

## AGENDA



**Date:** July 9, 2021

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, July 15, 2021, via telephone conference for audio at 214-271-5080 access code 588694 or Toll-Free (US & CAN): 1-800-201-5203 and Zoom meeting for visual <https://us02web.zoom.us/j/89692363702?pwd=YTk4STdPUGZ5Q2dQNDZFTHpzRElMZz09> Passcode: 374893.** Items of the following agenda will be presented to the Board:

### **A. CONSENT AGENDA**

#### **1. Approval of Minutes**

Regular meeting of June 10, 2021

#### **2. Approval of Survivor Benefits**

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

#### **January 1, 2021 Actuarial Valuation Assumptions**

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

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

**Dallas Police and Fire Pension System  
Thursday, June 10, 2021  
8:30 a.m.  
Via telephone conference**

Supplemental meeting, Armando Garza, Deputy Vice Chairman, presiding:

**ROLL CALL**

**Board Members**

Present at 8:34 a.m. Armando Garza, Michael Brown, Robert B. French, Gilbert A. Garcia, Kenneth Haben, Tina Hernandez Patterson, Steve Idoux, Mark Malveaux

Absent: William F. Quinn, Nicholas A. Merrick

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

**Others** None

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The meeting was called to order and recessed at 8:34 a.m.

The meeting was reconvened at 11:35 a.m.

Mr. Brown was not present when the meeting reconvened.

\* \* \* \* \*

**A. CONSENT AGENDA**

**Approval of Minutes**

Regular meeting of May 13, 2021

After discussion, Mr. Haben made a motion to approve the minutes of the meeting of May 13, 2021. Mr. Garza seconded the motion, which was unanimously approved by the Board.

\* \* \* \* \*

**Supplemental Board Meeting  
Thursday, June 10, 2021**

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

**January 1, 2021 Actuarial Valuation Assumptions**

Jeff Williams Vice President and Actuary of Segal Consulting reviewed the assumptions for the January 1, 2021 Actuarial Valuation for the Regular Plan (Combined Plan) and the Supplemental Plan and the appropriateness of the current 7% discount rate/assumed rate of return given changing market factors and the asset allocation considerations.

No motion was made.

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Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. French and a second by Mr. Haben, the meeting was adjourned at 11:36 a.m.

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Armando Garza  
Deputy Vice Chairman

**ATTEST:**

\_\_\_\_\_  
Kelly Gottschalk  
Secretary



## DISCUSSION SHEET

### ITEM B

**Topic:** January 1, 2021 Actuarial Valuation Assumptions

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

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

*Supplemental Board Meeting– Thursday, July 15, 2021*

## DISCUSSION SHEET

### ITEM B (continued)

At the June 2021 Board Meeting the Actuary, Jeff Williams from Segal Consulting, discussed the assumptions for the January 2021 valuations and recommended no changes from the Assumptions used in the prior actuarial valuation except for possible consideration of lowering the 7% assumed rate of return. Mr. Williams presented the impact to DFPF's funding level at various lower rates. The report from the June meeting has been provided with this agenda item.

#### **Staff**

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



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## Memorandum

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

**From:** Jeffrey S. Williams, Vice President and Actuary

**Date:** June 4, 2021

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

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

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

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

cc: Kelly Gottschalk  
Brenda Barnes  
Caitlin Grice - Segal

# Impact of Discount Rate Change on Total Recommended Contribution

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

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

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

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