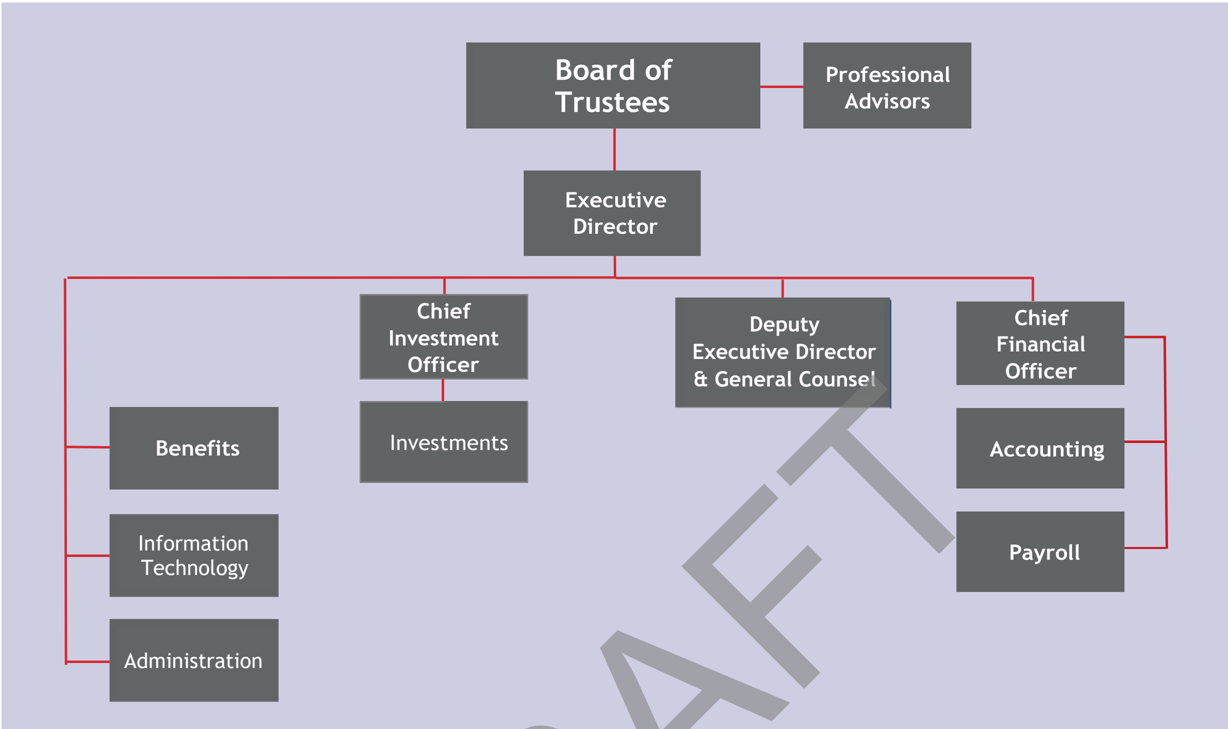
Matthew Shomer
Fire Trustee
Term Expires 8/2026

Marcus Smith
Non-member Trustee
Term Expires 8/2025

Tom Tull
Mayoral Appointee
Term Expires 8/2026

(1) The term of Mayoral Trustee Nicholas A. Merrick expired on August 31, 2023 and he continues to serve as a hold-over trustee pending trustee appointment by the Mayor of Dallas.

Administrative Organization



DRAFT

Professional Advisors
as of December 31, 2023

Actuary
Segal Consulting

Auditor
BDO USA, LLP

Custodian Bank
JPMorgan Chase Bank, N.A.

Investment Accounting Firm
STP Investment Services, LLC

Investment Consultant
Meketa Investment Group

Investment Managers
(See page 91)

Legislative Consultants
HillCo Partners, LLC

Fiduciary Counsel
Jackson Walker, LLP

Executive Staff
as of December 31, 2023

Executive Director
Kelly Gottschalk

Deputy Executive Director & General Counsel
Joshua Mond

Chief Financial Officer
Brenda Barnes, CPA

Chief Investment Officer
Ryan Wagner

Note: A schedule of investment management fees is provided in the Investment section of this report on page 89.

This page intentionally left blank

2023 FINANCIAL INFORMATION

Independent Auditor's Reports

BDO

Tel: 214-969-7007
Fax: 214-953-0722
www.bdo.com

600 North Pearl, Suite 1700
Dallas, Texas 75201

To the Board of Trustees
Dallas Police and Fire Pension System
Dallas, TX

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Dallas Police and Fire Pension System (DPFP), a component unit of the City of Dallas, Texas, as of and for the years ended December 31, 2023 and 2022, and the related notes to the combining financial statements, which collectively comprise the DPFP's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the fiduciary net position of DPFP as of December 31, 2023 and 2022, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of DPFP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the DPFP's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DPFP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the DPFP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying supplementary schedule of Administrative, Investment and Professional Services Expenses is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule of Administrative, Investment and Professional Services Expenses is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated _______________ on our consideration of DPFP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of DPFP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DPFP's internal control over financial reporting and compliance.

Dallas, Texas
____

Tel: 214-969-7007
Fax: 214-953-0722
www.bdo.com

600 North Pearl, Suite 1700
Dallas, Texas 75201

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Trustees
Dallas Police and Fire Pension System
Dallas, TX

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Dallas Police and Fire Pension System (DPFP), including the Combined Pension Plan and the Supplemental Police and Fire Pension Plan of the City of Dallas (Supplemental Plan), collectively referred to as the "Plans", for the fiscal years ended December 31, 2023 and 2022, which comprise the combining statements of fiduciary net position, and the related combining statements of changes in fiduciary net position for the years then ended, and the related notes to the combining financial statements, and have issued our report thereon dated _______________.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered DPFP's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DPFP's internal control. Accordingly, we do not express an opinion on the effectiveness of DPFP's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of DPFP's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Dallas Police and Fire Pension System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of DPFP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DPFP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dallas, Texas
____

Management's Discussion and Analysis

(Unaudited)

Overview

Management's Discussion and Analysis (MD&A) provides an overall review of the financial activities of the Dallas Police and Fire Pension System (DPFP), including the Combined Pension Plan and the Supplemental Police and Fire Pension Plan of the City of Dallas (Supplemental Plan), collectively referred to as the Plans, for the fiscal years ended December 31, 2023 and 2022. This discussion and analysis is intended to serve as an introduction to the financial statements, which reflect the Plans' resources available for payment of benefits and other related expenses. MD&A should be read in conjunction with the combining financial statements, notes to the combining financial statements, required supplementary information, and additional supplementary information provided in this report.

Financial Statements

The combining financial statements consist of the following:

Combining Statements of Fiduciary Net Position which reflect a snapshot of the Plans' financial position and reflect resources available for the payment of benefits and related expenses at year end. The resulting Net Position (Assets – Liabilities = Net Position) represents the value of the assets held in trust for pension benefits, net of liabilities owed as of the financial statement date.

Combining Statements of Changes in Fiduciary Net Position which reflect the results of all transactions that occurred during the fiscal year and present the additions to and deductions from the net position. Effectively, these statements present the changes in plan net position during the fiscal year (Additions – Deductions = Net Change in Net Position). If the change in net position increased, additions were more than deductions. If the change in net position decreased, additions were less than deductions.

Notes to Combining Financial Statements, which are an integral part of the combining financial statements, include additional information that may be needed to obtain an adequate understanding of the overall financial status of the Plans.

Required Supplementary Information (Unaudited) and additional Supplementary Information provide historical and additional information considered useful in obtaining an overall understanding of the financial positions and activities of the Plans.

Financial Highlights

The combining financial statements are presented solely on the accounts of the Plans. The accrual basis of accounting is utilized, whereby revenues are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the related liability has been incurred. Investments are reported at fair value.

A summary of the Combining Statements of Fiduciary Net Position of the Plans is as follows (in thousands):

DECEMBER 31:	2023	2022	2021
Assets			
Investments, at fair value	$ 1,875,833	$ 1,730,354	$ 2,100,504
Receivables	15,349	11,951	9,964
Cash and cash equivalents	62,346	75,286	60,032
Prepaid expenses	561	403	411
Capital assets, net	11,456	11,606	11,847
Total assets	**1,965,545**	**1,829,600**	**2,182,758**
Liabilities			
Securities purchased	4,476	1,139	358
Accounts payable and accrued liabilities	4,307	5,253	5,899
Total liabilities	**8,783**	**6,392**	**6,257**
Deferred inflow of resources	**2,138**	-	-
Net position restricted for pension benefits	**$ 1,954,624**	**$ 1,823,208**	**$ 2,176,501**

The assets of the Combined Pension Plan and the Supplemental Plan are co-invested through a Group Master Trust (Group Trust). The rate of return on Group Trust investments during 2023 was 10.15%, net of fees, compared to a rate of return of -2.77% for 2022 and 5.52% for 2021. Meketa Investment Group, Inc., DPFP's investment consultant at December 31, 2023, provides the rate of return for all years. The methodology used by the investment consultants to calculate the money-weighted rate of return incorporates a one-quarter lag on fair value adjustments for private equity, private debt, and real assets investments. This "lagged with cash flow adjustments" methodology is consistent with standard industry practice and allows for timely reporting to the Board of Trustees (Board). Gains and losses on lagged investments, which occur in the fourth quarter of any year, are recognized in the following year's rate of return.

The Plans' net position increased by $131 million in 2023. While benefit payments continue to exceed contribution payments, the shortfall was offset by investment gains.

The Plans' net position decreased by $353 million in 2022 due to investment losses and benefit payments exceeding contribution payments, which were slightly offset by increased cash and receivables.

The increase in receivables in 2023 is primarily the result of the application of GASB 87, *Leases*, to the new lease signed in May 2023, which requires the recognition of a lease receivable and deferred inflow of resources. See Note 11 for additional information on leases. Receivables were also impacted by the timing of settlement of pending investment trades, as well as the timing of the last payroll of the year for the City of Dallas as such timing impacts the collection of benefit contributions.

The cash balance decreased in 2023 due to the timing of transactions and cash used to pay benefits during the year.

A summary of the Combining Statements of Changes in Fiduciary Net Position of the Plans is as follows (in thousands):

YEARS ENDED DECEMBER 31:	2023	2022	2021
Additions			
Contributions			
City	$ 175,626	$ 172,719	$ 167,640
Members	62,789	59,962	58,788
Total contributions	**238,415**	**232,681**	**226,428**
Net income(loss) from investing activities	197,575	(245,390)	323,489
Other income	47,748	2,318	338
Total additions	**483,738**	**(10,391)**	**550,255**
Deductions			
Benefits paid to members	340,976	332,031	324,098
Refunds to members	5,310	4,450	3,285
Professional and administrative expenses	6,036	6,421	6,446
Total deductions	**352,322**	**342,902**	**333,829**
Net increase (decrease) in net position	131,416	(353,293)	216,426
Net position restricted for pension benefits			
Beginning of period	**1,823,208**	**2,176,501**	**1,960,075**
End of period	**$ 1,954,624**	**$ 1,823,208**	**$ 2,176,501**

The 2022 and 2023 Contribution rates for both members and the City were statutorily defined. Contributions for all active members (including members in DROP) were 13.5% of Computation Pay. Computation Pay is defined as base pay, education incentive pay and longevity pay. City contributions for the Combined Pension Plan were 34.5% of Computation Pay, plus a floor amount to meet the minimum required contribution, plus an additional amount of $13 million in 2022 and 2023. The 34.5% of Computation Pay was greater than the floor for all pay periods in 2023. In 2022, the floor was greater than the 34.5% of Computation Pay for all periods. See Note 1 for additional information on City contribution rates.

City contributions to the Plans increased by $2.9 million or 1.7% and member contributions increased by $2.8 million or 4.7% in 2023 due to increased salaries and the number of employees. City contributions to the Plans increased by $5.1 million or 3.0% in 2022 due to an increase in the bi-weekly floor amount. Member contributions of $60.0 million exceeded 2021 contributions by $1.2 million because of increased salaries.

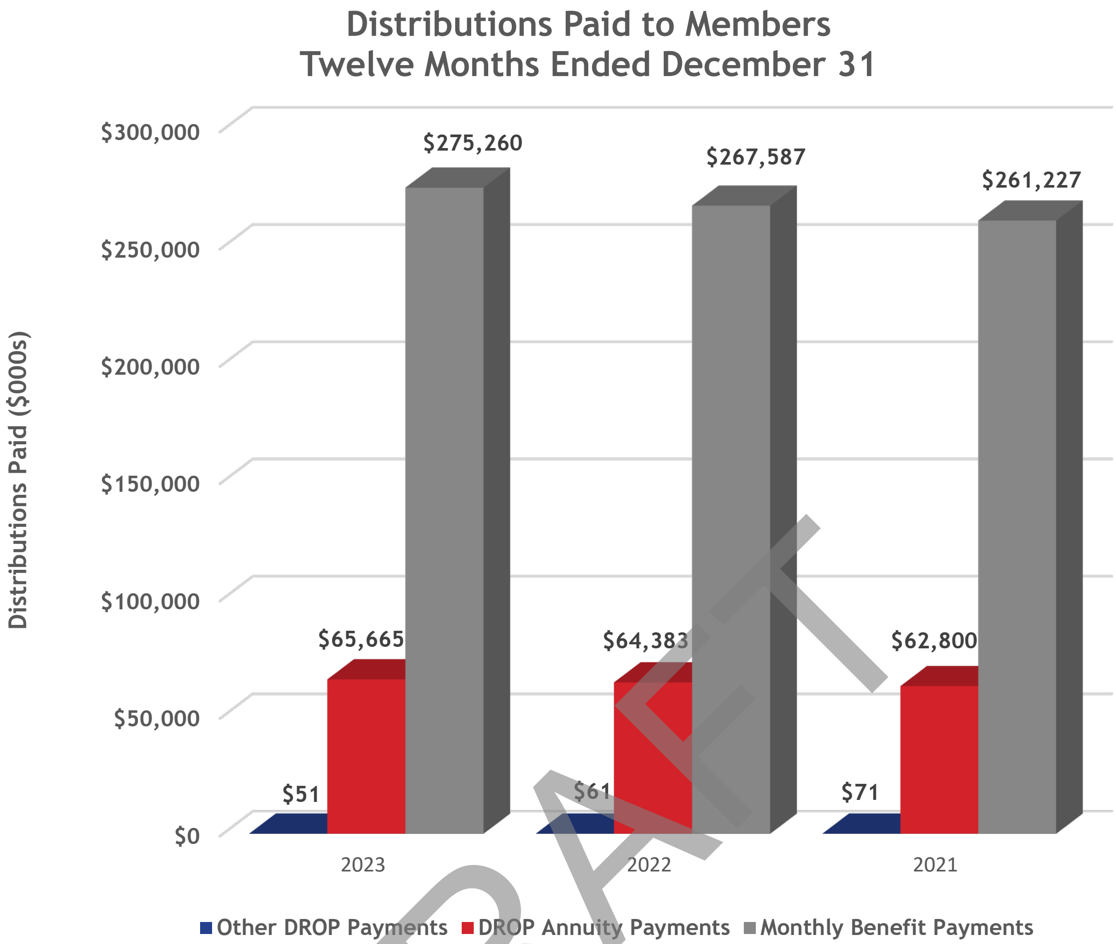
City Contributions to the Combined Pension Plan increased $2.0 million or 1.2% in 2023 due to increased salaries and the number of employees. City Contributions to the Combined Pension Plan increased $4.4 million or 2.6% in 2022 due to the scheduled increase in the bi-weekly floor amount.

The City is required by ordinance to contribute amounts necessary to ensure the payment of benefits in the Supplemental Plan. The City's contributions shall be made in accordance with actuarial requirements established by the actuary and the board. City contributions to the Supplemental Plan in 2023 increased by $859 thousand over 2022 contributions and City contributions to the Supplemental Plan in 2022 increased by $708 thousand over 2021 contributions.

Other income increased $45 million in 2023 because the System reached an agreement with a prior vendor and received a financial settlement.

Net investment income/(loss) is presented net of investment expenses and is comprised of interest, dividend income, gains/(losses) from the sale of investments and net unrealized appreciation (depreciation) in the fair value of investments. Net investment gain for 2023 was driven primarily by the increase in the public markets. Net investment loss for 2022 was driven by both public market changes and by changes in the fair value of private equity assets while net investment income during 2021 was driven by changes in the fair value of private equity assets.

Distributions to members consist of monthly payments of retirement, disability, and survivor benefits, as well as monthly DROP annuity payments and other DROP payments made in accordance with Section 6.14 of Article 6243a-1 of the Texas Statutes. The chart on the next page compares the components of distributions paid to members for the years ended December 31, 2023, 2022 and 2021.



Total benefits paid in 2023 increased $8.9 million or 2.7% over 2022. Monthly benefit payments increased $7.7 million or 2.9% due to an additional 89 retirees and beneficiaries receiving monthly benefits in 2023. Distributions from DROP balances in 2023 totaled $65.7 million, paid as DROP annuity payments, up $1.3 million from 2022.

Total benefits paid in 2022 increased $7.9 million or 2.4% over 2021. Monthly benefit payments increased $6.4 million or 2.4% due to an additional 75 retirees and beneficiaries receiving monthly benefits in 2022. Distributions from DROP balances in 2022 totaled $64.4 million, paid as DROP annuity payments, up $1.6 million from 2021. See Note 6 for additional information on DROP.

Refund expense increased $860 thousand in 2023 and $1.2 million in 2022.

The cost of administering the benefit plans, including administrative costs and professional fees, decreased approximately $385 thousand in 2023. Decreases in non-investment legal expenses and risk insurance along with an increase in legal reimbursements received were partially offset by increases in actuarial services, information technology expense and salaries and benefits. The cost of administering the benefit plans, including administrative costs and professional fees, decreased approximately $25 thousand in 2022. Decreased non-investment legal expenses were offset by increases in risk insurance.

A pro rata share of the total expenses of the Plans is allocated to the Combined Pension Plan and the Supplemental Plan according to the ratio of Combined Pension Plan and Supplemental Plan investment assets to the total investment assets of the Group Trust. Any expenses specific to either the Combined Pension Plan or the Supplemental Plan are charged directly as a reduction of such plan’s net position.

Funding Overview

DPFP's actuarial firm, Segal Consulting (Segal), conducts the annual actuarial valuations to determine if the assets and contributions are sufficient to provide the prescribed benefits (funding positions) of the Plans.

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. The changes included resetting the actuarial value of assets to the market value of assets as of January 1, 2023. Resetting the actuarial value of assets to the market value of assets immediately recognized $246.8 million of market value losses. Other changes included recalculating the Actuarially Determined Contribution (ADC) and the inclusion of an immediate partial COLA as of January 1, 2024, that is assumed to be effective October 1, 2025.

The January 1, 2024 actuarial valuation reported a funded ratio of 32%, based on the actuarial value of assets, an unfunded actuarial accrued liability of $3.9 billion and an expected fully funded date of 2053 for the Combined Pension Plan. The January 1, 2023 restated funded ratio was 34.4%, compared to 39.1% before restatement, based on the actuarial value of assets. The restated unfunded actuarial accrued liability was $3.4 billion, compared to $3.2 billion before restatement, and the expected fully funded date remained unchanged at 2105 for the Combined Pension. These projections may vary on an annual basis due to actual experience and demographics, which may vary from the current actuarial assumptions.

The Actuarially Determined Contribution (ADC) is equal to the City normal cost payment and a payment on the unfunded actuarial accrued liability. As of January 1, 2024, for the Combined Plan, the ADC was $262 million or 53.5% of Computation Pay. The restated ADC as of the January 1, 2023 was $202.4 million or 41.9% of Computation Pay, compared to $251.6 million before restatement or 54.4% of Computation Pay. Pursuant to the requirements of Section 2.025 of Article 6243a-1, 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 method 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.

In October 2024, the City began contributing based on an ADC. Beginning with the January 1, 2024 valuation, the ADC will be reported on the City's fiscal year beginning in the year after the valuation date. For the January 1, 2024 actuarial valuation, the calculated ADC will be payable in the City's fiscal year beginning October 1, 2025.

The January 1, 2024 actuarial valuation for the Supplemental Plan reports a funded ratio of 40.8% and an unfunded actuarial accrued liability of $28.7 million compared to a funded ratio of 38.6% and an unfunded actuarial accrued liability of $26.4 million as reported in the January 1, 2023 actuarial valuation. The increase is due to plan changes offset by investment gains. These projections may vary on an annual basis due to actual experience and demographics, which may vary from the current actuarial assumptions. The City's contributions for the Supplemental Plan are based on the ADC as determined by the actuary.

The Board's funding policy for the Supplemental Plan is based on a closed amortization period of 20 years. Beginning in 2021, future gains or losses each year are amortized over separate, closed 10-year periods.

Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans –An Amendment of GASB Statement No. 25*, (GASB No. 67) requires disclosure of the Net Pension Liability (NPL). The GASB No. 67 valuation is prepared by Segal and is a calculation for accounting purposes as opposed to the actuarial valuation, which is completed to determine the funding adequacy of the Plans. The NPL is the difference between the Total Pension Liability (TPL) and the Fiduciary Net Position (FNP). GASB No. 67 requires the determination of the TPL using the individual entry age method, level percent of pay actuarial cost method, and a discount rate. The GASB No. 67 for December 31, 2023 reports a NPL of $3.8 billion, which is an increase of $341.7 million from the NPL reported at December 31, 2022 for the Combined Pension Plan. The FNP as a Percentage of Total Pension Liabilities is 33.8% at December 31, 2023 compared to 34.4% at December 31, 2022 for the Combined Pension Plan.

The GASB No. 67 for December 31, 2022 reports a NPL of $3.4 billion, which is an increase of $442 million from the NPL reported at December 31, 2021 for the Combined Pension Plan. The Fiduciary Net Position as a Percentage of Total Pension Liabilities (FNP) is 34.4% at December 31, 2022 compared to 41.8% at December 31, 2021 for the Combined Pension Plan.

The Supplemental Plan had a NPL of $28.7 million and $26.4 million at December 31, 2023 and 2022, respectively. The Supplemental Plan had a FNP of 40.8% and 38.6% at December 31, 2023 and 2022, respectively.

Information about whether the Plans' net positions are increasing or decreasing over time relative to the TPL is provided in the accompanying Schedule of Changes in the Net Pension Liability and Related Ratios.

Contacting DPFP's Financial Management

This financial report is designed to provide members and other users with a general overview of DPFP's finances and present the Plans' accountability for the funding received. If you have questions about this report, you may contact the Executive Director of the Dallas Police and Fire Pension System at 4100 Harry Hines Boulevard, Suite 100, Dallas, Texas 75219, by phone at 214-638-3863, or by email at info@dpfp.org.

Combining Statements of Fiduciary Net Position

	2023			2022		
DECEMBER 31,	COMBINED PENSION PLAN	SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS	TOTAL	COMBINED PENSION PLAN	SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS	TOTAL
Assets						
Investments, at fair value						
Short-term investments	$ 16,809,984	$ 172,577	$ 16,982,561	$ 14,754,633	$ 136,207	$ 14,890,840
Fixed income securities	362,092,006	3,717,369	365,809,375	318,424,211	2,939,523	321,363,734
Equity securities	985,512,002	10,117,626	995,629,628	819,431,503	7,564,557	826,996,060
Real assets	275,723,992	2,830,683	278,554,675	344,739,510	3,182,452	347,921,962
Private equity	216,632,700	2,224,030	218,856,730	217,177,506	2,004,867	219,182,373
Forward currency contracts	-	-	-	(961)	(9)	(970)
Total investments	1,856,770,684	19,062,285	1,875,832,969	1,714,526,402	15,827,597	1,730,353,999
Receivables						
City	5,728,687	-	5,728,687	5,140,928	-	5,140,928
Members	2,073,930	9,382	2,083,312	1,811,630	7,708	1,819,338
Interest and dividends	4,621,058	47,441	4,668,499	3,753,553	34,651	3,788,204
Investment sales proceeds	1,943	20	1,963	1,141,865	10,541	1,152,406
Lease receivable	2,246,460	23,063	2,269,523	-	-	-
Other receivables	590,516	6,062	596,578	49,431	456	49,887
Total receivables	15,262,594	85,968	15,348,562	11,897,407	53,356	11,950,763
Cash and cash equivalents	61,712,765	633,566	62,346,331	74,596,937	688,639	75,285,576
Prepaid expenses	555,759	5,706	561,465	399,478	3,688	403,166
Capital assets, net	11,339,331	116,414	11,455,745	11,499,772	106,160	11,605,932
Total assets	**1,945,641,133**	**19,903,939**	**1,965,545,072**	**1,812,919,996**	**16,679,440**	**1,829,599,436**
Liabilities						
Other Payables						
Securities purchased	4,430,810	45,488	4,476,298	1,128,527	10,418	1,138,945
Accounts payable and other accrued liabilities	4,277,517	28,896	4,306,413	5,224,128	28,620	5,252,748
Total liabilities	**8,708,327**	**74,384**	**8,782,711**	**6,352,655**	**39,038**	**6,391,693**
Deferred inflow of resources	**2,116,246**	**21,726**	**2,137,972**	**-**	**-**	**-**
Net position restricted for pension benefits	**$ 1,934,816,560**	**$ 19,807,829**	**$ 1,954,624,389**	**$ 1,806,567,341**	**$ 16,640,402**	**$ 1,823,207,743**

See accompanying notes to combining financial statements.

Combining Statements of Changes in Fiduciary Net Position

	2023			2022		
YEARS ENDED DECEMBER 31,	COMBINED PENSION PLAN	SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS	TOTAL	COMBINED PENSION PLAN	SUPPLEMENTAL POLICE AND FIRE PENSION PLAN OF THE CITY OF DALLAS	TOTAL
Additions (Reductions)						
Contributions						
City	$ 171,960,839	$ 3,665,783	$ 175,626,622	$ 169,911,420	$ 2,806,863	$ 172,718,283
Members	62,510,063	278,622	62,788,685	59,706,574	255,703	59,962,277
Total contributions	234,470,902	3,944,405	238,415,307	229,617,994	3,062,566	232,680,560
Investment income (loss)						
Net appreciation (depreciation) in fair value of investments	180,060,356	1,577,820	181,638,176	(255,777,638)	(2,318,539)	(258,096,177)
Interest and dividends	22,238,000	228,303	22,466,303	21,233,270	196,014	21,429,284
Total gross investment income	202,298,356	1,806,123	204,104,479	(234,544,368)	(2,122,525)	(236,666,893)
Less: Investment expense	(6,463,286)	(66,354)	(6,529,640)	(8,643,345)	(79,791)	(8,723,136)
Net investment income (loss)	195,835,070	1,739,769	197,574,839	(243,187,713)	(2,202,316)	(245,390,029)
Other income	47,263,208	485,221	47,748,429	2,296,327	21,198	2,317,525
Total additions	**477,569,180**	**6,169,395**	**483,738,575**	**(11,273,392)**	**881,448**	**(10,391,944)**
Deductions						
Benefits paid to members	338,035,629	2,940,634	340,976,263	329,187,721	2,843,026	332,030,747
Refunds to members	5,310,084	-	5,310,084	4,449,977	-	4,449,977
Professional and administrative expenses	5,974,248	61,334	6,035,582	6,361,999	58,731	6,420,730
Total deductions	**349,319,961**	**3,001,968**	**352,321,929**	**339,999,697**	**2,901,757**	**342,901,454**
Net increase/(decrease) in fiduciary net position	128,249,219	3,167,427	131,416,646	(351,273,089)	(2,020,309)	(353,293,398)
Net position restricted for pension benefits						
Beginning of period	1,806,567,341	16,640,402	1,823,207,743	2,157,840,430	18,660,711	2,176,501,141
End of period	$ 1,934,816,560	$ 19,807,829	$ 1,954,624,389	$ 1,806,567,341	$ 16,640,402	$ 1,823,207,743

See accompanying notes to combining financial statements.

Notes to Combining Financial Statements

1. Organization

General

The Dallas Police and Fire Pension System (DPFP) is an independently governed component unit of the City of Dallas (City, or Employer) and serves as a single-employer pension and retirement fund for police officers and firefighters employed by the City. The general terms “police officers” and “firefighters” also include fire and rescue operators, fire alarm operators, fire inspectors, apprentice police officers, and apprentice firefighters. DPFP is comprised of a single defined benefit pension plan (Combined Pension Plan) designed to provide retirement, death, and disability benefits for police officers and firefighters (collectively, members). DPFP was originally established under former Article 6243a of the Revised Civil Statutes of Texas and, since 1989, derives its authority to continue in operation under the provisions of Article 6243a-1 of the Revised Civil Statutes of Texas (the Governing Statute). All active police officers and firefighters employed by the City are required to participate in the Combined Pension Plan.

The Supplemental Police and Fire Pension Plan of the City of Dallas (Supplemental Plan) was created in 1973 to supplement DPFP’s Plan B Defined Benefit Pension Plan (Plan B). Former Plan B members are now denominated as Group B members of the Combined Pension Plan. The intent of the Supplemental Plan is to provide additional retirement benefits to those members of the Supplemental Plan holding a rank higher than the highest corresponding civil service rank as provided in the Combined Pension Plan. Members receive a supplemental pension based upon the difference between compensation for the civil service position held before entrance into the Supplemental Plan and compensation while in the Supplemental Plan. The Supplemental Plan was established and derives its authority from a City ordinance.

The Combined Pension Plan and Supplemental Plan are collectively referred to as the Plans.

As of December 31, 2023 and 2022, the Combined Pension Plan’s membership consisted of:

	2023	2022
Retirees and beneficiaries	5,231	5,142
Beneficiaries, DROP Only	141	147
Non-active vested members not yet receiving benefits	254	252
Non-active non-vested members not yet refunded	326	474
Total non-active members	**5,952**	**6,015**
Vested active members	3,854	3,732
Non-vested active members	1,277	1,353
Total active members	**5,131**	**5,085**

As of December 31, 2023 and 2022, the Supplemental Plan's membership consisted of:

	2023	2022
Retirees and beneficiaries	152	149
Beneficiaries, DROP Only	3	2
Non-active vested members not yet receiving benefits	1	1
Non-active non-vested members not yet refunded	-	-
Total non-active members	**156**	**152**
Vested active members	55	51
Non-vested active members	1	1
Total active members	**56**	**52**

No changes to benefit, contribution or administration plan provisions were made to the Combined Pension Plan or the Supplemental Plan in 2023.

The benefit, contribution and administration plan provisions discussed below are as of December 31, 2023 and 2022.

Benefits

Members hired by the City before March 1, 1973 are Group A members of the Combined Pension Plan. Members hired on or after March 1, 1973 are Group B members of the Combined Pension Plan.

Group A members of the Combined Pension Plan have elected to receive one of two benefit structures as of December 31, 2023:

- Members with 20 years or more of pension service are entitled to monthly pension benefits beginning at age 50 equal to 50% of base pay, defined as the maximum monthly civil service pay established by the City for a police officer or firefighter at the time of retirement, plus 50% of the longevity pay the member was receiving either at the time he or she left active service with the City or the effective date the member joined the Deferred Retirement Option Plan (DROP). Benefit payments are adjusted annually according to changes in active service base pay, if any. Additionally, a member is eligible to receive 50% of the difference between any annualized City service incentive pay granted to the member less annual longevity pay.

- Members with 20 years or more of pension service are entitled to monthly pension benefits beginning at age 55 equal to 3% of their base pay, computed as noted in the prior paragraph, for each year of pension service with a maximum of 32 years. In addition, a member receives 50% of the longevity pay and 1/24th of any City service incentive pay the member was receiving either at the time he or she left active service with the City or the effective date the member joined DROP. As part of the plan changes adopted by the Board on August 8, 2024, an immediate partial COLA, payable while the Plan is under 70% funded on a market value basis, has been added effective October 1, 2025. The immediate partial COLA is equal to the annual change in the 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 does not exceed 1.5%.

Group B members of the Combined Pension Plan receive one of two benefit structures as of December 31, 2023:

- Members who began membership before March 1, 2011 with 5 or more years of pension service are entitled to monthly pension benefits beginning at age 50 equal to 3% of the member's average base pay plus education and longevity pay (Computation Pay) determined over the highest 36 consecutive months of Computation Pay, multiplied by the number of years of pension service prior to September 1, 2017. The monthly pension benefit for service earned after September 1, 2017 is based on the highest 60 consecutive months of Computation Pay multiplied by a 2.5% multiplier at age 58. The multiplier is reduced to between 2.0% and 2.4% for retirement prior to age 58. The member cannot accrue a monthly pension benefit that exceeds 90% of the member's average Computation Pay. Certain members may receive a 2.5% multiplier for pension service after September 1, 2017 prior to age 58 if the combination of their pre and post September 1, 2017 pension service calculations using the 2.5% multiplier for post September 1, 2017 meets or exceeds the 90% maximum benefit. Certain members who meet the service prerequisite or were 45 prior to September 1, 2017 may elect to take early retirement with reduced benefits starting at age 45, or earlier if the member has 20 years of pension service.

- Members who began membership after February 28, 2011 are entitled to monthly pension benefits after accruing 5 years of pension service and the attainment of age 58. Pension benefits are equal to the member's average Computation Pay determined over the highest 60 consecutive months of Computation Pay, multiplied by 2.5% for the number of years of pension service. The member cannot accrue a monthly pension benefit that exceeds 90% of the member's average Computation Pay. Members who have 20 years of service may elect to take early retirement. Vested members may take a reduced benefit starting at age 53.

- A Group B member who has accrued 20 or more years of pension service and who has been on active service at any time on or after January 1, 1999 may take a pension benefit regardless of age except that the percent multiplier would be based on the member's age at the time of applying for the pension, or earlier if the member has 20 years of pension service.

- All members are eligible for an ad hoc cost of living increase after the Combined Plan is 70% funded after accounting for the impact of the COLA as approved by the Board. The ad hoc cost of living adjustment is 1.5% of the original benefit. As part of the plan changes, adopted by the Board on August 8, 2024, all Group B members are eligible for an immediate partial COLA, payable while the Plan is under 70% funded on a market value basis. The immediate partial COLA has been added effective October 1, 2025. The immediate partial COLA is equal to the annual change in the Consumer Price Index for All Urban Consumers (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 does not exceed 1.5%.

Additional provisions under the Combined Pension Plan as of December 31, 2023 are as follows:

- Prior to September 1, 2017 members with over 20 years of pension service, upon attaining age 55, received a monthly supplement equal to the greater of $75 or 3% of their total monthly benefits (excluding the benefit supplement amount). After September 1, 2017, no additional members will receive the monthly supplement and no increases will be made to the amount of the supplement received by those members receiving the supplement prior to September 1, 2017.

- Service-connected disability benefits are available for members in active service who began service prior to March 1, 2011 and have not entered DROP who become disabled during the performance of their duties from the first day of employment. Members receiving service-connected disability benefits are given credit for the greater of actual pension service or 20 years of pension service. A benefit of 3% times the average of the highest 36 consecutive months of Computation Pay times the number of years of pension service prior to September 1, 2017, plus a 2.5% multiplier for pension service after September 1, 2017, times the average of the highest 60 consecutive months of Computation Pay times the number of years of pension service. If needed, additional service time necessary to reach 20 years of service credit will be included with pension service after September 1, 2017. Members who began membership after February 28, 2011 and have not entered DROP are entitled to a disability benefit based on the average of the highest 60 consecutive months of Computation Pay times a 2.5% multiplier regardless of their age. If a member has more than 20 years of service and was hired prior to March 1, 2011, the benefit is calculated in the same manner as their service retirement pension. If the member has fewer than 36 or 60 months of service, based on hire date, the benefit is based on the average Computation Pay during their entire pension service. All service-connected disability benefits are subject to a minimum benefit of $2,200 per month.

- Members who began membership before March 1, 2011, who are determined to be eligible for a non-service connected disability benefit are entitled to a benefit of 3% times the average of the highest 36 consecutive months of Computation Pay times the number of years of pension service prior to September 1, 2017, plus a 2.5% multiplier for pension service after September 1, 2017 times the average of the highest 60 consecutive months of Computation Pay. Total service is rounded to the nearest whole year.

- Members who began membership after February 28, 2011, are entitled to a disability benefit based on the average of the highest 60 consecutive months of Computation Pay, times a 2.5% multiplier regardless of their age. All non-service-connected disability benefits are subject to a minimum benefit of $110 for every year of pension service. The minimum benefit cannot exceed $2,200 per month. If the member has fewer than 36 or 60 months of service, based on hire date, the benefit is based on the average Computation Pay during their entire pension service.

- Members who are eligible to retire are eligible to enter the DROP program, which is an optional method of accruing monthly pension benefits prior to leaving active service. The amount of an active member's DROP balance is based on the accumulation of the member's monthly benefit each month while in active DROP, and interest accrued prior to September 1, 2017. DROP balances of retired members and other DROP account holders, excluding active member DROP account holders, were converted to annuities (a stream of payments) on November 30, 2017. DROP balances of active members are annuitized upon retirement. The life expectancy of a DROP account holder at the time of annuitization determines the term of the annuity. Interest is included in the annuity calculation for balances accrued prior to September 1, 2017. The interest rate is based on the provisions of Article 6243a-1 and rules adopted by the Board. See Note 6 for information about the changes in the DROP program resulting from the passage of HB 3158. See below, under Contributions, for discussion of required DROP contributions. The total DROP balance and the present values of the annuitized balances for the Combined Pension Plan was $902.7 million and $943.9 million at December 31, 2023 and 2022, respectively. The total DROP balances include amounts that may be paid out of the Excess Benefit Plan and Trust.

- A minimum benefit is paid to vested retired members of $2,200 per month subject to any restrictions contained in the Combined Pension Plan. The minimum benefit is prorated for members who retire with less than 20 years of service credit and equals $1,200 monthly for a qualified surviving spouse if there are no qualified surviving children receiving benefits. The minimum benefit is $1,100 monthly for qualified surviving children combined and qualified surviving spouses if qualified surviving children are receiving or had received benefits.

Additional provisions under the Supplemental Plan as of December 31, 2023 are as follows:

- The Supplemental Plan's benefits are designed to supplement Group B benefits for those members holding a rank higher than the highest civil service rank because their Combined Pension Plan benefits are capped by the Combined Pension Plan's definition of considered compensation. Accordingly, when Group B benefits are amended, the Supplemental Plan's benefit calculation is also affected. The basis for a member's benefits is the difference between the monthly rate of pay a member is due as the base pay for the rank the member currently holds and the monthly rate of pay the member is due for the highest civil service rank (and pay step) the member held as a result of competitive examinations. The service time used to determine the member's Group B benefit is used to determine the member's benefit under the Supplemental Plan so that the same length of time is used for both plans. Average Computation Pay is calculated for each plan separately and combined to determine the benefit. Application for benefits under the provisions of the Combined Pension Plan is deemed to be an application for benefits under the Supplemental Plan and no additional application need be filed.

- Members of the Supplemental Plan who enter the DROP program in the Combined Pension Plan also enter the DROP program in the Supplemental Plan. The total DROP account balance and the present value of the annuitized balances related to the Supplemental Plan was $5.7 million and $6.0 million on December 31, 2023 and 2022, respectively. The total DROP balances include amounts that may be paid out of the Excess Benefit Plan and Trust.

Death benefits are available to a surviving spouse, dependent children, disabled children, or dependent parents in the event of the death of a member either after disability or service retirement, prior to leaving active service or retirement eligible deferred vested members.

Contributions

Employee contribution rates did not change in 2023. The employee contribution rate is 13.5% of Computation Pay for all active members.

City contribution rates did not change in 2023. The City contributes the greater of (i) 34.5% of Computation Pay and (ii) a bi-weekly minimum (floor) amount defined in the bill, plus $13 million annually until 2024. The floor amounts were $5.812 million and $6.043 million, respectively, for 2023 and 2022. After 2024, the floor amount and the additional $13 million annual amount are eliminated.

In accordance with Section 2.025 of Article 6243a-1, during 2024 an independent actuary selected by the Texas State Pension Review Board (PRB) performed an analysis that included the independent actuary's 1) conclusion regarding whether the pension system meets funding guidelines under Texas Government Code Section 802 and 2) recommendations regarding changes to benefits or to member or city contribution rates. This independent analysis, conducted by Cheiron, was completed and presented to the Board at the August 8, 2024 board meeting, where it was accepted by the Board and subsequently included in the January 1, 2024 actuarial report.

Cheiron's principal recommendations were:

- Adopt an Actuarially Determined Contribution
- Reduce Employee Contribution Rate as Funding Improves
- Provide Some COLA Earlier Than Current Provisions Permit

The January 1, 2024 actuarial valuation report reflects that on August 8, 2024, the Board adopted by rule a plan that 1) complies with funding and amortization period requirements applicable to the pension system under Subchapter C, Chapter 802 of the Texas Government Code and 2) took into consideration the recommendation of the independent actuary.

City contributions can be changed by section 2.025 of Article 6243a-1, by the legislature, by a majority vote of the voters of the city or in accordance with a written agreement entered into between the city and the pension system, where at least eight trustees have approved the agreement, provided that the change does not increase the period required to amortize the unfunded accrued liability of the Combined Pension Plan. Decreases in employee contributions require the approval of the legislature. Increases in employee contributions require the approval of at least a two-thirds vote of all trustees of the Board.

The City is required by ordinance to contribute amounts necessary to ensure the payment of benefits in the Supplemental Plan. The City's contributions shall be made in accordance with actuarial requirements established by the actuary and the board. Member contributions in the Supplemental Plan follow the same rules as the Combined Pension Plan on Computation Pay over the compensation of the highest civil service rank held as a result of competitive examinations.

The Supplemental Plan's plan document can be amended only by the City Council in accordance with City ordinance. The benefit and contribution provisions of the Supplemental Plan follow those of the Combined Pension Plan.

Members of Group B are immediately vested in their member contributions. If a member's employment is terminated and the member is not vested, or the member elects not to receive present or future pension benefits, the member's contributions are refunded, without interest, upon written application. If application for a refund is not made within three years of normal retirement age, the member forfeits the right to a refund of his or her contribution; however, a procedure exists whereby the member's right to the contributions can be reinstated and refunded by the Board after the three-year period.

Administration

Collectively, the Combined Pension Plan Board of Trustees and the Supplemental Plan Board of Trustees are referred to as the Board. The Board is responsible for the general administration of DPFP and has the full power to invest the Plans' assets.

The Plans are administered by an eleven-member Board consisting of six Trustees appointed by the Mayor of the City of Dallas, in consultation with the City Council; one current or former police officer, nominated and elected by active members; one current or former firefighter, nominated and elected by active members; and three non-member Trustees (who may not be active members or retirees) elected by the active members and retirees from a slate of nominees vetted and nominated by the Nominations Committee. The Nominations Committee consists of representatives from 11 named police and fire associations and the Executive Director of DPFP. The Executive Director is a nonvoting member of the committee.

To serve as a Trustee, a person must have demonstrated financial, accounting, business, investment, budgeting, real estate or actuarial expertise and may not be an elected official or current employee of the City of Dallas, with the exception of a current police officer or firefighter.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States (GAAP). In doing so, DPFP adheres to guidelines established by the Governmental Accounting Standards Board (GASB). The accompanying financial statements include solely the accounts of the Plans on a combined basis, which include all programs, activities and functions relating to the accumulation and investment of the net position and related income necessary to provide the service, disability and death benefits required under the terms of the governing statutes and amendments thereto.

Basis of Accounting

The economic resources measurement focus is the method by which revenues and expenses are recognized in the accounts and reported in the basic financial statements. The accrual basis of accounting is used for the Plans. Under the accrual basis of accounting, revenues, which include contributions and investment income, are recognized in the period in which they are earned, and collection is reasonably assured. Expenses are recognized when the liability is incurred. Member and employer contributions are recognized in the period in which the contributions are due, pursuant to Plan requirements and State statute. Accrued income, when deemed uncollectible, is charged to operations.

Contributions for the final biweekly payroll of the year for the years ended December 31, 2023 and 2022 were not received by DPFP until after year end and accordingly, uncollected contributions are recorded as receivables in the accompanying financial statements. Benefits, lump sum payments, and refunds are recognized when due and payable. Dividend income is recorded on the ex-dividend date. Other income consists primarily of rental income, which is recognized based on the systematic and rational allocation of the deferred inflow of resources over the term of the lease. Realized gains and losses on sales of securities are recognized on the trade date. The cost of investments sold is determined using the average cost method.

Reporting Entity

DPFP is an independently governed component unit of the City and the basic financial statements and required supplementary information of the Plans are therefore included in the City's Annual Comprehensive Financial Report.

Administrative Costs

All costs of administering the Plans are paid from the Plans' assets pursuant to an annual fiscal budget approved by the Board.

Federal Income Tax

Favorable determinations that the Plans are qualified and exempt from Federal income taxes were received on October 20, 2014. The Board believes that the Plans are designed to meet and operate in material compliance with the applicable requirements of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the actuarial information included in the notes to the financial statements as of the benefit information date, the reported amounts of income and expenses during the reporting period, and when applicable, disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

DPFP considers only demand deposits as cash. Cash equivalent securities, which are composed of all highly liquid investments with a maturity of three months or less when purchased, are considered to be cash equivalents. Highly liquid securities invested by third party investment managers as part of a short-term investment fund are not considered cash equivalents and are classified as short-term investments.

Plan Interest in the Group Master Trust

Effective January 1, 2006, the Board elected to establish a Group Master Trust (Group Trust) in order to unitize the investments of the Combined Pension Plan and the Supplemental Plan. JPMorgan Chase Bank, N.A. (JPMorgan) served as custodian of the Group Trust for the years ended December 31, 2023 and 2022. The fair value of the Combined Pension Plan's interest and the Supplemental Plan's interest in the Group Trust is based on the unitized interest that each plan has in the Group Trust. The Combined Pension Plan's interest in the Group Trust's investments was approximately 99% on December 31, 2023 and 2022, while the remaining interest belongs to the Supplemental Plan. The allocation of investment income and expenses between the Combined Pension Plan and the Supplemental Plan is based on percentage interest in the Group Trust. Shared professional and administrative expenses are allocated to each plan directly in proportion to each plan's ownership interest. Benefits and contributions are attributed directly to the plan that such receipts and disbursements relate to and are not subject to a pro-rated allocation.

Investments

Investment Policy

Statutes of the State of Texas authorize DPFP to invest surplus funds in the manner provided by Government Code, Title 8, Subtitle A, Subchapter C, which provides for the investment of surplus assets in any investment that is deemed prudent by the Board. These statutes stipulate that the governing body of the Plans is responsible for the management and administration of the funds of the Plans and shall determine the procedure it finds most efficient and beneficial for the management of the funds of the Plans. The governing body may directly manage the investments of the Plans or may contract for professional investment management services. Investments are reported at fair value.

The investment policy of the Board does not restrict the types of investments authorized to be made on behalf of the Group Trust. The Governing Statute requires at least eight members of the Board to approve an investment in an alternative asset. The Board determined that alternative assets include all asset classes other than traditional assets. Traditional assets include publicly traded stocks, bonds and cash equivalents. The investment policy considers the current and expected financial condition of the Plans, the expected long-term capital market outlook and DPFP's risk tolerance. The following is the Board's adopted asset allocation contained in the Investment Policy Statement as of December 31, 2023 and 2022. The actual asset allocation as of December 31, 2023 has variances to the long-term target allocation.

ASSET CLASS	TARGET ALLOCATION
Equity	**65%**
Global Equity	55%
Emerging Markets Equity	5%
Private Equity	5%
Safety Reserve and Fixed Income	**25%**
Cash	3%
Short-term Investment Grade Bonds	6%
Investment Grade Bonds	4%
High Yield Bonds	4%
Bank Loans	4%
Emerging Markets Debt	4%
Real Assets	**10%**
Private Real Estate	5%
Private Natural Resources	5%

The value and performance of DPFP's investments are subject to various risks, including, but not limited to, credit risk, interest rate risk, concentration of credit risk, custodial credit risk, and foreign currency risk, which are in turn affected by economic and market factors impacting certain industries, sectors or geographies. See Note 3 for disclosures related to these risks.

Investment Transactions

The accompanying Combining Statements of Changes in Fiduciary Net Position present the net appreciation (depreciation) in the fair value of investments, which consists of the realized gains and losses on securities sold and the changes in unrealized gains and losses on those investments still held in the portfolio at year end.

Purchases and sales of investments and forward foreign exchange contracts are recorded on the trade date. Unsettled investment trades as of fiscal year end are reported in the financial statements on the accrual basis of accounting. Realized gains or losses on forward foreign exchange contracts are recognized when the contract is settled.

Interest earned but not yet received and dividends declared but not yet received are recorded as accrued interest and dividends receivable, respectively. In addition, unsettled investment purchases and sales are accrued.

Valuation of Investments

The diversity of the investment types in which the Group Trust invests requires a wide range of techniques to determine fair value.

Short-term investments include money market funds and government bonds with a maturity of less than one year and are valued based on stated market rates.

