



PENSION SYSTEM STATUS SUMMARY

Board of Trustees Meeting

October 12, 2017

Dallas Police and Fire Pension System

 Segal Consulting

Summary of Major Plan Provisions Changed in HB3158

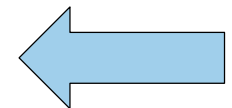
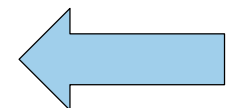
- Benefit multiplier lowered from 3.0% to 2.5% for Tier 1 and 2 members
- Normal Retirement Age increased to age 58 for all members
- 20 & Out benefit multiplier reduced for future service
- Average computation pay period increased to 60 months beginning September 1, 2017
- COLA – previously 4.0% simple COLA for Tier 1 participants; COLA now suspended for all participants, including annuitants; COLA excluded from DROP ongoing
- Ad hoc COLA implemented based on financial benchmarks and Board approval
- Unlimited DROP period reduced to 10 years
- DROP interest – No further interest earned while active participant
- DROP interest – Only DROP account balances as of September 1, 2017 will receive interest upon retirement; interest to be based on Treasury rate of duration comparable to participant's life expectancy.
- DROP distributions – To be paid as an annuity based on participant's life expectancy as of the later of September 1, 2017 or date of retirement.
- Employee contributions increased to 13.5%
- Employer contributions – 34.5% of computation payroll, with legislated minimum biweekly amounts through 2024. An additional \$13 Million per year paid through 2024 as well.

Why were the changes in HB3158 needed?

- Prior to the enactment of HB3158, the System was projected to go **insolvent** during **2028**.
- With the passage of HB3158, the System is projected to reach **full funding** by **2061**, based on the City's Hiring Plan payroll projections.
- The System's market value of assets as of December 31, 2016 was **\$2.15 Billion**.
- Of the \$2.15 Billion, \$356 Million was DROP account balances for active members and \$697 Million was DROP account balances for retirees and beneficiaries.
- DROP accounts equaled **\$1.05 Billion**, or **49%** of the total market value of assets.
- Annuitizing the DROP balances allows the money to be paid out over a defined period of time and allows the System to invest accordingly.
- Had HB3158 not passed and the entire \$1.05 Billion been withdrawn, the System would be projected to go insolvent within six years.

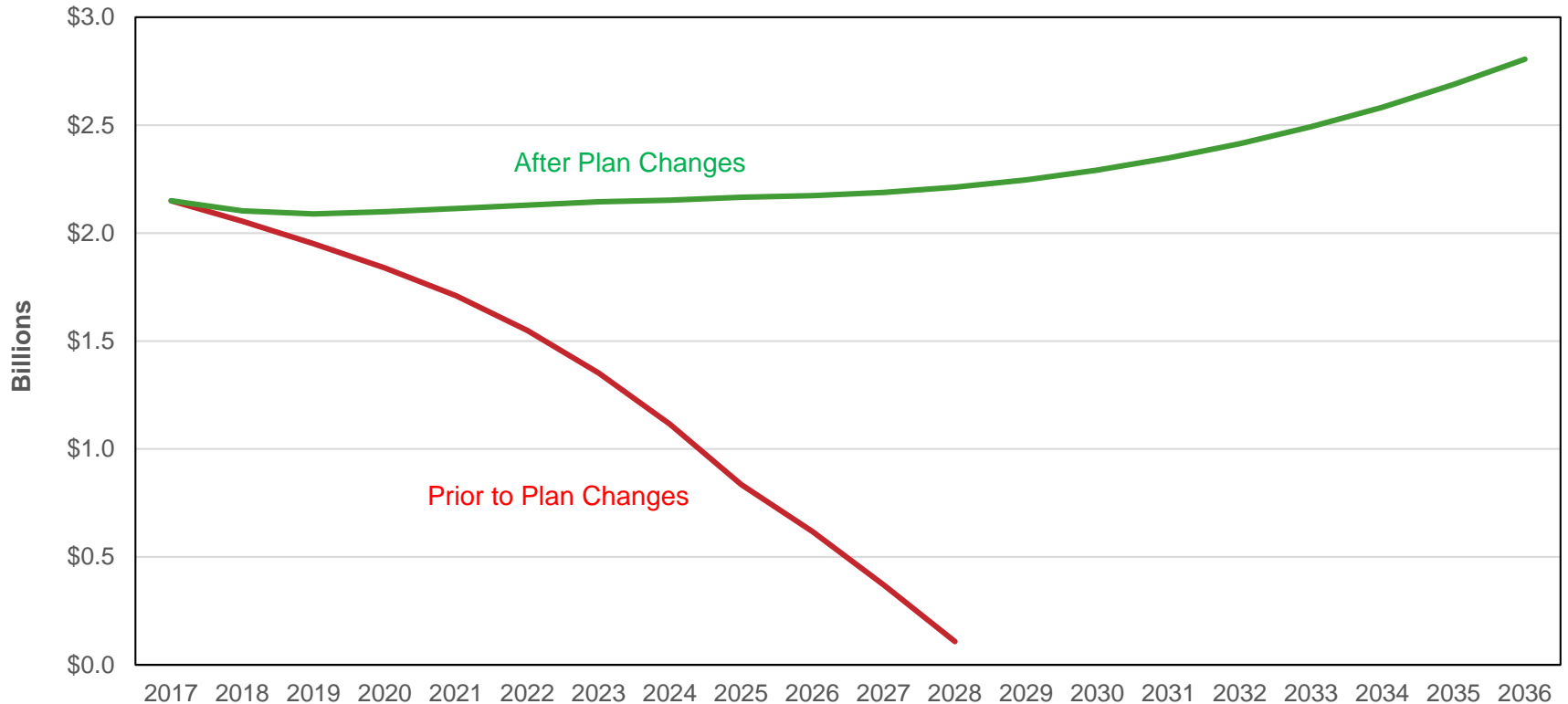
Summary of 2017 Actuarial Valuation Results

