

**Dallas Police and Fire Pension System**  
**Tuesday, December 16, 2003**  
**1:00 p.m.**  
**2301 North Akard Street**  
**First Floor Conference Room**  
**Dallas, Texas**

Actuarial Funding Committee Meeting, Steven G. Shaw, Chairman, presiding:

**ROLL CALL**

**Board Members**

Present: Gerald Brown, Gary W. Edge, Deputy Mayor Pro Tem Donald Hill, Rector C. McCollum, Steven G. Shaw, George Tomasovic, Steven H. Umlor, and Richard H. Wachsman

Absent: John M. Mays and Councilmember Maxine Thornton-Reese

**Staff** Richard Tettamant, Brian Blake, Don Rohan, Everard Davenport, and Jerry Baldree

**Others** Rich Mackesey, Stephen Prullage, Gary Lawson, and Gus Fields

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The meeting was called to order at 1:17 p.m.

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

**1. Actuarial funding issue**

- a. Description of the issue
- b. Different perspectives
- c. Options
- d. Survey of index cities
- e. Future actions

Mr. Mackesey, the System's actuary, discussed with the Committee the projected funding level using the November 30, 2003 investment market value with a projected liability number and calculated the years to fund as 41 years, which is a tremendous improvement over the last year's number. The unfunded actuarial accrued liability (UAAL) is projected to have decreased to \$669 million.

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**1. Actuarial funding issue (continued)**

Mr. Mackesey also showed various charts of the effects of changes in rates of return or a few benefit modifications on the years to fund. The quickest way to improve funding is to decrease benefits and increase contributions if investment returns cannot be improved. The Committee asked the Administrator to discuss with the consultants a way to have the investment program's return increase by 40 basis points per year, which is the amount needed to be fully funded in the year 2039.

The Chairman and the actuary discussed DROP. The Chairman pointed out that a few members think that DROP membership should be limited. The actuary believed that this would slightly increase the cost of DROP to the plan. The next DROP issue was to have DROP participants continue to contribute to the plan. The actuary discussed the negative effect on DROP because this could cause DROP Participants to leave service earlier.

Staff and the actuary then did a comparison of the Texas Teachers, Texas Municipal (TMRS) and Social Security. Those plans do not offer comparable benefits and generally do not take into consideration the hazardous job and health requirements of police officers and firefighters. In fact, Texas Teachers' has reported a UAAL of over \$5.3 billion. The Committee requested that Staff do a detailed comparison of the three Houston plans with the Dallas Police & Fire Pension System and Dallas Employees Retirement Fund (Dallas ERF).

The conclusion of the actuary is that nothing needs to be done at this time to either contributions or benefits.

The Committee reviewed the effect of Senate Bill 289 and various discussions with legislators on the funding condition of the pension plans in the state. Also, the State Pension Review Board funding rules were discussed and a list of under-funded pension plans was distributed to the Committee.

The Committee believes that the staff and Board members should be diligent in monitoring the state legislature during the interim period. The Administrator discussed the comments made by the City Manager at the latest PRB meeting in Austin.

Staff reviewed several options that the Committee could consider if after 2004 the actuary recommends action to address the System's actuarial funding status. The options include: increase investment returns and risk level; create alternative funding sources (i.e. pension obligation bonds, fire insurance premiums, traffic ticket surcharge, license and registration fees); increase contributions; reduce benefits.

Another method of improving the funding is to increase the membership of the plan. The Committee reviewed with the actuary the most recently publicized proposed plan by the City to increase the number of police officers and firefighters. Councilmember Hill requested the staff and actuary to study the feasibility of decreasing the city contribution rate based upon an increase in police and fire staffing levels.

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**1. Actuarial funding issue (continued)**

The Committee directed staff to study alternative funding sources.

The Committee directed the staff to issue a survey to Index Cities concerning actions to reduce pension unfunded liabilities. After discussion, Jacksonville, Florida was added to the list of 11 cities.

The Committee directed the Administrator to discuss with the general investment consultant the utilization of enhanced indexing to assist in realizing the 40 basis point increase in return needed to become fully funded. Also, the staff is to discuss with the real estate consultant possible investments in urban areas.

The next meeting will be held in February or March 2004.

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**2. Administrator's report**

No report was given.

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The Administrator stated that there was no further business to come before the Committee. On a motion by Mr. Shaw and a second by Mr. Tomasovic, the meeting was adjourned at 3:19 p.m.

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Steven G. Shaw  
Chairman

**ATTEST:**

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Richard L. Tettamant  
Secretary