Fixed income investments include government securities such as Treasury securities, bank loans, US corporate bonds, foreign securities such as dollar denominated and non-dollar denominated issues of non-US governments and private corporations, plus units of commingled fixed income funds of both US and foreign securities. Equity securities consist of individual shares of equity securities plus units of commingled stock funds of both US and foreign entities. The stated fair value of investments in publicly traded fixed income and equity securities is based on published market prices or quotations from major investment dealers as provided by JPMorgan, utilizing vendor supplied pricing. Vendor supplied pricing data for equity securities is based upon the daily closing price from the primary exchange of each security while vendor supplied pricing data for fixed income securities is based upon a combination of market maker quotes, recent trade activity, and observed cash flows. Securities traded on an international exchange are valued at the last reported sales price as of year-end at exchange rates as of year-end. The fair value of non-publicly traded commingled fixed income funds and commingled stock funds is based on their respective net asset value (NAV) as reported by the investment manager.

Real assets consist of privately held real estate, infrastructure, timberland, and farmland investments. Real estate is held in separate accounts, limited partnerships, joint ventures and as debt investments in the form of notes receivable. Infrastructure, timberland, and farmland are held in separate accounts, limited partnerships, and joint ventures. Real estate, timberland and farmland are generally subject to independent third-party appraisals performed in accordance with the Uniform Standards of Professional Appraisal Practice on a periodic basis, every three years at minimum, as well as annual financial statement audits. Infrastructure funds are valued based on audited NAV reported by the manager, which is based on internal manager valuation or independent appraisal at the discretion of the manager. Interests in joint ventures, limited partnerships and notes receivable are valued at the dollar value reported by the general partner or investment manager, as applicable. Externally managed partnerships, joint venture and separate accounts are valued at the NAV provided by the investment or fund manager, as applicable. The investment or fund manager on a continuous basis values the underlying investment holdings.

Private equity investments consist of various investment vehicles including limited partnerships and notes receivable. Private equity limited partnership investments and notes receivable are valued as reported by the investment manager. Private equity funds are valued using their respective NAV as reported by the fund's custodian, investment manager or independent valuations obtained by DPFP, as applicable.

DPFP has established a framework to consistently measure the fair value of the Plans' assets and liabilities in accordance with applicable accounting, legal, and regulatory guidance. This framework has been provided by establishing valuation policies and procedures that provide reasonable assurance that assets and liabilities are carried at fair value as described above and as further discussed in Note 4.

Foreign Currency Transactions

DPFP, through its investment managers, is party to certain financial arrangements, utilizing forward contracts, options and futures as a hedge against foreign currency fluctuations. Entering into these arrangements involves not only the risk of dealing with counterparties and their ability to meet the terms of the contracts, but also the risk associated with market fluctuations. Realized gains and losses on option and future arrangements are recorded as they are incurred. Realized gains and losses on forward contracts are recorded on the settlement date.

Gains and losses resulting from foreign exchange contracts (transactions denominated in a currency other than the Group Trust's functional currency - US dollar) are recorded based on changes in fair values and are included in investment income (loss) in the accompanying financial statements. Investment managers, on behalf of the Group Trust, structure foreign exchange contracts and enter into transactions to mitigate exposure to fluctuations in foreign exchange rates.

Investments and broker accounts denominated in foreign currencies outstanding on December 31, 2023 and 2022 were converted to the US dollar at the applicable foreign exchange rates quoted as of December 31, 2023 and 2022, respectively. The resulting foreign exchange gains and losses are included in net appreciation (depreciation) in fair value of investments in the accompanying financial statements.

Leases

DPFP is a lessor for a noncancelable lease of office space and recognizes a lease receivable and a deferred inflow of resources in the System's statements of fiduciary net position.

At the commencement of a lease, the System initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for the lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the System determines the discount rate and lease term it uses to discount the expected lease receipts to present value. The System uses the market rate of interest at lease inception as the discount rate for leases. Lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments as outlined in the lease agreements.

3. Investments

The Board has contracted with investment managers to manage the investment portfolio of the Group Trust subject to the policies and guidelines established by the Board. The Board has a custody agreement with JPMorgan under which JPMorgan assumes responsibility for the safekeeping of certain investments, handling of transactions based on the instructions of investment managers and reporting investment transactions.

The fair value of investments on December 31, 2023 and 2022 is as follows (in thousands):

	2023	2022
Short-term investments		
Short-term investment funds	$ 16,982	$ 14,891
Fixed income securities		
US Treasury bonds	48,856	29,661
US government agencies	20,085	14,047
Corporate bonds	162,551	135,059
Commingled funds	129,426	137,665
Municipal bonds	4,891	4,932
Equity securities		
Domestic	328,071	329,167
Foreign	185,696	196,873
Commingled funds	481,863	300,956
Real assets		
Real estate	158,353	187,413
Infrastructure	25,505	53,707
Timberland	14,602	14,043
Farmland	80,095	92,759
Private equity	218,857	219,182
Forward currency contracts	-	(1)
Total	**$ 1,875,833**	**$ 1,730,354**

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the System's deposits might not be recovered. DPFP does not have a formal deposit policy for custodial credit risk of its deposits.

The Federal Depository Insurance Corporation (FDIC) insures any deposits of an employee benefit plan in an insured depository institution on a "pass- through" basis, in the amount of up to $250,000 for the non-contingent interest of each plan participant at each financial institution. The pass-through insurance applies only to vested participants. DPFP believes the custodial credit risk for deposits, if any, is not material.

Investments

Portions of DPFP's investments are classified as security investments. A security is a transferable financial instrument that evidences ownership or creditorship. Investments in companies, partnerships and real estate are investments that are evidenced by contracts rather than securities.

Custodial credit risk is the risk that, in the event of the failure of an investment counterparty, the investor will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the investor, and are held by either the counterparty or the counterparty's trust department or agent, but not in the investor's name. DPFP mitigates this risk by having investments held at a custodian bank on behalf of DPFP. On December 31, 2023 and 2022, all investment securities held by the custodian were registered in the name of DPFP and were held by JPMorgan in the name of DPFP. DPFP does not have a formal policy for custodial credit risk of its investments; however, management believes that custodial credit risk exposure is mitigated by the financial strength of the financial institutions in which the securities are held.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Group Trust's investment in a single issue. The DPFP Investment Policy specifically addresses concentration of credit risk by limiting the portfolio to 5% of Public Equity or Public Fixed Income assets invested in a single issuer. Additionally, the target allocations of assets among various asset classes are determined by the Board with the objective of optimizing the investment return of the Group Trust within a framework of acceptable risk and diversification. For major asset classes, the Group Trust will further diversify the portfolio by employing multiple investment managers who provide guidance for implementing the strategies selected by the Board.

As of December 31, 2023 and 2022, the Group Trust did not have any single investment in an issuer which represented greater than 5% of the Plans' net position.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is the greatest risk faced by an investor in the fixed income market. The price of a fixed income security typically moves in the opposite direction of the change in interest rates. The weighted average maturity of a fixed income security expresses investment time horizons (when the investment comes due and payable) in years, weighted to reflect the dollar size of individual investments within the investment type. DPFP does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates, but rather mandates such limits within investment management services contracts. Investment managers have full discretion in adopting investment strategies to address these risks.

The Group Trust invests in fixed income securities including, but not limited to, investments representing instruments with an obligated fixed rate of interest including public and private debentures, mortgage-backed securities, guaranteed investment contracts with maturities greater than one year, and options/futures. Purchases and sales, investment selection, and implementation of investment strategies are delegated to the discretion of the investment manager, subject to compliance with its management agreement and DPFP's investment policy.

On December 31, 2023, the Group Trust had the following fixed income securities and maturities (in thousands):

INVESTMENT TYPE	LESS THAN 1 YEAR	1 TO 5 YEARS	6 TO 10 YEARS	MORE THAN 10 YEARS	TOTAL
US Treasury bonds	$ -	$ 38,763	$ 4,588	$ 5,505	$ 48,856
US Government agencies	-	1,549	2,523	16,013	20,085
Corporate bonds	4,564	109,780	22,625	25,582	162,551
Municipal bonds	280	1,374	581	2,656	4,891
Total	**$ 4,844**	**$ 151,466**	**$ 30,317**	**$ 49,756**	**$ 236,383**

On December 31, 2022, the Group Trust had the following fixed income securities and maturities (in thousands):

INVESTMENT TYPE	LESS THAN 1 YEAR	1 TO 5 YEARS	6 TO 10 YEARS	MORE THAN 10 YEARS	TOTAL
US Treasury bonds	$ 3,836	$ 17,966	$ 2,705	$ 5,154	$ 29,661
US Government agencies	-	1,025	647	12,375	14,047
Corporate bonds	5,631	74,817	26,154	28,457	135,059
Municipal bonds	705	1,403	469	2,355	4,932
Total	**$ 10,172**	**$ 95,211**	**$ 29,975**	**$ 48,341**	**$ 183,699**

Commingled fixed income funds do not have specified maturity dates and are therefore excluded from the above tables. The average duration for these funds ranges from 0.3 to 4.9 years.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The books and records of the Plans are maintained in US dollars. Foreign currencies and non-US dollar denominated investments are translated into US dollars at the bid prices of such currencies against US dollars at each balance sheet date. Realized and unrealized gains and losses on investments, which result from changes in foreign currency exchange rates, have been included in net appreciation (depreciation) in fair value of investments in the accompanying financial statements. Net realized foreign currency gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date of investment securities transactions, foreign currency transactions, and the difference between the amounts of interest and dividends recorded on the books of the Plans and the amount actually received. International and global managers have permission to use currency forward and futures contracts to hedge currency against the US dollar.

DPFP does not have an investment policy specific to foreign currency risk, however, to mitigate foreign currency risk, investment managers with international exposure are expected to maintain diversified portfolios by sector and by issuer.

The Group Trust's exposure to foreign currency risk in US dollars as of December 31, 2023, is as follows (in thousands):

CURRENCY		EQUITY		REAL ASSETS		TOTAL
Australian Dollar	$	2,112	$	399	$	2,511
Brazilian Real		-		3,422		3,422
British Pound Sterling		36,425		-		36,425
Canadian Dollar		6,715		-		6,715
Danish Krone		9,732		-		9,732
Euro		80,209		-		80,209
Hong Kong Dollar		1,833		-		1,833
Japanese Yen		29,286		-		29,286
Norwegian Krone		-		-		-
Singaporean Dollar		1,275		-		1,275
South African Rand		-		12,148		12,148
South Korean Won		5,625		-		5,625
Swedish Krona		7,882		-		7,882
Swiss Franc		4,602		-		4,602
Total	**$**	**185,696**	**$**	**15,969**	**$**	**201,266**

The Group Trust's exposure to foreign currency risk in US dollars as of December 31, 2022, is as follows (in thousands):

CURRENCY		EQUITY		REAL ASSETS		TOTAL
Australian Dollar	$	2,635	$	145	$	2,780
Brazilian Real		-		3,077		3,077
British Pound Sterling		28,063		-		28,063
Canadian Dollar		7,886		-		7,886
Danish Krone		10,500		-		10,500
Euro		82,785		-		82,785
Hong Kong Dollar		4,799		-		4,799
Japanese Yen		32,545		-		32,545
Norwegian Krone		1,125		-		1,125
Singaporean Dollar		2,275		-		2,275
South African Rand		-		14,226		14,226
South Korean Won		4,452		-		4,452
Swedish Krona		8,743		-		8,743
Swiss Franc		11,065		-		11,065
Total	**$**	**196,873**	**$**	**17,448**	**$**	**214,321**

In addition to the above exposures, certain fund-structure investments in the public equity, emerging markets debt, private debt and real assets asset classes with a total fair value of $572.4 million on December 31, 2023 and $416 million on December 31, 2022, have some level of investments in various countries with foreign currency risk at the fund level. The individual investments in these funds with such exposure are not included in the above table.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. DPFP was party to negotiated derivative contracts in the form of forward foreign exchange contracts as of December 31, 2023 as discussed below. DPFP does not have an investment policy specific to credit risk, however, to mitigate credit risk on the currency forward contracts, investment managers who manage such contracts maintain a diversified portfolio by counterparty.

The Group Trust's exposure to credit risk in fixed income securities as of December 31, 2023 and 2022 using the Standard & Poor's rating scale, at fair value, is as follows (in thousands):

DECEMBER 31, 2023

RATING	CORPORATE BONDS	MUNICIPAL BONDS	US GOVERNMENT SECURITIES	TOTAL
AAA	$ 20,796	$ 200	$ 838	$ 21,834
AA+	2,171	413	49,538	52,122
AA	1,589	547	110	2,246
AA-	4,563	1,432	-	5,995
A+	5,884	1,755	-	7,639
A	7,422	280	-	7,702
A-	13,497	153	-	13,650
BBB+	11,926	-	-	11,926
BBB	10,587	-	-	10,587
BBB-	6,120	-	-	6,120
BB+	7,720	-	-	7,720
BB	7,271	-	-	7,271
BB-	9,363	-	-	9,363
B+	10,631	-	-	10,631
B	8,679	-	-	8,679
B-	6,166	-	-	6,166
CCC+	2,785	-	-	2,785
CCC	2,639	-	-	2,639
CCC-	1,845	-	-	1,845
CC	530	-	-	530
C	146	-	-	146
D	10	-	-	10
NR(1)	20,211	111	18,455	38,777
Total	**$ 162,551**	**$ 4,891**	**$ 68,941**	**$ 236,383**

Total credit risk debt securities	$ 236,383
Commingled	129,426
Total	**$ 365,809**

(1) NR represents those securities that are not rated.

DECEMBER 31, 2022

RATING	CORPORATE BONDS	MUNICIPAL BONDS	US GOVERNMENT SECURITIES	TOTAL
AAA	$ 15,900	$ 249	$ 945	$ 17,094
AA+	1,660	718	30,602	32,980
AA	964	212	144	1,320
AA-	2,102	1,120	-	3,222
A+	2,956	1,697	-	4,653
A	3,316	648	-	3,964
A-	8,731	142	-	8,873
BBB+	9,349	-	-	9,349
BBB	9,369	-	-	9,369
BBB-	10,515	-	-	10,515
BB+	5,266	-	-	5,266
BB	7,064	-	-	7,064
BB-	9,797	-	-	9,797
B+	11,349	-	-	11,349
B	7,327	-	-	7,327
B-	5,457	-	-	5,457
CCC+	6,095	-	-	6,095
CCC	1,293	-	-	1,293
CCC-	141	-	-	141
CC	168	-	-	168
C	105	-	-	105
D	20	-	-	20
NR[1]	16,115	146	12,017	28,278
Total	**$ 135,059**	**$ 4,932**	**$ 43,708**	**$ 183,699**

Total credit risk debt securities	$ 183,699
Commingled	137,665
Total	**$ 321,364**

(1) NR represents those securities that are not rated.

Forward Contracts

During fiscal years 2023 and 2022, certain investment managers, on behalf of the Group Trust, entered into forward foreign exchange contracts as permitted by guidelines established by the Board. A currency forward is a contractual agreement between two parties to pay or receive specific amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. Forward commitments are not standardized and carry credit risk due to possible nonperformance by one of the counterparties. The maximum potential loss is the aggregate face value in US dollars at the time the contract was entered into. Forwards are usually traded over the counter. These transactions are initiated to hedge risks from exposure to foreign currency rate fluctuation and to facilitate trade settlement of foreign security transactions. Forwards carry market risk resulting from adverse fluctuations in foreign exchange rates. Recognition of realized gain or loss depends on whether the currency exchange rate has moved favorably or unfavorably to the contract holder upon termination of the contract. Prior to termination of the contract, the Group Trust records the unrealized currency translation gain or loss based on the applicable forward exchange rates. Forward currency contracts are considered derivative financial instruments and are reported at fair value.

The fair value and notional amounts of derivative instruments outstanding on December 31, 2023 and 2022, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows (in thousands):

DECEMBER 31, 2023

	CHANGE IN FAIR VALUE	FAIR VALUE	NOTIONAL VALUE
Currency Forwards	$ 1	$ -	$ -

DECEMBER 31, 2022

	CHANGE IN FAIR VALUE	FAIR VALUE	NOTIONAL VALUE
Currency Forwards	$ (1)	$ (1)	$ 484

4. Fair Value Measurement

GASB Statement No. 72 requires all investments to be categorized under a fair value hierarchy. Fair value of investments is determined based on both observable and unobservable inputs. Investments are categorized within the fair value hierarchy established by GASB and the levels within the hierarchy are as follows:

- Level 1 – quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date

- Level 2 – inputs (other than quoted prices included within Level 1) that are observable for an asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs

- Level 3 – significant unobservable inputs for an asset or liability

The remaining investments not categorized under the fair value hierarchy are shown at NAV. These are investments in non-governmental entities for which a readily determinable fair value is not available, such as member units or an ownership interest in partners' capital, to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

The following table presents a summary of the Group Trust's investments by type as of December 31, 2023, at fair value (in thousands):

	FAIR VALUE DECEMBER 31, 2023	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Investments by Fair Value Level				
Short-term investment funds	$ 16,982	$ 16,982	$ -	$ -
Fixed income securities				
US Treasury bonds	48,856	-	48,856	-
US government agencies	20,085	-	20,085	-
Corporate bonds	162,551	-	162,551	-
Municipal bonds	4,891	-	4,891	-
Equity securities				
Domestic	328,071	328,071	-	-
Foreign	185,696	185,696	-	-
Real assets				
Real estate (1)	60,374	-	-	60,374
Farmland	80,095	-	-	80,095
Private equity	18,974	-	-	18,974
Forward currency contracts	-	-	-	-
Total Investments by Fair Value Level	**$ 926,575**	**$ 530,749**	**$ 236,383**	**$ 159,443**

Investments Measured at NAV	
Equity - commingled funds	$ 481,863
Fixed income - commingled funds	129,426
Real assets (1)	138,086
Private equity	199,883
Total Investments Measured at NAV	**$ 949,258**
Total Investments Measured at Fair Value	**$ 1,875,833**

(1) Direct holdings of real estate at Level 3 include only the assets which are wholly owned and valued using significant unobservable inputs. Remaining real estate investments are valued at NAV.

The following table presents a summary of the Group Trust's investments by type as of December 31, 2022, at fair value (in thousands):

	FAIR VALUE DECEMBER 31, 2022	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Investments by Fair Value Level				
Short-term investment funds	$ 14,891	$ 14,891	$	$
Fixed income securities				
US Treasury bonds	29,661	-	29,661	-
US government agencies	14,047	-	14,047	-
Corporate bonds	135,059	-	135,059	-
Municipal bonds	4,932	-	4,932	-
Equity securities				
Domestic	329,167	329,167	-	-
Foreign	196,873	196,873	-	-
Real assets				
Real estate [1]	88,790	-	-	88,790
Farmland	92,759	-	-	92,759
Private equity	7,500	-	-	7,500
Forward currency contracts	(1)	-	(1)	-
Total Investments by Fair Value Level	**$ 913,678**	**$ 540,931**	**$ 183,698**	**$ 189,049**

Investments Measured at NAV	
Equity - commingled funds	$ 300,956
Fixed income - commingled funds	137,665
Real assets [1]	166,373
Private equity	211,682
Total Investments Measured at NAV	**$ 816,676**
Total Investments Measured at Fair Value	**$ 1,730,354**

(1) Direct holdings of real estate at Level 3 include only the assets which are wholly owned and valued using significant unobservable inputs. Remaining real estate investments are valued at NAV.

Short-term investments consist of highly liquid securities invested by third party investment managers and held directly by the Group Trust with the custodian.

Fixed income securities consist primarily of US treasury securities, US corporate securities, international debt securities and commingled funds. Fixed income securities classified in Level 2 of the fair value hierarchy are valued using matrix pricing. This method uses quoted prices for securities with the same maturities and ratings rather than a fixed price for a designated security. Many debt securities are traded on a dealer market and much less frequently, which is consistent with a Level 2 classification as these investments are valued using observable inputs. Forward currency contracts are classified as Level 2 as these securities are priced using the cost approach on a dealer market traded on lower frequencies.

Equity securities, which include both domestic and foreign securities, are classified as Level 1 as fair value is obtained using a quoted price from active markets. The security price is generated by market transactions involving identical or similar assets, which is the market approach to measuring fair value. Inputs are observable in exchange markets, dealer markets, and brokered markets for which prices are based on trades of identical securities.

Real assets classified as Level 3 are investments in which DPFP either owns 100 percent of the asset or for which the valuation is based on non-binding offers from potential buyers to purchase the investments. Real asset investments, which are wholly owned direct holdings, are valued at the income, cost, or market approach depending on the type of holding. All direct holdings are valued using unobservable inputs and are classified in Level 3 of the fair value hierarchy. Private equity investments classified as Level 3 are investments valued by an independent appraiser. Private equity and real assets valued at NAV are based on per share (or its equivalent) of DPFP's ownership interest in the partners' capital valued by the managers and based on third party appraisals, valuations and audited financials.

The following table presents a summary of the fair value and remaining unfunded commitments of the Group Trust's investments measured at NAV at December 31, 2023 (in thousands):

ASSET CATEGORY/CLASS	FAIR VALUE	UNFUNDED COMMITMENTS
Equity - commingled funds	$ 481,863	$ -
Fixed Income - commingled funds	129,426	514
Real assets	138,086	7,141
Private equity	199,883	450
Total	**$ 949,258**	**$ 8,105**

The following table presents a summary of the fair value and remaining unfunded commitments of the Group Trust's investments measured at NAV at December 31, 2022 (in thousands):

ASSET CATEGORY/CLASS	FAIR VALUE	UNFUNDED COMMITMENTS
Equity - commingled funds	$ 300,956	$ -
Fixed Income - commingled funds	137,665	514
Real assets	166,373	7,695
Private equity	211,682	485
Total	**$ 816,676**	**$ 8,694**

Investments measured at NAV include commingled funds, real assets and private equity.

Equity commingled funds are primarily invested in the equity securities of publicly traded companies. Strategies held within commingled funds include international small cap, emerging markets equity and a passive MSCI ACWI IMI allocation. Liquidity is available within 1 -15 days of notice.

Fixed income commingled funds have redemption periods of 7-30 days. Approximately half of the funds are invested in bank debt instruments of non-investment grade companies, while the other half is invested in debt instruments of emerging markets countries or corporations, denominated in both local currency and USD.

Real asset investments (including investment strategies in commercial real estate, infrastructure and farmland) are held in separate accounts, as a limited partner, or in a joint venture. These investments are illiquid and resold at varying rates, with distributions received over the life of the investments. They are typically not redeemed, nor do they have set redemption schedules.

Private equity holdings include fund-structure investments with general partners. By their nature, these investments are illiquid and typically not resold or redeemed. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over a period ranging from 5 to 15 years on average. These investments seek long-term capital appreciation in privately held companies. The current composition of the private equity portfolio has a significant concentration to the energy sector.

Upon initial investment with a general partner or in certain fund-structures, DPFP commits to a certain funding level for the duration of the contract. At will, the partners or fund managers may request that DPFP fund a portion of this amount. Such amounts remaining as of December 31, 2023 and 2022 for investments measured at NAV are disclosed above as unfunded commitments.

5. Net Pension Liability

The net pension liability is measured as the total pension liability, less the amount of the plan's fiduciary net position. The components of the net pension liability on December 31, 2023 and 2022 are as follows (in thousands):

Combined Pension Plan

	2023	2022
Total pension liability	$ 5,724,587	$ 5,254,660
Less: Plan fiduciary net position	(1,934,816)	(1,806,567)
Net pension liability	$ 3,789,771	$ 3,448,093

Plan fiduciary net position as a percentage of the total pension liability at December 31, 2023 and 2022 is 33.8% and 34.4%, respectively.

Supplemental Plan

	2023	2022
Total pension liability	$ 48,553	$ 43,067
Less: Plan fiduciary net position	(19,808)	(16,641)
Net pension liability	$ 28,745	$ 26,426

Plan fiduciary net position as a percentage of the total pension liability at December 31, 2023 and 2022 is 40.8% and 38.6%, respectively.

Actuarial Assumptions as of December 31, 2023

The total pension liability was determined by an actuarial valuation as of January 1, 2024, using the below significant assumptions, applied to all periods included in the measurement, except as noted below.

Investment rate of return	6.50% per annum, compounded annually, net of investment expenses. This rate is based on an average inflation rate of 2.50% and a real rate of return of 4.00%.
Discount rate	6.50%, used to measure the total pension liability
Administrative expenses	Explicit assumption of $7.0 million per year or 1% of Computation Pay, whichever is greater for the Combined Pension Plan and $55 thousand per year for the Supplemental Plan. Includes investment-related personnel costs.
Projected salary increases	Range of 2.50% to 3.00% 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% per year, to match inflation assumption
Actuarial cost method	Entry age actuarial cost method
Post-retirement benefit increases	Beginning October 1, 2025, 0.85% on original benefit for first five years, 1.00% for years 6 through 10, 1.25% for years 11 through 15 and 1.5% thereafter.
Actuarial Value of Assets	Combined Pension Plan – Reset of the actuarial value of assets to market value as of January 1, 2023, with a 5-year smoothed market value, further adjusted, if necessary, to be within 20% of market value; Supplemental Pension Plan – Market value of assets
Amortization methodology	Combined Pension Plan – 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 billion and is to be amortized over 30 years on a level percent of pay basis. The second amortization base was in the amount of $1.331 billion, 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 January 1, 2024, each year's experience due to actual 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. Supplemental Pension Plan – The unfunded actuarial accrued liability as of January 1, 2020 is amortized on a closed 20-year period. Beginning January 1, 2021, each year's gains and losses are amortized over a closed, 10-year period. Amortization is on a level-percentage-of-pay basis.
Interest on DROP account	2.75% on active balances as of September 1, 2017, payable upon retirement, 0% on balances accrued after September 1, 2017.
Retirement age	Experience-based table of rates based on age, extending to age 65, with separate tables for police officers and firefighters
Pre-retirement mortality	Pub-2010 Public Safety Employee Amount-Weighted Mortality Table, set forward five years for males; projected generationally using Scale MP-2019.
Post-retirement mortality	Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, with a one-year setback for females; projected generationally using Scale MP-2019.

Disabled mortality	Pub-2010 Public Safety Disabled Retiree Amount-Weighted Mortality Table, with a four-year set forward for both males and females; projected generationally using Scale MP-2019.
DROP election	The DROP Utilization factor is 0% for new entrants.

Actuarial Assumptions as of December 31, 2022

The total pension liability was determined by an actuarial valuation as of January 1, 2023, using the below significant assumptions, applied to all periods included in the measurement, except as noted below.

Investment rate of return	6.50% per annum, compounded annually, net of investment expenses. This rate is based on an average inflation rate of 2.50% and a real rate of return of 4.00%.
Discount rate	6.50%, used to measure the total pension liability
Administrative expenses	Explicit assumption of $7.0 million per year or 1% of Computation Pay, whichever is greater for the Combined Pension Plan and $55 thousand per year for the Supplemental Plan. Includes investment-related personnel costs.
Projected salary increases	Range of 6.25% to 7.25% 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% per year, to match inflation assumption
Actuarial cost method	Entry age actuarial cost method (level percentage of payroll)
Post-retirement benefit increases	Ad hoc COLA after the Combined Plan is 70% funded after accounting for the impact of the COLA. 1.50% of original benefit, beginning October 1, 2073.
Actuarial Value of Assets	Combined Pension Plan – 5-year smoothed Market value, further adjusted, if necessary, to be within 20% of market value; Supplemental Pension Plan – Market value of assets
Amortization methodology	Combined Pension Plan – As of January 1, 2020 the unfunded actuarial accrued liability is amortized on a closed, 25-year period. Beginning January 1, 2021, each year's gains and losses are amortized over a closed, 20-year period. Amortization is on a level-percentage-of-pay basis. Supplemental Pension Plan – The unfunded actuarial accrued liability as of January 1, 2020 is amortized on a closed 20-year period. Beginning January 1, 2021, each year's gains and losses are amortized over a closed, 10-year period. Amortization is on a level-percentage-of-pay basis.
Interest on DROP account	2.75% on active balances as of September 1, 2017, payable upon retirement, 0% on balances accrued after September 1, 2017.
Retirement age	Experience-based table of rates based on age, extending to age 65, with separate tables for police officers and firefighters
Pre-retirement mortality	Pub-2010 Public Safety Employee Amount-Weighted Mortality Table, set forward five years for males; projected generationally using Scale MP-2019.
Post-retirement mortality	Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, with a one-year setback for females; projected generationally using Scale MP-2019.

Disabled mortality	Pub-2010 Public Safety Disabled Retiree Amount-Weighted Mortality Table, with a four-year set forward for both males and females; projected generationally using Scale MP-2019.
DROP election	The DROP Utilization factor is 0% for new entrants.

Long Term Expected Rate of Return

The long-term expected rate of return used by the external actuary to evaluate the assumed return on the Plans' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges 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 and by adding expected inflation. The actuary's best estimates of arithmetic real rates of return for each major asset class included in the Plans' target asset allocation as of December 31, 2023 are summarized as shown below. The rates of return below are net of the inflation component of 2.5%.

ASSET CLASS	LONG-TERM EXPECTED REAL RATE OF RETURN	TARGET ASSET ALLOCATION
Global Equity	6.80%	55%
Emerging Markets Equity	8.00%	5%
Private Equity	9.90%	5%
Cash	1.00%	3%
Short-Term Investment Grade Bonds	1.25%	6%
Investment Grade Bonds	1.80%	4%
High Yield Bonds	3.60%	4%
Bank Loans	3.20%	4%
Emerging Markets Debt	3.70%	4%
Real Estate	3.40%	5%
Natural Resources	4.85%	5%

Discount rate

The discount rate used to measure the Combined Pension Plan Total Pension Liability (TPL) was 6.50%. Based on changes adopted by the Board, which include 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. Member contributions will equal 13.50% of Computation Pay. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

The discount rate used to measure the Total Pension Liability for the Supplemental Plan was 6.50%. The projection of cash flows used to determine the discount rate assumed that City contributions will equal the employer's normal cost plus a twenty-year amortization payment on the January 1, 2020, unfunded actuarial accrued liability and ten-year amortization payments on each year's actuarial gain or loss beginning on January 1, 2021. Member contributions will equal 13.50% of Supplemental Computation Pay. Based on those assumptions, the Supplemental Plan'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 Total Pension Liability.

Sensitivity of the net pension liability to changes in the discount rate

The following tables present the Net Pension Liability, calculated using the current discount rate, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate (in thousands).

DECEMBER 31, 2023

Combined Pension Plan	1% DECREASE (5.50%)	CURRENT DISCOUNT RATE (6.50%)	1% INCREASE (7.50%)
Net pension liability	$ 4,533,891	$ 3,789,771	$ 3,179,133
Supplemental Plan	**1% DECREASE (5.50%)**	**CURRENT DISCOUNT RATE (6.50%)**	**1% INCREASE (7.50%)**
Net pension liability	$ 34,042	$ 28,745	$ 24,310

DECEMBER 31, 2022

Combined Pension Plan	1% DECREASE (5.50%)	CURRENT DISCOUNT RATE (6.50%)	1% INCREASE (7.50%)
Net pension liability	$ 4,080,686	$ 3,448,093	$ 2,923,063
Supplemental Plan	**1% DECREASE (5.50%)**	**CURRENT DISCOUNT RATE (6.50%)**	**1% INCREASE (7.50%)**
Net pension liability	$ 30,677	$ 26,426	$ 22,819

6. Deferred Retirement Option Plan

Deferred Retirement Option Plan (DROP) interest for active DROP members was eliminated after September 1, 2017; only the balance as of September 1, 2017, is eligible for interest once active DROP members retire. Active DROP participation is limited to 10 years. Retirees are not allowed to defer payments into their DROP accounts. Retirees and other DROP account holders, excluding active DROP members, had their DROP balance converted to an annuity (stream of payments) on November 30, 2017. The term of the annuity was based on the DROP account holders expected lifetime at November 30, 2017. The annuity included interest on balances accrued prior to September 1, 2017 at a rate that is correlated to the United States Treasury Note or Bond rates based on the term of the annuity and rules adopted by the Board.

DROP account balances of a member that retires after November 30, 2017 are converted to an annuity (stream of payments) at the time the member retires. The annuity is based on the member's life expectancy and interest rates at the time of retirement. Interest on retiree DROP accounts is based on the length of the retiree's expected lifetime and will be based on U.S. Treasury Bond Rates and rules adopted by the Board. Interest is only payable on the September 1, 2017 account balance. The following tables reflect the change in DROP balances and the change in the present value of DROP annuities and the number of participants and annuitants during the year ended December 31, 2023:

Combined Pension Plan

	DROP BALANCE (000'S)		DROP PARTICIPANTS
Balance on December 31, 2022	**$ 98,251**	**Participants on December 31, 2022**	**244**
Accumulations	10,244		
Balances Annuitized	(18,772)		
Other Distributions/Deductions	(51)		
Adjustments	(408)		
Balance on December 31, 2023	**$ 89,264**	**Participants on December 31, 2023**	**218**
	ANNUITY BALANCE (000'S)		ANNUITY PARTICIPANTS
Present Value of Annuities on December 31, 2022 [1]	$ 845,643	Annuitants on December 31, 2022	2,601
Present Value of Annuities on December 31, 2023 [1]	**$ 813,462**	**Annuitants on December 31, 2023**	**2,666**

Supplemental Plan

	DROP BALANCE (000'S)			DROP PARTICIPANTS
Balance on December 31, 2022	$	132	Participants on December 31, 2022	2
Accumulations				
Balances Annuitized				
Other Distributions/Deductions				
Adjustments				
Balance on December 31, 2023	**$**	**132**	**Participants on December 31, 2023**	**2**
	ANNUITY BALANCE (000'S)			ANNUITY PARTICIPANTS
Present Value of Annuities on December 31, 2022 [1]	$	5,834	Annuitants on December 31, 2022	67
Present Value of Annuities on December 31, 2023 [1]	**$**	**5,552**	**Annuitants on December 31, 2023**	**68**

[1] Includes annuities that may be paid out of the Excess Benefits and Trust.

7. Staff Retirement Plan

In November 2021 the Board passed a resolution authorizing the DPFP staff to participate in the Texas Municipal Retirement System (TMRS) beginning in January 2022. TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with Texas Government Code, Title 8, Subtitle G (TMRS Act) for the benefit of the employees of Texas participating cities. The TMRS plan is a cash-balance retirement plan. DPFP employees become a participant in the TMRS plan on their first day of service. Employees are required to contribute 7% of their total pay, not to exceed IRS Code limitations, and the system contributes an actuarially determined amount to equal a 2:1 match. DPFP contributed approximately $261 thousand and $251 thousand for years 2023 and 2022, respectively. Participants contributed approximately $193 thousand and $186 thousand to the TMRS plan for the years 2023 and 2022, respectively. The TMRS plan is not a component of the accompanying financial statements.

8. Capital Assets

The DPFP office building and land are recorded at acquisition value. Purchased capital assets, which include building improvements and information technology hardware, are recorded at historical cost. Depreciation is charged over the estimated useful lives of the assets using a straight-line method. Depreciation expense of $225 thousand and $241 thousand for years 2023 and 2022, respectively is included in professional and administrative expenses in the accompanying financial statements for the years ended December 31, 2023 and 2022. All capital assets belong to DPFP. Maintenance and repairs are charged to expense as incurred.

Capitalization thresholds for all capital asset classes and useful lives for exhaustible assets are as follows (in thousands):

ASSET CLASS	CAPITALIZATION THRESHOLD	DEPRECIABLE LIFE
Building	$ 50	50 years
Building improvements	$ 50	15 years or term of lease
Information Technology Hardware	$ 50	5 years

Capital asset balances and changes for the fiscal years ending December 31, 2023 and 2022 are as follows (in thousands):

ASSET CLASS	BALANCE DECEMBER 31, 2021	INCREASES	DECREASES	BALANCE DECEMBER 31, 2022	INCREASES	DECREASES	BALANCE DECEMBER 31, 2023
Land	$ 3,562	$ -	$ -	$ 3,562	$ -	$ -	$ 3,562
Building	8,162	-	190	7,972	-	190	7,782
Building improvements	86	-	36	50	75	20	105
IT Hardware	37	-	15	22	-	15	7
Total	**$ 11,847**	**$ -**	**$ 241**	**$ 11,606**	**$ 75**	**$ 225**	**$ 11,456**

9. Commitments and Contingencies

Members

As described in Note 1, certain members of the Plans whose employment with the City is terminated prior to being eligible for pension benefits are entitled to refunds of their accumulated contributions, without interest, if they have less than five years of pension service. As of December 31, 2023 and 2022, aggregate contributions from active non-vested members for the Combined Pension Plan were $25.0 million and $30.3 million, respectively. The portion of these contributions that might be refunded to members who terminate prior to pension eligibility and request a refund has not been determined. Refunds due to terminated non-vested members in the amount of $1.5 million and $2.1 million for December 31, 2023 and 2022, respectively, were included in accounts payable and other accrued liabilities of the Combined Pension Plan. As of December 31, 2023, the aggregate contributions from active non-vested members of the Supplemental Plan were $98 thousand and $62 thousand for 2022. One member was eligible for a refund from the Supplemental Plan as of December 31, 2023 and 2022.

On December 31, 2023 the total accumulated DROP balance and the present value of the DROP annuities was $902.7 million for the Combined Plan and $5.7 million for the Supplemental Plan. At December 31, 2022 the total accumulated DROP balance and the present value of the DROP annuities was $943.9 million for the Combined Plan and $6.0 million for the Supplemental Plan.

Investments

The following table depicts the total commitments and unfunded commitments to various limited partnerships and investment advisors on December 31, 2023, by asset class (in thousands).

ASSET CLASS	TOTAL COMMITMENT	TOTAL UNFUNDED COMMITMENT
Real assets	$ 107,000	$ 7,141
Private equity	5,000	450
Fixed income – commingled funds	10,000	514
Total	$ 122,000	$ 8,105

Legal

In August 2021, The Dallas Police Retired Officers Association filed suit against DPFP and Nicholas Merrick in his capacity as Board Chairman in state district court in Dallas County alleging that changes to the provisions of the DPFP Plans relating to the benefit supplement and annual adjustment were violative of the Texas Constitution. In March 2022, the district court granted DPFP's motion for summary judgment. The plaintiff appealed this judgment. In November 2023, the Fifth Court of Appeals affirmed the decision of the district court. The plaintiff filed a motion for a rehearing by the original panel as well as a request for a hearing en banc. These motions were denied. The plaintiff has filed a petition for review with the Texas Supreme Court. A judgment for the plaintiffs would have a material effect upon DPFP and its financial statement and condition. The ultimate outcome of this lawsuit cannot be determined at this time and, accordingly, no amounts related to these claims have been recorded in the accompanying financial statements as of December 31, 2023.

10. Risks and Uncertainties

The Group Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. The effect of such risks on the Group Trust's investment portfolio is mitigated by the diversification of its holdings. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities may occur over the course of different economic and market cycles and that such change could be material to the financial statements.

The Plans' actuarial estimates disclosed in Note 5 are based on certain assumptions pertaining to investment rate of return, inflation rates, and participant demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

11. Leases

DPFP entered into a lease agreement, as a lessor, for office space owned by the Plan on May 15, 2023. The lease term is 10 years with no cancellation period. Upon commencement of the lease, the Plan recognized a lease receivable and a deferred inflow of resources, which were measured at the present value of the future lease payments, discounted using a 6.50% interest rate. The lease receivable is amortized over the life of the lease. In 2023, the principal reduction was $11 thousand and the interest income recorded was $86 thousand. The deferred inflow of resources is amortized and recognized as revenue based on a systematic and rational allocation over the term of the lease. The amount of deferred inflow of resources amortized and recorded as revenue in 2023 was $143 thousand.

The following schedule represents future minimum lease payments receivable as of December 31, 2023:

YEAR	PRINCIPAL	INTEREST	TOTAL FUTURE MINIMUM LEASE PAYMENTS
2024	$ 96,862	$ 142,736	$ 239,598
2025	191,877	135,574	327,451
2026	183,459	124,188	307,647
2027	203,104	111,568	314,672
2028	224,213	97,617	321,830
2029 – 2033	1,370,008	219,015	1,589,023
Total	**$ 2,269,523**	**$ 830,698**	**$ 3,100,221**

As of December 31, 2022, the System did not have any material non-cancellable leases.

12. Subsequent Events

Legal

In September 2024, DPFP filed a Declaratory Judgement Action against the City of Dallas related to interpretation of the DPFP plan and Section 802 of the Texas Government Code. The City has filed a response to the lawsuit and a ruling by the District Court in Travis County is pending. The ultimate outcome of this lawsuit cannot be determined at this time. While the outcome of this suit is not expected to have a material effect on DPFP and its financial statement, the actuarial results and assumptions could be affected.

In November 2024, the Dallas Police Retired Officers Association, the plaintiff in a suit filed against DPFP, filed a petition for review with the Texas Supreme Court. See Note 9 for more information.

Change in Service Provider

In July 2024, the Board voted to change the Custodian of the fund to BNY, which will begin serving as Custodian of the fund on January 1, 2025.

Member Plan Changes

In August 2024, pursuant to the requirements of Section 2.025 of Article 6243a-1 of Vernon's Revised Civil Statutes, the Board of Trustees adopted a new rule which changed sections of Article 6243a-1, subject to any subsequent change by legislative action. This rule changed the City's contribution requirement and the member Cost of Living adjustment.

Asset Allocation Changes

In October 2024, the Board approved a revised Asset Allocation which included updates to asset class targets, ranges, benchmarks and implementation considerations.

Real Asset and Private Equity Sales

Subsequent to year end and prior to the issuance date of the financials, there were eight distributions from Real Assets totaling $12.6 million, two distributions from Fixed Income totaling $2.1 million and ten distributions from Private equity totaling $48.7 million.

Management has evaluated subsequent events through November 14, 2024, which is the date that the financial statements were available for issuance and noted no subsequent events to be disclosed other than those which are disclosed in this Note or elsewhere in the Notes to Combining Financial Statements.

Required Supplementary Information

(Unaudited)

Schedule of Changes in the Net Pension Liability and Related Ratios

For Last Ten Fiscal Years (in Thousands)

COMBINED PENSION PLAN

FOR FISCAL YEAR ENDING DECEMBER 31,	2023	2022	2021	2020	2019
Total pension liability					
Service cost	$ 80,051	$ 71,625	$ 69,963	$ 56,244	$ 49,155
Interest	335,598	329,455	326,951	324,046	318,703
Changes of benefit terms	417,332	-	-	-	-
Differences between expected and actual experience	(19,708)	(42,456)	(26,683)	70,548	16,723
Changes of assumptions	-	65,942	(4,238)	257,525	155,569
Benefit payments, including refunds of employee contributions	(343,346)	(333,638)	(324,633)	(317,951)	(309,860)
Net change in total pension liability	469,927	90,928	41,360	390,412	230,290
Total pension liability – beginning	5,254,660	5,163,732	5,122,372	4,731,960	4,501,670
Total pension liability - ending (a)	**$ 5,724,587**	**$ 5,254,660**	**$ 5,163,732**	**$ 5,122,372**	**$ 4,731,960**
Plan fiduciary net position					
Employer contributions	$ 171,961	$ 169,911	$ 165,541	$ 161,950	$ 155,721
Employee contributions	62,510	59,706	58,560	57,305	52,268
Net investment income (loss), net of expenses	243,098	(240,891)	321,064	(8,927)	124,260
Benefits payments	(343,346)	(333,638)	(324,633)	(317,951)	(309,861)
Interest expense	-	-	-	-	-
Administrative expenses	(5,974)	(6,362)	(6,391)	(6,534)	(6,445)
Net change in plan fiduciary net position	128,249	(351,274)	214,141	(114,157)	15,943
Plan fiduciary net position - beginning	1,806,567	2,157,841	1,943,700	2,057,857	2,041,914
Plan fiduciary net position - ending (b)	**$ 1,934,816**	**$ 1,806,567**	**$ 2,157,841**	**$ 1,943,700**	**$ 2,057,857**
Net pension liability - ending (a) - (b)	$ 3,789,771	$ 3,448,093	$ 3,005,891	$ 3,178,672	$ 2,674,103
Plan fiduciary net position as a percentage of total pension liability	33.8%	34.4%	41.8%	38.0%	43.5%
Covered payroll	$ 469,276	$ 462,820	$ 436,971	$ 427,441	$ 396,955
Net pension liability as a percentage of covered payroll	807.6%	745.0%	687.9%	743.7%	673.7%

(Continued)

COMBINED PENSION PLAN

FOR FISCAL YEAR ENDING DECEMBER 31,	2018	2017	2016	2015	2014
Total pension liability					
Service cost	$ 44,792	$ 148,552	$ 167,432	$ 125,441	$ 131,312
Interest	318,536	348,171	360,567	359,023	369,408
Changes of benefit terms	16,091	(1,167,597)	-	-	(329,794)
Differences between expected and actual experience	(46,555)	(134,665)	(77,463)	379,461	(4,453)
Changes of assumptions	(31,460)	(2,851,241)	(712,003)	908,988	-
Benefit payments, including refunds of employee contributions	(297,081)	(296,154)	(825,092)	(285,003)	(245,932)
Net change in total pension liability	4,323	(3,952,934)	(1,086,559)	1,487,910	(79,459)
Total pension liability - beginning	4,497,347	8,450,281	9,536,840	8,048,930	8,128,389
Total pension liability - ending (a)	**$ 4,501,670**	**$ 4,497,347**	**$ 8,450,281**	**$ 9,536,840**	**$ 8,048,930**

Plan fiduciary net position					
Employer contributions	$ 149,357	$ 126,318	$ 119,345	$ 114,886	$ 109,792
Employee contributions	49,332	32,977	25,518	25,676	29,333
Net investment income (loss), net of expenses	42,822	98,911	164,791	(235,207)	(138,893)
Benefits payments	(297,081)	(296,154)	(825,092)	(285,003)	(245,932)
Interest expense	-	(1,279)	(4,532)	(8,417)	(7,361)
Administrative expenses	(5,861)	(8,090)	(9,492)	(6,006)	(8,003)
Net change in plan fiduciary net position	(61,431)	(47,317)	(529,462)	(394,071)	(261,064)
Plan fiduciary net position - beginning	2,103,345	2,150,662	2,680,124	3,074,195	3,335,259
Plan fiduciary net position - ending (b)	**$ 2,041,914**	**$ 2,103,345**	**$ 2,150,662**	**$ 2,680,124**	**$ 3,074,195**

Net pension liability - ending (a) - (b)	$ 2,459,756	$ 2,394,002	$ 6,299,619	$ 6,856,716	$ 4,974,735
Plan fiduciary net position as a percentage of total pension liability	45.4%	46.8%	25.5%	28.1%	38.2%
Covered payroll	$ 363,117	$ 346,037	$ 357,414	$ 365,210	$ 383,006
Net pension liability as a percentage of covered payroll	677.4%	691.8%	1,762.6%	1,877.5%	1,298.9%

Required Supplementary Information

(Unaudited)

Schedule of Changes in the Net Pension Liability and Related Ratios

For Last Ten Fiscal Years (in Thousands)

SUPPLEMENTAL PENSION PLAN

FOR FISCAL YEAR ENDING DECEMBER 31,	2023	2022	2021	2020	2019
Total pension liability					
Service cost	$ 1,262	$ 1,020	$ 394	$ 379	$ 212
Interest	2,786	2,630	2,373	2,438	2,223
Changes of benefit terms	3,287	-	-	-	-
Differences between expected and actual experience	1,092	501	3,371	47	3,007
Changes of assumptions	-	891	(4)	1,559	1,332
Benefit payments, including refunds of employee contributions	(2,941)	(2,843)	(2,750)	(2,778)	(2,766)
Net change in total pension liability	5,486	2,199	3,384	1,645	4,008
Total pension liability - beginning	43,067	40,868	37,484	35,839	31,831
Total pension liability - ending (a)	**$ 48,553**	**$ 43,067**	**$ 40,868**	**$ 37,484**	**$ 35,839**
Plan fiduciary net position					
Employer contributions	$ 3,666	$ 2,807	$ 2,099	$ 1,777	$ 1,530
Employee contributions	279	256	228	245	111
Net investment income (loss), net of expenses	2,224	(2,181)	2,765	(122)	169
Benefits payments	(2,941)	(2,843)	(2,750)	(2,778)	(2,766)
Interest expense	-	-	-	-	-
Administrative expenses	(61)	(59)	(55)	(55)	(55)
Net change in plan fiduciary net position	3,167	(2,020)	2,287	(933)	(1,011)
Plan fiduciary net position - beginning	16,641	18,661	16,374	17,307	18,318
Plan fiduciary net position - ending (b)	**$ 19,808**	**$ 16,641**	**$ 18,661**	**$ 16,374**	**$ 17,307**
Net pension liability - ending (a) - (b)	$ 28,745	$ 26,426	$ 22,207	$ 21,110	$ 18,532
Plan fiduciary net position as a percentage of total pension liability	40.8%	38.6%	45.7%	43.7%	48.3%
Covered payroll	$ 1,923	$ 1,800	$ 1,631	$ 627	$ 584
Net pension liability as a percentage of covered payroll	1,495.1%	1,468.0%	1,361.3%	3,368.0%	3,172.8%

(Continued)

SUPPLEMENTAL PENSION PLAN

FOR FISCAL YEAR ENDING DECEMBER 31,	2018	2017	2016	2015	2014
Total pension liability					
Service cost	$ 222	$ 111	$ 70	$ 36	$ 28
Interest	2,359	2,799	2,911	2,953	2,969
Changes of benefit terms	888	(5,305)	-	-	(526)
Differences between expected and actual experience	(2,628)	(1,435)	1,105	928	336
Changes of assumptions	28	(479)	(916)	(600)	-
Benefit payments, including refunds of employee contributions	(2,708)	(2,668)	(5,912)	(2,640)	(3,414)
Net change in total pension liability	(1,839)	(6,977)	(2,742)	677	(607)
Total pension liability - beginning	33,670	40,647	43,389	42,712	43,319
Total pension liability - ending (a)	**$ 31,831**	**$ 33,670**	**$ 40,647**	**$ 43,389**	**$ 42,712**
Plan fiduciary net position					
Employer contributions	$ 1,979	$ 2,077	$ 3,064	$ 2,443	$ 1,817
Employee contributions	74	66	35	43	49
Net investment income (loss), net of expenses	1,220	740	1,141	(1,689)	(517)
Benefits payments	(2,708)	(2,668)	(5,912)	(2,640)	(3,414)
Interest expense	-	(11)	(78)	(44)	(51)
Administrative expenses	(52)	(69)	(37)	(61)	(56)
Net change in plan fiduciary net position	513	135	(1,787)	(1,948)	(2,172)
Plan fiduciary net position - beginning	17,805	17,670	19,457	21,405	23,577
Plan fiduciary net position - ending (b)	**$ 18,318**	**$ 17,805**	**$ 17,670**	**$ 19,457**	**$ 21,405**
Net pension liability - ending (a) - (b)	$ 13,513	$ 15,865	$ 22,977	$ 23,932	$ 21,307
Plan fiduciary net position as a percentage of total pension liability	57.6%	52.9%	43.5%	44.8%	50.1%
Covered payroll	$ 622	$ 916	$ 525	$ 725	$ 557
Net pension liability as a percentage of covered payroll	2,173.8%	1,731.6%	4,376.2%	3,303.3%	3,827.3%

See notes below related to this schedule.