COMBINED PENSION PLAN	As of 1/1/2017, after Plan Changes	As of 1/1/2017, prior to Plan Changes	As of 1/1/2016
Total Normal Cost, including administrative expenses	\$68,422,682	\$81,425,009	\$89,266,980
Expected Member Contributions	<u>-33,475,626</u>	<u>-26,087,945</u>	<u>-25,853,423</u>
Employer Normal Cost	\$34,947,056	\$55,337,064	\$63,413,557
Total Normal Cost as a % of Pay	19.14%	22.78%	24.44%
Actuarial Accrued Liability	\$4,367,180,454	\$5,364,055,235	\$5,947,173,998
Actuarial Value of Assets	<u>-2,157,799,730</u>	<u>-2,157,799,730</u>	<u>-2,680,124,303</u>
Unfunded Liability	\$2,209,380,724	\$3,206,255,505	\$3,267,049,695
Funded Ratio	49.41%	40.23%	45.07%
Computation Payroll	\$357,414,472	\$357,414,472	\$365,210,426
Actuarially Determined Employer Contribution, in dollars	\$168,865,484	\$249,844,232	\$261,859,079
Actuarially Determined Employer Contribution, as a percentage of computation pay	47.25%	69.90%	71.70%
100% Funded Status based on City's Hiring Plan Payroll, Projected by January 1	2061	Never (Infinite Period)	Never (Infinite Period)