Notes to Schedule:

Changes of benefit terms:

As of December 31, 2023
An immediate partial COLA, payable while the Plan is under 70% funded on a market value basis, has been added effective October 1, 2025.

As of December 31, 2022 - None

As of December 31, 2021
HB 3375 amended section 6.14 of Article 6243a-1 replacing the word "participant" with "any person" allowing survivors and beneficiaries additional flexibility regarding their DROP accounts, specifically as it relates to hardship distributions.

As of December 31, 2020, 2019 and 2018 – None

As of December 31, 2017
HB 3158 was signed by the Governor on May 31, 2017, the significant benefit and contribution changes in the bill were effective September 1, 2017.

- Normal Retirement Age increased from either age 50 or 55 to age 58
- For members less than the age of 45 on September 1, 2017, hired prior to March 1, 2011, and less than 20 years of pension service the Early Retirement Age increased from age 45 to age 53
- Vesting for members hired after February 28, 2011 was reduced from ten years to five years of service
- Benefit multiplier for all future service for members hired prior to March 1, 2011 was lowered from 3.00% to 2.50%
- Benefit multiplier retroactively increased to 2.50% for members hired on or after March 1, 2011
- Benefit multipliers for 20 and Out benefit lowered
- Members hired after February 28, 2011 are eligible for an early retirement benefit after 20-years of service
- Maximum benefit reduced from 96% of Computation Pay to 90% of Computation Pay for members hired prior to March 1, 2011
- Average Computation Pay period changed from 36 months to 60 months for future service for members hired prior to March 1, 2011
- Annual Adjustment (COLA) discontinued for all members. The Board may choose to provide a COLA if the funded ratio on a market value basis is at least 70% after the implementation of a COLA.
- The supplemental benefit is eliminated prospectively; only those for whom the supplement was already granted as of September 1, 2017 will maintain the supplement
- Active DROP participation is limited to 10 years
- DROP interest for active DROP members was eliminated after September 1, 2017; only the balance as of September 1, 2017 will be eligible for interest once active DROP members retire
- Retirees with DROP accounts as of September 1, 2017 will have their DROP account balances paid out over their expected lifetime based on their age as of September 1, 2017
- Future retirees with DROP accounts will have their DROP account balances paid out over their expected lifetime as of the date of the retirement
- Interest on retiree DROP accounts as of August 31, 2017 will be paid based on the length of the retiree's expected lifetime and will be based on U.S. Treasury rates which correlate to expected lifetime, as determined by the Board of Trustees
- Member contributions for both DROP and non-DROP members increased to 13.5% effective September 1, 2017
- The City's contribution rate will increase to 34.5% of Computation Pay. Between September 1, 2017 and December 31, 2024, the City's contribution will be the greater of (i) 34.5% and (ii) a biweekly contribution amount as stated in HB3158, plus $13 million per year.

As of December 31, 2016 and 2015 – None

As of December 31, 2014
The Board approved a plan amendment implementing changes to DROP interest rates on April 16, 2015. Such changes were reflected in the valuation of the net pension liability as of December 31, 2015 and 2014.

Changes of methods and assumptions:

The following assumption changes were adopted by the Board for use in the January 1, 2024 actuarial valuation. For further information regarding the changes to actuarial assumptions, refer to the January 1, 2024 Dallas Police and Fire Pension System actuarial valuation reports for the Combined Pension Plan and the Supplemental Plan.

As of December 31, 2023
- Effective January 1, 2023, the Board immediately recognized market value losses and reset the actuarial value of assets equal to the market value of assets.
- An immediate partial COLA, payable while the Plan is under 70% funded on a market value basis, has been added effective October 1, 2025.

As of December 31, 2022
- The salary scale assumption was updated based on the 2023 Meet and Confer agreement.
- The DROP Active retirement rates for participants in DROP for ten years was lowered from 100% to 75%.

As of December 31, 2021
- Administrative expense assumption was reduced to $7.0 million from $8.5 million or 1% of Computation Pay for the Combined Plan and to $55 thousand from $65 thousand for the Supplemental Plan for the year beginning January 1, 2022.
- The ad-hoc COLA assumption was lowered from 2.0% to 1.5%. Ongoing, the COLA assumption will remain at five percentage points less than the investment return assumption.
- The ad-hoc COLA assumption was updated to begin October 1, 2073. Last year, the COLA was assumed to begin October 1, 2069.

As of December 31, 2020
- The net investment return assumption was lowered from 7.00% to 6.50%.
- The ad-hoc COLA assumption was updated to begin October 1, 2069. Last year, the COLA was assumed to begin October 1, 2063.

As of December 31, 2019
The following assumption changes were adopted by the Board for use in the January 1, 2020 actuarial valuation. Some of the assumption changes were related to the actuarial experience study completed for the five-year period ending December 31, 2019.

- The net investment return assumption was lowered from 7.25% to 7.0%.
- The salary scale assumption was updated based on the 2019 Meet and Confer agreement, with a new ultimate rate of 2.50%.
- The payroll growth assumption was lowered from 2.75% to 2.50%.
- The mortality rates were updated to the Pub-2010 Public Safety Amount-weighted Mortality Tables, with varying adjustments by status and sex, projected generationally with Scale MP-2019.
- The withdrawal rates were updated, and the ultimate 0% rate was moved up from 38 to 25 years of service.
- The DROP retirement rates were increased at most ages and the ultimate 100% retirement was updated from the earlier of 67 years or 8 years in DROP to the earlier of age 65 or 10 years in DROP.
- The non-DROP retirement rates were lowered at most ages and simplified from three sets to two sets of rates.
- The retirement assumption for inactive vested participants was updated to include an assumption that 75% of those who terminate with a vested benefit prior to age 40 will take a cash out at age 40.

- The DROP annuitization interest rate for account balances as of September 1, 2017 was lowered from 3.0% to 2.75%.
- The ad-hoc COLA assumption was updated to begin October 1, 2063. Last year, the COLA was assumed to begin October 1, 2050.
- The system's expectations for near-term market returns were lowered to -6.0% for 2020, +5.25% for 2021, +5.75% for 2022 and +6.25% for 2023. For valuation purposes, these return assumptions are used for determining the projected full-funding date and the projected COLA start date.

As of December 31, 2018

- The salary scale assumption was updated to reflect the 2016 Meet and Confer Agreement, as amended in 2018.
- The ad-hoc COLA assumption was updated to begin October 1, 2050 based on the updated projection of the unfunded actuarial accrued liability; last year, the COLA was assumed to begin October 1, 2053

As of December 31, 2017

The discount rate used to measure the total pension liability changed from a blended discount rate of 4.12% to the assumed rate of return of 7.25% for the Combined Pension Plan and from a blended discount rate of 7.10% to the assumed rate of return of 7.25% for the Supplemental Plan.

As a result of the passage of HB 3158 the following assumption were changed:

- The DROP utilization factor was changed from 100% to 0%
- Current DROP members with at least eight years in DROP as of January 1, 2017 are assumed to retire in 2018. Current DROP members with less than eight years in DROP as of January 1, 2017 are assumed to retire once they have been in the DROP for eight years
- Retirement rates were changed effective January 1,2018
- 100% retirement rate once the projected sum of age plus service equals 90
- New terminated vested members are assumed to retire at age 58
- DROP account balances annuitized as of September 1, 2017 are assumed to earn 2.75% interest; DROP account balances as of September 1, 2017 for active members are assumed to earn 3.00% interest upon retirement; DROP account balances accrued after September 1, 2017 for active members do not earn interest
- DROP payment period based on an 85%/15% male/female blend of the current healthy annuitant mortality tables
- COLA assumed to be a 2.00% COLA beginning October 1, 2053 and payable every October 1st thereafter
- The administrative expense assumption was changed from the greater of $10 million per year or 1% of Computation Pay to the greater of $8.5 million per year or 1% of Computation Pay for the Combined Plan and from $60 thousand to $65 thousand for the Supplemental Plan

As of December 31, 2016

- The blended discount rate used to measure the total pension liability changed from 3.95% to 4.12% for the Combined Pension Plan and from 7.19% to 7.10% for the Supplemental Plan.
- The remaining amortization period was adjusted from 40 years to 30 years for the Combined Pension Plan based on Section 802.101(a) of the Texas Government Code.

The salary scale was modified for valuation years 2017-2019 in accordance with the Meet and Confer Agreement. DROP interest is assumed to decline from 6.00% to 5.00% effective October 1, 2017, and to 0.00% effective October 1, 2018, per Section 6.14(c) of the plan document as amended and restated through April 16, 2015.

As of December 31, 2015

The blended discount rate used to measure the total pension liability changed from 4.94% to 3.95% for the Combined Pension Plan and from 7.13% to 7.19% for the Supplemental Plan.

As a result of the actuarial experience study completed for the five-year period ending December 31, 2014, the following changes in assumptions were adopted by the Board. For further information regarding the changes to actuarial assumptions, refer to the January 1, 2016 Dallas Police and Fire Pension System actuarial valuation reports for the Combined Pension Plan and the Supplemental Plan.

- Salary scales were updated with separate service-based salary assumptions for police officers and firefighters, lowering the range of increase to 3.00% to 5.20% from the previous assumed range of 4.00% to 9.64%.
- The payroll growth rate assumption was lowered from 4.00% to 2.75% to equal the assumed inflation rate.
- In the prior valuation, the investment return assumption was net of both investment and administrative expenses. In the December 31, 2015 valuation, an explicit assumption for administrative expenses was added to the normal cost. Assumptions of $10 million and $60 thousand per year were utilized for the Combined Pension Plan and Supplemental Plan, respectively.
- In the prior valuation for the Combined Pension Plan, an asset valuation method using a 10-year smoothing period was applied. In the December 31, 2015 valuation, the actuarial value of assets was reset to market value as of the measurement date. A five-year smoothing period will be used in future periods.
- The remaining amortization period was adjusted from 30 years to 40 years for the Combined Pension Plan based on Section 802.101(a) of the Texas Government Code.
- Mortality tables were updated from the RP-2000 tables to the RP-2014 tables.
- Assumed rates of turnover were lowered for police officers and raised for firefighters to reflect recent experience.
- Retirement rates were lowered for both police officers and firefighters, with the separation of service-based assumptions implemented based on recent experience.
- Disability rates were lowered for both police officers and firefighters and service-based assumptions were eliminated based on the similarity of recent experience between the two services.
- The assumption of the portion of active employees who are married was lowered from 80% to 75% and the age of the youngest child was raised from 1 to 10.

As of December 31, 2014

The assumption for the future interest rates credited to DROP balances was changed from 8.5% to the following rates prescribed by the 2014 plan amendment:

- On October 1, 2014 – 8.0%;
- On October 1, 2015 – 7.0%;
- On October 1, 2016 – 6.0%; and
- On October 1, 2017 and thereafter – 5.0%

Schedule of Employer Contributions – Combined Pension Plan
(In Thousands)

MEASUREMENT YEAR ENDING DECEMBER 31,	ACTUARIALLY DETERMINED CONTRIBUTION	CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTIONS	CONTRIBUTION DEFICIENCY (EXCESS)	COVERED PAYROLL	ACTUAL CONTRIBUTION AS A % OF COVERED PAYROLL
2023	$ 251,606(1)	$ 171,961	$ 79,646	$ 462,820	37.2%
2022	228,531	169,911	58,619	436,971	38.9%
2021	221,286	165,541	55,744	427,441	38.7%
2020	185,429	161,950	23,479	396,955	40.8%
2019	152,084	155,721	(3,637)	363,117	42.9%
2018	157,100	149,357	7,743	346,037	43.2%
2017	168,865	126,318	42,547	357,414	35.3%
2016	261,859	119,345	142,514	365,210	32.7%

Note 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 is intended to show information for 10 years. Additional years will be presented as they become available.

Prior to January 1, 2016, the actuarial determined contribution for the Combined Plan was not determined by the actuary.

The City's contribution rate for the Combined Pension Plan is set by State statutes. The difference between the actuarial determined contribution and the City contribution set by State statutes results in the contribution excess or deficiency.

Notes to Schedule:

The following methods and assumptions used to calculate the actuarial determined contribution:

As of December 31, 2023

Actuarial cost method	Entry age normal cost method
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% per annum, including inflation, net of pension plan investment expense
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 Post-retirement: Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, set back one year for females, projected generationally using Scale MP-2019 Disabled: Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, set forward four years for males and females, projected generationally using Scale MP-2019
Interest on DROP accounts	Beginning January 1, 2018, DROP balances as of September 1, 2017 for active members are assumed to earn 2.75% interest upon retirement.
DROP utilization	The DROP utilization factor is 0% for new entrants.

As of December 31, 2022

Actuarial cost method	Entry age normal cost method
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	68 years as of January 1, 2022
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% per annum, including inflation, net of pension plan investment expense
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 Post-retirement: Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, set back one year for females, projected generationally using Scale MP-2019 Disabled: Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, set forward four years for males and females, projected generationally using Scale MP-2019
Interest on DROP accounts	Beginning January 1, 2018, DROP balances as of September 1, 2017 for active members are assumed to earn 2.75% interest upon retirement.
DROP utilization	The DROP utilization factor is 0% for new entrants.

As of December 31, 2021 that differed from above

Remaining amortization period	63 years as of January 1, 2021
Post-retirement benefit	COLA assumed to be 2.00% simple increases beginning October 1, 2073

As of December 31, 2020 that differed from above

Amortization method	25-year level percent of pay, using 2.50% annual increases. Beginning January 1, 2021, each year's gains and losses will be amortized over a closed 20-year period.
Remaining amortization period	55 years as of January 1, 2020
Investment rate of return	7.00% per annum, compounded annually, net of pension plan investment expense
Post-retirement benefit	COLA assumed to be a 2.00% COLA beginning October 1, 2063 and increases payable every October 1 thereafter

As of December 31, 2019 that differed from above

Amortization method	30-year level percent of pay, using 2.75% annual increases
Remaining amortization period	38 years as of January 1, 2019
Investment rate of return	7.25% per annum, compounded annually, net of all expense, including administrative expenses.
Inflation rate	2.75%
Projected salary increases	Inflation plus merit increases, varying by group and service

Post-retirement benefit	COLA assumed to be a 2.00% COLA beginning October 1, 2050 and increases payable every October 1 thereafter
Mortality	Pre-retirement: Sex-distinct RP-2014 Employee Mortality Table, set back two years for males, projected generationally using Scale MP-2015 Post-retirement: Sex-distinct RP-2014 Healthy Annuitant Mortality Table, set forward two years for females, projected generationally using Scale MP-2015 Disabled: Sex-distinct RP-2014 Disabled Retiree Mortality Table, set back three years for males and females, projected generationally using Scale MP-2015
Interest on DROP accounts	Beginning January 1, 2018, DROP balances as of September 1, 2017 for active members are assumed to earn 3.00% interest upon retirement.

As of December 31, 2018 that differed from above

Remaining amortization period	45 years as of January 1, 2018
Projected salary increases	Inflation plus merit increases, varying by group and service, ranging from 0.00% to 2.25%
Post-retirement benefit	COLA assumed to be a 2.00% COLA beginning October 1, 2053 and increases payable every October 1 thereafter
Interest on DROP accounts	Beginning September 1, 2017, DROP account balances for annuitants are assumed to earn 2.75% interest; DROP account balances as of September 1, 2017 for active members are assumed to earn 2.75% interest upon retirement; DROP account balances accrued after September 1, 2017 for active members do not earn interest. Beginning January 1, 2018 DROP balances as of September 1, 2017 for active members are assumed to earn 3.00% interest upon retirement.

As of December 31, 2017 that differed from above

Projected salary increases	Inflation plus merit increases, varying by group and service, ranging from 0.25% to 2.45%
Post-retirement benefit	COLA assumed to be a 2.00% COLA beginning October 1, 2049 and increases payable every October 1 thereafter
Interest on DROP accounts	6% per year until September 1, 2017. Beginning September 1, 2017, DROP account balances for annuitants are assumed to earn 2.75% interest; DROP account balances as of September 1, 2017 for active members are assumed to earn 2.75% interest upon retirement; DROP account balances accrued after September 1, 2017 for active members do not earn interest.

DROP election	The DROP utilization factor is 0% for new entrants. Current DROP members with at least eight years in the DROP as of January 1, 2017 are assumed to retire in 2018. Current DROP members with less than eight years in DROP as of January 1, 2017 are assumed to retire once they have been in the DROP for eight years.

As of December 31, 2016 that differed from above

Post-retirement benefit increases	4.00% simple COLA, October 1st
DROP balance returns	At October 1, 2015 – 7.0% At October 1, 2016 – 6.0% At October 1, 2017 and thereafter – 5.0%
DROP election	Age 50 with 5 years of service. Any active member who satisfies these criteria and has not entered DROP are assumed never to join DROP. Active members who retire with a DROP account are assumed to receive the balance of their account over a 10-year time period.

Schedule of Employer Contributions – Supplemental Plan

(In Thousands)

MEASUREMENT YEAR ENDING DECEMBER 31,	ACTUARIALLY DETERMINED CONTRIBUTION	CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTIONS	CONTRIBUTION DEFICIENCY	COVERED PAYROLL	ACTUAL CONTRIBUTION AS A % OF COVERED PAYROLL
2023	$ 3,666	$ 3,666	$ -	$ 1,800	203.6%
2022	2,807	2,807	-	1,631	172.1%
2021	2,099	2,099	-	627	334.8%
2020	1,777	1,777	-	584	304.3%
2019	1,881	1,530	351	622	246.2%
2018	2,274	1,979	295	916	216.0%
2017	2,087	2,077	10	525	395.6%
2016	3,063	3,063	-	725	422.9%
2015	2,443	2,443	-	557	438.8%
2014	1,817	1,817	-	521	348.5%

The City is required by ordinance to contribute amounts necessary to ensure the payment of benefits in the Supplemental Plan. The City's contributions shall be made in accordance with actuarial requirements established by the actuary and the Board. Actuarially determined contributions are calculated as of January 1 in the fiscal year in which the contribution is reported. The deficiency shown on the table is due to Supplemental Plan contributions paid directly to the Excess Benefit Plan in compliance with Internal Revenue Code Section 415.

Notes to Schedules:

The following methods and assumptions were used to calculate the actuarial determined contribution for the Supplemental Plan:

As of December 31, 2023

Actuarial cost method	Entry age normal cost method
Amortization method	20-year level percent of payroll for UAL as of January 1, 2020, 10-year level percent of payroll for changes to the UAL thereafter, using 2.50% annual increases.
Remaining amortization period	15 years as of January 1, 2023.
Asset valuation method	Market Value of assets
Investment rate of return	6.50% per annum, including inflation, net of all expense, including administrative expenses.
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 Post-retirement: Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, set back one year for females, projected generationally using Scale MP-2019 Disabled: Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, set forward four years for males and females, projected generationally using Scale MP-2019
Interest on DROP accounts	Beginning January 1, 2018, DROP balances as of September 1, 2017 for active members are assumed to earn 2.75% interest upon retirement.
DROP election	The DROP utilization factor is 0% for new entrants.

As of December 31, 2022

Actuarial cost method	Entry age normal cost method
Amortization method	20-year level percent of payroll for UAL as of January 1, 2020, 10-year level percent of payroll for changes to the UAL thereafter, using 2.50% annual increases.
Remaining amortization period	16 years as of January 1, 2022.

Asset valuation method	Market value of assets
Investment rate of return	6.50% per annum, including inflation, net of all expense, including administrative expenses.
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 Post-retirement: Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, set back one year for females, projected generationally using Scale MP-2019 Disabled: Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, set forward four years for males and females, projected generationally using Scale MP-2019
Interest on DROP accounts	Beginning January 1, 2018, DROP balances as of September 1, 2017 for active members are assumed to earn 2.75% interest upon retirement.
DROP election	The DROP utilization factor is 0% for new entrants.

As of December 31, 2021 that differed from above

Remaining amortization period	17 years as of January 1, 2021.
Post-retirement benefit increases	COLA assumed to be a 1.5% COLA beginning October 1, 2073 and payable every October 1st thereafter

As of December 31, 2020 that differed from above

Amortization method	20-year level percent of pay, using 2.50% annual increases. Beginning January 1, 2021 each year's gains and losses will be amortized over a closed 10-year period.
Remaining amortization period	20 years
Investment rate of return	7.00% per annum, compounded annually, net of all expense, including administrative expenses.
Projected salary increases	Inflation plus merit increases, varying by group and service
Post-retirement benefit increases	COLA assumed to be a 2.00% COLA beginning October 1, 2063 and payable every October 1st thereafter

As of December 31, 2019 that differed from above

Amortization method	10 years level percent of pay, using 2.75% annual increases
Remaining amortization period	10 years
Investment rate of return	7.25% per annum, compounded annually, net of all expense, including administrative expenses.
Inflation rate	2.75%
Post-retirement benefit increases	COLA assumed to be a 2.00% COLA beginning October 1, 2050 and payable every October 1st thereafter
Mortality	Pre-retirement: Sex-distinct RP-2014 Employee Mortality Table, set back two years for males, projected generationally using Scale MP-2015 Post-retirement: Sex-distinct RP-2014 Healthy Annuitant Mortality Table, set forward two years for females, projected generationally using Scale MP-2015 Disabled: Sex-distinct RP-2014 Disabled Retiree Mortality Table, set back three years for males and females, projected generationally using Scale MP-2015
Interest on DROP accounts	Beginning January 1, 2018, DROP balances as of September 1, 2017 for active members are assumed to earn 3.00% interest upon retirement.

As of December 31, 2018 that differed from above

Projected salary increases	Inflation plus merit increases, varying by group and service, ranging from 0.00% to 2.25%
Post-retirement benefit increases	COLA assumed to be a 2.00% COLA beginning October 1, 2053 and payable every October 1st thereafter
Interest on DROP accounts	Beginning September 1, 2017, DROP account balances for annuitants are assumed to earn 2.75% interest; DROP account balances as of September 1, 2017 for active members are assumed to earn 2.75% interest upon retirement; DROP account balances accrued after September 1, 2017 for active members do not earn interest. Beginning January 1, 2018 DROP balances as of September 1, 2017 for active members are assumed to earn 3.00% interest upon retirement.

As of December 31, 2017 that differed from the above

Projected salary increases	Inflation plus merit increases, varying by group and service, ranging from 0.25% to 2.45%

Post-retirement benefit increases	COLA assumed to be a 2.00% COLA beginning October 1, 2049 and payable every October 1 thereafter
Interest on DROP accounts	6% per year until September 1, 2017. Beginning September 1, 2017, DROP account balances for annuitants are assumed to earn 2.75% interest; DROP account balances as of September 1, 2017 for active members are assumed to earn 2.75% interest upon retirement; DROP account balances accrued after September 1, 2017 for active members do not earn interest.

As of December 31, 2016 that differed from above

Post-retirement benefit increases	4.00% simple COLA, October 1st
DROP balance returns	October 1, 2015 – 7% October 1, 2016 – 6% October 1, 2017 and thereafter – 5%
DROP election	Age 50 with 5 years of service. Any active member who satisfy these criteria and have not entered DROP are assumed never to join DROP. Active members who retire with a DROP account are assumed to receive the balance of their account over a 10-year time period.

As of December 31, 2015 and 2014 that differed from above

Projected salary increases	Range of 4.00% - 9.64%
Mortality	RP-2000 Combined Healthy Mortality Table projected to 10 years beyond the valuation date using Scale AA for healthy retirees and active members.

Schedule of Investment Returns

FISCAL YEAR ENDED DECEMBER 31,	ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE
2023	10.15%
2022	(2.77%)
2021	5.52%
2020	1.48%
2019	11.51%
2018	(1.49%)
2017	5.07%
2016	3.09%
2015	(12.70%)
2014	3.98%

Notes to Schedule:

The annual money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense, and expresses investment performance adjusted for the changing amounts actually invested. Pension plan investment expense consists of manager fees. The return is calculated using a methodology which incorporates a one quarter lag for fair value adjustments on private equity, debt, and real assets investments.

Supplementary Information

Administrative, Investment, and Professional Services Expenses

Year Ended December 31, 2023

ADMINISTRATIVE EXPENSES		
Information technology	$	622,710
Education		36,642
Insurance		573,072
Personnel		3,516,766
Office equipment		145,258
Dues and subscriptions		152,939
Board meetings		3,641
Office supplies		19,935
Utilities		20,219
Postage		11,271
Printing		8,068
Elections		12,253
Facilities		686,530
Other		9,667
Total administrative expenses	**$**	**5,818,971**
INVESTMENT EXPENSES		
Investment management	$	5,219,010
Custodial		214,595
Investment level valuations and audits		498,294
Research		42,987
Consulting and reporting		377,083
Legal		71,135
Tax		3,751
Other		102,785
Total investment expenses	**$**	**6,529,640**
PROFESSIONAL SERVICES EXPENSES		
Actuarial	$	261,226
Auditing		128,150
Accounting		61,619
Medical review		500
Legal		(417,573)
Mortality records		5,660
Legislative		157,478
Other		19,551
Total professional services expenses	**$**	**216,611**

Notes to Schedule:
Supplementary information on investment expenses does not include investment management fees and performance fees embedded in the structure of private equity and other limited partnership investments. Rather, these fees are a component of the net appreciation (depreciation) in fair value of investments in the accompanying Statements of Changes in Fiduciary Net Position. In addition, management fees paid directly by DPFP are included net of rebates received. The members of the Board of Trustees serve without compensation; they are reimbursed for actual expenses incurred.

See accompanying independent auditor's report

This page intentionally left blank

2023 INVESTMENT INFORMATION

Investment Consultant's Report

MEKETA
INVESTMENT GROUP

5796 Armada Drive
Suite 110
Carlsbad, CA 92008

760.795.3450
Meketa.com

MEMORANDUM

TO: Board of Trustees, Dallas Police & Fire Pension System
FROM: Leo Festino, Aaron Lally, Colin Kowalski, Meketa Investment Group
DATE: June 17, 2024
RE: Investment Consultant's Statement for Annual Comprehensive Financial Report

This letter reviews the global capital markets in 2023 and the investment performance of the Dallas Police and Fire Pension System ("DPFP") for the year ending December 31, 2023.
Investment decisions were made during the calendar year with the following investment objectives in mind (as stated in DPFP's Investment Policy Statement).

- Maintain a diversified asset allocation that seeks to maximize the investment return while accepting prudent exposure to key investment risks.
- Outperform the Policy Benchmark over rolling five-year periods.
- Control and monitor the costs of administering and managing the investments.

DPFP produced a positive return in the calendar year of 10.3%, ahead of its actuarial target return but underperformed its policy benchmark.

DPFP's rates of return are represented using a net-of-fees time-weighted rate of return methodology based upon monthly market values and cash flows. Consistent with industry best practices, DPFP's private market valuations are included on a one-quarter lag, cash flow adjusted basis, to account for the typical 60-90 day delayed reporting cycle for most private market investments. Data was provided by J.P. Morgan, DPFP's custodian, and investment manager valuation statements.

Meketa Investment Group, DPFP's general investment consultant, works with the Board of Trustees, the Investment Advisory Committee and Investment Staff, to assist with performance evaluation, asset allocation, manager selection, governance, and other industry best practices.

Calendar Year 2023 Year in Review

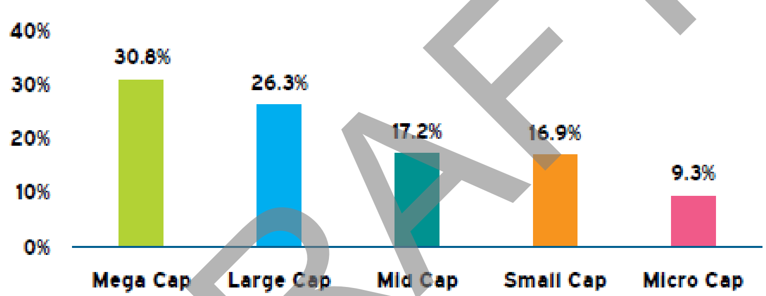
Coming into 2023 many experts were calling for a recession, following the aggressive monetary policy tightening by the Federal Reserve in 2022 (they increased rates by over 4% in 2022). Optimism was building that interest rates could peak in 2023 given slowing inflation. The continued strength of the US consumer due to a strong labor market, rising wages, and pandemic related savings also had many thinking that if the US economy did hit a recession in 2023, it would be mild. No recession occurred in 2023.

Remarkably, despite a calendar year in which a recession was the consensus forecast, GDP growth and unemployment remained unexpectedly robust, and inflation continued to decline closer to the Federal Reserve's target. GDP growth in the US was 2.2%, 2.1%, 4.9% and 3.2% for the first, second, third, and fourth quarters, respectively, for calendar year 2023. Unemployment increased slightly over the calendar year, starting at 3.5% and ending at 3.7%, but remained remarkably low. All of this occurred while the headline year-over-year inflation number decreased from 6.5% in December 2022 to 3.4% by year-end. Outside the US, unemployment and inflation painted a more mixed picture. The Eurozone ended calendar year 2023 with unemployment numbers at 6.5%, down from 6.7% at the beginning of the year.

Despite a number of material events in the year (failure of Silicon Valley Bank, Israel-Palestine war) the year ended with positive returns for nearly all public market asset classes.

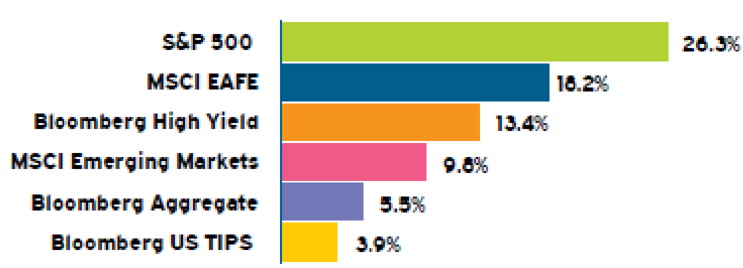
In equity markets, dispersion of contributors was very narrow in 2023 with notably relatively few stocks (mainly large technology companies) accounting for most of the gains driven by optimism over artificial intelligence ("AI") technology. Large cap stocks led the way, significantly outpacing smaller cap stocks.

2023 Equity Returns by Market Cap



Equity markets started the year in positive territory and never looked back despite some pullback in the third quarter. Most fixed income was in negative territory 3/4s through the year (as the Fed continued to raise rates) but finished the year in positive territory as the result of Fed rhetoric in fourth quarter of 2023. The fourth quarter was the best quarter for both fixed income and equity markets as economic data started to come in below expectations and optimism built that major central banks could start cutting rates in 2024. This shift in sentiment rekindled the broad risk-on environment experienced earlier in 2023.

2023 Index Returns



DPFP's 2023 Performance and Investment Activity

DPFP ended 2023 with nearly $1.9 billion in investment assets. DPFP's public global equity which accounted for 47% of the portfolio had a strong year, returning +20.9% in 2023, slightly underperforming the MSCI ACWI IMI Net Index (+21.6%). DPFP underperformed its policy benchmark and peers in part due to weak performance within Private Equity. Underweight exposure to public equities and overweight exposure to Real Estate were also detractive.

	Calendar Year 2023 Return (%)
DPFP (net of fees)	+10.3%
Policy Index	+15.7%
Peer Median Return[1]	-12.3%
60% Stock/40% Bond mix[2]	-17.4%

***Returns are time-weighted, net of fees. DPFP's private market valuations are included on a one-quarter lag, cash flow adjusted basis, to account for the typical 60-90 day delayed reporting cycle for most private market investments.*

DPFP's 3-Year return outperformed its policy benchmark but trailed the actuarial target while longer term periods (5-year and 10-year) trailed both the policy benchmark and actuarial target. Poor manager selection within real estate and private equity and an over-allocation in these asset classes (paired with an under-allocation to public equities) have been the biggest drivers of longer-term underperformance.

2024 Capital Markets through 5/31/2024

The first five months of 2024 have been favorable to public market investments. The US Equity market (S&P 500 Index) is up 11.3% year-to-date through 5/31/2024. The international equity market (MSCI EAFE index) is up 7.1% year-to-date through 5/31/2024. Investment grade bonds (Barclays Aggregate Index) are negative, -1.6% year-to-date as uncertainty around when the Fed will ultimately cut interest rates has weighed on bond returns.

Meketa, Staff and the Board of Trustees continue to diligently monitor the macro environment and its impact on the Fund.

Leandro Festino, CFA, CAIA Managing Principal	Aaron Lally, CFA, CAIA Managing Principal	Colin Kowalski Investment Analyst

[1] *InvestorForce Public DB $1-$5 billion Net Performance universe.*
60% MSCI ACWI IMI Net/40% Barclays Global Aggregate Index.

Investment Information

Investment Activities and Initiatives

Over the course of the year, the size of the investment portfolio increased by approximately $129 million, reaching $1.94 billion in investment assets due to positive investment returns, which were partially offset by net benefit outflows.

Given the equity market downturn in 2022, staff notified the Board at the March 2022 meeting of the intention to draw on the Safety Reserve (Cash and Short-Term Core Bonds) to fund net benefit outflows. By utilizing the Safety Reserve to fund benefit outflows, DPFP had the flexibility to either hold back private market proceeds within the Safety Reserve or redeploy those proceeds into Public Market assets classes. At the October 2023 Board meeting, the determination was made to restore the Safety Reserve back to the 9% target allocation. At year-end 2023, the Safety Reserve held enough assets to cover net benefit outflows for 18 months, or through June of 2025. Key challenges for the investment portfolio continued to be an overallocation to private assets and the high level of cash outflows required for benefit payments.

The Investment Advisory Committee (IAC), comprised of DPFP Board of Trustees and a majority of outside investment professionals, meets quarterly and provides advice to the Board of Trustees to ensure DPFP investments are prudently managed and advises regarding the search and selection process for investment managers. Two new members were added to the IAC in 2023.

A new manager search in the public asset portfolio included a search and Request for Proposal (RFP) for a Global Large Cap Growth Equity manager. WCM Investment Management was selected as the new Global Large Cap Growth manager in October 2023, replacing the incumbent manager Invesco. The new mandate was funded in December 2023.

The private asset portfolio, which includes Private Equity, Private Debt, Natural Resources, Infrastructure and Real Estate, was valued at $501 million or 25.9% of the portfolio, at year-end. Staff continued to work with managers to sell assets in an orderly fashion and reduce the over-allocation. Distributions from the private asset portfolio totaled $69 million in 2023, with capital calls totaling less than $1 million.

DPFP has not made a new private asset investment since 2016, as the focus has been on right-sizing the overallocation in this area. As DPFP continued to see a reduction in the private asset portfolio towards the 15% long-term target, staff began discussions with the Board and IAC regarding the processes, resources, and planning needed before making new private investments. DPFP initiated an investment consultant search in early 2023 as the relationship with Meketa was at the five-year mark and there was a need to add some form of private market consulting services. RFP's were issued to nine firms in February 2023. In July 2023, the Board approved retaining Meketa as the general investment consultant and engaging Albourne as the private markets consultant. DPFP will rely on Albourne's research platform, initially focusing on top-rated managers and funds as we build the private markets program. Albourne officially began providing private market consulting services to DPFP in July of 2024.

Performance Reporting and Results

Performance Reporting Methodology

The rate of return calculation is prepared by the investment consultant as of December 31, 2023, using a time-weighted rate of return. The methodology used to calculate the rate of return is a "lagged with cash flow adjustments" methodology, which incorporates a one-quarter lag on the market values of Private Equity, Private Debt, Infrastructure, Real Estate, Timberland, and Farmland investments (collectively, Private Investments). The lagged methodology was recommended by DPFP's investment consultant, is consistent with standard industry practice, and allows for timelier reporting to the Board. Although the investment return information provided in the Investment section is based on the "lagged with cash flow adjustments" methodology, all the net asset value and allocation information is based on the final audited December 31, 2023, values (unlagged) which are reported in the Financial section.

Investment Performance

DPFP's investment performance is reported to the Board, on a quarterly basis, by the investment consultant. The overall investment performance is measured against the median return of public defined benefit plans over $1B included in the InvestorForce universe. DPFP's overall performance is also compared to the Policy Benchmark. The Policy Benchmark is calculated as the weighted return based on the asset class target allocations and their corresponding benchmark returns. Each asset class and investment manager are measured against the return of an appropriate benchmark, as represented by a specific index return. All returns disclosed in the Investment section are calculated net of all fees paid to investment managers. The table below includes the 1, 3, 5 and 10-year returns by asset category and class as measured against the representative benchmarks (dollars in thousands).

	NET ASSET VALUE	% OF PORTFOLIO	2023 RETURN	3 YRS	5 YRS	10 YRS
Total Investment Assets	$ 1,937,160	100.0%	10.3%	4.3%	5.2%	2.3%
Policy Benchmark [1]			15.7%	4.0%	7.8%	6.9%
InvestorForce DB Median			11.5%	4.4%	8.3%	6.4%
EQUITY	1,226,264	63.3%	13.8%	6.0%	8.7%	3.8%
MSCI ACWI IMI Net			21.6%	5.5%	11.5%	7.8%
Global Equity	**914,695**	**47.2%**	**20.9%**	**6.0%**	**12.2%**	**8.8%**
MSCI ACWI IMI Net			21.6%	5.5%	11.5%	7.8%
Northern Trust ACWI Index IMI	33,947	17.2%	22.2%	-	-	-
MSCI ACWI IMI Net			*21.6%*	*5.5%*	*11.5%*	*7.8%*
Boston Partners	115,610	6.0%	14.6%	11.2%	11.8%	-
MSCI World Net			*23.8%*	*7.3%*	*12.8%*	*8.6%*
Manulife	114,884	5.9%	20.3%	8.1%	12.1%	-
Walter Scott	116,650	6.0%	22.2%	5.3%	12.8%	9.6%
MSCI ACWI Net			*22.2%*	*5.7%*	*11.7%*	*7.9%*
WCM Global Equity	116,761	6.0%	-	-	-	-
MSCI ACWI Growth Net			*33.2%*	*3.7%*	*14.6%*	*10.1%*
Eastern Shore US Small Cap	61,225	3.2%	*15.1%*	-	-	-
Russell 2000			*16.9%*	*2.2%*	*10.0%*	*7.2%*
Global Alpha International Small Cap	55,204		*6.4%*	-	-	-
MSCI EAFE Small Cap			*13.2%*	*(0.7%)*	*6.6%*	*4.8%*
Emerging Markets Equity	**92,713**	**4.8%**	**11.2%**	**(2.9%)**	**4.7%**	**-**
MSCI Emerging Markets IMI Net			11.7%	(3.7%)	4.5%	3.0%
RBC	92,713	4.8%	11.2%	(2.9%)	4.7%	-
MSCI Emerging Markets IMI Net			*11.7%*	*(3.7%)*	*4.5%*	*3.0%*
Private Equity	**218,857**	**11.3%**	**(8.0%)**	**11.4%**	**2.7%**	**(3.7%)**
Russell 3000 (1 Qtr Lag)			22.8%	11.6%	11.3%	13.5%

	NET ASSET VALUE	% OF PORTFOLIO	2023 RETURN	3 YRS	5 YRS	10 YRS
FIXED INCOME	432,340	22.3%	8.5%	0.0%	2.2%	2.1%
Bloomberg Multiverse TR			6.0%	(5.3%)	(0.1%)	0.5%
Cash	**61,467**	**3.2%**	**5.3%**	**2.3%**	**2.0%**	**-**
91 Day T-Bills			5.0%	2.1%	1.8%	1.2%
Short Term Investment Grade Bonds	**114,666**	**5.9%**	**5.3%**	**0.4%**	**2.0%**	**-**
Bloomberg US Aggregate 1-3 Yr			4.6%	0.1%	1.5%	1.3%
IR&M	114,666	5.9%	5.3%	0.4%	2.0%	-
Bloomberg US Aggregate 1-3 Yr			*4.6%*	*0.1%*	*1.5%*	*1.3%*
Investment Grade Bonds	**63,772**	**3.3%**	**6.4%**	**(2.8%)**	**-**	**-**
Bloomberg US Aggregate			5.5%	(3.3%)	1.1%	1.8%
Longfellow Investment Management	63,772	3.3%	6.4%	(3.0%)	-	-
Bloomberg US Aggregate			*5.5%*	*(3.3%)*	*1.1%*	*1.8%*
Bank Loans	**61,000**	**3.1%**	**14.1%**	**6.0%**	**6.0%**	**4.8%**
Credit Suisse Leveraged Loan			13.1%	5.6%	5.6%	4.4%
Aristotle Pacific Asset Management	61,000	3.1%	14.1%	6.1%	5.9%	-
Credit Suisse Leveraged Loan			*13.1%*	*5.6%*	*5.6%*	*4.4%*
High Yield Bonds	**63,005**	**3.3%**	**11.6%**	**0.7%**	**3.8%**	**3.3%**
Bloomberg US Corporate High Yield			13.4%	2.0%	5.4%	4.6%
Loomis Sayles US High Yield	63,005	3.3%	11.6%	0.6%	-	-
Bloomberg US Corporate High Yield 2% Capped			*13.4%*	*2.0%*	*5.4%*	*4.6%*
Emerging Markets Debt	**64,981**	**3.4%**	**13.1%**	**(7.8%)**	**(2.4%)**	**0.0%**
50% JPM EMBI/50% JPM GBI-EM			11.9%	(3.3%)	1.4%	1.6%
Metlife Emerging Markets Debt Blend	64,981	3.4%	13.1%	-	-	-
35% JPM EMBI/35% JPM CEMBI/30% JPM GBI-EM			*10.7%*	*-*	*-*	*-*
Private Debt	**3,447**	**0.2%**	**(13.7%)**	**25.0%**	**10.9%**	**-**
Bloomberg US High Yield + 2%			15.7%	4.0%	7.5%	6.7%
REAL ASSETS	278,557	14.4%	0.7%	4.7%	2.5%	0.1%
50% NCREIF Property/50% Farmland Total Return (1Qtr Lag)			(1.4%)	6.7%	5.7%	7.7%
Real Estate	**158,355**	**8.2%**	**11.2%**	**6.5%**	**3.9%**	**(0.9%)**
NCRIEF Property (1Qtr Lag)			(8.4%)	6.0%	5.3%	7.4%
Natural Resources	**94,696**	**4.9%**	**(12.9%)**	**(3.5%)**	**(1.3%)**	**0.2%**
NCRIEF Farmland Total Return Index (1Qtr Lag)			6.0%	7.2%	6.2%	8.0%
Infrastructure	**25,505**	**1.3%**	**2.6%**	**23.0%**	**7.0%**	**7.7%**
S&P Global Infrastructure Index			6.8%	6.0%	7.4%	5.7%

(1) The Policy Benchmark is calculated as the weighted return based on the asset class target allocations and their corresponding benchmarks. The Policy Benchmark is updated for changes in the asset allocation targets as they are updated.

Investment Policy

The Investment Policy Statement (IPS) is designed to guide investment of the assets of DPFP and sets forth an appropriate set of goals and objectives for DPFP. It defines guidelines to assist fiduciaries and staff in the management of the investments of DPFP.

The IPS outlines the asset allocation, details due diligence and investment review procedures, and clearly defines the roles of the Board, IAC, consultants and DPFP staff in the investment decision making process.

Updates to the IPS were approved by the Board on two occasions in 2023. Notable changes to the IPS approved in 2023 incorporated the following, among others:

- Updated the fiduciary standards required for commingled funds.
- Updated rebalancing language to allow the Safety Reserve to be restored to target.
- Added provisions requiring the inclusion of diverse managers on public active manager searches.

Thus far in 2024, the IPS has yet to be revised. To review the IPS in full, visit DPFP's website at www.dpfp.org.

Overview and Goals

The general investment goals of DPFP are broad in nature to encompass the purpose of DPFP and its investments. By achieving allocation and performance objectives consistently, the long-term investment goals of DPFP are expected to be achieved. The goals, objectives, and constraints outlined in the Investment Policy Statement (IPS) are as follows:

Goals

- Earn a long-term, net of fees, investment return that, together with contributions, will be sufficient to meet current and future obligations of the plan when due.
- Earn a long-term, net of fees, investment return greater than the actuarial return assumption.

Objectives

- Maintain a diversified asset allocation that seeks to maximize the investment return while accepting prudent exposure to key investment risks.
- Outperform the Policy Benchmark over rolling five-year periods.
- Control and monitor the costs of administering and managing the investments.

Constraints

- DPFP will be managed on a going-concern basis. The assets of the Fund will be invested with a long-term time horizon, while being cognizant of the weak actuarial funded ratio and ongoing liquidity needs.
- The Board intends to maintain sufficient liquidity in either cash equivalents or short-term investment grade bonds to cover 18 months of anticipated benefit payments and expenses (net of contributions).
- DPFP is a tax-exempt entity. Therefore, investments and strategies will be evaluated on a basis that is generally indifferent to tax status.

DPFP's portfolio strategy is implemented primarily through the use of external investment managers. Each investment manager operates under a set of guidelines specific to the strategic role its portfolio is intended to fulfill in the overall investment portfolio. As part of the due diligence process for any new manager, DPFP negotiates fees with these external managers to achieve the lowest reasonable cost to administering the investments without sacrificing quality of service.

DPFP's investment staff serves as the primary liaisons between the Board, Investment Advisory Committee, investment consultants, investment managers, and custodian bank. The investment staff's responsibilities include, but are not limited to, managing assets within the scope of DPFP's policies, implementing Board actions regarding asset allocation and investment managers, portfolio rebalancing, monitoring investment activities and performance, managing liquidity, performing investment manager due diligence, and coordinating manager searches and selection processes.

Asset Allocation

The updated asset allocation includes three broad asset categories: Equity, Fixed Income and Real Assets. The broad asset categories are further categorized into 13 separate asset classes. Variances from long-term allocation targets may be significant but are expected to gradually diminish over time. Rebalancing ranges have been established to accommodate current variances from target and will be tightened over time as appropriate. The asset allocation as of December 31, 2023, is as follows:

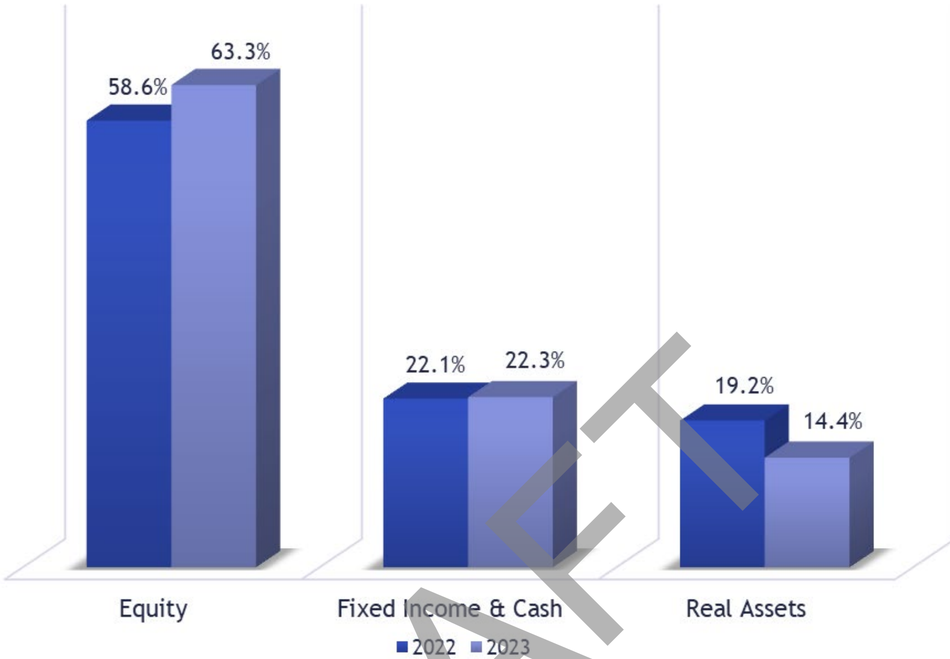
ASSET CATEGORY/CLASS	CURRENT ALLOCATION*	TARGET ALLOCATION
Equity	63.3%	65%
Global Equity	47.2%	55%
Emerging Markets Equity	4.8%	5%
Private Equity	11.3%	5%
Fixed Income	22.4%	25%
Cash	3.2%	3%
Short-Term Investment Grade Bonds	5.9%	6%
Investment Grade Bonds	3.3%	4%
Bank Loans	3.1%	4%
High Yield Bonds	3.3%	4%
Emerging Markets Debt	3.4%	4%
Private Debt	0.2%	0%
Real Assets	14.4%	10%
Real Estate	8.2%	5%
Natural Resources	4.9%	5%
Infrastructure	1.3%	0%

**Numbers may not total to 100% due to rounding.*

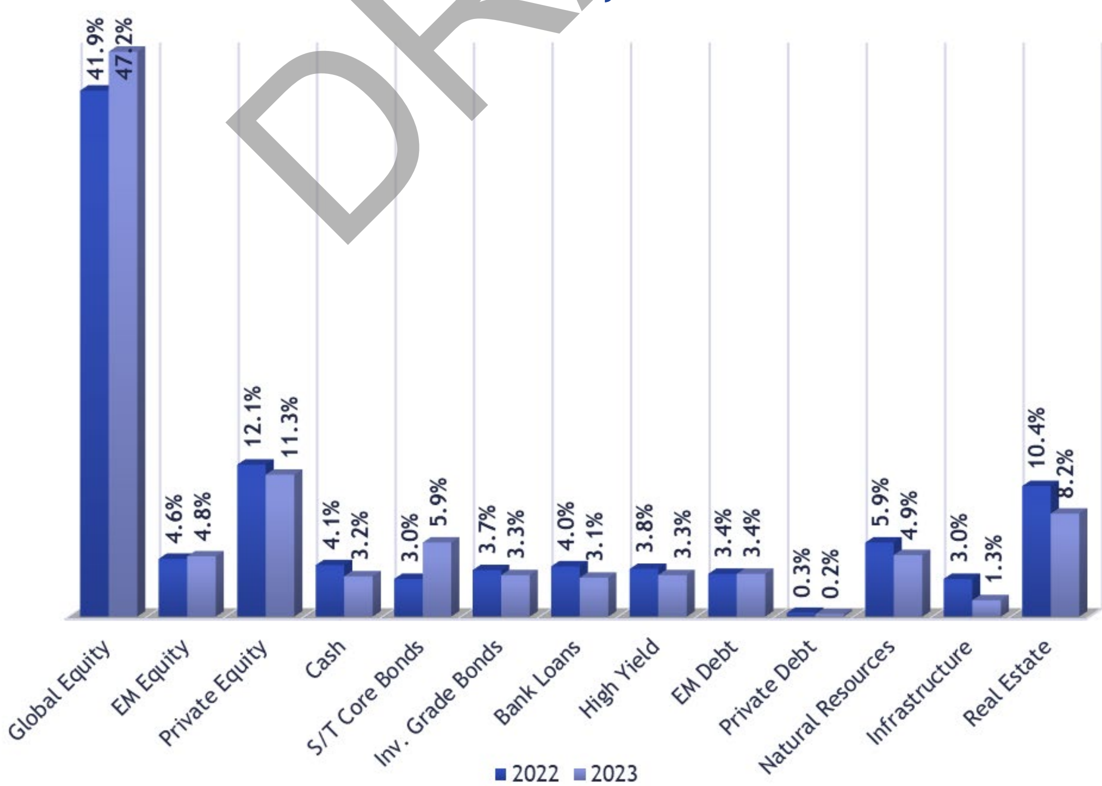
In 2023, the Global Equity asset class moved closer to its target due to strong equity returns and the reallocation of proceeds from private asset distributions. Apart from Natural Resources, all the private market asset classes (Private Equity, Private Debt, Real Estate, and Infrastructure) ended the year above their respective target allocations. The overall Private Markets allocation dropped from 31.6% at year-end 2022 to 25.1% at year-end 2023.

The following graphs reflect the portfolio allocation as of December 31, 2022 and 2023 by broad asset category and asset class.

Asset Allocation by Broad Asset Category

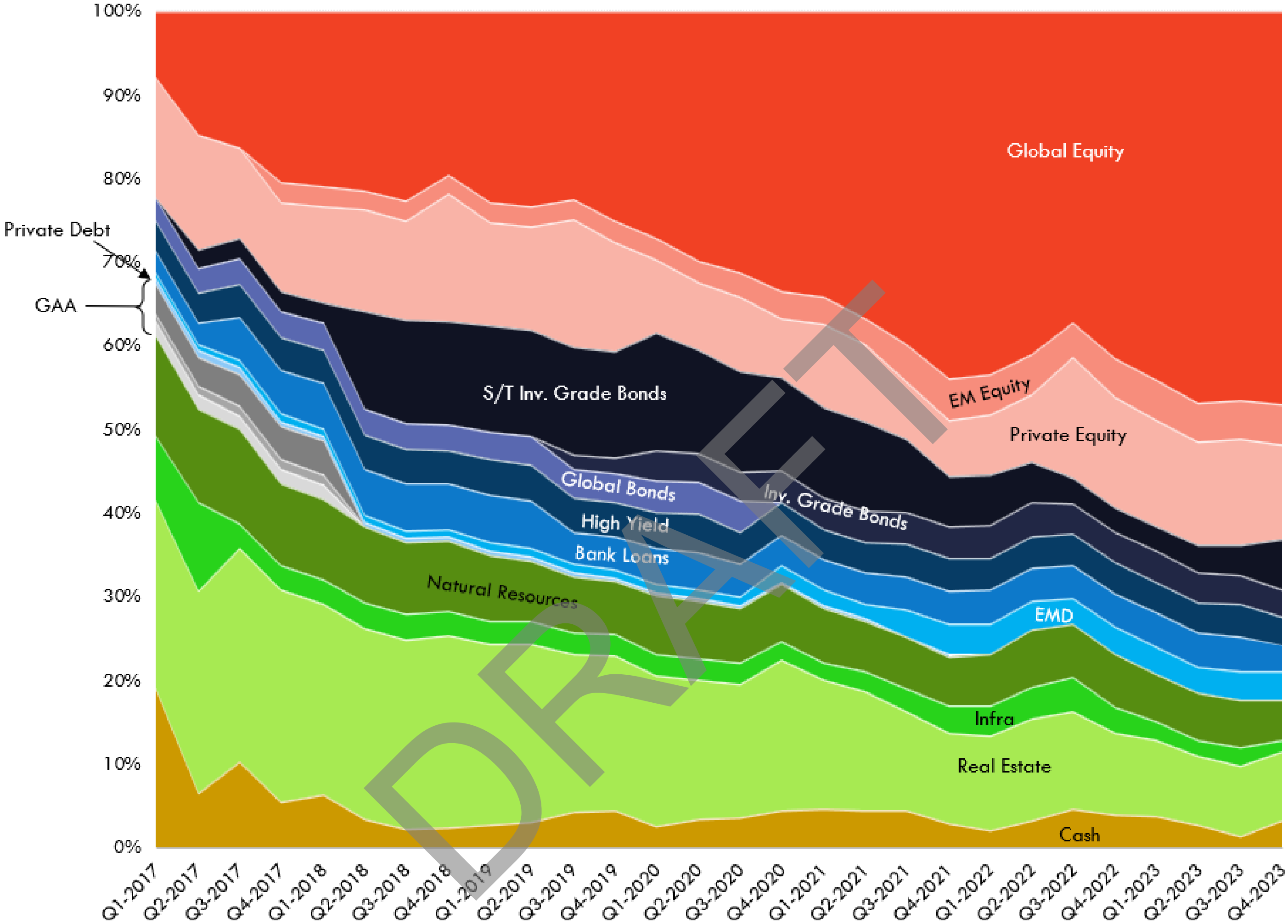


Asset Allocation by Asset Class



Over the past several years, DPFP has been focused on transitioning private market proceeds into a greater allocation to public markets. The graph below reflects the asset allocation changes since 2017, on a quarterly basis.

Asset Allocation Evolution



Investment Management Fees and Brokerage Commissions

Investment management fees included in the Administrative, Investment and Professional Services Expenses supplementary schedule in the Financial section of this report represent only those fees paid directly by DPFP. In addition to the fees paid directly, DPFP incurs investment management fees which are charged by general partners or investment managers at the fund level. Fees charged at the fund level are typically seen in public equity and fixed income commingled funds or private equity, private debt, and infrastructure funds. DPFP considers any incentive, performance, or disposition fees paid directly to the investment manager as management fees and, therefore, these are included in the table below. The below table presents all fees paid in 2023, net of any rebates or discounts received (dollars in thousands).

ASSET CLASS	MANAGEMENT FEES PAID FROM THE GROUP TRUST	MANAGEMENT FEES PAID AT FUND LEVEL	TOTAL INVESTMENT MANAGEMENT FEES	2023 AVERAGE MARKET VALUE	TOTAL MANAGEMENT FEES PAID AS A % OF AVERAGE MARKET VALUE
Equity	$ 2,625	$ 1,237	$ 3,862	$ 1,183,051	0.33%
Fixed Income & Cash	605	398	1,003	409,191	0.25%
Real Assets	1,989	620	2,609	310,414	0.84%
TOTAL	**$ 5,219**	**$ 2,255**	**$ 7,474**	**$ 1,902,656**	**0.39%**

In 2019, the Texas Legislature passed Senate Bill 322 which modified Section 802.103 of the Texas Government Code to require a listing, by asset class, of all direct and indirect commissions and fees paid by the retirement system during the previous fiscal year for the sale, purchase, or management of system assets. DPFP has included all management fees as outlined above. Brokerage Fees and Commissions include brokerage commissions for public debt and equity securities that are held directly by DPFP through our custody bank and all third-party brokerage commissions paid on wholly-owned private assets. Carried Interest includes any preferred return paid to an investment manager, which is typical in private equity structures. Other Investment Expenses includes consultant, custodian, legal, valuation, and other expenses that are paid directly by DPFP and related to the operation and management of the investment portfolio. For the purposes of Section 802.103, these investment expenses are not allocated to specific asset classes and are considered DPFP Plan Level expenses.

ASSET CLASS	INVESTMENT MANAGEMENT FEES	BROKERAGE FEES OR COMMISSIONS	CARRIED INTEREST	OTHER INVESTMENT EXPENSES	TOTAL OF ALL FEES AND EXPENSES
Equity	$ 3,815	$ 508	$ -	$ -	$ 4,323
Fixed Income	1,003	-	-	-	1,003
Real Assets	2,609	822	-	-	3,431
Alternatives (Private Equity)	47	-	-	-	47
DPFP Plan Level	-	-	-	1,311	1,311
TOTAL	**$ 7,474**	**$ 1,330**	**$ -**	**$ 1,311**	**$ 10,115**

Below is a breakdown of DPFP Plan Level investment expenses by category:

OTHER INVESTMENT EXPENSES (000's)		
Custodial	$	215
Investment Level Valuation & Audit		498
Research		43
Consulting and Reporting		377
Legal		71
Tax		4
Other		103
TOTAL	**$**	**1,311**

During 2023, DPFP incurred approximately $508 thousand in brokerage fees and commissions paid through managers to trade a total of approximately 22 million shares. This represents an average cost of $0.023 per share traded.

BROKERAGE FIRM	NUMBER OF SHARES TRADED (000'S)	TOTAL FEES AND COMMISSIONS (000's)	FEES AND COMMISSIONS PER SHARE
Barclays Bank London	670	$ 53	$ 0.079
UBS AG (London Equities), London	1,584	50	0.032
J.P. Morgan Securities Limited	670	33	0.049
Goldman Sachs Intl London	1,479	25	0.017
Morgan Stanley And Co., Inc	982	23	0.023
Merrill Lynch International, Ldn	434	21	0.049
Jefferies & Company, Inc	1,455	20	0.014
Jefferies International	414	11	0.026
Goldman Sachs New York	450	10	0.023
Macquarie Securities Limited, Taiwan	336	9	0.028
All Other Firms	13,440	253	0.019
TOTAL	**21,914**	**$ 508**	**$ 0.023**

Largest Public Equity and Fixed Income Holdings

The below tables contain the ten largest public equity and fixed income securities owned as of December 31, 2023. A full list of securities owned is available upon written request.

PUBLIC EQUITY ISSUER	MARKET VALUE (000's)	% OF PUBLIC EQUITY
Microsoft Corp	$ 26,803	2.66%
Apple Inc	16,370	1.62%
Alphabet Inc	14,078	1.40%
Taiwan Semiconductor	11,656	1.16%
Novo Nordisk	11,181	1.11%
Amazon.com	10,592	1.05%
Samsung Electronics	9,513	0.94%
Nvdia Corp	7,786	0.77%
Intuitive Surgicial Inc	7,228	0.72%
Visa Inc	7,124	0.71%

PUBLIC FIXED INCOME ISSUER	Maturity	Interest Rate	Market Value (000's)
United States Of America Notes Fixed	8/31/2025	5.00%	$ 11,246
United States Of America Notes Fixed	10/31/2025	5.00%	7,192
United States Of America Notes Fixed	2/15/2027	4.13%	5,534
United States Of America Notes Fixed	8/15/2026	4.38%	4,858
United States Of America Notes Fixed	12/31/2028	1.38%	3,598
United States Of America Notes Fixed	11/15/2026	4.63%	3,321
United States Of America Notes Fixed	2/15/2030	1.50%	2,690
United States Of America Bond Fixed	5/15/2050	1.25%	2,638
United States Of America Notes Fixed	11/15/2031	1.38%	2,074
Ukg, Inc Term Loan	2/10/2031	8.81%	1,753

Investment Managers

Assets under management during 2023

AEW Capital Management
Alvarez & Marsal
Aristotle Pacific Capital
Boston Partners Global Investors
BTG Pactual Asset Management
Clarion Partners
Eastern Shore Capital Management
Global Alpha Capital Management
Income Research and Management
Industry Ventures
Invesco, Ltd.
JPMorgan Asset Management
L&B Realty Advisors
Longfellow Investment Management Company
Lone Star Investment Advisors
Loomis, Sayles & Company
Manulife Asset Management
MetLife Investment Management
Northern Trust
RBC Global Asset Management
Riverstone Credit Partners
The Rohatyn Group
Walter Scott & Partners Limited
WCM Investment Management
W.R. Huff Asset Management

This page intentionally left blank

2023 ACTUARIAL INFORMATION

Actuary's Report

Segal

2727 Paces Ferry Roade SE
Building One, Suite 1400
Atlanta, GA 30339-4053
T 678.306.3100
www.segalco.com

October 25, 2024

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

Re: Actuarial Valuations as of January 1, 2024

Dear Board Members:

At the request of the Dallas Police and Fire Pension System (DPFP), Segal has completed January 1, 2024 actuarial valuations for the Combined Pension Plan and the Supplemental Plan (the Plans). This letter certifies that the information contained in this report is accurate and fairly presents the actuarial position of the Plans as of the valuation date.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, the results presented also comply with the requirements of Texas state law and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board (GASB). The undersigned is an independent actuary and consultant. Mr. Williams is a Fellow of the Conference of Consulting Actuaries, Associate of the Society of Actuaries, Enrolled Actuary, and Member of the American Academy of Actuaries, and is experienced in performing valuations for large public retirement systems. He meets the Qualification Standards of the American Academy of Actuaries to render this opinion.

ACTUARIAL VALUATION

The primary purposes of the valuation reports are to determine the adequacy of the current employer contribution rates, to describe the current financial condition of the Plans, and to analyze changes in the Plans' financial condition. In addition, this report provides information required in connection with Governmental Accounting Standards Board Statement No. 67 (GASB 67) and provides various summaries of the data. Valuations are prepared annually as of January 1 of each year, the first day of DPFP's plan year.

FINANCING OBJECTIVES

The City of Dallas ("City") and member contribution rates for the Combined Pension Plan, along with the member contribution rates for the Supplemental Plan, are established by State statute.

Combined Pension Plan

To determine the adequacy of the Combined Pension Plan's contribution rates, they are compared to an actuarially determined contribution (ADC) intended to be sufficient to pay the normal cost (the current year's cost) and to amortize the unfunded actuarial accrued liability (UAL) as a level percentage of payroll over a set period. Beginning with the January 1, 2024 valuation, the ADC will be reported based on the City's fiscal year beginning in the year after the valuation date. For the January 1, 2024 actuarial valuation, the ADC calculated will be payable in the City's fiscal year beginning October 1, 2025.

In accordance with 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, the UAL amortization period was changed to a closed, 30-year amortization as of January 1, 2023. The Board established two amortization bases of specified amounts as of January 1, 2023. The first amortization based 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, future gains or losses each year are amortized over the same period remaining on the initial 2023 bases. Beginning in 2033, newly established bases will be amortized over a 20-year period. The effective amortization period as of January 1, 2024 is 29 years. For these calculations, payroll is assumed to increase 2.50% per year. For actuarial valuation purposes, Combined Plan assets are valued at actuarial value. Under the actuarial asset method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the actual and expected return on market value over a five-year period. At their August 8, 2024 meeting, the Board of Trustees chose to retroactively set the actuarial value of assets to the market value of assets as of January 1, 2023 and restart the five-year smoothing period.

The Board monitors the margin or deficit between the actuarially determined recommended contribution and the statutory contribution rates. The City's contributions fell short of the actuarially determined contribution for the plan year ended December 31, 2023, by $79.6M or 31.7% of the actuarially determined contribution. The System and the actuary will monitor the contributions going forward.

Supplemental Plan

The City's contribution for the Supplemental Plan is determined with the actuarial valuation each year and is the sum of the normal cost and an amortization of the unfunded actuarial accrued liability (UAL). In accordance with June 2020 amendments to the funding policy adopted by the System's Board, the UAL amortization period was changed to a closed, 20-year amortization as of January 1, 2020. Effective January 1, 2021, future gains or losses each year are amortized over separate, closed, 10-year periods. The effective amortization period as of January 1, 2024 is 12 years. Amortization is on a level percentage of pay basis, with payroll assumed to increase 2.50% per year.

PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES

Combined Pension Plan

As of January 1, 2024, the City's actuarially determined contribution for the Combined Pension Plan is a dollar amount equivalent to 53.47% of projected pay, payable beginning October 1, 2025. If the City pays the ADC as calculated every year, the System is projected to be fully funded by January 1, 2053, if actuarial assumptions are met in the aggregate. This full-funding date is significantly earlier than last year, due to the assumption the City will pay the ADC. The changes implemented under HB3158, which became effective September 1, 2017, significantly improved projected plan funding over the long-term. Prior to these changes, the System had a projected insolvency. The Texas Pension Review Board is aware of the System's status and progress.

The proposed contributions outlined by the City are based on a closed amortization period of 30 years, established as of January 1, 2023, like the System's adopted rule. 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 funded ratio is equal to the ratio of the actuarial value of assets to the actuarial accrued liability. The Combined Pension Plan's funded ratio on an actuarial value basis decreased from 34.42%[1] to 32.02% between January 1, 2023 and January 1, 2024. This decrease was primarily due to the addition of an immediate COLA payable starting October 1, 2025. The UAL increased from $3.44 billion1 to $3.89 billion on an actuarial basis.

Supplemental Plan

The Supplemental Plan funded ratio increased from 38.65% to 40.81% between January 1, 2023 and January 1, 2024. This increase is primarily due to investment gains. The supplemental nature of this plan makes it more susceptible to fluctuations than a typical defined benefit plan. Also, Supplemental Plan assets are valued at market value, and investment gains and losses are recognized immediately. Although the funded ratio currently is low, City contributions to this Plan are calculated in such a way as to ensure that benefits will be funded. Further, as discussed previously, the funding policy was changed from an open, 10-year amortization of the UAL to a closed, 20-year amortization with the January 1, 2020 valuation. Effective January 1, 2021, future gains or losses each year are amortized over separate, closed, 10-year periods. The closure of the amortization periods should accelerate progress towards 100% funding.

ASSUMPTIONS AND METHODS

Actuarial assumptions and methods are set by the Board of Trustees, based upon recommendations made by DPFP's actuary. The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in assumptions can materially change the liabilities, actuarially determined contribution rates, and funding periods. All actuarial assumptions and methods are described under Section 4 of our actuarial valuation reports, and a summary is included in this Actuarial Information section as well. The assumptions and methods used for funding purposes conform to the Actuarial Standards of Practice, and we believe them to be internally consistent and reasonable.

The majority of the assumptions used in the January 1, 2024 actuarial valuation were adopted by the Board following a five-year experience review for the period ended December 31, 2019. An additional change was made to the net investment return rate in 2021.

We believe the actuarial assumptions and methods are internally consistent and are reasonable, based upon past experience and future expectations of the Plans. However, it should be noted that the retirement assumptions were set based on the plan changes effective September 1, 2017, and there have not been enough retirements subsequent to the plan changes becoming effective to evaluate the appropriateness of those rates.

Since the population of the Supplemental Plan is a subset of the Combined Pension Plan, and is too small to be independently credible, the valuation for the Supplemental Plan uses most of the same assumptions as the Combined Pension Plan. The explicit administrative expense assumption is set independently. Also, the Supplemental Plan uses market value for funding, with no smoothing of gains and losses.

1 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, which includes resetting the actuarial value of assets to the market value of assets as of January 1, 2023.

BENEFIT PROVISIONS

The immediate partial COLA included in the rule adopted by the Board on August 8, 2024 was first reflected in the January 1, 2024 valuation and is assumed to be effective October 1, 2025. The partial COLA is 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%. The new COLA is assumed to be 0.85% for the first five years, 1.00% for years six through ten, 1.25% for years 11 through 15, and 1.50% thereafter.

The current provisions are outlined in the Financial Information section of this Annual Comprehensive Financial Report (ACFR).

DATA

Member data for retired, active and inactive participants was supplied as of December 31, 2023 by the staff of DPFP. We have not subjected this data to any auditing procedures but have examined the data for reasonableness and consistency with the prior year's data. The staff also supplied asset and financial information as of December 31, 2023.

ANNUAL COMPREHENSIVE FINANCIAL REPORT SCHEDULES

Segal prepared the supporting schedules in this Actuarial Information section of the annual financial report, including:

- Historical Nominal Rates of Return
- Reconciliation of Unfunded Actuarial Accrued Liability
- Solvency Test
- Active Member Valuation Data
- Retirees and Beneficiaries Added to and Removed from Rolls
- Funding Progress

In addition, we prepared the following schedules in the Financial Information Section:

- Schedule of Changes in the Net Pension Liability
- Sensitivity of the Net Pension Liability to Changes in Discount Rate
- Schedule of Actuarially Determined Contributions

We would like to thank the Board, the Executive Director, and DPFP's staff for their assistance and input necessary to complete the actuarial valuations.

Respectfully submitted,

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

Actuarial Information

Introduction

DPFP's Combined Pension Plan and Supplemental Plan are single-employer defined benefit plans. The Plans provide retirement, death and disability benefits. The Combined Pension Plan requires an annual actuarial valuation to determine the adequacy of the current contribution rate of the City, to describe the current financial condition of DPFP, and to analyze changes in DPFP's financial condition. The Supplemental Plan requires an annual actuarial valuation to determine the amount of the City's annual contribution as required by City ordinance.

Funding

Defined benefit plans represent a commitment to pay specific benefits to employees and their survivors. Refer to Note 1 in the Financial Section for a description of benefits. The benefit to employees and their survivors is usually much more than the combined contributions of the employee and the employer. Determining adequate funding requires making a variety of assumptions to assure full payments can be made from the plan.

There are several actuarial assumptions necessary to estimate the amount of funding required to provide future benefits. Once the assumptions have been determined, the actuary must select a cost method to determine the amount of funding required for the committed benefits to be provided.

The Combined Pension Plan's funding ratio as of January 1, 2024 was 32%, a decrease from the prior year's restated funded ratio of 34.4%, or 39.1% before restatement. Additionally, the Combined Pension Plan is projected to become fully funded by 2053, as of the January 1, 2024 valuation, a reduction of 52 years, from the prior year's fully funded expectation of 2105. The amortization period for the Combined Plan is a closed 30-year period.

The January 1, 2024 actuarial funding ratio for the Supplemental Plan was 40.8% compared to the prior year's funded ratio of 38.7%. The amortization period for the Supplemental Plan is based on a closed period of 20 years.

Additional information regarding plan changes, funding status, restatement of the January 1, 2023 valuation results, actuarial assumptions and asset values can be found in the Letter of Transmittal, MD&A, notes to the combining financial statements, Required Supplementary Information and the Financial and Investment sections.

Cost Method

Using an actuarial cost method requires estimating the ultimate cost of the plan. The ultimate cost of the plan includes all specific benefits that are committed to be paid, plus all administrative expenses, less any investment earnings realized over the life of the plan. As the exact ultimate cost of the plan cannot be determined until the last retired member of a plan dies, it must be actuarially estimated by forecasting the plan's expenses and investment return.

Assumptions must be made for all the years the plan is in existence, including the number of active members and beneficiaries who will retire, terminate service, or become disabled, the duration of retirement and disability payments, mortality rates, salary increases, DROP participation, inflation, and the long-term rate of return on investments. Administrative expenses must also be estimated.

Actuary's Report

The actuarial information that follows was determined using specific actuarial methods which have been described in general above. Such methods were applied to census data related to active members, retirees, and beneficiaries of DPFP as of January 1, 2024. Content throughout the Actuarial section has been obtained from reports provided by DPFP's external actuaries for the periods noted. The Actuary's Report at page 93 is a summary from Segal regarding the January 1, 2024 valuations.

Actuarial Assumptions and Methods

The following assumptions were changed for the January 1, 2024 valuation:

- Effective January 1, 2023, the Board immediately recognized market value losses and reset the actuarial value of assets equal to the market value of assets.
- An immediate partial COLA, payable while the Plan is under 70% funded on a market value basis, has been added effective October 1, 2025

The following assumptions were changed for the January 1, 2023 valuation:

- The assumed retirement rate for DROP actives was lowered from 100% to 75% after ten years in DROP.
- The salary scale assumption was updated based on the 2023 Meet and Confer agreement.

The following assumptions were changed for the January 1, 2022 valuation:

- Administrative expense assumption was lowered to $7 million from $8.5 million.
- The ad-hoc COLA assumption was lowered from 2.0% to 1.5%. Ongoing, the COLA assumption will remain at five percentage points less than the investment return assumption.
- The ad-hoc COLA assumption was updated to begin October 1, 2073.

The following assumptions were changed for the January 1, 2021 valuation:

- The net investment return assumption was lowered from 7.0% to 6.50%.
- The ad-hoc COLA assumption was updated to begin October 1, 2069.

In conjunction with the January 1, 2020 actuarial valuations, a comprehensive experience study was performed by Segal, reviewing all assumptions incorporated in the actuarial valuations and covering the five-year period ended December 31, 2019. Adjustments to the demographic and economic assumptions were made in the January 1, 2020 valuation based on the results of the experience study.

The following assumptions were changed for the January 1, 2020 valuation:

- The net investment return assumption was lowered from 7.25% to 7.0%.
- The salary scale assumption was updated based on the 2019 Meet and Confer agreement, with a new ultimate rate of 2.5%.
- The payroll growth assumption was lowered from 2.75% to 2.50%.
- The mortality rates were updated to the Pub-2010 Public Safety Amount-weighted Mortality Tables, with varying adjustments by status and sex, projected generationally with Scale MP-2019.
- The withdrawal rates were updated and the ultimate 0% rate was moved up from 38 to 25 years of service.
- The DROP retirement rates were increased at most ages and the ultimate 100% retirement was updated from the earlier of 67 years or 8 years in DROP to the earlier of age 65 or 10 years in DROP.
- The non-DROP retirement rates were lowered at most ages and simplified from three sets to two sets of rates.
- The retirement assumption for inactive vested participants was updated to include an assumption that 75% of those who terminate with a vested benefit prior to age 40 will take a cash out at age 40.

- The DROP annuitization interest rate for account balances as of September 1, 2017 was lowered from 3.0% to 2.75%.
- The ad-hoc COLA assumption was updated to begin October 1, 2063. Last year, the COLA was assumed to begin October 1, 2050.
- The system's expectations for near-term market returns were lowered to -6.00% for 2020, +5.25% for 2021, +5.75% for 2022 and +6.25% for 2023. For valuation purposes, these return assumptions are used for determining the projected full-funding date and the projected COLA start date.

The January 1, 2024 valuation projects the full funding of the plan at 29 years.

The actual expense for the employer's financial disclosure purposes is determined in accordance with GASB No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB No. 27.*

Member contributions for the Supplemental Plan are established by State statute. Per City ordinance, the City makes a contribution each year sufficient to pay for the annual normal cost of the Supplemental Plan, plus enough to amortize the unfunded actuarial accrued liability of the Supplemental Plan over a closed 20 years.

A summary of the actuarial assumptions and methods used in the January 1, 2024 actuarial valuation follows.

Investment Rate of Return: 6.50% per annum, compounded annually, net of investment expenses. This rate reflects an underlying inflation rate of 2.50% and a real rate of return of 4.00%. Market rate of return was 13.90% in 2023.

Discount Rate: 6.50% is the rate used to discount the liabilities.

Administrative Expenses: An explicit assumption of annual administrative expenses, including investment-related personnel costs has been added to the normal cost in the amount of the greater of $7.0 million per year or 1% of Computation Pay for the Combined Pension Plan and $55 thousand per year for the Supplemental Plan.

Interest on DROP Accounts: DROP balances for active participants are assumed to earn 2.75% upon retirement. Balances accrued after September 1, 2017 do not earn interest.

Salary Scale: Range of 2.5% to 7.25% 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 Agreement.

In years 2023 and thereafter:

	OFFICERS	CORPORALS, DRIVERS, & SENIOR OFFICERS	SERGEANTS, LIEUTENANTS, CAPTAINS, MAJORS, DEPUTY CHIEFS, ASSISTANT CHIEFS & CHIEFS
Year	RATE (%)		
2023	7.25%	6.75%	6.25%
2024 and thereafter	3.00%	3.00%	2.50%

Payroll Growth Rate: Total payroll is assumed to increase 2.50% per year, which is consistent with the assumed inflation rate.

Retirements-DROP active members: The percentage of the population assumed to retire at various ages in 2024 is as follows:

AGE	ANNUAL RATE OF RETIREMENT	
	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 and over	100.00%	100.00%

Note: 75% retirement rate after ten years in DROP.

Retirements-Non-DROP active members: The percentage of non-DROP members assumed to retire at various ages is as follows:

	MEMBERS HIRED PRIOR TO MARCH 1, 2011 WITH AT LEAST 20 YEARS OF SERVICE AS OF SEPTEMBER 1, 2017	MEMBERS 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
Age	Annual Rate of Retirement	
Under 50	1.00%	1.00%
50 - 51	8.00%	2.00%
52	10.00%	2.00%
53	15.00%	2.00%
54	20.00%	2.00%
55	35.00%	2.00%
56 - 57	40.00%	2.00%
58 - 60	75.00%	25.00%
61	75.00%	50.00%
62	100.00%	100.00%

Note: 100% retirement rate once benefit multiplier hits 90% maximum.

Mortality Rates: The tables used for mortality assumptions are as follows:

Healthy Pre-retirement – Pub-2010 Public Safety Employee Amount-Weighted Mortality Table, set forward five years for males

Healthy annuitants and dependent spouses - Pub-2010 Public Safety Retiree Amount-Weighted Mortality Table, set back one year for females

Healthy contingent beneficiaries - Pub-2010 Public Safety Contingent Survivor Amount-Weighted Mortality Table, set back one year for females

Disabled annuitants – Pub-2010 Public Safety Disabled Retiree Amount-Weighted Mortality Table, set forward four years for males and females

All tables are projected generationally using Scale MP-2019.

Turnover: The assumed annual rates of turnover (withdrawal) differ by employee group, with higher rates assumed for police officers than for firefighters. Rates for each group are based on service and reflect recent experience as follows. Rates cut off at normal retirement age.

YEARS OF SERVICE	TURNOVER	
	Police	Fire
<1	20.00%	10.00%
1	5.50%	5.50%
2	5.50%	5.50%
3	5.50%	5.50%
4	5.50%	5.50%
5	5.50%	5.50%
6	3.50%	5.50%
7	3.50%	1.00%
8	3.50%	1.00%
9	3.50%	1.00%
10	3.50%	1.00%
11 - 14	2.00%	1.00%
15 - 24	1.00%	1.00%
25 and over	0.00%	0.00%

Disability Rates: The percentage of members assumed to leave active service due to disability at various ages is as follows. Rates cut off at normal retirement age. 100% of disabilities are assumed to be service-related.

AGE	DISABILITY RATE
20	0.010%
25	0.015%
30	0.020%
35	0.025%
40	0.030%
45	0.035%
50	0.040%

DROP Utilization: The DROP utilization factor is 0% for new entrants.

Family Composition: 75% of active members are assumed to be married, with the male assumed to be three years older than the female. The age of the youngest child is assumed to be 10 years.

Survivor Benefit Election: All married members are assumed to receive the non-reduced Joint and Survivor annuity form of payment. Non-married participants are assumed to have no beneficiaries and receive a Life Only annuity.

Assumed Post-Retirement Cost of Living: All members are eligible for an ad hoc cost of living increase after the Combined Plan is 70% funded after accounting for the impact of the COLA as approved by the Board. The ad hoc cost of living adjustment is 1.5% of the original benefit. As part of the plan changes, adopted by the Board on August 8, 2024, all Group B members are eligible for an immediate partial COLA, payable while the Plan is under 70% funded on a market value basis. The immediate partial COLA has been added effective October 1, 2025. The immediate partial COLA is equal to the annual change in the Consumer Price Index for All Urban Consumers (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 does not exceed 1.5%.

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 Method: 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 billion and is to be amortized over 30 years on a level percent of pay basis. The second amortization base was in the amount of $1.331 billion, 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 January 1, 2024, each year's experience due to actual 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.

Asset Valuation Method: Actuarial valuation methods include "smoothing" investment returns over a period of time to provide a more stable actuarial rate of return and more predictable pension costs. The actuarial value of assets was reset to market value as of January 1, 2023. Future gains and losses are recognized over a five-year smoothing period, further adjusted, if necessary, to be within 20% of market value.

The Supplemental Plan actuarial value of assets is equal to the market value of assets.

Long-term Rate of Return on Plan Assets: The long-term rate of return on plan assets used to value the liabilities of the Plans is 6.50%. This assumption was last changed as of January 1, 2021 to better anticipate future expectations and the assumed inflation rate. Based on the asset allocation policy, expectations of future real rates of return and the expected investment expenses, a long-term rate of return of 6.50% is considered reasonable.

A summary of historical nominal rates of return is as follows:

YEAR ENDED DECEMBER 31,	ACTUARIAL VALUE INVESTMENT RETURN	MARKET VALUE INVESTMENT RETURN
2008	(6.14%)	(24.80%)
2009	12.29%	13.78%
2010	2.69%	10.72%
2011	0.43%	(1.78%)
2012	14.79%*	9.92%
2013	4.52%	7.70%
2014	(1.98%)	(5.35%)
2015	(24.03%)*	(8.47%)
2016	7.16%	6.82%
2017	6.63%	4.74%
2018	5.48%	2.09%
2019	5.05%	6.25%
2020	3.46%	(0.45%)
2021	4.68%	16.99%
2022	(9.75%)	(11.46%)
2023	7.98%*	13.90%
5-year average return	(0.31%)	4.51%
10-year average return	(4.54%)	1.37%
15-year average return	0.12%	3.88%
16-year average return	(0.36%)	1.49%

Note: Each annual yield is weighted by the average asset value for that year.

** Includes effects of change in asset valuation method. As of December 31, 2012, the smoothing method was extended from 5 to 10 years. As of December 31, 2015, the actuarial value of assets was reset to market value and the smoothing method was altered from 10 to 5 years. As of January 1, 2023, the actuarial value of assets was reset to the market value of assets.*

Analysis of Financial Experience

An analysis of financial experience is a gain/loss analysis of changes in the actuarial accrued liability or unfunded actuarial accrued liability that considers variances between actual experience and assumed experience for different types of risk. Such analysis is as follows (in thousands):

COMBINED PENSION PLAN	
Unfunded actuarial accrued liability as of January 1, 2023	$ 3,442,447
Normal cost at beginning of year	90,443
Total contributions	(234,471)
Total interest	222,098
Expected unfunded actuarial accrued liability as of January 1, 2023 **(a)**	3,520,517
Changes due to:	
Net experience gain	(49,417)
Plan provisions	416,987
Assumptions	-
Total changes **(b)**	367,570
Unfunded actuarial accrued liability at year end **(a+b)**	3,888,087
Actuarial accrued liability at beginning of year	5,249,015
Net (gain)/loss as a percentage of actuarial accrued liability at beginning of year	(0.9%)

SUPPLEMENTAL PLAN	
Unfunded actuarial accrued liability as of January 1, 2023	$ 26,409
Normal cost at beginning of year	1,326
Total contributions	(3,944)
Total interest	1,676
Expected unfunded actuarial accrued liability as of January 1, 2023 **(a)**	25,467
Changes due to:	
Net experience gain	(19)
Plan provisions	3,286
Assumptions	-
Total changes **(b)**	3,267
Unfunded actuarial accrued liability at year end **(a+b)**	28,734
Actuarial accrued liability at beginning of year	43,050
Net (gain)/loss as a percentage of actuarial accrued liability at beginning of year	(0.04%)

Refer to the Financial Section and the Actuarial Section for additional information on Plan changes and changes in actuarial methods and assumptions.

Short-Term Solvency Test

A short-term solvency test is one means of checking a plan's progress under its funding program. In a short-term solvency test, the plan's valuation assets are compared with: 1) active member contributions on deposit; 2) the liabilities for future benefits to present retired lives; and 3) the liabilities for service already rendered by active members. In a plan that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will typically be fully covered by present assets. In addition, the liabilities for service already rendered by active members (liability 3) will be partially covered by the remainder of present assets. Liability 3 being fully funded is very rare. As a result of the decline in the actuarial value of assets as of January 1, 2016, the liabilities for future benefits to present retired lives is no longer fully covered by present assets. Solvency test results for the Plans for the last 10 years are as follows (dollars in thousands):

Combined Pension Plan

	AGGREGATE ACCRUED LIABILITIES FOR							
	(1	(2)	(3)					
						Portion of Accrued Liabilities Covered by Assets		
Jan. 1 Valuation Date	Active Member Contribution	Retirees, Beneficiaries, and Vested Termination	Active Members (Employer Financed Portion)	Total Actuarial Accrued Liability	Actuarial Value of Assets	(1)	(2)	(3)*
2015	$ 286,637	$ 3,282,406	$ 2,223,173	$ 5,792,216	$ 3,695,274	100.0%	100.0%	5.7%
2016	290,395	3,385,527	2,271,252	5,947,174	2,680,124	100.0%	70.6%	0.0%
2017	284,871	2,734,837	1,347,472	4,367,180	2,157,800	100.0%	69.2%	0.0%
2018	280,965	3,018,210	1,206,262	4,505,437	2,151,039	100.0%	62.6%	0.0%
2019	292,370	3,129,484	1,072,969	4,494,823	2,161,900	100.0%	60.4%	0.0%
2020	317,954	3,301,584	1,104,434	4,723,972	2,160,126	100.0%	56.4%	0.0%
2021	352,376	3,528,182	1,235,408	5,115,966	2,127,834	100.0%	50.9%	0.0%
2022	382,199	3,579,251	1,197,332	5,158,782	2,117,978	100.0%	48.8%	0.0%
2023	410,982	3,595,364	1,242,669	5,249,015	2,053,388	100.0%	46.1%	0.0%
2024	443,981	3,810,443	1,464,956	5,719,380	1,831,293	100.0%	36.7%	0.0%

** The portion of accrued liabilities for active members (employer financed portion) is calculated as follows: [Actuarial value of assets-(1) - (2)]/(3).*

Short-Term Solvency Test (continued)

Supplemental Plan

	AGGREGATE ACCRUED LIABILITIES FOR							
	(1)	(2)	(3)			Portion of Accrued Liabilities Covered by Assets		
Jan. 1 Valuation Date	Active Member Contributions	Retirees, Beneficiaries, and Vested Termination	Active Members (Employer Financed Portion)	Total Actuarial Accrued Liability	Actuarial Value of Assets	(1)	(2)	(3)*
2015	$ 134	$ 35,739	$ 6,038	$ 41,911	$ 21,439	100.0%	59.6%	0.0%
2016	150	34,968	7,362	42,480	19,457	100.0%	55.2%	0.0%
2017	106	30,161	3,117	33,384	17,664	100.0%	58.2%	0.0%
2018	170	30,680	3,700	34,550	17,805	100.0%	57.5%	0.0%
2019	202	28,757	2,866	31,825	18,318	100.0%	63.3%	0.0%
2020	203	32,120	3,507	35,830	17,307	100.0%	53.5%	0.0%
2021	399	32,901	4,181	37,481	16,374	100.0%	48.7%	0.0%
2022	505	32,495	7,868	40,868	18,661	100.0%	5539%	0.0%
2023	708	32,392	9,950	43,050	16,640	100.0%	49.3%	0.0%
2024	833	34,347	13,362	48,542	19,808	100.0%	55.2%	0.0%

** The portion of accrued liabilities for active members (employer financed portion) is calculated as follows: [Actuarial value of assets-(1) - (2)]/(3).*

Active Member Valuation Data

Combined Pension Plan (Dollars in Thousands)

JAN. 1 VALUATION DATE	ACTIVE MEMBERS	ANNUAL COVERED PAYROLL	ANNUAL AVERAGE PAY	% CHANGE IN ANNUAL AVERAGE PAY
2015	5,487	$ 383,006	$ 70	(0.3%)
2016	5,415	365,210	67	(3.4%)
2017	5,104	357,414	70	3.8%
2018	4,952	346,037	70	(0.2%)
2019	5,012	363,117	72	3.8%
2020	5,121	396,955	78	7.0%
2021	5,106	427,441	84	8.0%
2022	5,088	436,971	86	2.6%
2023	5,085	462,820	91	6.0%
2024	5,131	469,276	91	0.5%

Supplemental Plan (Dollars in Thousands)

JAN. 1 VALUATION DATE	ACTIVE MEMBERS	ANNUAL COVERED PAYROLL	ANNUAL AVERAGE PAY	% CHANGE IN ANNUAL AVERAGE PAY
2015	39	$ 557	$ 14	4.0%
2016	45	725	16	12.8%
2017	47	525	11	(30.6%)
2018	44	961	22	95.5%
2019	39	659	17	(22.6%)
2020	41	599	15	(13.5%)
2021	45	643	14	(2.2%)
2022	50	1,695	34	137.4%
2023	52	1,913	37	8.5%
2024	56	2,041	36	(0.9%)

Refer to the Financial Section and the Actuarial Section for additional information on Plan changes and changes in actuarial methods and assumptions.

Retirees and Beneficiaries Added to and Removed from Rolls

Consolidated Plans* (Dollars in Thousands)

	ADDED TO PAYROLL		REMOVED FROM PAYROLL		TOTAL			
Jan. 1 Valuation Date	Number	Annual Benefits	Number	Annual Benefits	Number**	Annual Benefits	Average Annual Benefits	% Change in Average Annual Benefits
2015	248	$ 14,491	69	$ 2,850	4,069	$ 180,785	$ 44	6.9%
2016	243	11,242	130	4,475	4,182	199,419	48	7.3%
2017	360	19,869	127	4,257	4,415	219,691	50	4.4%
2018	443	24,229	152	6,314	4,706	238,014	51	1.6%
2019	268	14,251	125	5,058	4,849	247,848	51	1.1%
2020	238	12,205	131	5,128	4,956	255,251	52	0.8%
2021	191	9,695	144	5,880	5,003	258,942	52	0.5%
2022	249	13,384	181	7,809	5,071	264,792	52	0.9%
2023	242	12,983	171	7,618	5,142	270,022	53	0.6%
2024	223	10,508	134	5,955	5,231	275,450	53	0.3%

** Due to confidentiality issues arising from the small number of members in the Supplemental Plan, data from the Combined Pension Plan and Supplemental Plan is presented on a consolidated basis.*

*** Excludes beneficiaries who are annuity account holders but do not receive a monthly benefit.*

Funding Progress

Combined Pension Plan (Dollars in Thousands)

JAN. 1 VALUATION DATE	ACTUARIAL VALUE OF ASSETS (AVA)	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED AAL (UAAL)	AVA AS A PERCENTAGE OF AAL	ANNUAL COVERED PAYROLL	UAAL AS A PERCENTAGE OF ANNUAL COVERED PAYROLL	FUNDING PERIOD (YEARS)
2015	$ 3,695,274	$ 5,792,216	$ 2,096,942	63.8%	$ 383,006	548%	Infinite
2016	2,680,124	5,947,174	3,267,050	45.1%	365,210	895%	Infinite
2017	2,157,800	4,367,180	2,209,381	49.4%	357,414	618%	44
2018	2,151,039	4,505,437	2,354,398	47.7%	346,037	680%	45
2019	2,161,900	4,494,823	2,332,923	48.1%	363,117	642%	38
2020	2,160,126	4,723,972	2,563,846	45.7%	396,955	646%	55
2021	2,127,834	5,115,966	2,988,132	41.6%	427,441	699%	63
2022	2,117,978	5,158,782	3,040,804	41.1%	436,971	696%	68
2023 [1]	1,806,567	5,249,015	3,442,447	34.4%	462,820	744%	82
2024	1,831,293	5,719,380	3,888,087	32.0%	469,276	829%	29

Note 1: The Actuarial Value of Assets, the Unfunded AAL, the AVA as a percentage of AAL and the UAAL as a percentage of Annual Covered Payroll were restated with the January 1, 2024 valuation.

Supplemental Plan (Dollars in Thousands)

JAN. 1 VALUATION DATE	ACTUARIAL VALUE OF ASSETS (AVA)	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED AAL (UAAL)	AVA AS A PERCENTAGE OF AAL	ANNUAL COVERED PAYROLL	UAAL AS A PERCENTAGE OF ANNUAL COVERED PAYROLL	FUNDING PERIOD (YEARS)
2015	$ 21,439	$ 41,910	$ 20,471	51.2%	$ 557	3,675%	10
2016	19,457	42,480	23,023	45.8%	725	3,178%	10
2017	17,664	33,384	15,720	52.9%	525	2,994%	10
2018	17,805	34,550	16,745	51.5%	961	1,743%	10
2019	18,318	31,825	13,507	57.6%	659	2,050%	10
2020	17,307	35,830	18,523	48.3%	599	3,091%	20
2021	16,374	37,481	21,107	43.7%	643	3,283%	17
2022	18,661	40,868	22,207	45.7%	1,695	1,310%	16
2023	16,640	43,050	26,409	38.7%	1,913	1,381%	14
2024	19,808	48,542	28,734	40.8%	2,041	1,408%	12

Refer to the Financial Section and the Actuarial Section for additional information on Plan changes and changes in actuarial methods and assumptions.

This page intentionally left blank

2023 STATISTICAL INFORMATION

Statistical Information

Introduction

The Statistical section provides additional historical perspective, context, and detail to assist the reader in using the information in the financial statements, notes to the financial statements, and required supplementary information to understand and assess the economic condition of DPFP. The schedules within the Statistical section reflect financial trends and operating information. All information was derived from the audited annual financial statements, actuarial valuation reports, and/or DPFP's pension administration database. Refer to Note 1 in the Financial Section for additional information about the benefits.

Financial Trends

Financial trend information is intended to assist users in understanding and assessing the changes in the financial position of DPFP over time.

The Changes in Fiduciary Net Position schedule presents member and employer contributions and the net investment income/loss and administrative expenses to arrive at the net increase/decrease to changes in plan net assets for the 10 years ending December 31, 2023.

The Distributions by Type schedules present the amount of monthly benefit payments and DROP distributions by type for the 10 years ending December 31, 2023.

The DROP Growth schedule presents the changes in interest rate credited to DROP balances, the amounts deferred into and interest credited to DROP balances, DROP withdrawals, the DROP balances annuitized in accordance with Article 6243a-1 and the change in DROP balances year over year. In addition, the annual annuity payments as well as the present value of the annuity balances are presented.

Operating Information

Operating information is intended to provide contextual information about the operations and resources of DPFP to assist readers in understanding and assessing the economic condition of DPFP.

The schedule of Benefit Recipients by Type presents, for given benefit ranges, the total number of benefit recipients by retirement type as of December 31, 2023.

The schedule of Yearly Retirements by Service Years presents, in five-year increments of credited service, the average monthly benefit, the average final average salary, and the number of retirements for the 10 years ending December 31, 2023.

The Benefits Payable schedules present the number of retired members and beneficiaries by status type, as well as the total annual benefits paid and average annual benefit by status type as of December 31, 2023.

The Value of Assets vs. Funded Ratio schedules present the actuarial and market values of assets and the related funded ratios for the 10 years ending December 31, 2023.

The Membership Count schedules reflect the number of members by status type for the 10 years ending December 31, 2023.

The DROP Participation schedule reflects a roll forward of the number of DROP participants and DROP balance and present value of the annuity balance for the 10 years ending December 31, 2023.