Solvency Projection

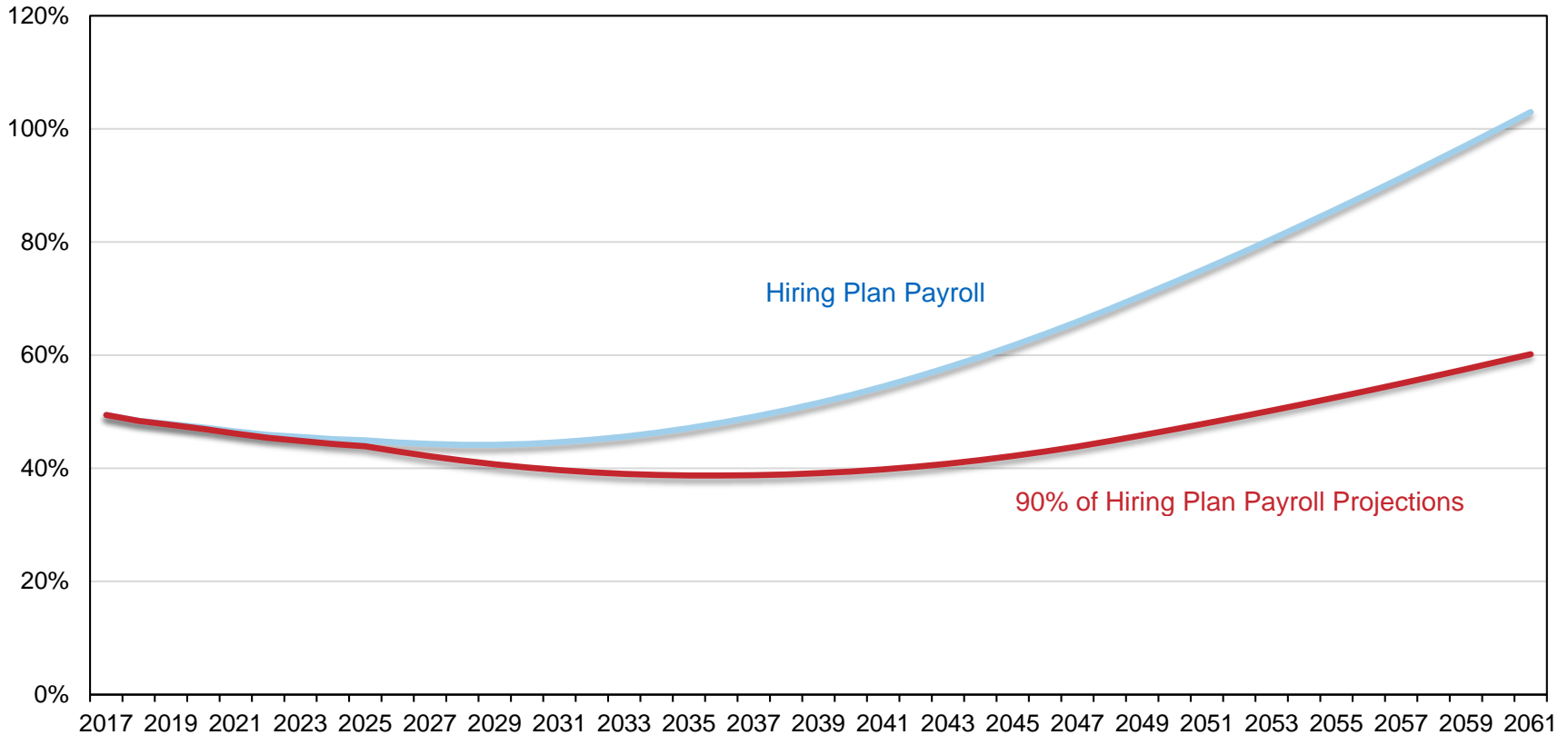
MARKET VALUE OF ASSETS



The projection above anticipates that all actuarial assumptions are met in the future and all contributions are made as expected. Projections are based on the City's Hiring Plan payroll projections through 2037 for the "After Plan Changes" projection.

Projected Funding Levels

FUNDED PERCENTAGE



The City has legislatively mandated minimum contributions through 2024. Thereafter, City contributions will be based on payroll. If payroll does not meet the Hiring Plan projections, the City's contributions will be less than anticipated and this will impact the time it takes for the System to become fully funded.

Based on the City's Hiring Plan payroll projections, 100% funding is projected by January 1, 2061.
If payroll is 10% less than projected each year through 2037, 100% funding is projected by January 1, 2089.

The Small Print

- This presentation is intended for the use of the Board of Trustees for the Dallas Police and Fire Pension System, and is a supplement to Segal Consulting's full valuation reports for the System as of January 1, 2017.
- Please refer to the full valuation reports for a description of assumptions and plan provisions reflected in the results shown in this presentation. The reports also include more comprehensive information regarding the System's membership, assets, and experience during the most recent plan year.
- Projections, by their nature, are not a guarantee of future results. They are intended to serve as estimates of future financial outcomes that are based on assumptions about future experience and the information available to us at the time the modeling is undertaken and completed. The projected future results included in this presentation show how the Fund would be affected if specific investment return, salary, mortality, turnover, disability and retirement assumptions are met. Actual results may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.
- The calculations included in this presentation were completed under the supervision of Leon F. (Rocky) Joyner, FCA, ASA, MAAA, EA, Jeffrey S. Williams, FCA, ASA, MAAA, EA, and Deborah K. Brigham, FCA, ASA, MAAA, EA.

Questions?

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