Throughout this Statistical section, certain schedules include a combination of data for both the Combined Pension Plan and the Supplemental Plan, jointly referred to as the Consolidated Plans. The combination of the two plans for certain data is necessary due to the small number of Supplemental Plan members and the need to maintain confidentiality of members' personal data.

Changes in Fiduciary Net Position

Combined Pension Plan (In Millions)

YEARS ENDED DECEMBER 31,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Additions (Reductions)										
Contributions										
City	$ 172.0	$ 169.9	$ 165.5	$ 162.0	$ 155.7	$ 149.4	$ 126.3	$ 119.4	$ 114.9	$ 109.8
Members	62.5	59.7	58.6	57.3	52.3	49.3	33.0	25.5	25.7	29.3
Total contributions	234.5	229.6	224.1	219.3	208.0	198.7	159.3	144.9	140.6	139.1
Investment income (loss)										
Net appreciation (depreciation) in fair value of investments	180.0	(255.7)	303.4	(30.4)	94.2	5.5	74.8	121.5	(298.8)	(222.1)
Interest and dividends	22.2	21.2	28.4	29.6	37.7	44.7	30.9	54.4	72.9	93.8
Total gross investment income (loss)	202.2	(234.5)	331.8	(0.8)	131.9	50.2	105.7	175.9	(225.9)	(128.3)
Less: Investment expense	(6.5)	(8.6)	(11.1)	(8.4)	(8.1)	(8.0)	(9.0)	(11.7)	(10.0)	(11.2)
Net investment income (loss)	195.7	(243.1)	320.7	(9.2)	123.8	42.2	96.7	164.2	(235.9)	(139.5)
Securities lending income	-	-	-	1.0	0.8	0.3	0.2	0.7	0.7	0.8
Securities lending expense	-	-	-	(1.0)	(0.7)	(0.2)	(0.1)	(0.3)	(0.2)	(0.2)
Net securities lending income	-	-	-	-	0.1	0.1	0.1	0.4	0.5	0.6
Other income	47.3	2.3	0.3	0.3	0.3	0.5	2.1	0.2	0.1	-
Total additions (reductions)	**477.5**	**(11.2)**	**545.1**	**210.4**	**332.2**	**241.5**	**258.2**	**309.7**	**(94.7)**	**0.2**
Deductions										
Benefits paid to members	338.0	329.2	321.3	315.7	307.2	294.4	292.6	821.7	283.2	244.2
Refunds paid to members	5.3	4.4	3.3	2.3	2.6	2.6	3.6	3.4	1.8	1.7
Interest expense	-	-	-	-	-	-	1.3	4.5	6.0	7.4
Professional and administrative expenses	6.0	6.4	6.4	6.5	6.5	5.9	8.1	9.5	8.4	8.0
Total deductions	**349.3**	**340.0**	**331.0**	**324.5**	**316.3**	**302.9**	**305.6**	**839.1**	**299.4**	**261.3**
Net increase (decrease) in net position	128.2	(351.2)	214.1	(114.1)	15.9	(61.4)	(47.4)	(529.4)	(394.1)	(261.1)
Net position restricted for pension benefits										
Beginning of period	1,806.6	2,157.8	1,943.7	2,057.8	2,041.9	2,103.3	2,150.7	2,680.1	3,074.2	3,335.3
End of period	$ 1,934.8	$ 1,806.6	$ 2,157.8	$ 1,943.7	$ 2,057.8	$ 2,041.9	$ 2,103.3	$ 2,150.7	$ 2,680.1	$ 3,074.2

Changes in Fiduciary Net Position

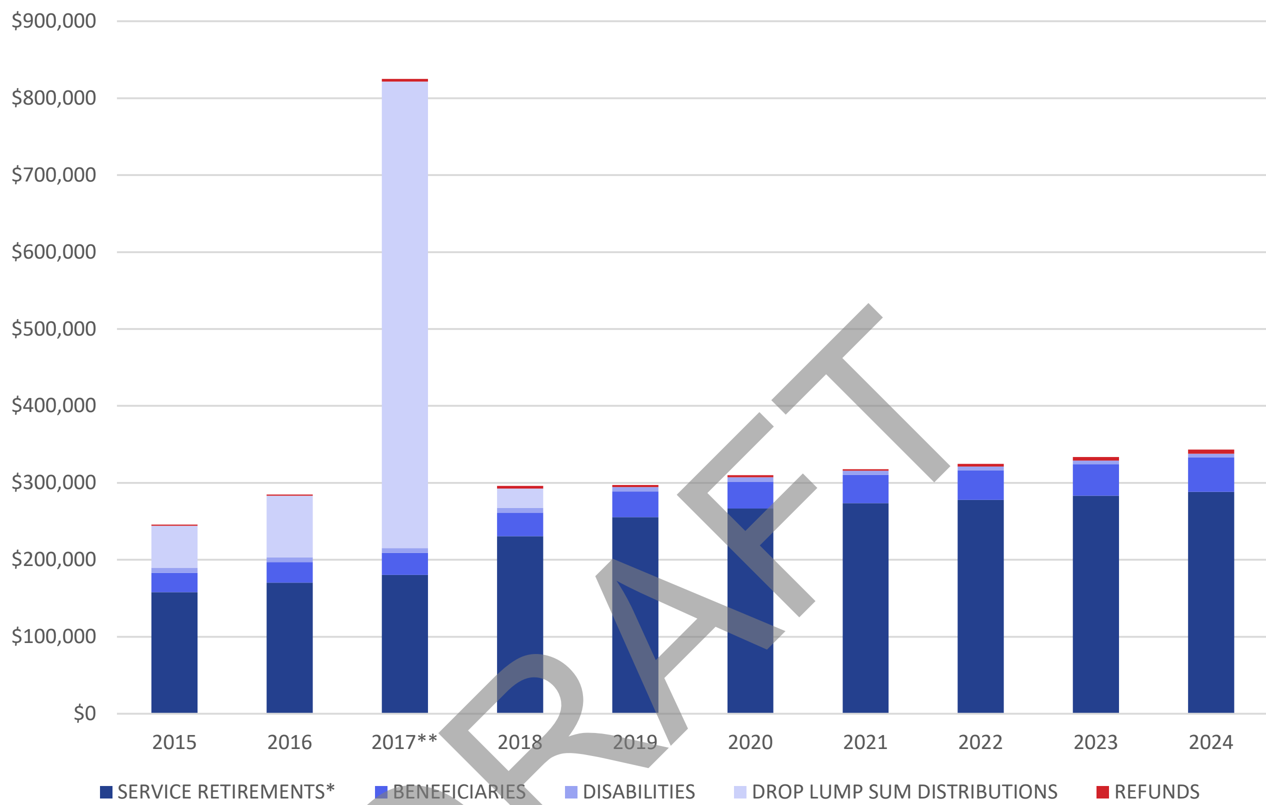
Supplemental Plan (In Millions)

YEARS ENDED DECEMBER 31,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Additions (Reductions)										
Contributions										
City	$ 3.7	$ 2.8	$ 2.1	$ 1.8	$ 1.5	$ 2.0	$ 2.0	$ 3.1	$ 2.5	$ 1.8
Members	0.3	0.2	0.2	0.2	0.1	0.1	0.1	-	-	0.1
Total contributions	4.0	3.0	2.3	2.0	1.6	2.1	2.1	3.1	2.5	1.9
Investment income (loss)										
Net appreciation (depreciation) in fair value of investments	1.6	(2.3)	2.6	(0.3)	(0.1)	0.9	0.5	0.8	(2.1)	(1.1)
Interest and dividends	0.2	0.2	0.3	0.3	0.3	0.4	0.3	0.4	0.5	0.6
Total gross investment income (loss)	1.8	(2.1)	2.9	-	0.2	1.3	0.8	1.2	(1.6)	(0.5)
Less: Investment expense	(0.1)	(0.1)	(0.1)	(0.1)	-	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Net investment income (loss)	1.7	(2.2)	2.8	(0.1)	0.2	1.2	0.7	1.1	(1.7)	(0.6)
Securities lending income	-	-	-	-	-	-	-	-	-	-
Securities lending expense	-	-	-	-	-	-	-	-	-	-
Net securities lending income	-	-	-	-	-	-	-	-	-	-
Other income	0.5	-	-	-	-	-	-	-	-	-
Total additions (reductions)	**6.2**	**0.8**	**5.1**	**1.9**	**1.8**	**3.3**	**2.8**	**4.2**	**0.8**	**1.3**
Deductions										
Benefits paid to members	2.9	2.8	2.8	2.8	2.8	2.7	2.7	5.9	2.6	3.4
Refunds paid to members	-	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-	-
Professional and administrative expenses	0.1	0.1	-	-	-	0.1	-	0.1	0.1	0.1
Total deductions	**3.0**	**2.9**	**2.8**	**2.8**	**2.8**	**2.8**	**2.7**	**6.0**	**2.7**	**3.5**
Net increase (decrease) in net position	3.2	(2.1)	2.3	(0.9)	(1.0)	0.5	0.1	(1.8)	(1.9)	(2.2)
Net position restricted for pension benefits										
Beginning of period	16.6	18.7	16.4	17.3	18.3	17.8	17.7	19.5	21.4	23.6
End of period	$ 19.8	$ 16.6	$ 18.7	$ 16.4	$ 17.3	$ 18.3	$ 17.8	$ 17.7	$ 19.5	$ 21.4

Distributions by Type

Combined Pension Plan (In Thousands)

January 1 Valuation Date



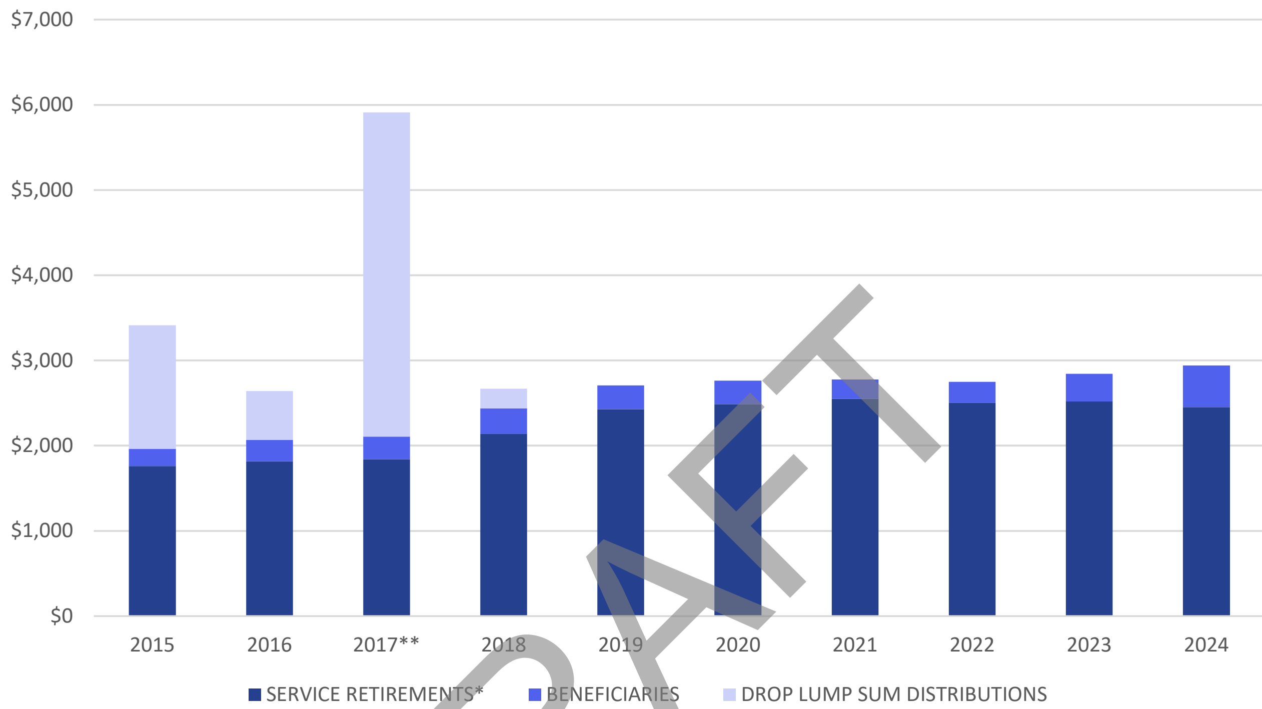
JAN. 1 VALUATION DATE	SERVICE RETIREMENTS*	BENEFICIARIES	DISABILITIES	DROP LUMP SUM DISTRIBUTIONS	REFUNDS	TOTAL
2015	$ 157,987	$ 25,104	$ 6,433	$ 54,675	$ 1,733	$ 245,932
2016	170,323	26,559	6,335	80,000	1,786	285,003
2017**	180,577	28,392	6,340	606,429	3,354	825,092
2018	230,774	30,706	6,154	24,942	3,578	296,154
2019	255,664	32,954	5,806	23	2,634	297,081
2020	266,578	35,026	5,609	31	2,617	309,861
2021	273,752	36,580	5,330	13	2,276	317,951
2022	278,106	38,053	5,153	36	3,285	324,633
2023	283,279	41,079	4,804	26	4,450	333,638
2024	288,188	45,133	4,697	17	5,310	343,345

*Includes monthly DROP installment payments.
**The January 1, 2017 valuation date data reflects the $600 million withdrawal from DROP accounts that occurred during the funding crisis.

Distributions by Type (continued)

Supplemental Plans (In Thousands)

January 1 Valuation Date



JAN. 1 VALUATION DATE	SERVICE RETIREMENTS*	BENEFICIARIES	DROP LUMP SUM DISTRIBUTIONS	TOTAL
2015	$ 1,761	$ 202	$ 1,451	$ 3,414
2016	1,817	251	572	2,640
2017**	1,841	266	3,805	5,912
2018	2,143	295	230	2,668
2019	2,428	280	-	2,708
2020	2,486	279	-	2,765
2021	2,549	228	-	2,777
2022	2,506	244	-	2,750
2023	2,519	324	-	2,843
2024	2,453	488	-	2,941

**Includes monthly DROP installment payments.*
***The January 1, 2017 valuation date data reflects the $600 million withdrawal from DROP accounts that occurred during the funding crisis.*

DROP Growth

Consolidated Plans* (Dollars in Thousands)

JAN. 1 VALUATION DATE	INTEREST RATE CREDITED	DEFERRALS	INTEREST CREDITED	WITHDRAWAL	ADJUSTMENTS	CHANGE	BALANCE	ANNUITY PAYMENTS	ANNUITY BALANCE
2015	8.00%	$ 96,071	$ 111,856	$ (83,940)	$ -	$ 126,988	$ 1,422,597	$ -	$ -
2016	7.00%	96,510	110,060	(112,552)	-	94,018	1,516,615	-	-
2017	6.00%	89,533	92,986	(637,993)	-	(455,473)	1,061,168	-	-
2018[1]	6.00%/0.00%[2]	18,293[3]	40,616[2]	(876,365)[4]	-	(817,456)	243,712	(8,819)	817,106
2019	0.00%	26,029[5]	(1)[6]	(75,634)	-	(49,606)	194,106	(53,299)	832,816
2020	0.00%	21,184	(1)[6]	(50,005)	(9,804)	(38,626)	155,480	(57,183)	887,294
2021	0.00%	17,876	-	(36,847)	23	(18,948)	136,532	(61,346)	873,717
2022	0.00%	14,924	-	(35,504)	(1,910)	(22,490)	114,042	(62,800)	870,548
2023	0.00%	11,795	-	(26,297)	(1,157)	(15,659)	98,383	(64,383)	851,477
2024	0.00%	10,244	-	(18,823)	(408)	(8,987)	89,396	(65,665)	819,014

** Due to confidentiality issues arising from the small number of members in the Supplemental Plan, data from the Combined Pension Plan and Supplemental Plan is presented on a consolidated basis.*

[1] 2018 reflects the changes to the DROP program as a result of HB 3158.

[2] Interest was credited at 6% until August 31, 2017. Interest does not accrue beginning September 1, 2017. DROP balances accrued prior to September 1, 2017 are annuitized with interest upon retirement or at the initial annuitization date of November 30, 2017 for those already retired. Balances accrued after September 1, 2017 are annuitized upon retirement with no interest.

[3] Includes $45,413 in Deferrals and $27,120 in DROP Revocations.

[4] Includes withdrawals of $56,421 and DROP balance annuitization of $819,944.

[5] Includes $26,934 in deferrals and $905 in DROP revocations.

[6] Interest is due to DROP corrections prior to 9-1-2017

Benefit Recipients by Type

Consolidated Plans* (As of December 31, 2023)

MONTHLY BENEFIT RANGE	TOTAL NUMBER OF BENEFITS	SERVICE RETIREMENTS	DISABILITIES	BENEFICIARIES	NON-ACTIVE VESTED	ACTIVE DROP
$0 - $500	79	18	1	59	-	1
$501 - $1,000	285	75	-	90	119	1
$1,001 - $1,500	280	83	1	127	65	4
$1,501 - $2,000	469	85	1	344	34	5
$2,001 - $2,500	294	94	9	175	10	6
$2,501 - $3,000	314	157	17	115	17	8
$3,001 - $3,500	273	181	20	61	3	8
$3,501 - $4,000	411	335	31	29	4	12
$4,001 - $4,500	508	425	12	49	2	20
$4,501 - $5,000	529	467	4	42	-	16
$5,001 - $5,500	521	466	1	32	-	22
$5,501 - $6,000	496	448	5	28	-	15
$6,001 - $6,500	381	334	1	19	-	27
$6,501 - $7,000	354	303	-	28	-	23
$7,001 - $7,500	248	222	2	7	-	17
$7,501 - $8,000	143	118	-	7	-	17
$8,001 - $8,500	74	68	-	2	-	4
Over $8,500	36	31	-	2	-	3
Total	**5,695**	**3,910**	**105**	**1,216**	**254**	**210**

** Due to confidentiality issues arising from the small number of members in the Supplemental Plan, data from the Combined Pension Plan and Supplemental Plan is presented on a consolidated basis.*

Yearly Retirements by Service Years

Consolidated Plans* (Monthly Benefit) (As of December 31st)

	YEARS OF SERVICE							
	0-5	6-10	11-15	16-20	21-25	26-30	30+	TOTAL
2014								
Retirements***	-	2	7	16	47	44	5	121
Avg. FAS**	$ -	$ 3,812	$ 3,478	$ 1,661	$ 3,144	$ 4,628	$ 3,047	$ 3,514
Avg. benefit	$ -	$ 921	$ 1,672	$ 1,053	$ 2,851	$ 4,870	$ 3,550	$ 3,276
2015								
Retirements	-	4	12	23	55	40	8	142
Avg. FAS	$ -	$ 4,142	$ 3,101	$ 2,649	$ 3,898	$ 4,947	$ 791	$ 3,756
Avg. benefit	$ -	$ 1,277	$ 1,456	$ 1,840	$ 3,360	$ 5,383	$ 1,807	$ 3,376
2016								
Retirements	2	8	15	66	125	69	4	289
Avg. FAS	$ 6,566	$ 1,455	$ 2,954	$ 1,454	$ 4,622	$ 6,208	$ 5,553	$ 4,129
Avg. benefit	$ 1,220	$ 586	$ 1,270	$ 1,024	$ 3,851	$ 6,841	$ 5,882	$ 3,705
2017								
Retirements	1	11	15	77	171	83	3	361
Avg. FAS	$ 6,403	$ 2,873	$ 2,741	$ 2,121	$ 4,572	$ 6,628	$ 5,938	$ 4,410
Avg. benefit	$ 2,041	$ 882	$ 1,349	$ 1,350	$ 3,736	$ 6,677	$ 7,488	$ 3,743
2018								
Retirements	1	2	9	38	79	54	2	185
Avg. FAS	$ 2,883	$ 2,191	$ 3,248	$ 1,557	$ 4,416	$ 6,676	$ 7,463	$ 4,432
Avg. benefit	$ 575	$ 450	$ 1,490	$ 980	$ 3,525	$ 6,230	$ 7,377	$ 3,685
2019								
Retirements	3	5	7	28	64	50	2	159
Avg. FAS	$ 3,789	$ 1,563	$ 2,044	$ 2,499	$ 4,468	$ 6,626	$ 6,769	$ 4,618
Avg. benefit	$ 898	$ 426	$ 882	$ 1,612	$ 3,593	$ 6,160	$ 5,092	$ 3,800
2020								
Retirements	2	4	5	20	52	28	20	131
Avg. FAS	$ 3,002	$ 4,612	$ 3,601	$ 3,504	$ 4,956	$ 7,186	$ 7,179	$ 5,458
Avg. benefit	$ 641	$ 1,262	$ 2,320	$ 2,136	$ 3,821	$ 6,221	$ 6,681	$ 4,329
2021								
Retirements	4	6	8	28	45	46	29	166
Avg. FAS	$ 3,257	$ 2,977	$ 3,008	$ 2,516	$ 5,521	$ 7,241	$ 7,659	$ 5,597
Avg. benefit	$ 573	$ 654	$ 1,183	$ 1,460	$ 3,973	$ 6,340	$ 7,001	$ 4,397
2022								
Retirements	4	5	6	36	39	33	36	159
Avg. FAS	$ 3,106	$ 3,731	$ 4,483	$ 3,089	$ 7,645	$ 8,547	$ 7,898	$ 6,501
Avg. benefit	$ 615	$ 889	$ 1,893	$ 1,732	$ 5,418	$ 7,052	$ 7,281	$ 4,948
2023								
Retirements	2	6	10	18	49	29	29	143
Avg. FAS	$ 3,814	$ 4,461	$ 6,080	$ 7,006	$ 7,214	$ 8,084	$ 8,027	$ 7,287
Avg. benefit	$ 629	$ 1,156	$ 2,490	$ 3,962	$ 5,143	$ 6,565	$ 7,271	$ 5,298

** Due to confidentiality issues arising from the small number of members in the Supplemental Plan, data from the Combined Pension Plan and Supplemental Plan is presented on a consolidated basis.*

***FAS: Final average salary*

****Retirements include non-active vested members who have begun receiving a monthly benefit.*

Benefits Payable

Combined Pension Plan (Dollars in Thousands)

DECEMBER 31, 2023		NUMBER	ANNUAL BENEFIT	AVERAGE ANNUAL BENEFIT
Retired members				
	Service pensions	3,910	$ 231,550	$ 59
	Disabilities	105	4,488	43
	Total	4,015	236,038	59
Beneficiaries*				
	Total	1,216	36,845	30
Total		**5,231**	**$ 272,883**	**$ 52**

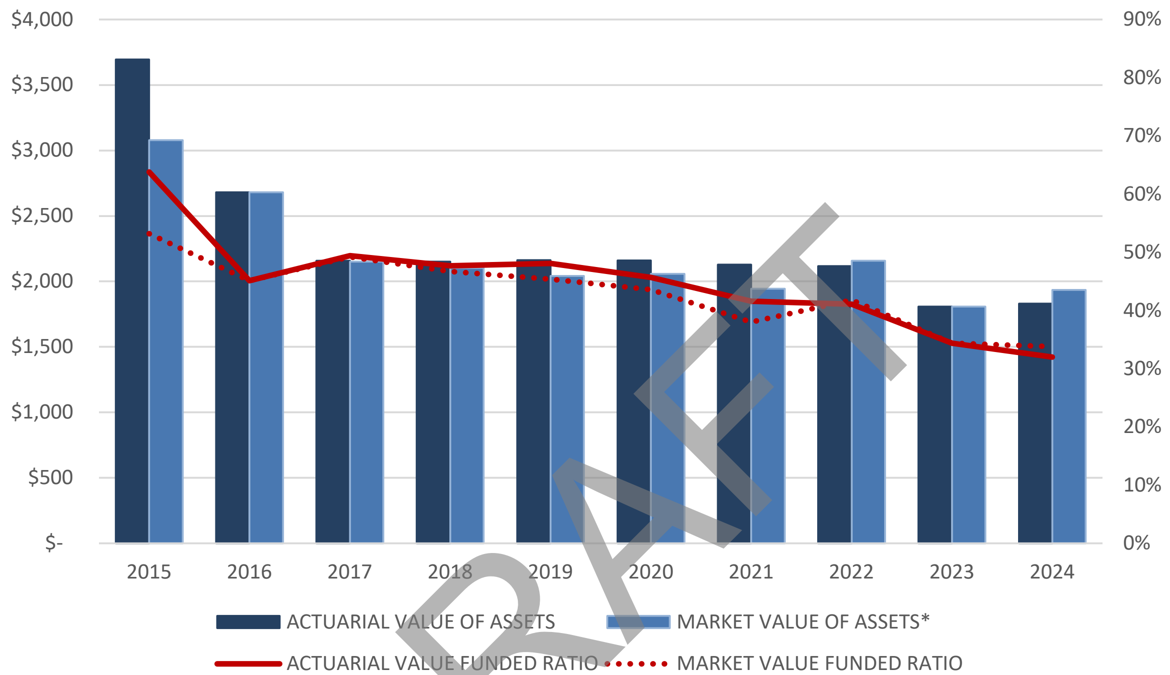
Supplemental Plan (Dollars in Thousands)

DECEMBER 31, 2023		NUMBER	ANNUAL BENEFIT	AVERAGE ANNUAL BENEFIT
Retired members				
	Service pensions	118	$ 2,147	$ 18
Beneficiaries*				
	Total	34	413	12
Total		**152**	**$ 2,560**	**$ 17**

** Excludes beneficiaries who maintain a DROP account balance but do not receive a monthly benefit.*

Value of Assets vs. Funded Ratio

Combined Pension Plan (Dollars in Millions)



JAN. 1 VALUATION DATE	ACTUARIAL VALUE OF ASSETS	MARKET VALUE OF ASSETS*	ACTUARIAL VALUE FUNDED RATIO	MARKET VALUE FUNDED RATIO
2015	$ 3,695	$ 3,079	63.8%	53.2%
2016	2,680	2,680	45.1%	45.1%
2017	2,158	2,150	49.4%	49.2%
2018	2,151	2,103	47.7%	46.7%
2019	2,162	2,042	48.1%	45.4%
2020	2,160	2,058	45.7%	43.6%
2021	2,128	1,944	41.6%	38.0%
2022	2,118	2,158	41.1%	41.8%
2023	1,807	1,807	34.4%	34.4%
2024	1,831	1,935	32.0%	33.8%

** The market value of assets is per the actuarial valuation report as of the valuation date. This value may differ immaterially from the audited market value for the prior December 31 due to timing of adjustments made to valuations after the finalization of the actuarial valuation report.*
***As of December 31, 2015 and January 1, 2023, the actuarial value of assets were reset to the market value of assets.*

Value of Assets vs. Funded Ratio (continued)

Supplemental Plan (Dollars in Millions)

JAN. 1 VALUATION DATE	VALUE OF ASSETS*	FUNDED RATIO
2015	$ 21	51.2%
2016	19	45.8%
2017	18	52.9%
2018	18	51.5%
2019	18	57.6%
2020	17	48.3%
2021	16	43.7%
2022	19	45.7%
2023	17	38.7%
2024	20	40.8%

** The value of assets represents both the market value of assets and the actuarial value of assets.*

Membership Count

Combined Pension Plan

JAN. 1 VALUATION DATE	ACTIVE (EXCLUDING DROP)	ACTIVE DROP	RETIREES	BENEFICIARIES	NON-ACTIVE VESTED	NON-ACTIVE NON-VESTED	TOTAL
2015	4,107	1,380	3,033	1,092	157	99	9,868
2016	4,077	1,338	3,115	1,115	200	126	9,971
2017	4,002	1,102	3,338	1,118	215	295	10,070
2018	4,326	626	3,598	1,158	226	399	10,333
2019	4,529	483	3,717	1,202	230	431	10,592
2020	4,738	383	3,803	1,236	242	434	10,836
2021	4,786	320	3,840	1,270	241	442	10,899
2022	4,812	276	3,902	1,294	233	462	10,979
2023	4,855	230	3,955	1,334	252	474	11,100
2024	4,921	210	4,015	1,357	254	326	11,083

Supplemental Plan

JAN. 1 VALUATION DATE	ACTIVE (EXCLUDING DROP)	ACTIVE DROP	RETIREES	BENEFICIARIES	NON-ACTIVE VESTED	NON-ACTIVE NON-VESTED	TOTAL
2015	21	19	99	22	-	-	161
2016	25	20	98	26	-	-	169
2017	31	16	100	28	-	-	175
2018	37	7	110	30	1	-	185
2019	34	5	112	26	2	1	180
2020	38	3	116	23	2	1	183
2021	43	2	118	23	2	1	189
2022	48	2	119	28	1	1	199
2023	50	2	119	32	1	-	204
2024	54	2	118	37	1	-	212

DROP Participation

Consolidated Plans* (Dollars in Millions)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Active - DROP Participants										
Beginning of year	230	276	320	383	483	626	1,102	1,338	1,399	1,434
Entrants	17	14	26	11	15	15	17	36	121	107
Withdrawals	(37)	(60)	(70)	(74)	(115)	(158)	(493)	(272)	(182)	(142)
End of year	210	230	276	320	383	483	626	1,102	1,338	1,399
DROP balance at December 31	$ 88	$ 97	$ 113	$ 135	$ 154	$ 192	$ 242	$ 358	$ 479	$ 461

Retirees and Beneficiaries - DROP Participants										
Beginning of year	14	9	10	11	16	16	1,876	2,085	1,971	1,855
Additions	1	6	-	-	-	3	-	204	168	170
Closures	(7)	(1)	(1)	(1)	(5)	(3)	(1,860)	(413)	(54)	(54)
End of year	8	14	9	10	11	16	16	1,876	2,085	1,971
DROP balance at December 31	$ 1	$ 1	$ 1	$ 1	$ 1	$ 2	$ 2	$ 703	$ 1,038	$ 962

Total DROP participants	**218**	**244**	**285**	**330**	**394**	**499**	**642**	**2,978**	**3,423**	**3,370**

**Due to confidentiality issues arising from the small number of members in the Supplemental Plan, data from the Combined Pension Plan and Supplemental Plan is presented on a consolidated basis.*

Combined Pension Plan

Retirees and Beneficiaries - DROP Annuities										
Beginning of year	2,601	2,518	2,425	2,342	2,186	1,978	-	-	-	-
Additions	104	118	128	109	173	216	1,978	-	-	-
Closures	(39)	(35)	(35)	(26)	(17)	(8)	-	-	-	-
End of year	2,666	2,601	2,518	2,425	2,342	2,186	1,978	-	-	-
Present Value of Annuities at December 31	$ 813	$ 846	$ 864	$ 870	$ 880	$ 829	$ 810	-	-	-

Supplemental Plan

Retirees and Beneficiaries - DROP Annuities										
Beginning of year	67	68	65	66	57	55	-	-	-	-
Additions	4	-	4	2	9	2	55	-	-	-
Closures	(3)	(1)	(1)	(3)	-	-	-	-	-	-
End of year	68	67	68	65	66	57	55	-	-	-
Present Value of Annuities at December 31	$ 6	$ 6	$ 6	$ 7	$ 7	$ 4	$ 7	-	-	-

This page intentionally left blank

DALLAS POLICE & FIRE PENSION SYSTEM

Phone: 214.638.3863 | 800.638.3861 | Fax: 214.638.6403
Website: www.dpfp.org | Email: info@dpfp.org

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C8

Topic: **Second 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's budget and/or projected 2024 actual expenses are explained in the comments accompanying the proposed budget.

The first reading of the proposed budget was at the October 10, 2024, Board meeting. The proposed budget was posted on the DPFP website on October 10, 2024, and submitted to the City of Dallas for comment.

Staff Recommendation: **Approve** the proposed 2025 budget.

DALLAS POLICE AND FIRE PENSION SYSTEM

2025 BUDGET

Second Reading of the Budget

November 14, 2024

2025 Budget Review

Budget Process Update

- The budget was posted to the DPFP website and sent to the City of Dallas on October 10, 2024.
- No feedback from the City was received.
- No changes have been made to the proposed 2025 budget since the first reading of the budget at the October Board meeting.
- 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

Summary Budget

				Variances		Variances	
				2025 Budget vs	2024 Budget	2025 Budget vs	2024 Proj. Act.
Expense Type	**2024 Budget**	**2024 Projected Actual**	**2025 Budget**	**$**	**%**	**$**	**%**
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 Cummulative 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

2025 Budget Review

Any questions?

DALLAS POLICE & FIRE PENSION SYSTEM

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

				Variances		Variances	
				2025 Budget vs	2024 Budget	2025 Budget vs	2024 Proj. Act.
Expense Type	**2024 Budget**	**2024 Projected Actual**	**2025 Budget**	**$**	**%**	**$**	**%**
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 Cummulative 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

	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
	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

	Item	2024 Budget	2024 Projected Actual**	2025 Budget	$ Change 2025 Budget vs. 2024 Bud.	% Change 2025 Budget vs. 2024 Bud.	$ Change 2025 Budget vs. 2024 Proj. Act.	% Change 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

	Item	2024 Budget	2024 Projected Actual**	2025 Budget	$ Change 2025 Budget vs. 2024 Bud.	% Change 2025 Budget vs. 2024 Bud.	$ Change 2025 Budget vs. 2024 Proj. Act.	% Change 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.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C9

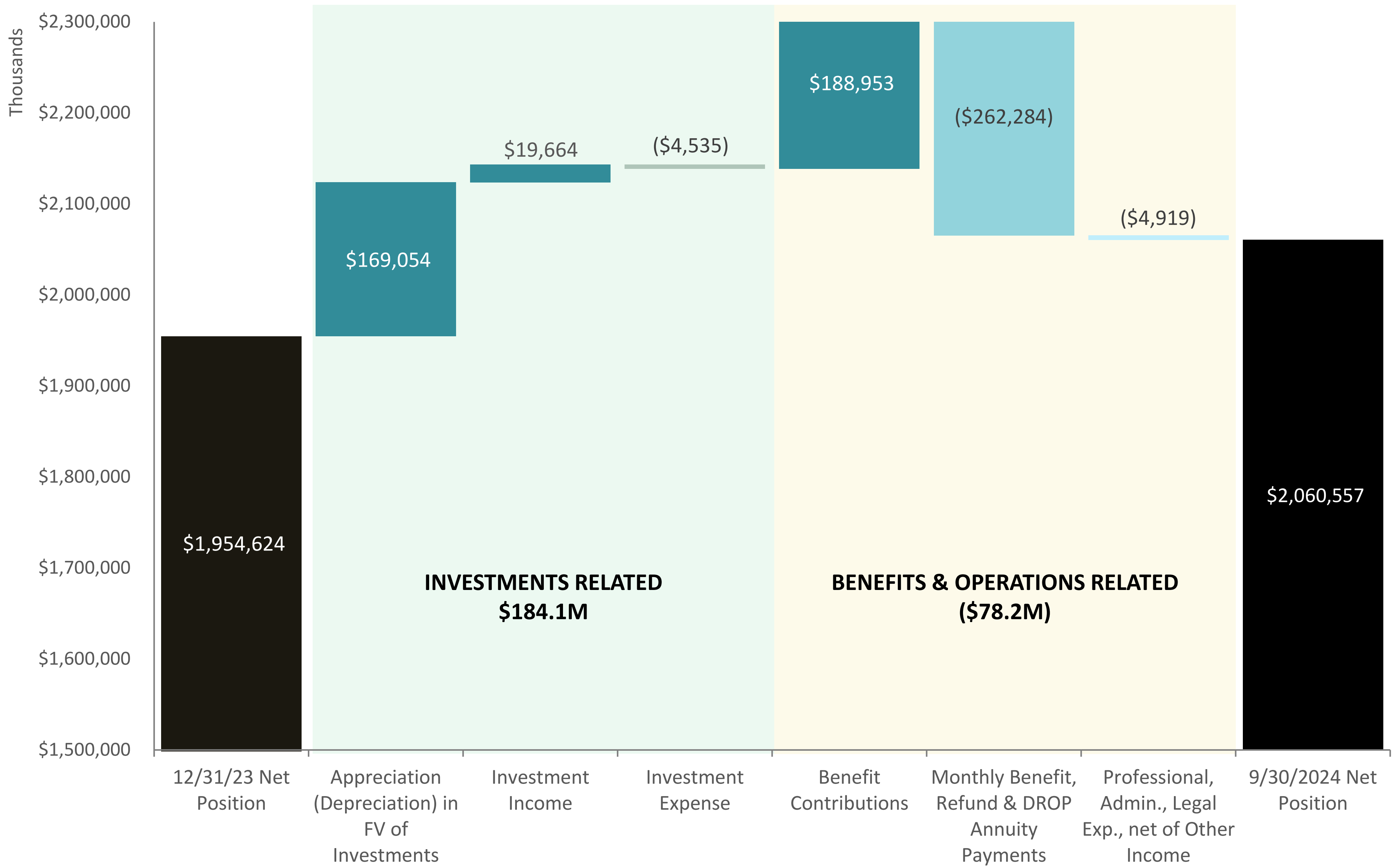
Topic: **Quarterly Financial Reports**

Discussion: The Chief Financial Officer will present the third quarter 2024 financial statements.

Regular Board Meeting – Thursday, November 14, 2024

Change in Net Fiduciary Position

December 31, 2023 – September 30, 2024



Components may not sum exactly due to rounding.

DALLAS POLICE & FIRE PENSION SYSTEM
Combined Statements of Fiduciary Net Position

	September 30, 2024	December 31, 2023	$ Change	% Change
Assets				
Investments, at fair value				
Short-term investments	$ 18,314,442	$ 16,982,561	$ 1,331,881	8%
Fixed income securities	386,933,105	365,809,375	21,123,730	6%
Equity securities	1,106,180,228	995,629,628	110,550,600	11%
Real assets	263,946,398	278,554,675	(14,608,277)	-5%
Private equity	173,376,391	218,856,730	(45,480,339)	-21%
Forward currency contracts	(2,463)	-	(2,463)	0%
Total investments	1,948,748,101	1,875,832,969	72,915,132	4%
Receivables				
City	3,075,203	5,728,687	(2,653,484)	-46%
Members	1,124,430	2,083,312	(958,882)	-46%
Interest and dividends	4,493,250	4,668,499	(175,249)	-4%
Investment sales proceeds	4,873,879	1,963	4,871,916	248187%
Lease Receivable	2,741,848	2,269,523	472,325	21%
Other receivables	15,785	596,578	(580,793)	-97%
Total receivables	16,324,395	15,348,562	975,833	6%
Cash and cash equivalents	93,330,872	62,346,331	30,984,541	50%
Prepaid expenses	748,501	561,465	187,036	33%
Capital assets, net	11,540,142	11,455,745	84,397	1%
Total assets	$ 2,070,692,011	$ 1,965,545,072	$ 105,146,939	5%
Liabilities				
Payables				
Securities purchased	3,803,355	4,476,298	(672,943)	-15%
Accounts payable and other accrued liabilities	3,808,527	4,306,413	(497,886)	-12%
Total liabilities	7,611,882	8,782,711	(1,170,829)	-13%
Deferred Inflow of Resources	2,523,550	2,137,972	385,578	18%
Net position restricted for pension benefits	$ 2,060,556,579	$ 1,954,624,389	$ 105,932,190	5%

DALLAS POLICE & FIRE PENSION SYSTEM
Combined Statements of Changes in Fiduciary Net Position

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	$ Change	% Change
Contributions				
City	$ 138,074,722	$ 128,268,252	$ 9,806,470	8%
Members	50,878,001	46,799,948	4,078,053	9%
Total Contributions	188,952,723	175,068,200	13,884,523	8%
Investment income				
Net appreciation (depreciation) in fair value of investments	169,053,903	76,721,262	92,332,641	120%
Interest and dividends	19,663,728	17,288,663	2,375,065	14%
Total gross investment income	188,717,631	94,009,925	94,707,706	101%
less: investment expense	(4,534,873)	(4,772,719)	237,846	5%
Net investment income	184,182,758	89,237,206	94,945,552	106%
Other income	372,030	47,654,712	(47,282,682)	-99%
Total additions	373,507,511	311,960,118	61,547,393	20%
Deductions				
Benefits paid to members	258,510,996	255,233,629	3,277,367	1%
Refunds to members	3,772,937	3,852,709	(79,772)	-2%
Legal expense	271,838	157,675	114,163	72%
Legal expense reimbursement	-	-	-	0%
Legal expense, net of reimbursement	271,838	157,675	114,163	72%
Staff Salaries and Benefits	2,818,218	2,651,001	167,217	6%
Professional and administrative expenses	2,201,332	2,149,054	52,278	2%
Total deductions	267,575,321	264,044,068	3,531,253	1%
Net increase (decrease) in net position	105,932,190	47,916,050		
Beginning of period	1,954,624,389	1,823,207,743		
End of period	$ 2,060,556,579	$ 1,871,123,793		

DISCUSSION SHEET

ITEM #C10

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, November 14, 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	20		236
DROP - Join	1	1	2	0	5	1	1	1	0	1	0		13
Estate Payments	2	1	3	5	3	1	4	5	10	7	7		48
Survivor Benefits	4	6	3	8	5	4	6	5	3	4	5		53
Retirements	10	10	16	9	13	10	9	11	7	5	8		108
Alternate Payees	2	0	2	1	1	1	0	0	0	1	0		8
Spouse Wed After Retirement	0	0	0	0	0	0	0	0	1	0	0		1
Service Purchases	0	2	0	1	7	2	1	2	1	2	5		23
Earnings Test*	0	0	0	0	0	0	10	0	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

G:\Kelly\Executive Director Ministerial Action Approvals\Membership Actions Data 2024

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

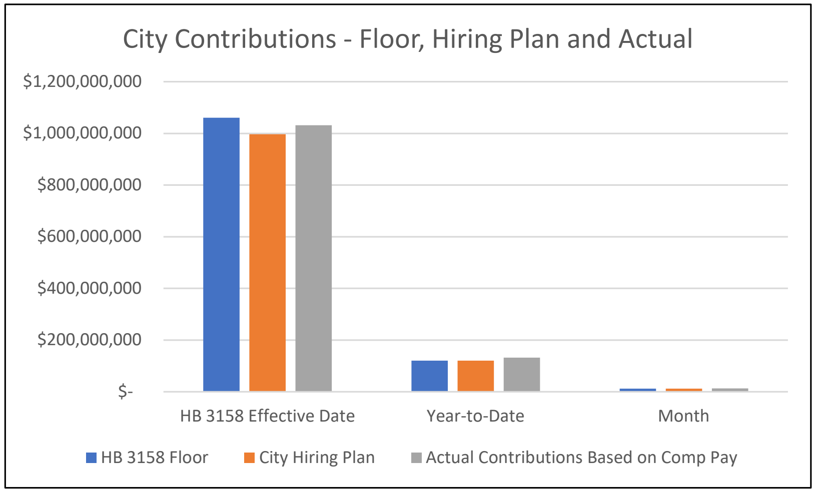
ITEM #C11

Topic: **Monthly Contribution Report**

Discussion: Staff will review the Monthly Contribution Report.

Regular Board Meeting – Thursday, November 14, 2024

Contribution Tracking Summary - November 2024 (September 2024 Data)

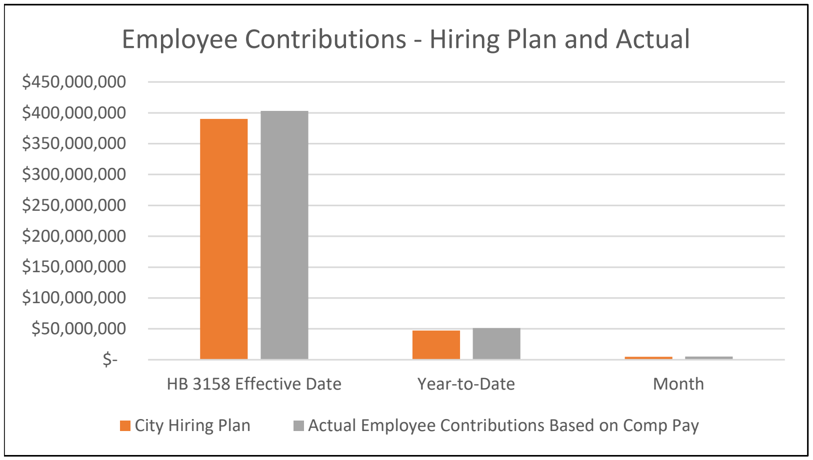


Actual Comp Pay was 103% of the Hiring Plan estimate since the effective date of HB 3158.

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 103 **more** than the Hiring Plan for the pay period ending October 10, 2024. Fire was over the estimate by 293 Fire Fighters and Police was under by 190 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

Sep-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	$ 13,303,208	$ -	110%	110%
Year-to-Date		$ 120,480,000	$ 120,484,615	$ 131,658,001	$ -	109%	109%
HB 3158 Effective Date		$ 1,060,813,000	$ 996,705,000	$ 1,031,014,412	$ 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

Sep-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	$ 5,216,811	$ 502,195	$ 4,236,924	111%	123%
Year-to-Date		$ 47,146,154	$ 51,459,703	$ 4,313,549	$ 42,369,240	109%	121%
HB 3158 Effective Date		$ 390,015,000	$ 403,199,026	$ 13,184,026	$ 374,188,918	103%	108%

Potential Earnings Loss from the Shortfall based on Assumed Rate of Return $ 895,134

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						
	Computation Pay			Number of Employees		
Year	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	$ 38,763,479	$ 3,840,402	$ 28,749,677	5,275	62
September	$ 34,923,077	$ 38,560,024	$ 3,636,947	$ 32,386,624	5,316	103
October	$ 34,923,077					
November	$ 34,923,077					
December	$ 34,923,077					

DISCUSSION SHEET

ITEM #C12

Topic: **Board Members' Reports on Meetings, Seminars and/or Conferences Attended**

Discussion:

Conference: **NCPERS Public Safety Conference** **MT**
Dates: October 27-30, 2024
Location: Palm Springs, CA

Regular Board Meeting – Thursday, November 14, 2024

DISCUSSION SHEET

ITEM #C13

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.

Future Education and Business Related Travel & Webinars
Regular Board Meeting – November 14, 2024

REQUESTED APPROVED

1. **Conference** **NCPERS Pension Communication Summit**
   Dates: January 26-27, 2025
   Location: Washington, DC
   Est Cost: $500

2. **Conference:** **NCPERS Legislative Conference**
   Dates: January 27-29, 2025
   Location: Washington, DC
   Est Cost: $650

3. **Conference:** **TEXPERS Legislative Advocacy Workshop**
   Dates: February 4-5, 2025
   Location: Austin, TX
   Est Cost: TBD

4. **Conference:** **TEXPERS 2025 Annual Conference**
   Dates: March 31-April 2, 2025
   Location: Austin, TX
   Est Cost: TBD

Future Education and Business Related Travel & Webinars
Regular Board Meeting – November 14, 2024

ATTENDING APPROVED

5.	**Conference**	**NCPERS Trustee Educational Seminar (TEDS)**
	Dates:	May 17-18, 2025
	Location:	Denver, CO
	Est Cost:	TBD
6.	**Conference**	**NCPERS Annual Conference & Exhibition (ACE)**
	Dates:	May 18-21, 2025
	Location:	Denver, CO
	Est Cost:	TBD
7.	**Conference:**	**NCPERS Chief Officers Summit**
	Dates:	June 16-18, 2025
	Location:	New York City, NY
	Est Cost:	$1,000
8.	**Conference:**	**TEXPERS 2025 Summer Forum**
	Dates:	August 4-5, 2025
	Location:	El Paso, TX
	Est Cost:	TBD

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C14

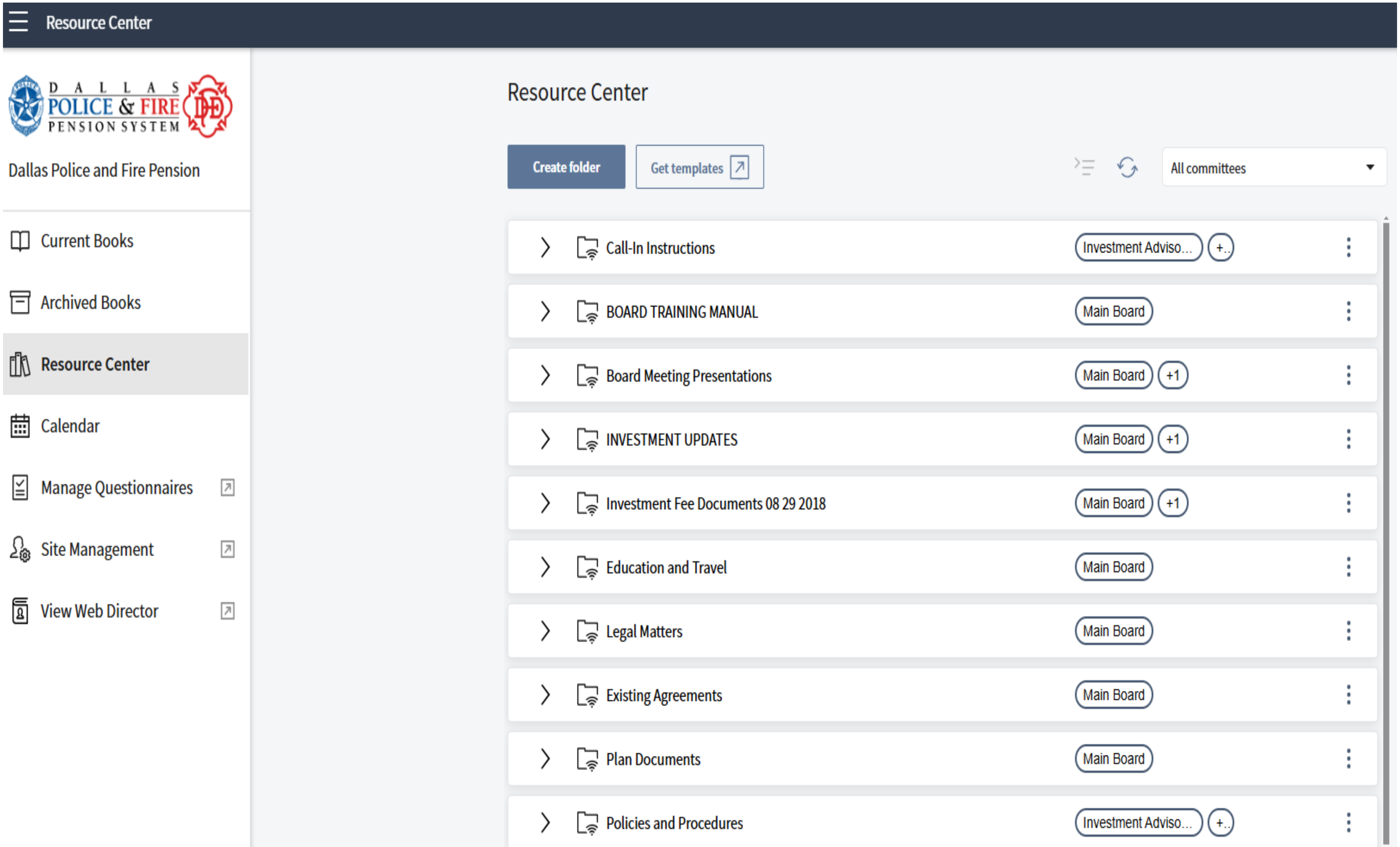
Topic: **Required Training Manual Delivery & Ethics Policy Certification**

Discussion: Section 3.013(c) of Article 6243a-1 requires the Executive Director annually deliver a training manual covering certain subject areas set forth in Section 3.013(b). The Executive Director will provide an overview of the contents, address new items in the manual and answer any questions concerning the training manual.

Additionally, Trustees are required to acknowledge that they have read, understand and will comply with the Board of Trustees and Employees Ethics and Code of Conduct Policy on an annual basis.

Trustees can access the training manual and the Board of Trustees and Employees Ethics and Code of Conduct Policy electronically through Diligent under the Resource Center.

Staff Recommendation: **Acknowledgement** by each Trustee of receipt of the training manual and acknowledgment that they have read, understand and will comply with the provisions of the Ethics and Code of Conduct Policy by signing and submitting the Trustee acknowledgment form.


Resource Center
DALLAS POLICE & FIRE PENSION SYSTEM
Dallas Police and Fire Pension
Current Books
Archived Books
Resource Center
Calendar
Manage Questionnaires
Site Management
View Web Director
Resource Center
Create folder
Get templates
All committees
Call-In Instructions
Investment Adviso...
BOARD TRAINING MANUAL
Main Board
Board Meeting Presentations
Main Board
+1
INVESTMENT UPDATES
Main Board
+1
Investment Fee Documents 08 29 2018
Main Board
+1
Education and Travel
Main Board
Legal Matters
Main Board
Existing Agreements
Main Board
Plan Documents
Main Board
Policies and Procedures
Investment Adviso...

Resource Center

DALLAS POLICE & FIRE PENSION SYSTEM

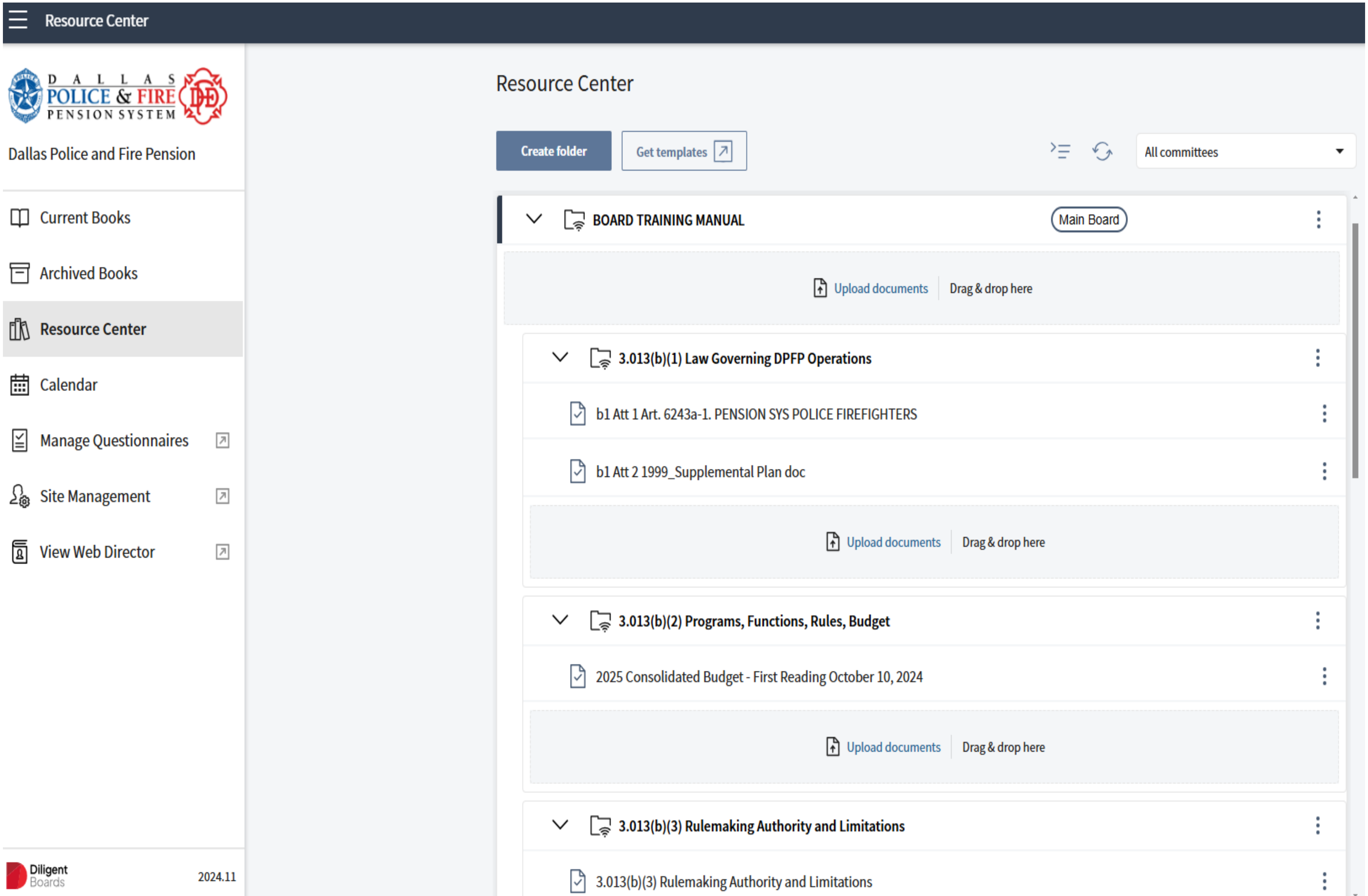
Dallas Police and Fire Pension

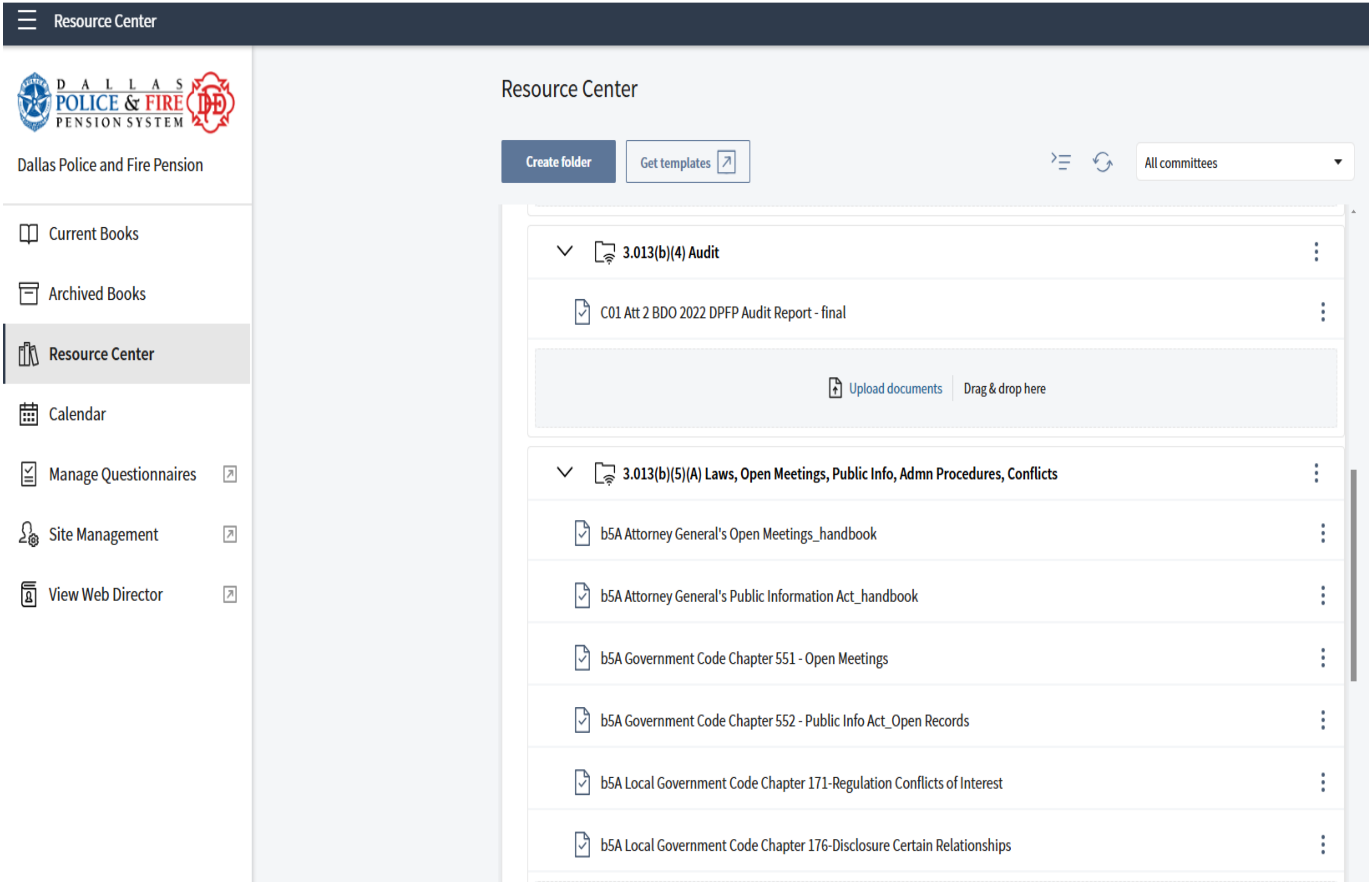
- Current Books
- Archived Books
- Resource Center
- Calendar
- Manage Questionnaires
- Site Management
- View Web Director

Resource Center

Create folder | Get templates | All committees

- Call-In Instructions — Investment Adviso... +..
- BOARD TRAINING MANUAL — Main Board
  - Upload documents | Drag & drop here
  - 3.013(b)(1) Law Governing DPFP Operations
  - 3.013(b)(2) Programs, Functions, Rules, Budget
  - 3.013(b)(3) Rulemaking Authority and Limitations
  - 3.013(b)(4) Audit
  - 3.013(b)(5)(A) Laws, Open Meetings, Public Info, Admn Procedures, Conflicts
  - 3.013(b)(5)(B) Other Laws Applicable
  - 3.013(b)(6) Code of Ethics and Governance Policy
  - 3.013(b)(7) Training Regarding the Risks of Investing in Alternative Investments


Resource Center
DALLAS POLICE & FIRE PENSION SYSTEM
Dallas Police and Fire Pension
Current Books
Archived Books
Resource Center
Calendar
Manage Questionnaires
Site Management
View Web Director
Diligent Boards
2024.11
Resource Center
Create folder
Get templates
All committees
BOARD TRAINING MANUAL
Main Board
Upload documents
Drag & drop here
3.013(b)(1) Law Governing DPFP Operations
b1 Att 1 Art. 6243a-1. PENSION SYS POLICE FIREFIGHTERS
b1 Att 2 1999_Supplemental Plan doc
Upload documents
Drag & drop here
3.013(b)(2) Programs, Functions, Rules, Budget
2025 Consolidated Budget - First Reading October 10, 2024
Upload documents
Drag & drop here
3.013(b)(3) Rulemaking Authority and Limitations
3.013(b)(3) Rulemaking Authority and Limitations


Resource Center
DALLAS POLICE & FIRE PENSION SYSTEM
Dallas Police and Fire Pension
Current Books
Archived Books
Resource Center
Calendar
Manage Questionnaires
Site Management
View Web Director
Resource Center
Create folder
Get templates
All committees
3.013(b)(4) Audit
C01 Att 2 BDO 2022 DPFP Audit Report - final
Upload documents
Drag & drop here
3.013(b)(5)(A) Laws, Open Meetings, Public Info, Admn Procedures, Conflicts
b5A Attorney General's Open Meetings_handbook
b5A Attorney General's Public Information Act_handbook
b5A Government Code Chapter 551 - Open Meetings
b5A Government Code Chapter 552 - Public Info Act_Open Records
b5A Local Government Code Chapter 171-Regulation Conflicts of Interest
b5A Local Government Code Chapter 176-Disclosure Certain Relationships

Resource Center

Dallas Police and Fire Pension

- Current Books
- Archived Books
- Resource Center
- Calendar
- Manage Questionnaires
- Site Management
- View Web Director

Diligent Boards 2024.11

Resource Center

Create folder | Get templates | All committees

3.013(b)(5)(B) Other Laws Applicable

- 3.013(b)(5)(B) Other laws applicable to a trustee in performing the trustee
- b5B Government Code Section 802 - Administrative Requirements
- Tex Const. Article 16 Sections 66 & 67

Upload documents | Drag & drop here

3.013(b)(6) Code of Ethics and Governance Policy

- b6 Att 1 Board of Trustee and Emp Ethics And Code Of Conduct Policy 01 11 2018
- b6 Att 2 Governance Conduct Policy 02 08 2018

Upload documents | Drag & drop here

3.013(b)(7) Training Regarding the Risks of Investing in Alternative Investments

- b7 Investments 101_alternatives
- b7 Att 2 Meketa Private Equity Primer

DALLAS POLICE & FIRE PENSION SYSTEM

BOARD OF TRUSTEES AND EMPLOYEES ETHICS AND CODE OF CONDUCT POLICY

As Amended Through January 11, 2018

BOARD OF TRUSTEES AND EMPLOYEES ETHICS AND CODE OF CONDUCT POLICY

Adopted January 11, 1996
As amended through January 11, 2018

A. Purpose

The Board of Trustees ("Board") of the Dallas Police and Fire Pension System ("DPFP" or the "System") is obligated to administer its pension system as a trust fund solely in the interest of members and beneficiaries. In performance of this obligation, the Board is required to administer DPFP in accordance with Chapter 802, Title 8 of the Texas Government Code and other applicable state and federal laws and regulations. In furtherance of these obligations, the Board adopts the following Ethics and Code of Conduct Policy (this "Policy"), which shall be applicable to all System Representatives. By adopting this Policy, all System Representatives agree to act with integrity, competence, dignity, and in an ethical manner when dealing with the public, members and beneficiaries of the System, current and prospective Consultants and Vendors, DPFP staff, and fellow System Representatives.

B. Definitions

1. **Benefit** – anything reasonably regarded as economic gain or advantage, including benefit to any other person in whose welfare the beneficiary is interested, or anything expressly included as a benefit by applicable law.

2. **Consultants** – independent contractors (whether individuals, partnerships, corporations or other organizations) which provide legal, economic, investment, actuarial or other advice to the Trustees or staff to be used in the performance of fiduciary functions. Any limitations or obligations under this Policy apply to the individuals involved with the System and the contracting organization, if any.

3. **Fiduciary** – any person who (1) exercises any discretionary control over the management of DPFP or any authority or control over the management or disposition of its assets, (2) renders investment advice for a fee or other compensation, direct or indirect, with respect to any moneys or other property of DPFP or has any authority or discretionary responsibility to do so, (3) has any discretionary authority or discretionary responsibility in the administration of DPFP, or (4) has been designated by the Trustees as a fiduciary in the performance of certain duties for DPFP.

4. **Gift** – anything of tangible value given without adequate consideration, which shall include, but not be limited to, any payment of cash, or receipt of goods or services, or anything expressly included as a gift by applicable law.

B. Definitions (continued)

5. **Key Staff** – The Executive Director, Chief Investment Officer, Chief Financial Officer, and General Counsel of the System. For purposes of this Policy, the Executive Director may designate one or more other DPFP employees as Key Staff as reasonably determined by the Executive Director.

6. **Permitted Benefit or Gift -** A Benefit or Gift that (A) is food, lodging, transportation, or entertainment and is accepted as a guest, (B) has a value of less than $50 (including taxes), (C) is an honorarium speaking at a conference or event that only includes meals, lodging and transportation, or (D) is deemed a Permitted Benefit or Gift by the Board pursuant to Section F.3. A Benefit or Gift is accepted as a guest if the person or representative of the entity providing the Benefit or Gift is present. Disclosure and related reporting requirements under Chapter 176, Tex. Local Gov't Code ("Chapter 176"), may apply to a Permitted Benefit or Gift, with specific dollar limitations applying for lodging, transportation, or entertainment, including lodging, transportation, or entertainment that is accepted as a guest.

7. **System Representative** –Trustees, Investment Advisory Committee members of the System, and Key Staff.

8. **Third Party -** means and includes a person or entity that is seeking action, opportunity or a specific outcome from DPFP regarding a DPFP matter. The Third Party may be seeking the action, opportunity or outcome for his or her or its own behalf or the third party may be seeking it on behalf of another person or entity in the capacity of a representative, agent or intermediary, or as an advocate for a cause or group of individuals or entities. This definition includes public officials.

9. **Trustee** –Members of the Board of Trustees of DPFP and persons who are candidates for the position of a Trustee.

10. **Undue Influence -** the employment of any improper or wrongful pressure, scheme or threat by which one's will is overcome, and he or she is induced to do or not to do an act which he or she would not do, or would do, if left to act freely.

11. **Vendors –** independent contractors, whether individuals, partnerships, corporations or other organizations, which perform services for DPFP for direct or indirect compensation. Services include, but are not limited to, custodianship of funds, management of investments, maintenance of official records and provision of professional advice.

C. Standards of Conduct

The following legal standards of conduct apply to all System Representatives.

A System Representative shall not:

1. solicit, accept or agree to accept any Benefit or Gift that the System Representative knows or should know is being offered with the intent to influence the System Representative's official conduct.

2. solicit, accept, or agree to accept any Benefit or Gift for having exercised the System Representative's official powers or performed the System Representative's official duties in favor of another.

3. solicit, accept, or agree to accept a Benefit or Gift that is not a Permitted Benefit or Gift from a person the System Representative knows is interested in or likely to become interested in any contract, purchase, payment, claim, or transaction involving the exercise of the System Representative's discretion.

4. accept other employment or compensation or engage in a business or professional activity that could reasonably be expected to impair the System Representative's independence of judgment in the performance of the System Representative's official duties or that might reasonably be expected to require or induce the System Representative to disclose confidential information acquired by reason of the official position.

5. make personal investments that could reasonably be expected to create a substantial conflict between the System Representative's private interest and the public interest (this does not include investments in publicly traded index funds or mutual funds where the System Representative has no control over the selection of holdings).

6. use official position for financial gain, obtaining privileges, or avoiding consequence of illegal acts.

7. have any direct or indirect pecuniary interest in a contract entered into by DPFP other than an interest incidental to the System Representative's membership in a large class such as that of participants in DPFP (this does not include investments in publicly traded index funds or mutual funds where the System Representative has no control over the selection of holdings).

D. Fiduciary Duties

1. Under Texas State statutes and applicable federal law and regulations, the System is a trust fund to be administered solely in the interest of the members and beneficiaries thereof for the exclusive purpose of providing benefits to members and beneficiaries and to defray reasonable expenses of DPFP.

2. In the performance of these duties, all Fiduciaries are subject to the "prudent person" rule which requires that they exercise their duties with the care, skill, prudence, and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with matters of the type would use in the conduct of an enterprise with a like character and like aims. Further, all Fiduciaries shall maintain high ethical and moral character both professionally and personally, including interactions with other Trustees and DPFP staff, such that the conduct of all Fiduciaries shall not reflect negatively upon the Board or DPFP.

3. In making or participating in decisions, Fiduciaries shall give appropriate consideration to those facts and circumstances reasonably available to the Fiduciary which are relevant to the particular decision and shall refrain from considering facts or circumstances which are not relevant to the decision.

4. Investment decisions of Fiduciaries must be made in accordance with the approved Investment Policy Statement of the System.

5. As a Fiduciary, each Trustee shall adhere to the following:

   A. A Trustee's loyalty must be to the members and beneficiaries of the System and not to the source of his or her appointment. A Trustee must exercise care and caution always to place the interest of members and beneficiaries ahead of the Trustee's own interest.

   B. All members and beneficiaries of DPFP are to be treated fairly and impartially. A Trustee's duty is to the members and beneficiaries of DPFP as a whole and not to individuals or groups of individuals within DPFP.

   C. Trustees must possess the ability and willingness to dedicate the time required to satisfy the duties of serving as a Fiduciary. This includes but is not limited to possessing a complete understanding of the obligations and duty to act in accordance with plan documents, as well as having a substantive base of knowledge that contributes to sufficient analysis of recommendations by DPFP staff and other professionals and fulfillment of fiduciary obligations. A Trustee is responsible for preparing himself or herself for Board work, including committee meetings.

D. Fiduciary Duties (continued)

D. A Trustee shall treat executive session and closed meeting information as confidential.

E. A Trustee shall not give, disclose or provide access to any confidential information owned, obtained, or developed by DPFP.

F. Trustees should delegate duties, when appropriate, and prudently select, instruct, and monitor all Vendors, Consultants, DPFP staff, and agents to whom they delegate such duties.

6. No Trustee shall knowingly or negligently participate in the breach of fiduciary duty by another fiduciary, participate in concealing such breach, or knowingly or negligently permit such breach to occur or continue.

E. Conflicts of Interest and Prohibited Transactions

1. Certain transactions by System Representatives of DPFP are strictly prohibited, specifically:

A. Compensation from any person in connection with any action involving assets of DPFP.

B. Participation in a decision or action involving any asset or benefit for personal interest.

C. The purchase, sale, exchange or leasing of property with DPFP if that System Representative holds an interest in the property.

D. The purchase, sale or exchange of any direct investment with DPFP if that System Representative holds an interest in the investment.

E. Causing the Fund to engage in any of the prohibited transactions described herein with any immediate relative or business associate of the System Representative, any other Trustee, employee, custodian, or counsel to DPFP, any other Fiduciary, any person providing services to DPFP, any employee organization whose members are covered by DPFP, or the City of Dallas and its officers, officials and employees.

E. Conflicts of Interest and Prohibited Transactions (continued)

2. In addition, any goods, services, or facilities furnished by DPFP to any person shall be used for the exclusive benefit of DPFP unless reasonable consideration is received by the System for the use of the goods, services, or facilities.

3. Black-Out List for Investment Entities

   A. For purposes of this subsection, “Investment Entity” means an investment firm, partnership, fund, advisor, consultant, placement agent or owner of property that is being considered for purchase.

   B. The Chief Investment Officer shall maintain and periodically update as

   C. appropriate a list (the “Black-out List”) of Investment Entities that meet any of the following criteria:

      i. The Investment Entity is under consideration by DPFP staff for a recommendation to the Board or the Board’s Investment Advisory Committee on a mandate, commitment, increased allocation or any retention for investment-related services (exclusive of rebalancing);

      ii. The Investment Entity is under consideration by the DPFP staff for a recommendation to the Board or the Investment Advisory Committee to decrease the allocation to the Investment Entity (exclusive of rebalancing) or to discontinue use of the Investment Entity, provided, however, this shall not include any Investment Entity where the assets managed by the Investment Entity that are being considered to be reduced in whole or in part are contained within an asset class where the actual assets held by DPFP are higher than the target allocation for such asset class in the Investment Policy Statement; or

      iii. The Investment Entity is in negotiations with DPFP for contractual terms after a conditional selection has been made.

   D. During the first half of each month, the Chief Investment Officer shall supply the current Black-out List to Trustees and any DPFP employees that, in the Chief Investment Officer’s opinion, might potentially be affected by this section (the “Affected Employees”). Additionally, prior to departure for DPFP-related travel, Trustees and Affected Employees shall be issued the most current Black-out List.

E. Conflicts of Interest and Prohibited Transactions (continued)

E. Notwithstanding any other DPFP policies, including those in this Policy concerning Benefits or Gifts, while an Investment Entity's name appears on the Black-out List, Trustees and Affected Employees and their immediate relatives shall not accept payment, reimbursement, complimentary admission or similar extension or subsidy for food, lodging, travel or entertainment, including any Permitted Benefit or Gift, from any person or entity identified or affiliated with said Investment Entity, including, without limitation, any placement agent of an Investment Entity (an "Investment Entity Representative"), except for:

i. food and beverages that would be typically or conventionally provided by a business host in connection with a business meeting and that are provided by the host at its place of business during a due diligence visit;

ii. food and beverages provided at regularly scheduled Investment Entity annual meetings or advisory committee meetings; and

iii. food and beverages provided at educational conferences where such food and beverages may be sponsored by an Investment Entity, but are available to all conference attendees.

F. Trustees shall not reciprocate communications from an Investment Entity Representative about the Investment Entity outside of committee or Board meetings ("ex-parte communications").

4. A System Representative shall report to the Executive Director any business relationship with a current or prospective Vendor on a signed document upon establishment of such relationship if the System Representative knows or should know that the person or entity is a current or prospective Vendor for DPFP.[1] Upon receipt of such information, the Executive Director will as promptly as practicable report apprise the Board of the facts involved.

5. A Trustee shall not lobby against legislative proposals pertaining to DPFP pension issues and benefits that have been duly approved by the Board or an authorized committee of the Board.

6. A System Representative shall not disclose any information deemed confidential by DPFP.

[1] Chapter 176, Texas Local Gov't Code.

E. Conflicts of Interest and Prohibited Transactions (continued)

7. Other than as a member or beneficiary of DPFP, a System Representative may have no conflict of interest during such System Representative's tenure with DPFP and for one year after tenure ends, such that System Representative shall comply with the provisions of this Policy during such System Representative's tenure, and a System Representative shall not, during such System Representative's tenure with DPFP and for one year after such tenure ends, represent any Third Party in any formal or informal appearance before the Board or DPFP staff. DPFP will not enter into or renew an existing contract with any Vendor during the one year period after the System Representative's tenure with DPFP if such Vendor employs or is represented by the System Representative unless the Board determines that such a restriction would not be in DPFP's best interest

8. Nothing in this Section shall exempt any System Representative from applicable provisions of any other laws. The standards of conduct set forth in this Section are in addition to those prescribed elsewhere in this Policy and in applicable laws and rules.

F. Gifts, Travel and Expenses

1. System Representatives shall not solicit any Benefit or Gift, including a Permitted Benefit or Gift, from any source which is a current or prospective Vendor of DPFP. All Trustees and Key Staff of DPFP shall exercise care in accepting any Permitted Benefit or Gift from any source, particularly those sources which are current or prospective Vendors of the System.

2. System Representatives shall not accept from a Vendor or prospective Vendor a Benefit or Gift that is not a Permitted Benefit or Gift. Any Benefit or Gift to a System Representative that is not a Permitted Benefit or Gift shall be returned to its source whenever possible or donated to a suitable charitable organization upon its receipt.

3. If a System Representative has a relationship with a Vendor or prospective Vendor (the "Prior Relationship") which predates the System Representative's relationship with DPFP, then the System Representative may disclose to the Board the Prior Relationship and Benefits or Gifts previously received from the Vendor or prospective Vendor (the "Prior Benefits or Gifts") due to the Prior Relationship. The Board may determine that future Benefits or Gifts received by the System Representative that are similar to the Prior Benefits or Gifts are the result of the continuation of the Prior Relationship and shall be deemed a Permitted Benefit or Gift and no further reporting obligation shall be required. If the Board has deemed a Benefit or Gift from a vendor or prospective

F. Gifts, Travel and Expenses (continued)

Vendor a Permitted Benefit or Gift due to a Prior Relationship as described in the sentence above, a System Representative shall report to the Board any Benefit or Gift received from such Vendor or prospective Vendor which would not reasonably be considered similar to the Prior Benefits or Gifts. The Board may require recusal of a System Representative from discussion of any matter that directly or indirectly involves a Vendor or prospective Vendor with whom such System Representative has a Prior Relationship.

4. No System Representative shall receive any Permitted Benefit or Gift through an intermediary, if the person knows, or has reason to know, that the Permitted Benefit or Gift has originated from another source.

5. In no event shall any System Representative accept a Permitted Benefit or Gift if the source of the Permitted Benefit or Gift is not identified. If the source of any Permitted Benefit or Gift cannot be ascertained, the Permitted Benefit or Gift shall be donated to a suitable charitable organization.

6. Under no circumstances shall a System Representative accept a cash Gift.

7. In no event shall any System Representative accept any expenses related to travel, other than working meals or ground transportation, the purpose of which is to determine the selection of new Vendors or to determine the assignment of continuing or additional business to existing Vendors.

G. Examples of Situations That Involve a Permitted Benefit or Gift[2]

1. Permitted Benefit or Gift or No Benefit or Gift Provided (and Reporting Required in Certain Situations)

   A. A Vendor (not currently in a search) invites a System Representative to attend a sporting event at no cost to the System Representative. The Vendor and the System Representative both attend the event. Because the Vendor accompanies the System Representative to this event, the event is a Permitted Benefit or Gift. However, for purposes of Chapter 176, whether the event has to be reported depends on the whether the value of the sporting event and the value of any Gift, including transportation, lodging or entertainment received by the System Representative from the Vendor in the applicable 12-month period (as described in Chapter 176) would, in the aggregate, exceed $100.

[2] In all scenarios, the Vendor does not have a separate employment or other business relationship with the System Representative or the System Representative's family member (see Chapters 171 and 176 for details).

G. Examples of Situations That Involve a Permitted Benefit or Gift[3] (continued)

B. A Vendor (not currently in a search) invites several System Representatives to a dinner at a restaurant. The Vendor and the System Representatives attend the dinner. Because the Vendor accompanies the System Representatives to the dinner, the dinner is a Permitted Benefit or Gift.

C. While attending a conference, a System Representative attends a reception sponsored and attended by Vendors (none of which currently are in a search). Because the reception is widely attended and the Vendors are present, the reception is a Permitted Benefit or Gift.

D. While attending a conference, a System Representative and all other attendees of the conference receive a bag with various items and the aggregate value of the items is under $50 (including taxes). Because the value of the gift bag is under $50, the gift bag is a Permitted Benefit or Gift. Whether these items must be reported under Chapter 176 depends on whether the items are from a specific Vendor or prospective Vendor and whether that Vendor has provided other gifts within the applicable 12-month period (as described by Chapter 176) that would, in the aggregate, exceed $100.

E. A System Representative realizes that seven months ago, he participated in a golf outing valued at $175 as a guest of a company who had representatives at the golf outing. The company, however, now enters into a contract with DPFP in the current month. The System Representative did not know at the time of the golf outing that the company or DPFP was considering entering into the contract. Because representatives of the company were in attendance at the golf outing, the outing was a Permitted Benefit or Gift, even though the outing was over $50. However, because the golf outing was valued at over $100, it must be reported under Chapter 176 because the System Representative received a Gift from the Vendor during the 12-month period preceding the date that he became aware that a contract with the Vendor had been executed.

F. A System Representative and her spouse attend a professional basketball game as guests of a company with representatives of the company present. The value of the tickets is over $100. Six months later, the System Representative becomes aware that DPFP and the company are considering entering into a contract, even though no contract is being entered into at such time. Because the basketball

[3] In all scenarios, the Vendor does not have a separate employment or other business relationship with the System Representative or the System Representative's family member (see Chapters 171 and 176 for details).

G. Examples of Situations That Involve a Permitted Benefit or Gift[4] (continued)

game was attended by a representative of the company, the basketball game was a Permitted Benefit or Gift, even though the value was over $50. However, because the tickets were valued at over $100, it must be reported under Chapter 176 because the System Representative received a Gift from the Vendor during the 12-month period preceding the date that she became aware that DPFP and the Company were considering entering into a contract.

G. While attending a conference, a System Representative and all other attendees of the conference receive an item such as a shirt/sweater or briefcase type bag with the Vendor's name on it. Because items with Vendors' logos and/or company name generally are advertising and do not have retail value, no Benefit or Gift is provided.

H. A System Representative attends a conference as a speaker and in return the conference pays for transportation, meals and lodging. This is a permitted honorarium, and no Benefit or Gift is provided. Whether the honorarium must be reported under Chapter 176, depends on whether the transportation, meals and lodging are from a current or prospective Vendor and whether that Vendor has provided other gifts within the applicable 12-month period (as described in Chapter 176) that would, in the aggregate, exceed $100.

2. Benefit or Gift Provided that is Not Permitted

A. A Vendor (not currently in a search) invites a System Representative to attend a sporting event at no cost to the System Representative, but does not plan on attending the event. Because the Vendor does not attend the event with the System Representative, a Benefit or Gift is provided that is not permitted.

B. A System Representative, while attending a conference, wins a raffle sponsored by the conference. The prize is $25 cash. The System Representative may not accept the cash, as it is a Benefit or Gift that is expressly prohibited under Section F.5.

C. A System Representative, during the Christmas Holidays, receives a pen and pencil set from a Vendor. The value of the set is obviously over $50 (including taxes). Because the value of the pen and pencil set is over $50, the pen and pencil set is a Gift that is not permitted and should be returned to the Vendor, or if return is not possible, donated to a charitable organization.

[4] In all scenarios, the Vendor does not have a separate employment or other business relationship with the System Representative or the System Representative's family member (see Chapters 171 and 176 for details).

H. Undue Influence

1. Trustees recognize that, by virtue of their position of authority with the System, may have Undue Influence on DPFP staff or Consultants when communicating directly with such staff or Consultants.

2. Individual Trustees shall refer all proposals or other communications regarding potential or existing investments or other contracts or services, or matters involving general System operations, directly to the Executive Director or his or her designee and shall not communicate as to such matters with other DPFP staff or Consultants.

3. Any communication regarding a potential investment transaction, other contract, or System operations initiated by a Trustee with either DPFP staff or a Consultant in which the Trustee is advocating for a specified outcome must be documented by the employee or Consultant and reported to the Executive Director. The Executive Director will notify the Chairman of such communications for appropriate action.

I. General Provisions

1. Nothing in this policy shall excuse any Trustee, officer, or employee from any other restrictions of state or federal law concerning conflicts of interest and fiduciary duties, including but not limited to Chapters 171 and 176, Tex. Local Gov't Code, as amended (Attachment III), and the Securities and Exchange Commission "Pay to Play" Regulations, Rule 206(4)-5.[5]

2. Violation of this Policy by a Vendor will result in corrective action, up to and including termination of contract or relationship with DPFP, discipline, or initiation of removal action pursuant to any and all applicable laws. Enforcement of this Policy with respect to Trustees is provided in Section J.

J. Enforcement

1. It is the duty of all System Representatives to be aware of all provisions of this document and to abide by the letter and the spirit of this Policy.

2. If the Executive Director is notified in writing of an alleged violation of this Policy, the Executive Director shall promptly notify the Chairman of the alleged violation. If the

[5] http://www.sec.gov/rules/final/2010/ia-3043.pdf.

J. Enforcement (continued)

violation is alleged against a Trustee, the Chairman is authorized to call an ad hoc committee of four (4) Trustees who are not the subject of the allegation to review the alleged violation and make recommendations to the Board for resolution of the matter. If the Chairman is a subject of the alleged violation, the Executive Director shall promptly notify the Vice Chairman of the alleged violation. The Vice Chairman is authorized to call an ad hoc committee of four (4) Trustees who are not the subject of the allegation to review the alleged violation and make recommendations to the Board for resolution of the matter.

3. The Board shall have final decision-making authority with respect to Trustee violations of this Policy. The Executive Director shall have final decision-making authority with respect to staff violations of this Policy.

   A. Available decisions for Trustee violations of this Policy are:

      i. Require that the Trustee file disclosure or conflicts report(s) within a specified time period.

      ii. Require that the Trustee attend approved specialized training within a specified time period.

      iii. Removal of the Trustee from any Committee Chairman role for a specified time period.

      iv. Removal of the Trustee from any Committee membership for a specified time period.

      v. Censure of the Trustee.

      vi. Bring suit against the Trustee for breach of fiduciary duty.

   B. A decision under this Section is binding on the Trustee.

K. Compliance

Trustees and Key Staff are required to file an annual form with the System acknowledging that they have read, understand and will comply with the provisions of this Policy.

L. Effective Date

APPROVED on January 11, 2018 by the Board of Trustees of the Dallas Police and Fire Pension System.

/s/ William F. Quinn

William F. Quinn
Chairman

ATTEST:

/s/ Kelly Gottschalk

Kelly Gottschalk
Secretary

Attachment I

The fiduciary responsibilities of a Trustee of a Public Retirement System in the state of Texas under Texas Government Code, Title 8, Section 802.203.

Sec. 802.203. FIDUCIARY RESPONSIBILITY. (a) In making and supervising investments of the reserve fund of a public retirement system, an investment manager or the governing body shall discharge its duties solely in the interest of the participants and beneficiaries:

(1) for the exclusive purposes of:

(A) providing benefits to participants and their beneficiaries; and

(B) defraying reasonable expenses of administering the system;

(2) with the care, skill, prudence, and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with matters of the type would use in the conduct of an enterprise with a like character and like aims;

(3) by diversifying the investments of the system to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and

(4) in accordance with the documents and instruments governing the system to the extent that the documents and instruments are consistent with this subchapter.

(b) In choosing and contracting for professional investment management services and in continuing the use of an investment manager, the governing body must act prudently and in the interest of the participants and beneficiaries of the public retirement system.

(c) A Trustee is not liable for the acts or omissions of an investment manager appointed under Section 802.204, nor is a Trustee obligated to invest or otherwise manage any asset of the system subject to management by the investment manager.

(d) An investment manager appointed under Section 802.204 shall acknowledge in writing the manager's fiduciary responsibilities to the fund the manager is appointed to serve.

(e) The investment standards provided by Subsection (a) and the policies, requirements, and restrictions adopted under Section 802.204(c) are the only standards, policies, or requirements for, or restrictions on, the investment of funds of a public retirement system by an investment manager or by a governing body during a 90-day interim between professional investment management services. Any other standard, policy, requirement, or restriction provided by law is suspended and not applicable during a time, and for 90 days after a time, in which an investment manager is responsible for investment of a reserve fund. If an investment manager has not begun managing investments of a reserve fund before the 91st day after the date of termination of the services of a previous investment manager, the standards, policies, requirements, and restrictions otherwise provided by law are applicable until the date professional investment management services are resumed.

Attachment II

Chapters 171 and 176 of the Texas Local Government Code

CHAPTER 171. REGULATION OF CONFLICTS OF INTEREST OF OFFICERS OF MUNICIPALITIES, COUNTIES, AND CERTAIN OTHER LOCAL GOVERNMENTS

Sec. 171.001. DEFINITIONS. In this chapter:

(1) "Local public official" means a member of the governing body or another officer, whether elected, appointed, paid, or unpaid, of any district (including a school district), county, municipality, precinct, central appraisal district, transit authority or district, or other local governmental entity who exercises responsibilities beyond those that are advisory in nature.

(2) "Business entity" means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, or any other entity recognized by law.

Sec. 171.002. SUBSTANTIAL INTEREST IN BUSINESS ENTITY. (a) For purposes of this chapter, a person has a substantial interest in a business entity if:

(1) the person owns 10 percent or more of the voting stock or shares of the business entity or owns either 10 percent or more or $15,000 or more of the fair market value of the business entity; or

(2) funds received by the person from the business entity exceed 10 percent of the person's gross income for the previous year.

(b) A person has a substantial interest in real property if the interest is an equitable or legal ownership with a fair market value of $2,500 or more.

(c) A local public official is considered to have a substantial interest under this section if a person related to the official in the first degree by consanguinity or affinity, as determined under Chapter 573, Government Code, has a substantial interest under this section.

Sec. 171.0025. APPLICATION OF CHAPTER TO MEMBER OF HIGHER EDUCATION AUTHORITY. This chapter does not apply to a board member of a higher education authority created under Chapter 53, Education Code, unless a vote, act, or other participation by the board member in the affairs of the higher education authority would provide a financial benefit to a financial institution, school, college, or university that is:

(1) a source of income to the board member; or

(2) a business entity in which the board member has an interest distinguishable from a financial benefit available to any other similar financial institution or other school, college, or university whose students are eligible for a student loan available under Chapter 53, Education Code.

Sec. 171.003. PROHIBITED ACTS; PENALTY. (a) A local public official commits an offense if the official knowingly:

(1) violates Section 171.004;

(2) acts as surety for a business entity that has work, business, or a contract with the governmental entity; or

(3) acts as surety on any official bond required of an officer of the governmental entity.

(b) An offense under this section is a Class A misdemeanor.

Sec. 171.004. AFFIDAVIT AND ABSTENTION FROM VOTING REQUIRED. (a) If a local public official has a substantial interest in a business entity or in real property, the official shall file, before a vote or decision on any matter involving the business entity or the real property, an affidavit stating the nature and extent of the interest and shall abstain from further participation in the matter if:

(1) in the case of a substantial interest in a business entity the action on the matter will have a special economic effect on the business entity that is distinguishable from the effect on the public; or

(2) in the case of a substantial interest in real property, it is reasonably foreseeable that an action on the matter will have a special economic effect on the value of the property, distinguishable from its effect on the public.

(b) The affidavit must be filed with the official record keeper of the governmental entity.

(c) If a local public official is required to file and does file an affidavit under Subsection (a), the official is not required to abstain from further participation in the matter requiring the affidavit if a majority of the members of the governmental entity of which the official is a member is composed of persons who are likewise required to file and who do file affidavits of similar interests on the same official action.

Sec. 171.005. VOTING ON BUDGET. (a) The governing body of a governmental entity shall take a separate vote on any budget item specifically dedicated to a contract with a business entity in which a member of the governing body has a substantial interest.

(b) Except as provided by Section 171.004(c), the affected member may not participate in that separate vote. The member may vote on a final budget if:

(1) the member has complied with this chapter; and

(2) the matter in which the member is concerned has been resolved.

Sec. 171.006. EFFECT OF VIOLATION OF CHAPTER. The finding by a court of a violation under this chapter does not render an action of the governing body voidable unless the measure that was the subject of an action involving a conflict of interest would not have passed the governing body without the vote of the person who violated the chapter.

Sec. 171.007. COMMON LAW PREEMPTED; CUMULATIVE OF MUNICIPAL PROVISIONS. (a) This chapter preempts the common law of conflict of interests as applied to local public officials.

(b) This chapter is cumulative of municipal charter provisions and municipal ordinances defining and prohibiting conflicts of interests.

Sec. 171.009. SERVICE ON BOARD OF CORPORATION FOR NO COMPENSATION. It shall be lawful for a local public official to serve as a member of the board of directors of private, nonprofit corporations when such officials receive no compensation or other remuneration from the nonprofit corporation or other nonprofit entity.

Sec. 171.010. PRACTICE OF LAW. (a) For purposes of this chapter, a county judge or county commissioner engaged in the private practice of law has a substantial interest in a business entity if the official has entered a court appearance or signed court pleadings in a matter relating to that business entity.

(b) A county judge or county commissioner that has a substantial interest in a business entity as described by Subsection (a) must comply with this chapter.

(c) A judge of a constitutional county court may not enter a court appearance or sign court pleadings as an attorney in any matter before:

(1) the court over which the judge presides; or

(2) any court in this state over which the judge's court exercises appellate jurisdiction.

(d) Upon compliance with this chapter, a county judge or commissioner may practice law in the courts located in the county where the county judge or commissioner serves.

CHAPTER 176. DISCLOSURE OF CERTAIN RELATIONSHIPS WITH LOCAL GOVERNMENT OFFICERS; PROVIDING PUBLIC ACCESS TO CERTAIN INFORMATION

Sec. 176.001. DEFINITIONS. In this chapter:

(1) "Agent" means a third party who undertakes to transact some business or manage some affair for another person by the authority or on account of the other person. The term includes an employee.

(1-a) "Business relationship" means a connection between two or more parties based on commercial activity of one of the parties. The term does not include a connection based on:

(A) a transaction that is subject to rate or fee regulation by a federal, state, or local governmental entity or an agency of a federal, state, or local governmental entity;

(B) a transaction conducted at a price and subject to terms available to the public; or

(C) a purchase or lease of goods or services from a person that is chartered by a state or federal agency and that is subject to regular examination by, and reporting to, that agency.

(1-b) "Charter school" means an open-enrollment charter school operating under Subchapter D, Chapter 12, Education Code.

(1-c) "Commission" means the Texas Ethics Commission.

(1-d) "Contract" means a written agreement for the sale or purchase of real property, goods, or services.

(2) "Family member" means a person related to another person within the first degree by consanguinity or affinity, as described by Subchapter B, Chapter 573, Government Code.

(2-a) "Family relationship" means a relationship between a person and another person within the third degree by consanguinity or the second degree by affinity, as those terms are defined by Subchapter B, Chapter 573, Government Code.

(2-b) "Gift" means a benefit offered by a person, including food, lodging, transportation, and entertainment accepted as a guest. The term does not include a benefit offered on account of kinship or a personal, professional, or business relationship independent of the official status of the recipient.

(2-c) "Goods" means personal property.

(2-d) "Investment income" means dividends, capital gains, or interest income generated from:

(A) a personal or business:

(i) checking or savings account;

(ii) share draft or share account; or

(iii) other similar account;

(B) a personal or business investment; or

(C) a personal or business loan.

(3) "Local governmental entity" means a county, municipality, school district, charter school, junior college district, water district created under Subchapter B, Chapter 49, Water Code, or other political subdivision of this state or a local government corporation, board, commission, district, or authority to which a member is appointed by the commissioners court of a county, the mayor of a municipality, or the governing body of a municipality. The term does not include an association, corporation, or organization of governmental entities organized to provide to its members education, assistance, products, or services or to represent its members before the legislative, administrative, or judicial branches of the state or federal government.

(4) "Local government officer" means:

(A) a member of the governing body of a local governmental entity;

(B) a director, superintendent, administrator, president, or other person designated as the executive officer of a local governmental entity; or

(C) an agent of a local governmental entity who exercises discretion in the planning, recommending, selecting, or contracting of a vendor.

(5) "Records administrator" means the director, county clerk, municipal secretary, superintendent, or other person responsible for maintaining the records of the local governmental entity or another person designated by the local governmental entity to maintain statements and questionnaires filed under this chapter and perform related functions.

(6) "Services" means skilled or unskilled labor or professional services, as defined by Section 2254.002, Government Code.

(7) "Vendor" means a person who enters or seeks to enter into a contract with a local governmental entity. The term includes an agent of a vendor. The term includes an officer or employee of a state agency when that individual is acting in a private capacity to enter into a contract. The term does not include a state agency except for Texas Correctional Industries.

Sec. 176.002. APPLICABILITY TO VENDORS AND OTHER PERSONS. (a) This chapter applies to a person who is:

(1) a vendor; or

(2) a local government officer of a local governmental entity.

(b) A person is not subject to the disclosure requirements of this chapter if the person is:

(1) a state, a political subdivision of a state, the federal government, or a foreign government; or

(2) an employee or agent of an entity described by Subdivision (1), acting in the employee's or agent's official capacity.

Sec. 176.003. CONFLICTS DISCLOSURE STATEMENT REQUIRED. (a) A local government officer shall file a conflicts disclosure statement with respect to a vendor if:

(1) the vendor enters into a contract with the local governmental entity or the local governmental entity is considering entering into a contract with the vendor; and

(2) the vendor:

(A) has an employment or other business relationship with the local government officer or a family member of the officer that results in the officer or family member receiving taxable income, other than investment income, that exceeds $2,500 during the 12-month period preceding the date that the officer becomes aware that:

(i) a contract between the local governmental entity and vendor has been executed; or

(ii) the local governmental entity is considering entering into a contract with the vendor;

(B) has given to the local government officer or a family member of the officer one or more gifts that have an aggregate value of more than $100 in the 12-month period preceding the date the officer becomes aware that:

(i) a contract between the local governmental entity and vendor has been executed; or

(ii) the local governmental entity is considering entering into a contract with the vendor; or

(C) has a family relationship with the local government officer.

(a-1) A local government officer is not required to file a conflicts disclosure statement in relation to a gift accepted by the officer or a family member of the officer if the gift is:

(1) a political contribution as defined by Title 15, Election Code; or

(2) food accepted as a guest.

(a-2) A local government officer is not required to file a conflicts disclosure statement under Subsection (a) if the local governmental entity or vendor described by that subsection is an administrative agency created under Section 791.013, Government Code.

(b) A local government officer shall file the conflicts disclosure statement with the records administrator of the local governmental entity not later than 5 p.m. on the seventh business day after the date on which the officer becomes aware of the facts that require the filing of the statement under Subsection (a).

(c) Repealed by Acts 2015, 84th Leg., R.S., Ch. 989 , Sec. 9(1), eff. September 1, 2015.

(d) Repealed by Acts 2015, 84th Leg., R.S., Ch. 989 , Sec. 9(1), eff. September 1, 2015.

(e) The commission shall adopt the conflicts disclosure statement for local government officers for use under this section. The conflicts disclosure statement must include:

(1) a requirement that each local government officer disclose:

(A) an employment or other business relationship described by Subsection (a)(2)(A), including the nature and extent of the relationship; and

(B) gifts accepted by the local government officer and any family member of the officer from a vendor during the 12-month period described by Subsection (a)(2)(B) if the aggregate value of the gifts accepted by the officer or a family member from that vendor exceeds $100;

(2) an acknowledgment from the local government officer that:

(A) the disclosure applies to each family member of the officer; and

(B) the statement covers the 12-month period described by Subsection (a)(2)(B); and

(3) the signature of the local government officer acknowledging that the statement is made under oath under penalty of perjury.

Sec. 176.006. DISCLOSURE REQUIREMENTS FOR VENDORS AND OTHER PERSONS; QUESTIONNAIRE. (a) A vendor shall file a completed conflict of interest questionnaire if the vendor has a business relationship with a local governmental entity and:

(1) has an employment or other business relationship with a local government officer of that local governmental entity, or a family member of the officer, described by Section 176.003(a)(2)(A);

(2) has given a local government officer of that local governmental entity, or a family member of the officer, one or more gifts with the aggregate value specified by Section 176.003(a)(2)(B), excluding any gift described by Section 176.003(a-1); or

(3) has a family relationship with a local government officer of that local governmental entity.

(a-1) The completed conflict of interest questionnaire must be filed with the appropriate records administrator not later than the seventh business day after the later of:

(1) the date that the vendor:

(A) begins discussions or negotiations to enter into a contract with the local governmental entity; or

(B) submits to the local governmental entity an application, response to a request for proposals or bids, correspondence, or another writing related to a potential contract with the local governmental entity; or

(2) the date the vendor becomes aware:

(A) of an employment or other business relationship with a local government officer, or a family member of the officer, described by Subsection (a);

(B) that the vendor has given one or more gifts described by Subsection (a); or

(C) of a family relationship with a local government officer.

(b) The commission shall adopt a conflict of interest questionnaire for use under this section that requires disclosure of a vendor's business and family relationships with a local governmental entity.

(c) The questionnaire adopted under Subsection (b) must require, for the local governmental entity with respect to which the questionnaire is filed, that the vendor filing the questionnaire:

(1) describe each employment or business and family relationship the vendor has with each local government officer of the local governmental entity;

(2) identify each employment or business relationship described by Subdivision (1) with respect to which the local government officer receives, or is likely to receive, taxable income, other than investment income, from the vendor;

(3) identify each employment or business relationship described by Subdivision (1) with respect to which the vendor receives, or is likely to receive, taxable income, other than investment income, that:

(A) is received from, or at the direction of, a local government officer of the local governmental entity; and

(B) is not received from the local governmental entity; and

(4) describe each employment or business relationship with a corporation or other business entity with respect to which a local government officer of the local governmental entity:

(A) serves as an officer or director; or

(B) holds an ownership interest of one percent or more.

(d) A vendor shall file an updated completed questionnaire with the appropriate records administrator not later than the seventh business day after the date on which the vendor becomes aware of an event that would make a statement in the questionnaire incomplete or inaccurate.

(e) A person who is both a local government officer and a vendor of a local governmental entity is required to file the questionnaire required by Subsection (a)(1) only if the person:

(1) enters or seeks to enter into a contract with the local governmental entity; or

(2) is an agent of a person who enters or seeks to enter into a contract with the local governmental entity.

(f) Repealed by Acts 2015, 84th Leg., R.S., Ch. 989 , Sec. 9(3), eff. September 1, 2015.

(g) Repealed by Acts 2015, 84th Leg., R.S., Ch. 989 , Sec. 9(3), eff. September 1, 2015.

(h) Repealed by Acts 2015, 84th Leg., R.S., Ch. 989 , Sec. 9(3), eff. September 1, 2015.

(i) The validity of a contract between a vendor and a local governmental entity is not affected solely because the vendor fails to comply with this section.

Sec. 176.0065. MAINTENANCE OF RECORDS. A records administrator shall:

(1) maintain a list of local government officers of the local governmental entity and shall make that list available to the public and any vendor who may be required to file a conflict of interest questionnaire under Section 176.006; and

(2) maintain the statements and questionnaires that are required to be filed under this chapter in accordance with the local governmental entity's records retention schedule.

Sec. 176.008. ELECTRONIC FILING. The requirements of this chapter, including signature requirements, may be satisfied by electronic filing in a form approved by the commission.

Sec. 176.009. POSTING ON INTERNET. (a) A local governmental entity that maintains an Internet website shall provide access to the statements and to questionnaires required to be filed under this chapter on that website. This subsection does not require a local governmental entity to maintain an Internet website.

(b) Repealed by Acts 2013, 83rd Leg., R.S., Ch. 847, Sec. 3(b), eff. January 1, 2014.

Sec. 176.010. REQUIREMENTS CUMULATIVE. The requirements of this chapter are in addition to any other disclosure required by law.

Sec. 176.012. APPLICATION OF PUBLIC INFORMATION LAW. This chapter does not require a local governmental entity to disclose any information that is excepted from disclosure by Chapter 552, Government Code.

Sec. 176.013. ENFORCEMENT. (a) A local government officer commits an offense under this chapter if the officer:

(1) is required to file a conflicts disclosure statement under Section 176.003; and

(2) knowingly fails to file the required conflicts disclosure statement with the appropriate records administrator not later than 5 p.m. on the seventh business day after the date on which the officer becomes aware of the facts that require the filing of the statement.

(b) A vendor commits an offense under this chapter if the vendor:

(1) is required to file a conflict of interest questionnaire under Section 176.006; and

(2) either:

(A) knowingly fails to file the required questionnaire with the appropriate records administrator not later than 5 p.m. on the seventh business day after the date on which the vendor becomes aware of the facts that require the filing of the questionnaire; or

(B) knowingly fails to file an updated questionnaire with the appropriate records administrator not later than 5 p.m. on the seventh business day after the date on which the vendor becomes aware of an event that would make a statement in a questionnaire previously filed by the vendor incomplete or inaccurate.

(c) An offense under this chapter is:

(1) a Class C misdemeanor if the contract amount is less than $1 million or if there is no contract amount for the contract;

(2) a Class B misdemeanor if the contract amount is at least $1 million but less than $5 million; or

(3) a Class A misdemeanor if the contract amount is at least $5 million.

(d) A local governmental entity may reprimand, suspend, or terminate the employment of an employee who knowingly fails to comply with a requirement adopted under this chapter.

(e) The governing body of a local governmental entity may, at its discretion, declare a contract void if the governing body determines that a vendor failed to file a conflict of interest questionnaire required by Section 176.006.

(f) It is an exception to the application of Subsection (a) that the local government officer filed the required conflicts disclosure statement not later than the seventh business day after the date the officer received notice from the local governmental entity of the alleged violation.

(g) It is an exception to the application of Subsection (b) that the vendor filed the required questionnaire not later than the seventh business day after the date the vendor received notice from the local governmental entity of the alleged violation.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C15

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, November 14, 2024

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C16

Topic: **City of Dallas Proposition U**

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: Proposition U was approved (unofficial results) by the voters of the City of Dallas on November 5th. The language of Proposition U is attached. Both the pension system and the hiring and pay of police officers are included in the language of the proposition.

Regular Board Meeting – Thursday, November 14, 2024

PROPOSITION U

Police and Fire Funding Appropriation

Shall Chapter XI of the Dallas City Charter be amended by adding a new section compelling city council to appropriate no less than 50 percent of annual revenue that exceeds the total annual revenue of the previous year to fund the Dallas Police and Fire Pension, with any monies remaining of that 50% to be appropriated to increasing the starting compensation of officers of the Dallas Police Department and to increase the number of police officers to a minimum of 4,000, and to maintain that ratio of officers to the City of Dallas population as of the date of passage of this amendment?

CHAPTER XI. THE BUDGET AND FINANCIAL PROCEDURE RELATING THERETO.

SEC. 15. PRIORITY OF EXCESS REVENUE.

(a) If at any time the total actual, accruing or estimated annual revenue of the city exceeds the total actual annual revenue of the prior fiscal year, city council shall appropriate no less than 50 percent of such excess amount, in compliance with Section 1 of Chapter XI of the Charter, to fund the Dallas Police and Fire Pension System – Combined Plan, in the amount directed by the State Pension Review Board and/or city council, whichever is higher. Any monies remaining shall be appropriated to the public safety objectives described below in Subsection (b).

(b) Public safety objectives.

(1) The starting combined salary and non-pension benefits, excluding sign-on bonuses, of the police officers of the Dallas Police Department are within the top five of all city police departments (as compared to the starting combined salary and non-pension benefits) in Dallas, Collin, Tarrant, Denton, and Rockwall Counties with a population over 50,000, on a per officer basis; and

(2) The total number of full-time sworn police officers of the police department of the City of Dallas is increased to at least 4,000 and the ratio established of 4,000 officers to Dallas city residents as of the date of the passage of this charter amendment is maintained or increased going forward.

(A) Any monies appropriated to this public safety objective but not spent within the fiscal year shall be transferred to a sinking fund to fund this Public Safety Objective in the subsequent fiscal year.

(c) Any monies remaining after all public safety objectives defined in this section have been met may be reappropriated by city council.

(d) The city, on an annual basis, shall hire a third-party firm to conduct a survey to calculate the starting combined salary and non-pension benefits, excluding sign-on bonuses, of the full-time police officers of all cities in Dallas, Collin, Tarrant, Denton, and Rockwall Counties with a population over 50,000, on a per officer basis, and report the findings to city council. The third-party firm will be required to certify in writing to the city that it used its best efforts to include responses from each city in Dallas, Collin, Tarrant, Denton, and Rockwall Counties in the annual survey, and the failure or unwillingness of any city to participate in the survey shall have no impact on either:

(1) the city's and the third-party firm's obligations to complete and deliver the survey required by this Section on an annual basis; or

(2) the city's obligations under this chapter.

(e) As used in this section, "revenue" shall mean all revenue collected by the city that's use is not restricted to a limited purpose under state or federal law, including, but not limited to ad valorem property tax, sales tax, beverage taxes, asset forfeiture funds, bingo fees, cemetery taxes, impact fees, interlocal agreements, internet payment and access fees, investments, court fees, open records fees, municipal development corporation sales taxes, municipal development district taxes, pro rata fees, public improvement district assessments, right-of-way fees, special improvement district fund taxes, street assessments, time warrants, user fees, venue taxes, donations, coin-operated machine taxes, drainage fees, hotel taxes, parking fees, franchise fees, enterprise funds, charges for services, admission fees, fines and forfeitures, operating transfers from municipally controlled entities, municipal enterprises, municipally owned utilities, municipally controlled districts, licenses and permits, and interest, but shall not include any debt proceeds taken on by the city, or any grants, appropriations or other revenue received from other governmental or non-profit entities (that weren't directly or indirectly initially provided to such other governmental or non-profit entities by the city).

(f) If any section, paragraph, clause, or provision of this section is for any reason held to be invalid or unenforceable, the invalidity or unenforceability of that section, paragraph, clause, or provision shall not affect any of the remaining provisions of this section, and to this end, the provisions of this section are declared to be severable. This section shall supersede the Dallas City Code to the extent there are any conflicts.

Updated 9-11-24

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C17

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 DPFP 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.

DISCUSSION SHEET

ITEM #D1

Topic: **Public Comment**

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

Regular Board Meeting – Thursday, November 14, 2024

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #D2

Topic: **Executive Director's Report**

a. Associations' newsletters
- NCPERS Monitor (November 2024)
- NCPERS PERSist (Fall 2024)

b. Open Records

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

Regular Board Meeting – Thursday, November 14, 2024

THE NCPERS
MONITOR
The Latest in Legislative News
November 2024

NCPERS **Executive Director's Corner**

Empowering Pension Plan Participants Through Financial Education: Strategies for Success

By Hank Kim, Executive Director and Counsel, NCPERS

Photo Illustration © 2024, istock.com

Earlier this year, California became the 26th state to require high school students to complete a personal finance course. The number of states with similar requirements has more than tripled in the past four years—a clear indication of the growing recognition of the dangers of financial illiteracy.

These critical knowledge gaps have tangible impacts on savings—and ultimately on retirement security. Last year, Americans lost an average of $1,506 due to financial illiteracy, and across generations, nearly half of Americans do not know what a 401(k) is. In the under-35 demographic of the public sector, recent data from MissionSquare found that 1 in 5 employees did not know whether they were participating in a defined benefit or defined contribution plan.

Even for workers with pensions, education is needed to ensure they fully understand their benefits in order to appropriately save to supplement their guaranteed retirement income. Increasingly, plan sponsors and administrators are stepping up to provide the education and resources needed to help workers meet their financial goals.

For example, the San Bernardino County Employees' Retirement Association (SBCERA) recently announced that it has partnered with Financial Knowledge to begin offering free financial education courses to its members. Courses are conducted by certified financial planner professionals and are designed to empower members in managing their personal finances.

“At SBCERA, we strongly believe that our members need to understand how their defined benefit pension plan fits into their broader financial picture, both during their active service and in retirement. That's why we are making it a priority to offer free financial education courses to our members,” said Debby Cherney, CEO of SBCERA.

Successful financial wellness programs or educational campaigns can be very difficult to implement. Messaging needs to be carefully crafted, partnerships need to be vetted, and resources need to be allocated effectively. For public pensions looking to launch a financial wellness program, a key first step may be looking for lessons learned from peers. NCPERS pension fund roundtables are a great place to connect virtually with fellow plan staff, ask questions, and find out how peers are tackling similar challenges.

In this issue of The Monitor, you'll find tips from the Wisconsin Department of Employee Trust Funds' team behind Wisconsin Strong: Your Financial Security—a pilot program that ran from March 2021 to February 2022. More than 18,300 Wisconsin public employees participated in the program's online financial wellness platform, which made extensive use of personalized and interactive courses, webinars, and quizzes for WRS members to learn at their own pace.

Through a previously successful campaign designed to reduce the savings gap between male and female Wisconsin Retirement System members, they realized that sharing curated financial wellness information through the right channels with the right audience *could* help spark what researchers would call a positive "behavior change."

Communications teams inevitably play a key role in these campaigns. Effective engagement strategies tend to look very different depending on a plan participants' life stage—often requiring strategic audience segmentation and ongoing updates to optimize messaging.

Member engagement and financial literacy are two of the key educational themes for the 2025 Pension Communications Summit, held January 26-27 in Washington, DC. Now in its third year, this unique program provides a crucial platform for industry professionals to convene, exchange innovative ideas, and delve into best practices for both internal and external communications.

This year's agenda—curated by program directors from NCPERS Communications Roundtable—covers key topics such as crisis communications, digital media best practices, tips dealing with jargon, communicating about tough topics, and, of course, strategies to build financial literacy and engage effectively with plan participants.

Learn more about the Pension Communications Summit and register here to join us in January. ◆

NCPERS **Feature**

What Goes Into a Successful Financial Wellness Program for Public Employees? Tips from Wisconsin Strong: Your Financial Security™

By: Lizzy Lees, Director of Communications, NCPERS

In order to plan for a secure retirement, building financial knowledge is a critical first step. Yet only 57 percent of Americans are considered financially literate. As a result, employers are increasingly stepping up to help provide this much-needed education in the form of financial wellness programs.

If you are considering starting a member-focused education effort around financial wellness, then you'll want to study a model initiative called "Wisconsin Strong: Your Financial Security™." This campaign was planned and carried out by the Wisconsin Department of Employee Trust Funds (ETF) in conjunction with various partners. ETF administers the Wisconsin Retirement System (WRS) and other benefit programs for approximately 692,000 current and former public employees, retirees, and their beneficiaries.

ETF's interest in a broad-based financial wellness program goes back to some analysis it conducted about a decade ago, when Tarna Hunter, Budget and Management Director, and Shelly Schueller, Deferred Compensation Director, found that female WRS members had, on average, 20 percent less in their 457(b) supplementary retirement savings accounts and WRS accounts than their male counterparts.

ETF then began to work with WRS employers to provide targeted information to female members on the 457(b) plan's advantages; this was known as ETF's "EMPOWER" campaign. EMPOWER stands for "Embracing and Promoting Options for Women to Enhance Retirement." The Center for Financial Security at the University of Wisconsin-Madison later completed its own study of the EMPOWER effort. It found that the information shared with WRS members helped to change their behavior such that female members on average began to *increase* their contributions to their 457(b) accounts in amounts that actually *exceeded* males.

For members of the ETF team that spoke with NCPERS for this article, this was an "aha!" moment – sharing curated financial wellness information through the right channels with the right audience *could* help spark what researchers would call a positive "behavior change."

Building on this success, ETF began to get more ambitious in its financial wellness education plans. It formed a partnership with Financial Fitness Group (FFG, now known as "Enrich"). FFG at the time had started to develop an online financial fitness/wellness education platform and invited ETF to collaborate on it.

Over the next four years through this informal partnership, ETF became more comfortable with using online tools and incorporating them into the group's work. This helped ETF network with additional partners for financial wellness education. This included the Women's Institute for a Secure Retirement (WISER) and a local credit union that was already actively serving Wisconsin's public servants (and therefore understood ETF's audience), as well as other local and national organizations.

Another relationship ETF leveraged for financial wellness was Wisconsin's Department of Financial Institutions, which helped ETF secure a $100,000 financial grant in support of joint member education work. All this collaboration came together in a pilot financial wellness program called "Wisconsin Strong: Your Financial Security™" that ran from March 2021 to February 2022 (that is – during the COVID pandemic). The campaign was enthusiastically supported by dozens of WRS' employers—51 employers signed up as "champions," committing to take a more proactive role in the program. Employers received toolkits with branded messaging and educational resources, which they greatly appreciated and ultimately helped drive member engagement and learning.

In terms of messaging, the focus wasn't on retirement security, but rather financial wellness and how life events can affect your ability to save for anything—regardless of your life stage. "We tried to keep it fun and engaging, with images focused on life events, empowerment, and financial inclusion," said Mark Lamkins, Communications Director.

More than 18,300 employees participated in the Wisconsin Strong program's online financial wellness platform, which made extensive use of personalized and interactive courses, webinars, and quizzes for WRS members to learn at their own pace. It covered topics including: an online financial self-assessment and benchmarking of participants' financial knowledge; 457(b) deferred compensation plans; student loan debt assistance and college savings; plus education on WRS benefits.

Here are some further tips shared by ETF for any readers looking to power up their own financial wellness program or educational campaign:

- **Be Realistic about the Resources Your Financial Wellness Project Requires:** Many well-done financial wellness programs are completed as part of pension administrative staff's "other duties as assigned" – that familiar catch-all. But to try to run a financial wellness program successfully, on an ad hoc basis and *without* dedicated staff, can mean putting a strain on your team.

  ETF's advice: to keep your financial wellness education efforts sustainable over the long term, try to at least have a dedicated program manager in place, who can give these projects due attention and support.

- **Your Campaigns Will Produce Data. Study It for New Audience Insights:** Sifting through the data generated by your campaign will help you approach your key audiences with fresh insights into their specific needs. For example, ETF studied data gathered through member interactions with the Financial Fitness platform. This revealed that for younger members, providing them information about how to obtain forgiveness for their student loans would be of higher value than practically any other finance-related topic.

- **Embrace Targeted Communications:** Financial wellness is a journey, so it's important to consider when and how you're communicating with members. Mapping out personalized campaigns tied to events—such as work anniversaries or even birthdays—can help drive engagement as circumstances change. It's important to provide ongoing education and consider offering content in various formats to accommodate differing preferences.

- **In Searching for Partners, Look for Obvious Synergies:** We are all familiar with online financial content that is really just a thinly-disguised sales pitch for some exotic or unusual investment product – which is the very last thing any retirement system would want to provide to their members through an "educational" program.

  So as you try to find partners who can help make your financial wellness initiative succeed, prioritize those with some solid "synergies" or connections to the lives of people working in the public sector. That's why credit unions serving public servants were a great fit for ETF as partners – as were ETF's employer sponsors. A not-for-profit group or think-tank working on retirement issues or aging issues may similarly be a potentially good partner.

- **Make Sure to Survey Members on Their Experience:** To get insight into how the campaign's content landed with members, ETF surveyed them on their experiences. The campaign garnered an average rating of 3.9 out of 5, with 87% of participants saying they would recommend the initiative to colleagues, friends and family. A solid outcome! ◆

***

Special thanks to the following ETF team members for their input on this article:

Tarna Hunter, Budget and Management Director; Shelly Schueller, Deferred Compensation Director; and Mark Lamkins, Communications Director.

To learn more about ETF and its long-running interest in promoting financial wellness education, visit these links:

- About Wisconsin Strong
- Moving the Needle on Retirement Planning & Saving: The Role of Education
- Case Study: Innovative Public Sector Employee Financial Wellness Programs

NCPERS **Feature**

The Tax Debate of 2025

By: Tony Roda, Williams & Jensen

Photo Illustration © 2024, istock.com

There is great uncertainty regarding the outcome of the elections on November 5. There is even uncertainty as to how long it will take after the elections to know who our next president will be, and which party will control the House and the Senate.

The latest polls on the presidential race in the key battleground states all are within the margin of error, with Vice President Kamala Harris holding slight leads in Pennsylvania, Michigan, and Wisconsin, and former President Donald Trump holding slight leads in Georgia, North Carolina, and Arizona. Other states, such as Nevada, also are very close.

There are 70 competitive House races, with 27 rated as true toss ups and those are almost equally split between seats currently held by Democrats and those held by Republicans. As you can see, the House could go either way. The Republicans have the inside track on winning the Senate majority. The current Democratic majority is 51-49, but West Virginia will flip into the GOP column and Senator Jon Tester (D-MT) is trailing in the polls. Other Democratic held seats in Ohio, Pennsylvania, Wisconsin, and Michigan are tight.

All this uncertainty, however, does not extend to the fact that the next Congress, no matter which party controls each chamber, will have to work with the next president on dealing with the expiration of the 2017 tax law, known as the Tax Cuts and Jobs Act (TCJA). Most provisions will expire at the end of calendar year 2025. If Congress does not act, taxpayers will see major changes to their tax treatment when they file their return for tax year 2026, which would be in the first quarter of 2027. To prevent this, Congress needs to act in 2025 or early 2026, and it will need the next president to sign the measure into law.

According to the Tax Foundation, a Washington, D.C.-based think tank, full extension of the TCJA would result in $4 trillion less in federal tax revenues over the next 10 years – a staggering amount. A tax bill this large, which affects individual taxes, corporate taxes, estate taxes, standard deduction amounts, and other key areas, such as the $10,000 annual cap on the deductibility of state and local taxes, is fair game for any tax change.

This fact has not been lost on the pension staff of the Congressional tax-writing committees, namely the House Ways and Means Committee and the Senate Finance Committee. The retirement community still is in the throes of navigating the new tax-related retirement provisions of the SECURE Act of 2019 and the SECURE Act 2.0 of 2022. Regulatory guidance is being released by the Treasury Department and the Internal Revenue Service and retirement plans are making changes and adapting accordingly. However, once Congress begins down the path of extending the tax benefits of TCJA, there will be an opportunity for additional changes to retirement tax law.

Specifically in the case retired first responders, the next round of retirement changes could bring about an increase in the annual cap under the Healthcare Enhancement for Local Public Safety Act (HELPS). The SECURE Act 2.0 made direct payment under HELPS optional and created an alternative to the original method by allowing the retirement system to make the distribution to the retired public safety officer. The retiree can now make the premium payment to the insurance provider and remain eligible for the up to $3,000 per year tax exclusion.

Successfully fixing the direct payment requirement in the SECURE Act 2.0 now allows NCPERS and others in the public safety stakeholder community to focus on increasing the annual exclusion cap. The $3,000 cap has not been increased since its inception in 2006 despite significant increases in premiums for health care and long-term care insurance over the past 18 years.

In addition, numerous retirement-related provisions in the tax code are indexed for inflation, including annual limits for contributions to 401(k), 457(b), and 403(b) accounts. This is done as a matter of fairness for taxpayers. During consideration of the next tax bill, we expect discussions on whether to index the HELPS annual exclusion for inflation in future years.

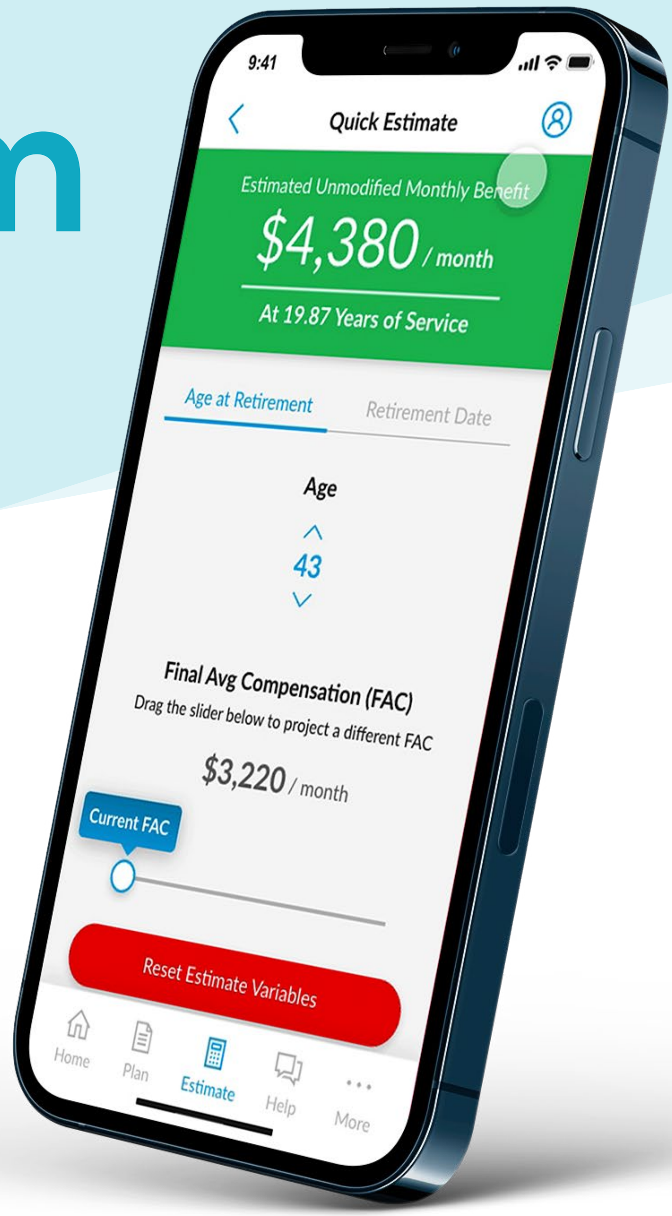
Also on the first responder front, S. 4267, which was introduced by Sen. Michael Bennet (D-CO) in the 117th Congress, would create a new tax credit for retired first responders for health care premiums of up to $4,800 per year.

On the defensive side of the ledger, bear in mind that the original House-passed version of TCJA contained a provision to specifically subject investments of state and local governmental pension plans to the Unrelated Business Income Tax (UBIT). Analysis of the provision at the time concluded that UBIT would cover certain private equity and hedge fund investments. NCPERS, among other stakeholders, took the lead in lobbying against this provision, and it was not included in the final TCJA. However, because it was a Republican initiative, it may resurface in the next Congress in a GOP-controlled Senate or House.

Please know that NCPERS will be closely monitoring tax legislation in the next Congress. We will look for opportunities to advance our offensive agenda, and play defense, if necessary, on UBIT and any other problematic proposals that arise. We will keep you apprised of significant developments as the new Congress gets underway. ◆

__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, Nebraska, 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 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

NCPERS Around the Regions

Pension Raises for Some Retired Pennsylvania Teachers and State Workers Move Ahead in Legislature

A bill that would give pension increases to more than 60,000 retired school and government workers passed the Pennsylvania House by a comfortable margin, although opponents warned it would saddle taxpayers with a $1 billion bill. The 135-67 vote sent the measure to the Republican majority state Senate as the current two-year legislative session is winding down.

READ MORE *Source: The Associated Press*

Dallas Voters to Decide on Civilian Pension Fund Reform

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: Dallas Weekly*

City of Fresno Sued by Firefighters, Retirees for Skipping Pension Contributions Increase to Offset Swelling Deficit

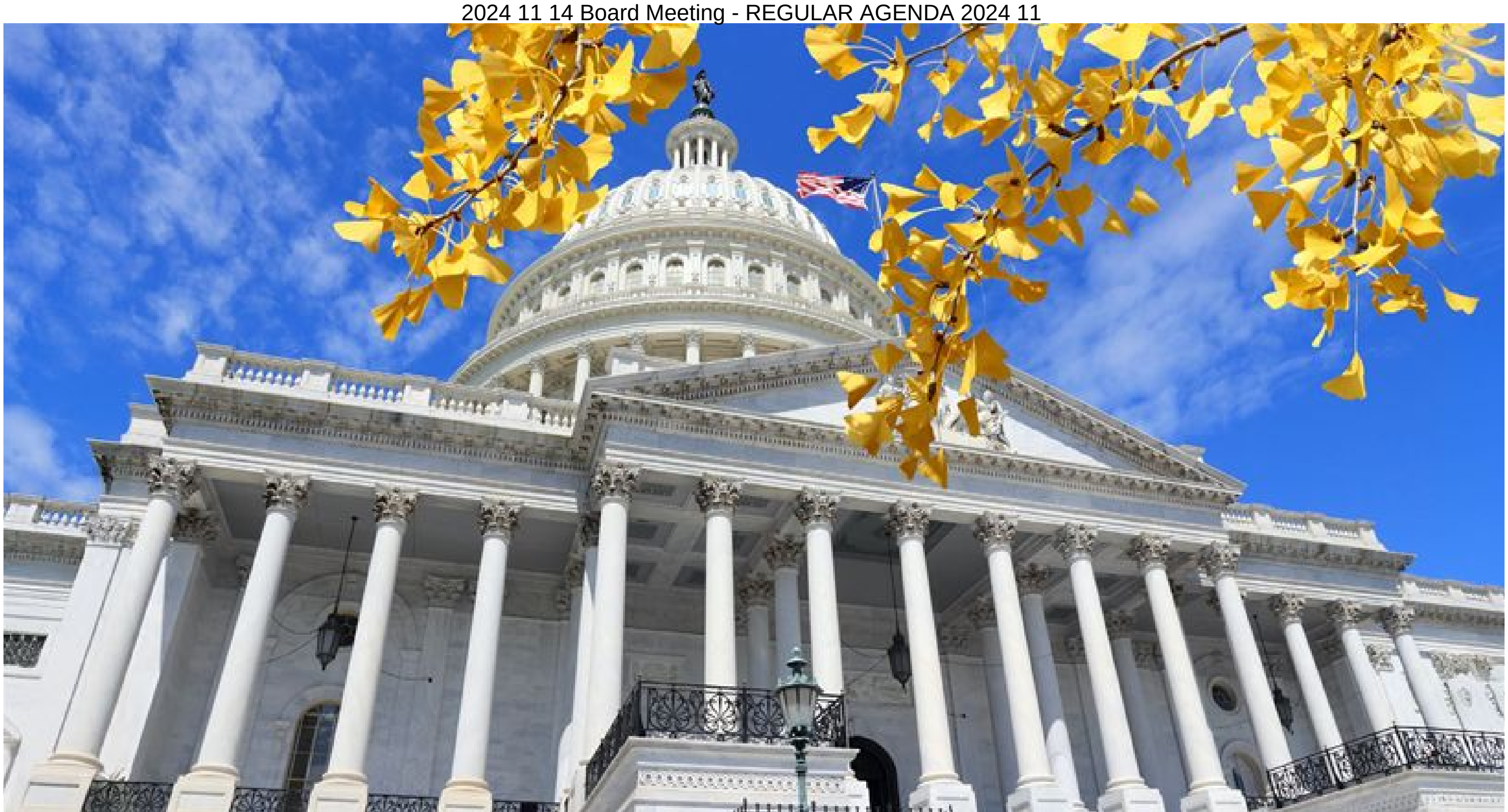
The City of Fresno is facing a lawsuit for not increasing its contributions to the overfunded retirement system for the city's firefighters when it approved the budget earlier this year for the 2024-2025 fiscal year. The City of Fresno Fire & Police Retirement System and City of Fresno Employees Retirement System filed a lawsuit against the city last month, asking the court to order the city to implement the retirement contribution rate changes.

READ MORE *Source: The Sun*

Alabama Retirees Have Not Seen Pension Increase in Over a Decade

Retired state and city employees have not seen an increase in their retirement pension in over 10 years. Alabama's retirement system requires legislation to pass a cost-of-living-adjustment each year. The seven percent increase in 2007 cost the state $1.4 billion dollars.

READ MORE *Source: WAFF 48*



UPCOMING EVENTS

Photo Illustration © 2024, istock.com

January 2025

Pension Communications Summit

January 26-27
Washington, DC

Legislative Conference & Policy Day

January 27-29
Washington, DC

May 2025

NCPERS Accredited Fiduciary (NAF) Program

May 17-18, 2025
Denver, CO

Trustee Educational Seminar (TEDS)

May 17-18, 2025
Denver, CO

Annual Conference & Exhibition (ACE)

May 17-21, 2025
Denver, CO

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

The Voice for Public Pensions

The Monitor is published by the National Conference on Public Employee Retirement Systems.
Website: www.NCPERS.org • E-mail: info@ncpers.org

PERSist

The Voice for Public Pensions Fall 2024 | Volume 37 | Number 4

NCPERS Message

The Path to Improving Retirement Security in the U.S.

Photo Illustration © 2024, adobestock.com

In honor of National Retirement Security Month, the Fall 2024 issue of PERSist features several articles that address the growing challenges Americans face in saving for a secure future and provide strategies to support the long-term sustainability of public pensions.

The U.S. retirement system recently earned a C+ grade and saw its ranking fall to number 29 out of 48 global pension systems in the Mercer CFA Institute Global Pension Index report, which analyzes both public and private sources of retirement funds.

According to Mercer, two major contributors to the dismal grade were the lack of access to workplace retirement plans and the many opportunities for "leakage" from retirement accounts—such as prematurely cashing out funds when changing jobs.

Since 2010, NCPERS has done extensive advocacy work to expand access to retirement plans through state-sponsored Secure Choice retirement savings programs. Today, there are 17 state-facilitated retirement programs with more than $1.64 billion in assets, bringing much-needed access for millions. However, it's clear there is more work to be done.

The Mercer report's authors noted that the transition from defined benefit (DB) plans to defined contribution (DC) plans has shifted the risk from employers to individuals. With variables like investment returns, rising inflation, increasing lifespans, and opaque plan fees, many workers lack a clear understanding of their benefits and are left woefully unprepared for retirement. Today, the median 401(k) balance is just $35,286.

According to the Congressional Research Service, only 15 percent of private sector workers have access to a DB plan compared to an impressive 86 percent of public sector workers. With fewer workers having access to pension, it comes as no surprise that 79 percent of Americans now recognize that there is a retirement crisis, up from 67 percent in 2020.

This only illustrates the importance of preserving and expanding access to pensions to enhance retirement security for all—a key tenet of NCPERS' mission. Our research shows that DB plans provide more than twice as much benefit as DC plans at the same cost to employer. Further, our latest study finds that the shift away from pensions to 401(k)-style plans has increased income inequality, which in turn has dampened the economy.

While the data should speak for itself, we know that only path to improving retirement security is through continued advocacy and ongoing education. Just as trustees and plan staff need to continue to educate themselves about the latest industry developments and best practices, it's imperative that we ensure policymakers have a strong understanding of the issues affecting each plan and the vital role that pensions play in recruiting and retaining public servants.

NCPERS engages with policymakers throughout the year on behalf of our members, but it is equally important for public pension stakeholders and allies to stay informed about the latest developments at both the state and federal level. NCPERS Legislative Conference & Policy Day provides the space for industry professionals to gain a comprehensive understanding of the policy landscape and learn how to advocate effectively on behalf of their funds. Then, on Policy Day, trustees and plan staff head to Capitol Hill to meet with their Congressional representatives to build relationships and help educate policymakers about the importance of preserving and protecting pensions.

Retirement security is a dire issue that affects us all. But only through continued and deliberate education, research, and engagement with policymakers will we find a solution.

Learn more about NCPERS Legislative Conference & Policy Day—held January 27-29—and register now to join us in Washington, DC. ◆

NCPERS In This issue

With Paycheck-to-Paycheck Living More Common, a Defined Benefit Plan Provides a Secure Retirement Path

By: Daniel J. Siblik, Segal

Photo Illustration © 2024, istock.com

A large majority of Americans are living paycheck to paycheck — 78%, according to a 2023 survey conducted by Payroll.org.[1] Moreover, immediate financial difficulties are not limited to low earners. A MarketWatch survey found that close to half of people earning at least $100,000 annually and more than one-third of people earning $200,000 or more reported the same.[2]

> *A large majority of Americans are living paycheck to paycheck — 78%, according to a 2023 survey conducted by Payroll.org.*

One concerning finding is that half of Baby Boomer respondents (in or near retirement) say they're living paycheck to paycheck. Specifically, they report having outsized challenges from inflation but are less affected by unexpected emergencies. For millennials, lack of budgeting and planning is the most challenging issue. A 2023 article by the Aspen Institute stated that after paying the rent/mortgage and then almost $700 on food, followed by about $100 for out-of-pocket health expenses, almost 85% of median take-home pay has been spoken for (excluding other essential expenses such as transportation, childcare, and debt payments).[3]

Living paycheck to paycheck focuses personal finances on immediate concerns, making saving for retirement a low and distant priority.

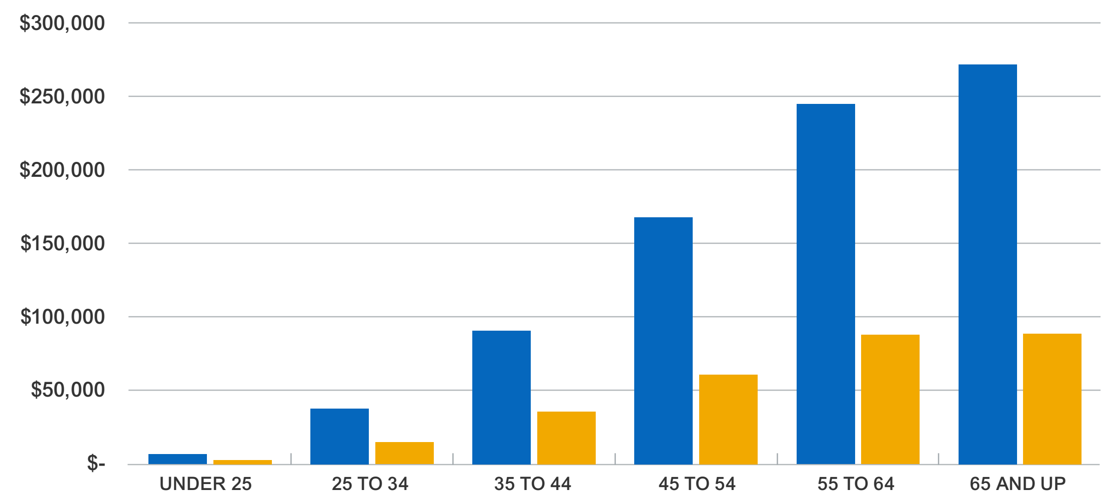
By all accounts, retirement savings look low

Analyzing defined contribution (DC) plan balances shows some startling results. In general, they don't appear to be enough to sustain even modest retirement income levels.

Although 403(b) and 457(b) plans are more common in the public sector than 401(k) plans, data is more widely available for 401(k) plans, so they are often used as a proxy for all DC plans. Like housing price statistics, the median account balance is a more accurate measure than average because the average is skewed upward by very high outliers. In 2023, the average overall 401(k) account balance was $134,128, but the median was only $35,286.[4] The following graph shows average and median DC account balances by age bands.

> *People lower on the income spectrum generally have built smaller balances in proportion to their salary than people higher up*

DC Account Balances by Age Bands

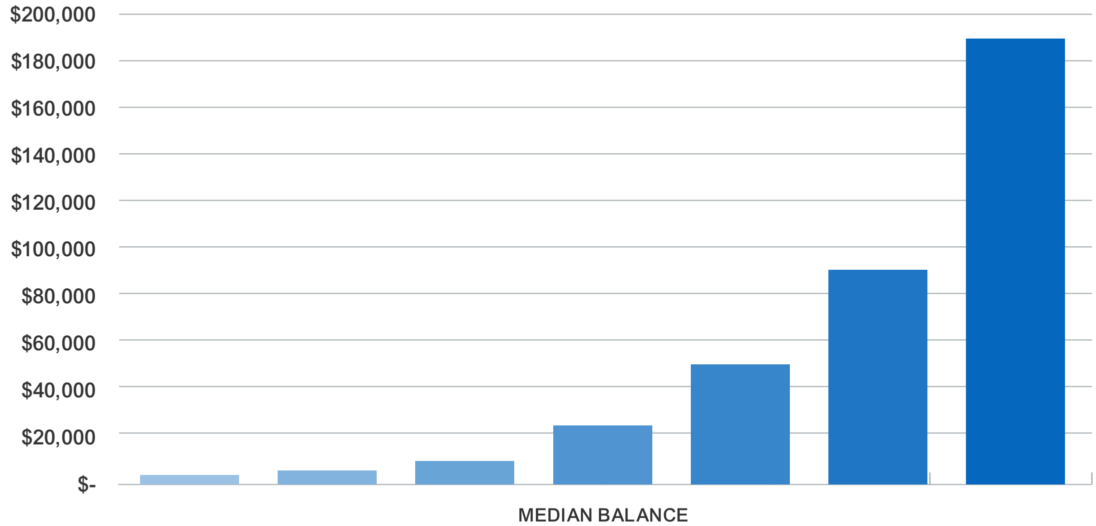


	Under 25	25 to 34	35 to 44	45 to 54	55 to 64	65 and up
Average Balance	$7,351	$37,557	$91,281	$168,646	$244,750	$272,588
Median Balance	$2,816	$14,933	$35,537	$60,763	$87,571	$88,488

Sources: Segal graph created using data from Vanguard's How America Saves report with permission

Not surprisingly, DC plan balances are correlated with income. People lower on the income spectrum generally have built smaller balances in proportion to their salary than people higher up. Other than the lowest band, comparing DC balances to the midpoints of income bands results in larger percentages as the income level increases, as illustrated in the following graph.

DC Account Balances by Income Bands



	Median Balance
Under $15,000	$3,691
$15,000 - $29,999	$6,142
$30,000 - $49,000	$10,072
$50,000 - $74,999	$24,939
$75,000 - $99,999	$51,073
$100,000 - $149,999	$91,323
$150,000 and over	$188,678

Sources: Segal graph created using data from data from Vanguard's How America Saves report with permission.

While some articles tout the number of increasing DC-balance millionaires, that's missing the point. We need retirement plans to work at all income levels, especially lower ones. Participation in DC plans is not guaranteed either as, even with more prevalent automatic enrollment, only 42% of members get auto-enrolled.[5] We have decades of data related to DC plans' inadequate impact on retirement readiness.

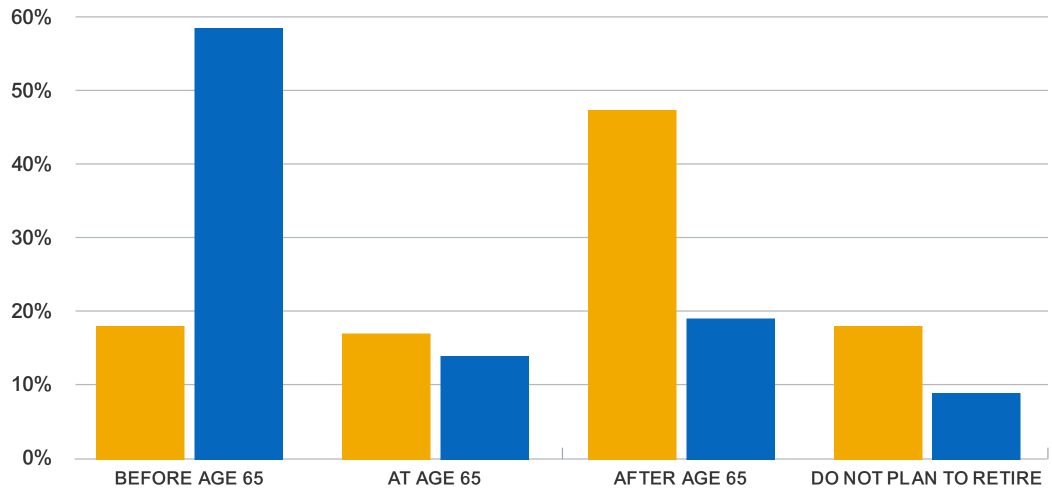
One criticism made with analyzing DC account balances like this is, due to potential job movement without electing rollovers, some people may have more than one account. But even quadrupling the highest median account balances shown results in amounts lower than the present value at retirement for a standard defined benefit (DB) plan lifetime annuity.

A DB plan present value of a $3,000 monthly annuity with no cost-of-living adjustment (COLA) has a present value near $400,000, depending on the underlying assumptions. This is greater than summing four median 401(k) balances of $88,000 at age 65 and up. Adding a COLA can add hundreds of thousands of dollars in value. Approximately half of public sector DB plans offer some form of COLA.[6]

Fear of the great (and not so great) unknown

When surveyed about their retirement fears, the primary concern for workers age 50 and older was "outliving my savings and investments," at 45% of respondents. Additionally, many people don't work as long as originally planned for a variety of reasons. Cutting short a savings horizon in this manner further hurts already low account balances. Expected and actual retirement patterns are illustrated in the following graph.

Expected vs. Actual Retirement Ages



	Before Age 65	At Age 65	After Age 65	Do Not Plan to Retire
Expected Retirement	18%	17%	47%	18%
Actual Retirement	58%	14%	19%	9%

Sources: Transamerica Center for Retirement Studies, "Life in Retirement: Pre-Retiree Expectations and Retiree Realities," September, 2023

Only 9% of those retiring earlier than expected said they "had saved enough money and could afford to retire." Among those retirees, 45% retired early for health reasons and 42% listed unhappiness, organizational changes, job loss and/or burnout.[7] Someone pressured by financial difficulties to delay retirement savings in a DC plan may lose additional key saving years by retiring unexpectedly. Contrast that experience with that of participants in DB plans for whom funding for retirement happens over an entire career.

The DB advantage

The DC plan "experiment" has been running for several decades and it appears it's not going great — especially for those at the lower end of the income spectrum. How can we ask a country largely living paycheck to paycheck to live from an account balance upon retirement that is often nowhere near sufficient?

The most secure form of retirement is one that pays meaningful benefits with dependability and consistency. DB plans do this by:

- Effectively having 100% election rates (participation is not optional)
- Providing funding that covers employees' entire working lifetimes
- Having professionally managed assets throughout working careers and retirement
- Providing a stream of retirement payments that mimics the way many workers are living while employed

Even if workers eventually escape the paycheck-to-paycheck lifestyle, a DB plan is still likely to supply them with the most reliable, consistent, and efficient source of retirement income. ◆

__Daniel J. Siblik, ASA, MAAA, FCA, EA__ is a Vice President and Actuary in Segal's Chicago office. Dan has more than 25 years of experience as a benefits consultant. He focuses on public sector pension consulting.

Endnotes:

[1] Emily Batdorf, "Living Paycheck to Paycheck Statistics 2024," Forbes Advisor, April 2, 2024
[2] MarketWatch, "Paycheck to Paycheck Statistics: 66.2% of Americans Report Struggling Between Paydays," August 9, 2024
[3] Juhohn Lee, "Here's why Americans can't stop living paycheck to paycheck," Aspeninstitute.org, August 17, 2023
[4] Business Insider: "Average 401(k) Balance by Age: Benchmarking Your Retirement Savings in 2024", September 2024
[5] CRS Report: Defined Contribution Plans: Automatic Enrollment, September 5, 2024
[6] National Conference on Public Employee Retirement Systems, NCPERS 2024 Public Retirement Systems Study: Trends in Fiscal, Operational, and Business Practices
[7] Transamerica Center for Retirement Studies, "Life in Retirement: Pre-Retiree Expectations and Retiree Realities," September 2023

Retirees Need an Investment Strategy that Can Limit the Impact of Market Downturns and Help Them Stay Invested

By: Deb Boyden and Adam Farstrup, Schroders

Photo Illustration © 2024, istock.com

Few retirement investments available today fully address the needs of people in retirement. While annuities provide guaranteed annual income, they come with high fees and eliminate any further principal growth. Target-date funds are a popular option in workplace retirement plans, but they provide little protection against the biggest risk investors face – a major market downturn. The glidepaths in these funds change investors' allocations only on the basis of how close they are to retirement. When these funds convert to post-retirement portfolios, the asset allocations often remain static.

Retirees need a product that serves their needs in three critical ways:

1. Address market volatility by mitigating downside risk

Fear and a lack of understanding about financial markets often negatively influence investors' decisions. The 2024 Schroders US Retirement Survey showed that people aged 60-70 have, on average, only about a third of their portfolios (32%) in stocks, and they maintain high cash positions, primarily because they fear stock market volatility. Nearly a quarter of them (24%) also admit they are unsure about how to invest their cash. This fear of volatility can lead to panic-selling during downturns, which locks in their losses. Strategies that lessen investors' exposure to the full extent of drawdowns can, therefore, help investors avoid the consequences of rash decisions.

2. Reduce the scope of portfolio drawdowns to offset sequence of return risks

Market declines can have an outsized impact on retirement portfolios when they occur in the early part of someone's retirement, especially when retirees need to withdraw a set dollar amount annually to meet their income needs. Consider a hypothetical example of two investors – Dave and Anne – who have accumulated nest eggs of $1 million and will need to withdraw $4,000 monthly to meet their living needs and supplement Social Security benefits.

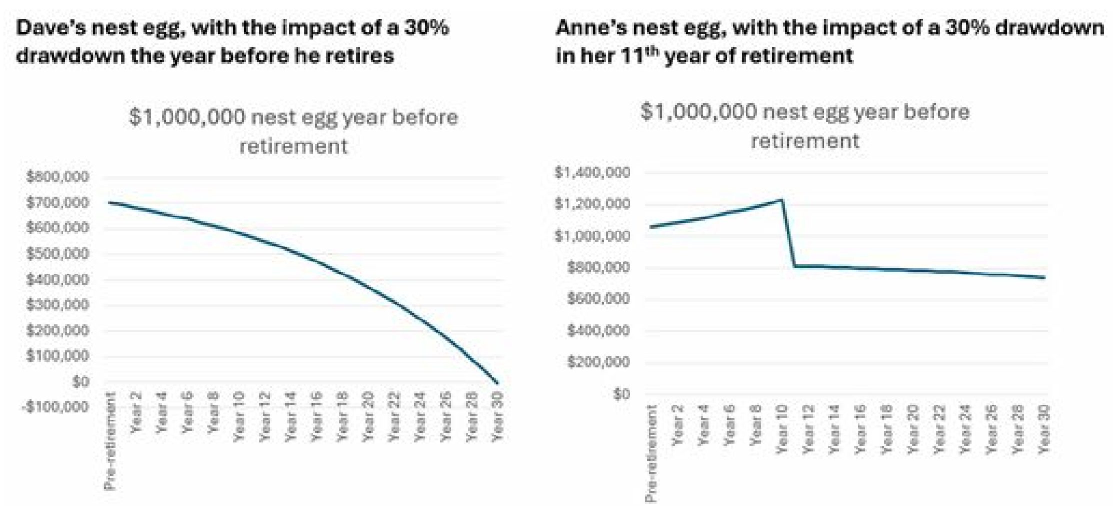
Dave experiences a 30% market decline the year before he retires, while Anne doesn't see a downturn until she's been retired for 11 years. For simplicity's sake, we'll assume both investors have 100% stock portfolios, and they realize, in all other years, an average annual return of 6%.

With the downturn occurring the year before he stops working, Dave enters retirement with only $700,000. After 20 years of withdrawal, he would have only $373,344. If he lives for 30 years, he will deplete his account and have nothing to leave for his family. (See Exhibit 1.)

Anne starts retirement with her full nest egg of $1,060,000, including that 6% she earned in the final year of work. Twenty years later, even after a 30% downturn in year 11, she'd still have $786,101 – more than double Dave's account value after 20 years. If Anne lived for 30 years, she would have $737,147 to leave to heirs, even after three decades of making annual withdrawals of $48,000.

Exhibit 1: Sequence of returns risk

The timing of a market decline has a big impact on investors who need fixed-dollar-amount withdrawals



Both scenarios assume annual withdrawals of $48,000 and a 6% return in all other years.
Source: Schroders

Sequence of return risk could be offset if people can take a percentage withdrawal rather than a fixed-dollar amount. Dave's account might not have dwindled so dramatically if he could have just taken 4% of his reduced $700,000 account value – a withdrawal of just $28,000 in that first year – and then kept withdrawing only 4% of his current principal value each year thereafter. Not many people, however, have the luxury to live on less income in years when the market declines. An investment that aims to limit the severity of market drawdowns can significantly reduce the threat of sequence of returns risk for those unlucky enough to retire amid a major market decline.

3. Take a dynamic, multi-asset class approach that mitigates risk without excessive additional costs

Retirees need a strategy that invests in multiple asset classes to provide diversification beyond stocks and bonds, given that those two can sometimes experience simultaneous declines, as they did in 2022. The strategy for retirees should also dynamically allocate across global asset classes. Any allocation adjustments should occur not just reactively but also proactively in ways that navigate markets by identifying indicators – like excessive valuations in a particular sector – that can signal declines. To spare investors from additional expenses, the portfolio's approach should also be deployed without the additional cost of trail-risk-hedging mechanisms that are in place through all market environments, acting as a constant drag on returns.

Solutions that can meet these objectives can help retirees enjoy a much more secure retirement. ◆

Disclosures:

The views and opinions contained herein are those of Schroders' investment teams and/or Economics Group, and do not necessarily represent Schroder Investment Management North America Inc.'s house views. These views are subject to change. This article is intended to be for information purposes only and it is not intended as promotional material in any respect.

Deb Boyden *is Head of US Defined Contribution for Schroders, responsible for leading the development and execution of defined contribution products and for building and maintaining client relationships, while also overseeing the firm's West Coast presence. Previously, Deb had senior roles at Lazard Asset Management and BlackRock, with a focus on the defined contribution plan market. Deb has a Bachelor of Business Administration degree from George Washington University and an MBA from the University of San Francisco.*

Adam Farstrup, CFA, *is Head of Multi-Asset, Americas, at Schroders, which involves managing a team responsible for assets across a range of investor outcomes. Before joining Schroders, he had several leadership roles at RogersCasey, including Chief Investment Officer, Multi-Manager Solutions, and Director of International Equity Manager Research. Adam is a CFA Charterholder and member of the CFA Institute and CFA Society New York. He earned his BA in Economics from Muhlenberg College.*

Securing Retirement: Protecting and Growing Pension Fund Assets

By: IFM Investors

Photo Illustration © 2024, istock.com

Financial security is a primary goal for any retiree, which hinges on pension fund assets reliably meeting their liabilities. Preserving and growing these assets over long-term investment cycles is crucial to achieving this security.

Perhaps more important today than in recent memory, investment portfolios need to be built for resilience across a range of outcomes. To navigate this challenging environment, some investors seek more tactical approaches, such as moving up the risk/return curve or increasing allocations to fixed income products. These options may be suitable depending on one's investment goals or risk appetite, but both bring added investment or volatility risk.

Unlisted infrastructure, for one, can enhance portfolio resilience and deliver diversified, low correlation, risk-adjusted returns over extended periods of time. Its inherent characteristics – long-term, predictable revenue streams, performance through economic cycles and a differentiated risk/return profile – can make it a valuable addition to a portfolio.

Further, investing directly in private assets allows for a deeper understanding of risks compared to listed markets. It may also provide some control and management of risks, as well as the ability to influence strategic outcomes. This deeper insight and control, in turn, enables more accurate pricing of assets and opportunities to capture upsides.

Resilience through all seasons

As market dynamics have become more complex, traditional asset class correlations are higher than they have been in prior decades. While listed equities have experienced increased volatility, bonds have not provided a reliable counterweight. Unlisted infrastructure, however, has shown long-term resilience across various economic environments.

The below figure analysis from March 2010 to June 2023 demonstrates that unlisted infrastructure, represented by the MSCI Global Unlisted Infrastructure Index, consistently delivers returns across different economic scenarios, including varying levels of inflation, interest rates, and economic growth. In Figure 1, we analyzed varying returns from unlisted infrastructure, listed infrastructure, equities and bonds in four scenarios, combining high and low US GDP growth and CPI levels (measured relative to approximate average levels of 2%).

Figure 1: IMPACTS OF GDP AND CPI MOVEMENTS (31 MARCH 2010 TO 31 DECEMBER 2023)

Source: IFM, MSCI, Bloomberg, The Organisation for Economic Co-operation and Development, S&P Capital 1Q.
Private Infra proxied using MSCI Global Quarterly Private Infrastructure Asset Index (Unfrozen) - Local currency ("MSCI Unlisted"), Listed Infra proxied using S&P Global Infrastructure USD Hedged Net Total Return Index ("S&P Listed"), Equities proxied using MSCI World 100% Hedged to USD Net TR USD (*MSCI World Listed*), Bonds proxied using Bloomberg Global-Aggregate Total Return Index Value Hedged USD ("Bloomberg Global"). High/Low CPI and GDP are based on US Consumer Price Index (CPI) and US real Gross Domestic Product (GDP), respectively, and are defined as quarterly changes on the annual four-quarterly rolling basis exceeding or falling below a 2% threshold. Total returns represent the annual four-quarterly rolling data from 31 March 2010 to 31 December 2023.

Unlisted infrastructure's performance reflects the market's understanding of the inherent characteristics of infrastructure assets, which continue to provide value in various market environments. This value has its foundations in the essential nature of the services infrastructure provides to communities, including energy, transportation, and digital connectivity, as well as its secure market position, with high barriers to entry and a limited availability of substitutes.

To learn more on this important topic, read our two-part series on the critical role of infrastructure in long-term, resilient portfolios:

- Part One - The role of infrastructure in long-term resilient portfolios
- Part Two - Making the most of an infrastructure allocation

Building a robust portfolio

Timing the market cycle for unlisted infrastructure investments can be challenging. The benefits of diversification come from building a target allocation over time, treating unlisted infrastructure as a buy-and-hold asset class for long-term investors.

These long-term investments in unlisted infrastructure discount shorter-term macro risks, which often drive listed asset volatility without affecting the underlying drivers of their valuations.

Thus, this historically stable performance through various parts of the cycle supports a long-term approach to this asset class.

Given the uncertain macro and geopolitical outlook, portfolios need to be built for resilience across a range of outcomes, rather than simply focusing on investments that benefit from economic growth or those that potentially offer protection during downturns. A more sophisticated approach to portfolio diversification, both across and within asset classes, is needed to build portfolios that continue to perform well across changing macroeconomic and geopolitical environments.

We see an opportunity for investors to be strategic and tactical in their allocations to maximize risk-adjusted returns. To this end, an allocation to unlisted infrastructure is a proven method of improving long-term, risk-adjusted portfolio performance.

Financial security is the goal

Equity investors and asset allocators face challenging times, with existing portfolio construction approaches under stress due to global economic challenges and megatrends that continue to play out. Against this backdrop, infrastructure offers an attractive opportunity for investors to improve the robustness of their portfolios and risk adjusted returns. Indeed, the asset class demonstrates a differentiated risk/return profile and portfolio resilience through various economic cycles and environments.

For investors aiming to deliver positive long-term outcomes, a well-structured portfolio of high-quality unlisted infrastructure assets can enhance these outcomes. ◆

About IFM Investors: *IFM Investors was established nearly 30 years ago by a consortium of Australian pension funds with the aim to invest, protect and grow the long-term retirement savings of working people. Our distinct ownership model aligns the interests of investors with assets that have the potential to offer long-term risk/reward characteristics and broad economic and social benefits to the community. As of June 30, 2024, IFM manages US$145.8 billion in assets across infrastructure, debt, listed and private equity for 717 clients and 120+ million people.*

IFM-24SEPT2024-3878267

Relying on Private Real Estate's Income Component as a Means of Retirement Security

By: Sabrina Unger, American Realty Advisors

Photo Illustration © 2024, istock.com

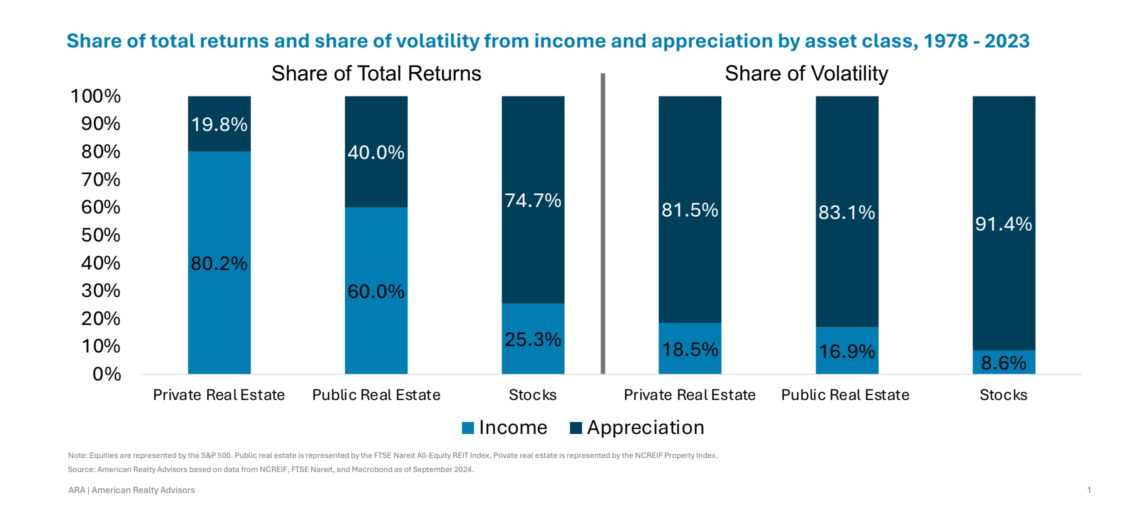
For individuals planning for a secure retirement, resiliency and stability of the asset classes their funds are invested in is critical. In this context, private real estate stands out as a critical solution in retirement plans' broader asset allocations (yes, even in today's more volatile environment) given real estate's generally stable income component.

More income, more stability.

Income represents roughly 80% of private real estate total returns, as property leases offer reliable and regular cash flows that form the bulk of performance. This compares favorably against other risk assets like public REITs and stocks, where income is a lesser share of the total return investors can achieve (Figure 1, left-hand side).

Having income as the primary performance driver also reduces volatility, which is critical to offering a smooth ride in retirement. Appreciation, which refers to the increase in value of an asset over time, tends to be inherently a more volatile part of total returns because it can be influenced by broader capital markets shifts (like for instance, a rapid rise in interest rates) that prompt big changes in perceived value. In fact, we can see that, while appreciation accounts for roughly 20% of private real estate's total returns, it is responsible for more than 80% of its volatility! (Figure 1, right-hand side).

Components of select investments' share of total returns and volatility.



What is income and appreciation, really?

What does this have to do with creating resiliency in your retirement plan? Perhaps this is best explained with an example.

Imagine you buy a house as an investment. You rent it out to a young family; they pay you $2,800 a month. This fixed, predictable payment is your income return, and one you can, with some degree of confidence, rely on.

Meanwhile, you hold on to that house for 10 years. In one year, three houses on your street sell for more than what you purchased your house for; the appreciation (the increase in value) is good. The next year, the Fed raises interest rates, making it a little harder for some people to afford to buy homes, and so prices stay relatively flat – your appreciation could be zero or even slightly negative that year. Though the cash flow coming off your home from your renters hasn't changed, and you're still receiving it every month, appreciation from year to year could vary a lot.

The reinforced role of real estate income in today's retirement portfolio.

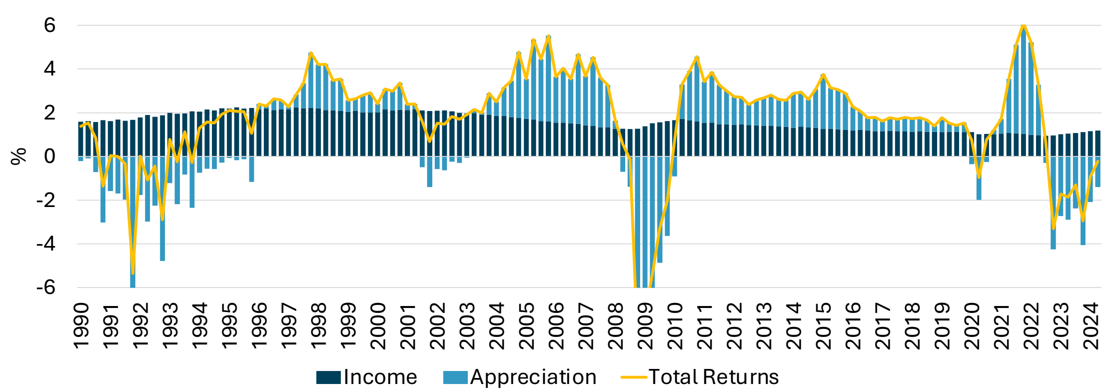
The last four years have represented a period of elevated volatility for investors to navigate relative to the decade-plus preceding them, made all the more challenging by the need to interpret the effects of a pandemic, high inflation, policy pivots, and rapidly rising interest rates on the different asset classes in their portfolio.

Real estate on the whole has not been immune to some of the downside stemming from these forces. Total returns for the NCREIF Property Index (an index that tracks unlevered property-level investment performance or returns without the impact of debt) in 2023 were negative at -7.61%, with open-end diversified core funds (represented by the NCREIF ODCE index) posting a -12% return (adversely impacted by leverage effects). Given this, does the case for maintaining exposure to private real estate as a mechanism for protecting your income in retirement still hold?

In our view, the answer is yes. Despite recent headline returns, that resilient income component is still holding up against drags from the broader capital markets repricing of assets, as seen in the dark blue column in Figure 2.

Private real estate income holding up against valuation impacts.

Income, appreciation, and total returns of U.S. private real estate, 1990 – 2024



Source: American Realty Advisors based on data from NCREIF as of September 2024. Chart reflects quarterly total, income, and appreciation returns for the Expanded NCREIF Property Index (NPI).

ARA | American Realty Advisors

As was the case in our house example, it's the implied value of the home that oscillates depending on whether somebody sold down the street for a loss (they had no choice but to sell at today's prices to move closer to family) or whether nothing has sold at all (all the neighbors are waiting for the market to improve); all the while, the rent keeps being paid. ◆

Sabrina Unger, *Managing Director, is the Head of Research & Strategy at American Realty Advisors and is responsible for leading the firm's research initiatives and working closely with the firm's Investment and Portfolio Management teams in developing investment analysis in support of new acquisitions and strategy implementation.*

Strong Strategic Plans Are the Foundation for Good Governance

By: Brad Kelly and Peter Landers, Global Governance Advisors LLC

Photo Illustration © 2024, adobestock.com

Public pension funds are complex organizations that ensure financial security for millions of retired public sector employees and require careful management and oversight to remain effective and sustainable. When delivering the NCPERS Accredited Fiduciary program, we often note that one of the foundational and most effective ways to enhance governance in pension systems is to implement a long-term strategic plan, because it provides a comprehensive framework that guides decision-making, improves transparency, and strengthens long-term sustainability.

A well-defined long-term strategic plan sets clear objectives and performance metrics for pension funds. By establishing specific goals and benchmarks, plans create a standard against which the performance of the fund can be tracked and measured. This transparency helps stakeholders, including beneficiaries, active members, employers, and taxpayers, understand how the fund is managed and assess its effectiveness. Enhanced accountability and transparency are fundamental to building and maintaining public trust in the pension system.

Public pension funds are overseen by boards that can change over time. Long-term strategic plans provide a stable framework that ensures consistency in decision-making, regardless of changes in leadership or management. Strategic plans outline funds' long-term goals and the expected objective benchmarks required to achieve them, which helps guide new members and maintain a collective focus and continuity. Naturally, market and political conditions fluctuate over time, and set plans reduce the risk of short-term, reactionary decisions that could jeopardize fund stability and sustainability.

Long-term strategic planning involves identifying potential risks and developing strategies to mitigate them. Public pension funds are exposed to a host of risks, including market volatility, demographic changes, and regulatory shifts. Good strategic plans include risk management objectives and diversified investment practices that help withstand economic downturns and other adverse conditions. By preparing for potential challenges, public pensions enhance their resilience and ability to maintain their long-term obligations to their members.

A key component of long-term strategic planning is the alignment of investment strategies with the fund's long-term obligations. This ensures that investment decisions are made with a focus on sustainable growth and risk management. Strategic plans provide guidelines for asset allocation, diversification, and investment horizon, promoting disciplined and prudent investment practices. By prioritizing long-term returns over short-term gains, funds achieve better financial outcomes and reduce the likelihood of funding shortfalls.

Effective governance requires open communication and engagement with stakeholders. Long-term strategic plans include communication strategies that keep stakeholders informed about fund performance, challenges, and strategic direction. Regular updates and transparent reporting foster trust and collaboration between fund management and stakeholders and engaged stakeholders are more likely to support fund initiatives and contribute to its success. Pensions must navigate a complex landscape of legal and regulatory requirements. Long-term strategic plans incorporate compliance frameworks that ensure adherence to relevant laws and regulations. This proactive approach helps avoid legal issues and ensures that the fund operates within the bounds of its governing legislation. By maintaining compliance, public pension funds can focus on their priorities and primary mission of providing secure retirement benefits.

Strategic planning enhances the effectiveness of pension boards. A clear strategic plan provides a roadmap for the board, outlining priorities, goals, and key performance indicators. This enables the board to perform its oversight role more effectively, monitor progress, and hold management accountable. Well-informed and engaged boards are better equipped to make decisions that align with their funds' long-term interests.

Long-term strategic planning is foundational for good pension governance. It promotes accountability, consistency, and resilience, ensuring that pensions meet their obligations to members. Aligning investments with long-term goals, facilitating strong risk mitigation and stakeholder engagement, and ensuring legal compliance, strategic plans enhance the overall effectiveness and stability of public pension systems. In an environment of increasing complexity and uncertainty, long-term strategic planning is not just beneficial -- it is essential for the successful governance and oversight of public pensions. ◆

Brad Kelly *and* ***Peter Landers*** *are Partners at Global Governance Advisors (GGA) and the principal NCPERS Accredited Fiduciary (NAF) program developers and lecturers. They specialize in the strategic evaluation of corporate governance and compensation programs including board effectiveness evaluations, charter and policy development, board education, compensation philosophy executive pay alignment, performance management and incentive design. Global Governance Advisors (GGA) GGA is a human capital consulting firm providing governance and human capital advisory services to boards of directors and senior management. The value we offer our clients stems from our unique combination of independence, experience, rigor, and integrity. This means clients receive advice that is strategic, objective and conflict-free. We bring a strategic, innovative, and practical approach to maximizing board and executive performance.*

Safeguarding Pension Funds: Effective Third-Party Risk Management

By: Paul LaClair, Principal Consultant, Linea Secure

Photo Illustration © 2024, istock.com

Pension funds are intricately tied to a diverse network of third-party vendors, relying on them for a broad array of services, from investment management and actuarial consultations to data processing and IT support. This dependence significantly exposes pension funds to various risks, notably data breaches, which can arise from inadequate cybersecurity measures at any point in the vendor chain. Additionally, compliance failures with financial and privacy regulations can lead to severe legal and financial repercussions.

The landscape of threats is complex and constantly evolving, demanding that pension funds not only select their third-party vendors with great care but also continuously monitor and assess these relationships to ensure ongoing compliance and security. This is where rigorous due diligence processes come into play. Effective due diligence examines all facets of a vendor's operations, from their financial stability and operational resilience to their cyber-security posture and compliance with relevant laws and standards.

However, due diligence is a sophisticated process that requires specific expertise and resources, which many pension funds may not have in-house. This gap can be effectively bridged by partnering with a specialized service provider that can offer tailored third-party risk management (TPRM) solutions designed to enhance security protocols, ensure compliance, and mitigate risks throughout the vendor lifecycle. By leveraging such specialized services, pension funds can significantly bolster their defenses against the potentially devastating consequences of third-party vulnerabilities, thus protecting their financial stability and maintaining their reputational standing.

The Need for Rigorous Due Diligence

The relationships pension funds maintain with third-party vendors are fraught with potential risks that can significantly undermine their operational integrity and data security. Given the sensitive nature of the data managed, including personal and financial information, the consequences of a data breach are particularly severe. Such incidents can result not only in direct financial losses through fraud or theft but also incur heavy regulatory penalties and irreparable harm to the fund's reputation.

Effective due diligence encompasses a thorough evaluation of a vendor's security framework and compliance with industry standards such as the General Data Protection Regulation (GDPR), and standards set by the National Institute of Standards and Technology (NIST). This process should include an examination of the vendor's past security incidents, their responses to these incidents, and any remedial actions they implemented to prevent future breaches. Moreover, due diligence must extend beyond initial assessments to include ongoing monitoring and re-evaluation of vendors' practices and policies. This continuous oversight helps ensure that vendors not only start strong, but also maintain high standards of security and compliance as long as they work with the pension fund. It should involve regular updates to security protocols, reviews of compliance audit results, and adjustments in response to new or evolving risks.

To facilitate rigorous due diligence, pension funds should also consider the implementation of standardized risk assessment methodologies that quantify and prioritize risks based on their potential impact. This structured approach enables pension funds to allocate their resources more effectively and focus their monitoring efforts on higher-risk vendors.

A third-party risk management program begins with a thorough pre-assessment preparation that includes identifying all relevant vendors and informing them about the upcoming assessments. Essential documents, such as contracts and previous audit reports, are collected to understand each vendor's current security and compliance stance. In the security and compliance assessment phase, review each vendor's security policies and procedures against industry standards like NIST 800-53 and ISO 27001, evaluate the effectiveness of your incident response plans, and check your data protection measures including encryption and access controls.

Verification of security certifications is a critical step, where you should confirm the third-party vendor's claims about certifications like SOC 2 by examining supporting documentation and compliance evidence from audits. Review privacy and security standards to ensure alignment with regulatory requirements and ensure the actual implementation of these standards is assessed to determine their effectiveness within the vendor's operations.

Lastly, evaluate each vendor's vulnerability management and risk management processes. This includes checking for systematic vulnerability scans, patch management, and the overall efficacy of the risk management practices to ensure proactive identification and mitigation of potential risks. This streamlined approach ensures that your fund can effectively manage and mitigate risks posed by third-party vendors, thus safeguarding your data and maintaining compliance with relevant standards. ◆

Paul LaClair *is a highly knowledgeable IT professional with over 20 years of experience in the industry supporting technical security operations, secure network services, and security specific project assignments within the private sector and the federal government.*

Artificial Intelligence: The Fifth Paradigm Shift

By: Jim Golan, Nancy Aversa, and Danny Goode, William Blair Investment Management

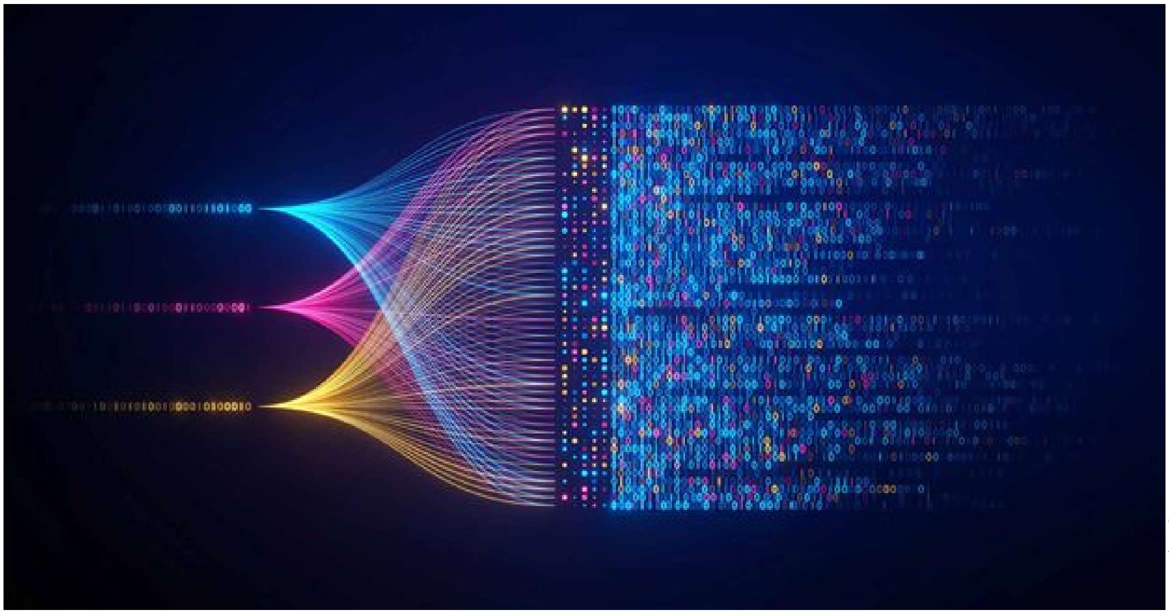


Photo Illustration © 2024, istock.com

In the ever-evolving landscape of technology, paradigm shifts represent technological innovation that can reshape industries over time.

Over the past 60 years, we've witnessed four distinct technological revolutions. From the dawn of mainframe computers in the 1960s and the rise of personal computers in the 1980s, to the internet boom of the mid-90s and the mobility era of the late 2000s, each shift has led to changes over time.

Now, we stand on the brink of a fifth paradigm shift – artificial intelligence (AI).

Our U.S. growth and core equity team has been monitoring the ways in which AI is beginning to influence various sectors and industries, particularly within the large-cap technology and consumer spaces.

Productivity Redefined

A hallmark of transformative changes, such as those that could be brought about by AI, is the enhancement of automation, efficiency, and productivity, says Jim Golan, CFA, partner, a portfolio manager on our Large Cap Growth strategy. Tasks like drafting emails or developing presentations are poised for automation, thereby freeing up time for more strategic activities.

AI technology should also help to improve voice tools, including Siri and Google Assistant, making them capable of handling more complex tasks such as rebooking flights and arranging travel accommodations .

In industries such as healthcare, AI could help enhance drug discovery and design by providing predictive analytics that can accelerate decision-making, reduce costs, and improve treatment effectiveness.

In addition, the advertising industry is undergoing change, with traditional media, such as print advertising and radio, being overtaken by digital platforms that AI could help to amplify. Several large-cap companies are beginning to leverage AI to achieve higher conversion rates for ads, resulting in better returns on ad spend.

Consumer Goods: Streamlining the Supply Chain

Nancy Aversa, CFA, partner, a research analyst focusing on the consumer sector, believes AI could accelerate product time-to-market, optimizing supply chains by helping source raw materials, streamlining manufacturing, and refining logistics to ensure timely delivery to customers.

AI also has the potential to align inventory levels with consumer demand. This would ensure that products are available where and when they are needed, whether in stores or through e-commerce channels.

In addition, AI's potential impact on supply-chain efficiency presents a sizable revenue and profitability opportunity for many large-cap consumer companies.

Today, consumer companies may take upwards of two years to bring certain products to market, which makes predicting trends challenging. AI could help analyze diverse data sources, such as social media and fashion blogs, to quickly identify trends and consumer sentiment related to products, says Nancy.

And by shortening supply chains, companies would be able to develop more frequent product line iterations, with collections potentially hitting stores every couple of months instead of seasonally.

Ultimately, shorter lead times and production cycles may benefit large-cap consumer companies – which have extensive global supply chains, significant market opportunities, and strong capital resources – helping them better align with consumer preferences.

Data Management: From Chaos to Clarity

Businesses have accumulated vast amounts of data that remain inadequate for AI projects due to fragmentation, quality, and governance issues.

According to Danny Goode, a research analyst focused on large-cap technology companies, the challenge lies with how this data can be efficiently structured for immediate use.

This dilemma reflects the broader issue of data readiness in the AI era, where the potential for insight and efficiency gains is significant but requires foundational work in data management.

Centralized infrastructure layers that link data security, governance, and orchestration are already being deployed, explains Danny. Some companies are exploring cloud migration to consolidate data, a trend renewed by AI's potential despite previous concerns over costs.

The primary beneficiaries of these developments have been large-cap software companies that have the infrastructure, data, and expertise to manage and optimize the entire process. They can quickly bring new AI tools to market, making them well positioned to capitalize on these advancements.

The race to organize and leverage data for AI applications will only intensify, and we believe the ability to effectively manage and utilize data will be a key determinant of a company's competitive advantage going forward.

In Conclusion

At William Blair, our expertise in quality growth investing has spanned many decades – and paradigm shifts. We are excited about the potential of AI, but recognize its impact should be measured in years, not days, as the technology and its capabilities continue to unfold. ◆

***Jim Golan, CFA**, partner, is a portfolio manager on William Blair's Large Cap Growth strategy and a research analyst covering U.S. large-cap technology stocks. Before joining William Blair in 2000, he worked at Citigroup Global Asset Management and Kemper Financial. Jim received a B.A. in economics from DePauw University and an M.B.A. in finance from Northwestern University's Kellogg Graduate School of Management.*

***Nancy Aversa, CFA,** partner, is a research analyst focused on U.S. large-cap consumer companies. Before joining William Blair in 2015, she held various roles at Federated Investors, Victory Capital Management, and McDonald Investments. Nancy received a B.Com. from the University of Windsor and an M.B.A. from the University of Windsor.*

***Danny Goode** is a research analyst focused on U.S. large-cap technology companies. Before joining William Blair in 2019, he was an equity research analyst at Morningstar, where he covered industrials. Danny received a B.S. in finance from the University of Missouri.*

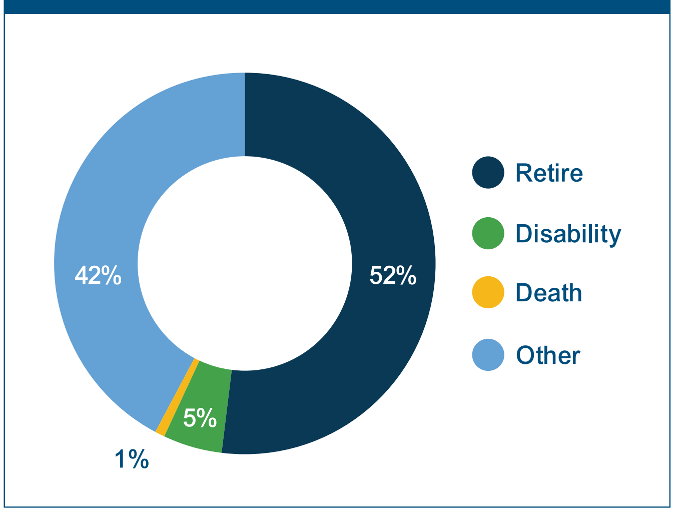
Pensions Help to Recruit and Retain Public Safety Professionals

By: Tyler Bond, National Institute on Retirement Security

Photo Illustration © 2024, istock.com

In September it was announced that the city of Jacksonville, FL will resume offering defined benefit (DB) pensions to its firefighters and police officers in 2027. This will end nearly a decade of Jacksonville public safety professionals participating in a defined contribution (DC) retirement plan after the Jacksonville Police and Fire Pension Fund was closed to new hires on October 1, 2017. When discussing the decision to resume offering pensions, Todd Norman, the chief of employee and labor relations for the city of Jacksonville, was quoted as saying "The pension is still the gold standard in public safety… It keeps folks on board, and it's what is expected."

Projected Reason for Leaving Employment Among New Hires in Public Safety Plans

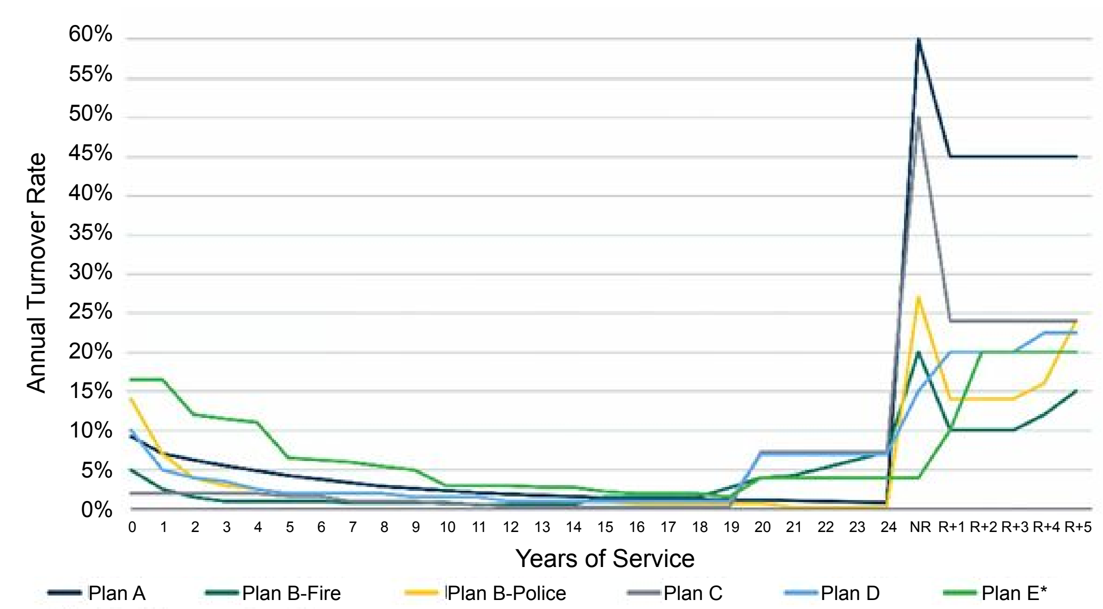


Recent research supports Norman's assertion. The National Institute on Retirement Security (NIRS) released a report in June that examined the role of DB pensions in recruiting and retaining public safety professionals. The report found that 52 percent of new hires in a public safety pension plan are expected to retire from that plan, which is an astonishingly high level of employee retention.

The ability to recruit and retain firefighters and police officers has become critical in recent years. While state and local governments have struggled with maintaining their workforces over the fifteen years since the end of the Global Financial Crisis, the challenge of maintaining a robust public safety workforce has become particularly acute, partly as a result of the difficulties presented by the pandemic.

Figure 7 in the NIRS report displays the annual turnover rates for a subset of five plans. It shows exactly what one would expect to see. Turnover is somewhat higher in the first five years as workers decide whether public safety is the right career for them. Then, after about year five, turnover declines and remains remarkably low throughout the middle portion of a worker's career until retirement provisions take effect and turnover spikes as would be expected.

Figure 7: Annual Turnover Rates for Public Safety Professionals Hired at Age 25



*Plan E includes corrections officers.

One major reason city, county, and state governments offer DB pensions to police officers and firefighters is because a more experienced public safety workforce is a more effective one.

The report highlights a few instances of states that closed or significantly changed pension plans and the impact that had on recruitment and retention of public safety professionals. Alaska closed its statewide Public Employees Retirement System (PERS) plan in 2006. The PERS plan covered most public safety professionals in Alaska and those workers now participate only in a DC plan. This has resulted in nearly crisis levels of worker shortages across Alaska. The city of Fairbanks does not have police officers on patrol between 8 am and 12 pm each day due to low staffing levels, while the borough assembly of another jurisdiction encouraged residents to arm themselves for protection due to the sparse coverage from public safety.

DB pensions are effective at reducing employee turnover because they address the three Rs of workforce management: recruitment, retention, and retirement. This workforce management is especially important for public safety professions as those jobs tend to be more physically and emotionally demanding and there are frequently defined lengths of time for a public safety career. The NIRS report found that the average tenure for a police officer was 18 years, while for a firefighter it was 20 years. The pension plays an important role in attracting people to the job, keeping them there during their career, and then helping them transition into retirement when appropriate.

Several years ago NIRS surveyed public employees, including police officers and firefighters, and asked them about retirement and their pension benefits. The people who are doing these dangerous jobs serving the public overwhelmingly supported DB pensions as effective tools for recruiting and retaining public safety professionals. If policymakers want to know what the consequences would be of changing pension benefits, they should ask the people doing the work and earning the pension. Their answers are backed up by both data and real-world experience.

The first public pension plan in the United States was offered to New York City police officers in 1857. It was expanded to include firefighters a decade later. DB pensions have become an established part of a public safety career in the decades since. These plans have continued to demonstrate their value over the years, as the research suggests and the experiences of places like Jacksonville shows. ◆

__Tyler Bond__ is the research director for the National Institute on Retirement Security (NIRS). He works with the executive director to plan all NIRS research products. Since joining NIRS, Bond has authored or co-authored numerous research reports, issue briefs, and fact sheets on a wide range of topics relating to retirement security. He regularly speaks at conferences about NIRS research and testifies before policymakers.

Previously, Bond spent four years at the National Public Pension Coalition, where he directed the research program and authored six original research reports. He also has held positions on Capitol Hill and at the Center on Budget and Policy Priorities.

Bond holds a B.A. in political science and philosophy from Indiana University and an M.A. in public policy from The George Washington University. He is a member of the National Academy of Social Insurance.

Fourth Quarter 2024: Investment Strategy Update

By: Tom Toth, Wilshire

Photo Illustration © 2024, istock.com

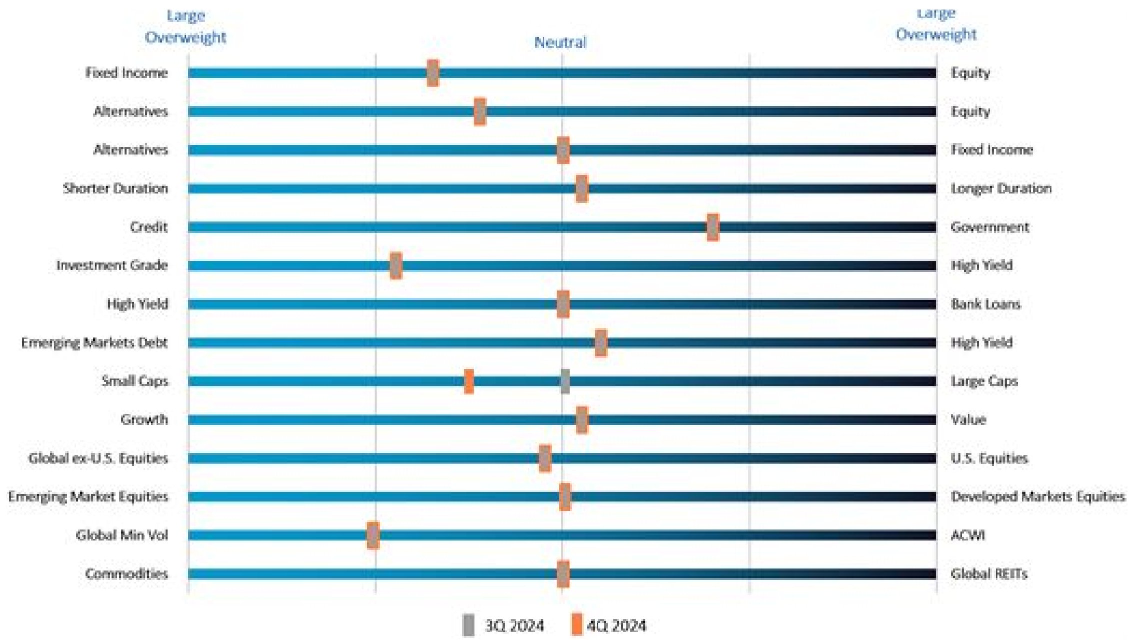
We believe that growth and particularly inflation are beginning to indicate signs of weaker demand. Equity and credit valuations remain expensive, particularly given optimistic earnings expectations, elevated short-term interest rates, and excessively positive investor sentiment.

The U.S. consumer is exhibiting signs of exhaustion, as the lagging impacts of very tight monetary policy, despite the recent and forecasted declines in interest rates, begin to weigh on trends in consumer spending. This is likely also to impact the ability of borrowers to meet their debt obligations across various segments of the economy, while stress in pockets of the financial system remain.

This continued uncertainty warrants judicious awareness to, and management of, absolute and active risks, resulting in the following implications for client portfolios:

- Underweight to corporate credit versus government bonds, with a continued preference for investment-grade credit relative to high yield.
- Maintaining our underweight in equities, while continuing to favor low volatility equities in an effort to facilitate some defensive exposure. We are now complementing this with a tilt towards small caps vs. large caps, as small caps are likely to experience the most relief due to a decline in interest rates and currently exhibit relatively less expensive valuations.

Wilshire Investment Strategy Views



For illustrative purposes only as a basis for further discussion and subject to change. Final terms set forth in a written agreement will prevail.

Wilshire is a leading global financial services firm and trusted partner to a diverse range of approximately 500 leading institutional investors and financial intermediaries. Our clients rely on us to improve investment outcomes for a better future. Wilshire advises on over $1.4 trillion in assets and manages $121 billion in assets as of June 30, 2024. Wilshire is headquartered in the United States with offices worldwide.◆

Disclosures:

This material is intended for informational purposes only and should not be construed as legal, accounting, tax, investment, or other professional advice. This material contains proprietary information of Wilshire. It may not be disclosed, reproduced, or otherwise distributed, in whole or in part, to any other person or entity without prior written permission from Wilshire.

This information is provided to discuss general market activity, industry or sector trends, or other broad-based economic, market or political conditions. Economic and market forecasts presented herein reflect our judgment as of the date of this presentation and are subject to change without notice. These forecasts are subject to high levels of uncertainty that may affect actual performance. Accordingly, these forecasts should be viewed as merely representative of a broad range of possible outcomes. These forecasts are estimated, based on assumptions, and are subject to significant revision and may change materially as economic and market conditions change. Any references to indices, benchmarks or other measures of relative market performance over a specified period of time are provided for your information only.

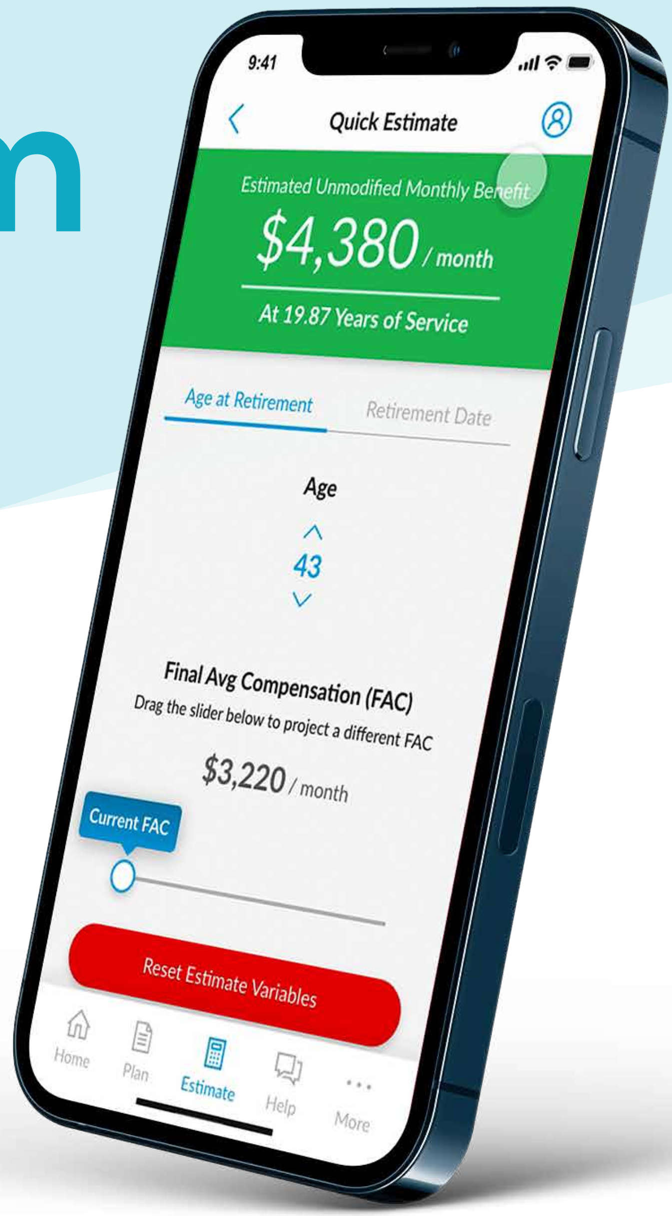
This material may include estimates, projections, assumptions and other "forward-looking statements." Forward-looking statements represent Wilshire's current beliefs and opinions in respect of potential future events. These statements are not guarantees of future performance and undue reliance should not be placed on them. Wilshire undertakes no obligation to update or revise any forward-looking statements.

Tom Toth *is a Managing Director providing client service for a variety of pension, endowment and foundation clients at Wilshire. He is a member of Wilshire's Investment Strategy Committee.*

Tom joined the firm in 2004 and initially worked in the investment research group, where he wrote white papers on topics including hedge funds, private equity and infrastructure. Before joining the firm, he worked in New York for fixed income asset manager Fischer Francis Trees and Watts.

Tom earned his bachelor's degree from the University of California, San Diego and holds an MBA with a concentration in finance/capital markets from the USC Marshall School of Business. Tom also holds the Chartered Financial Analyst designation.

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.

NCPERS 1941 | pensionX

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

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.

The Voice for Public Pensions

The Monitor is published by the National Conference on Public Employee Retirement Systems.
Website: www.NCPERS.org • E-mail: info@ncpers.org