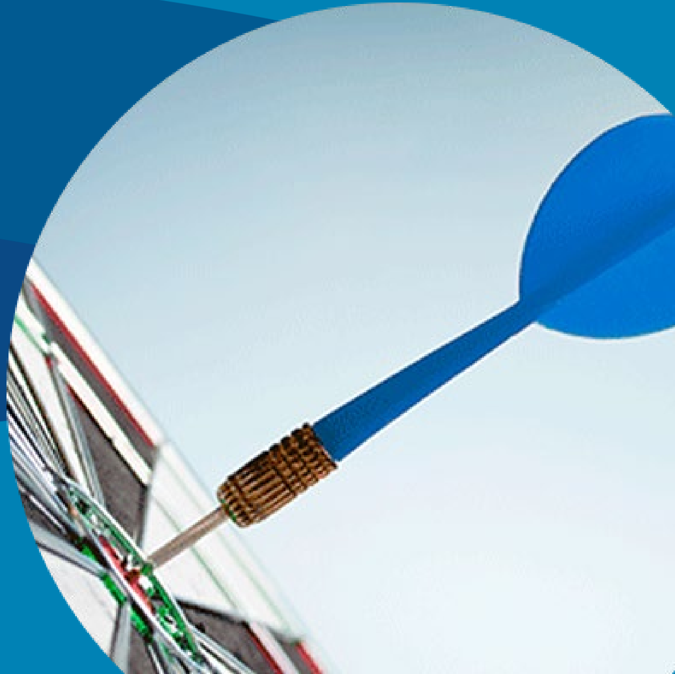
City of Dallas Employees' Retirement Fund

December 31, 2023

Preliminary Valuation Results



Key Issues and Changes

- ERF's investment return was above its investment target of 7.25% on a market value basis in 2023
  - Return on market value was 10.05%
    - Dollar-weighted return
    - Versus Wilshire's time-weighted return of 10.21%
  - Investment excess in 2023 of $95 million
    - $95 million excess was offset against prior shortfalls, $64 million of prior year's shortfall was recognized in this valuation, with the remaining $191 million deferred
- $69 million liability experience loss in 2023
  - Loss from cost of living adjustment being greater than assumed
  - Loss from salary increases being higher than assumed
  - Smaller retiree mortality gain (more deaths than assumed)

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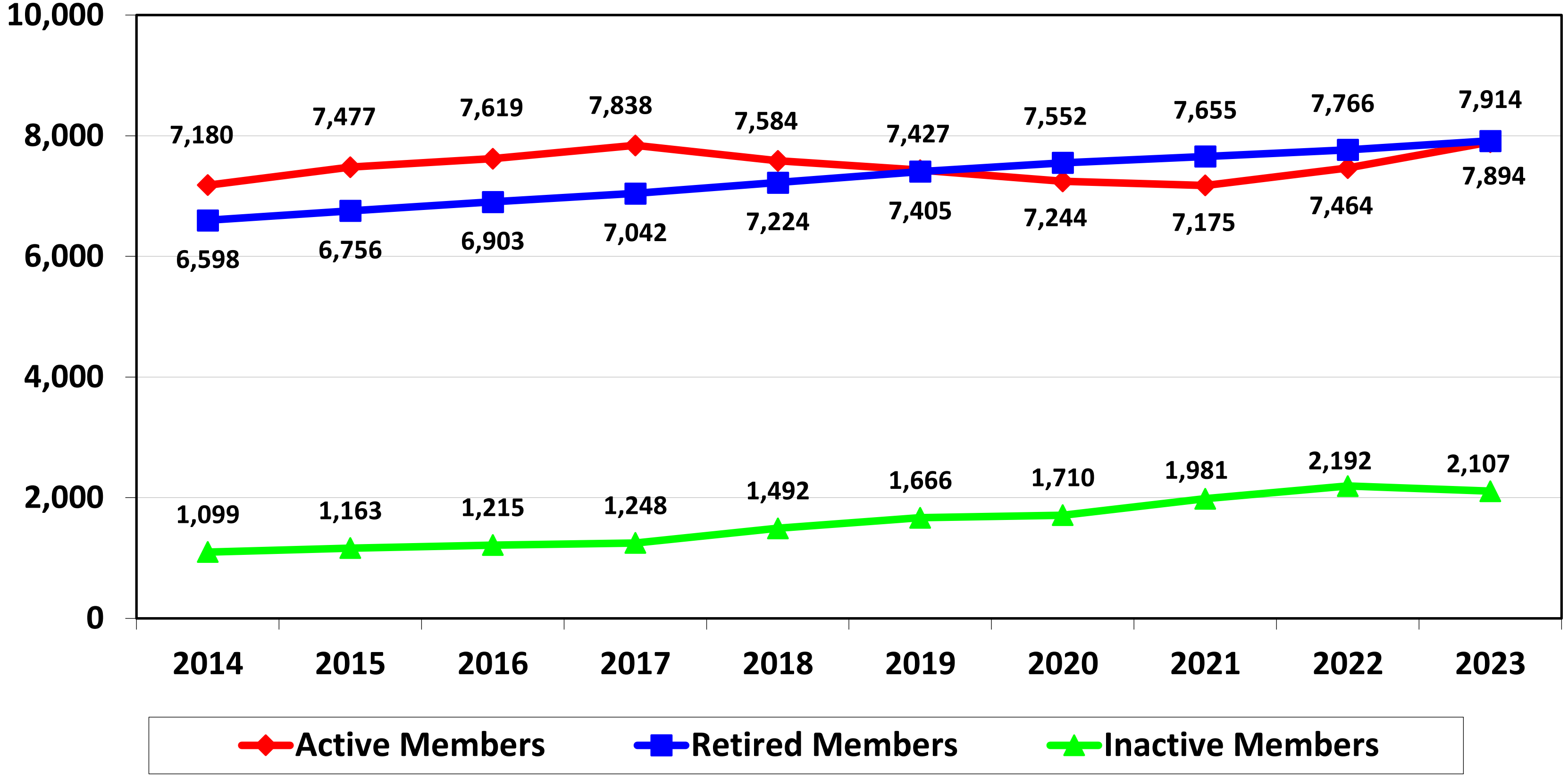
Key Issues and Changes

- Payroll increased more than expected
  - 11.3% increase versus 2.5% increase assumption
  - Driven by 5.8% increase in active employees and larger than expected salary increases
- Current Total Obligation Rate exceeds 36% of pay cap
  - CATOR is 36.00%
  - City contribution rate is 22.68%
  - Member rate is 13.32%
- The new Tier became effective January 1, 2017
  - Over 4,300 employees in new Tier at December 31, 2023
    - New Tier is approximately 55% of the active employees
  - NC% decreased from 19.17% last year to 18.56% this year

Membership

- The number of active members increased from 7,464 to 7,894, a 5.8% increase
- Payroll for active members increased from $476.6 million to $530.5 million, an 11.3% increase
- The number of members in payment status increased by a net 148, from 7,766 to 7,914, a 1.9% increase
- There are fewer active members than retired members, but the ratio is close to 1.0

Active Members and Retired Members



Note: active membership increased 5.8% versus last year

Assets

- Fair market value (unaudited) increased from $3.516 billion to $3.653 billion
- Return on market value of assets was approximately 10.05% in 2023
- Actuarial value is $3.844 billion, compared to $3.866 billion last year
- Actuarial rate of return was 4.89% in 2023
  - Less than 7.25% assumed rate
- Actuarial value is 105.2% of fair market value
- Net deferred investment loss of $191 million still to be recognized in actuarial value of assets

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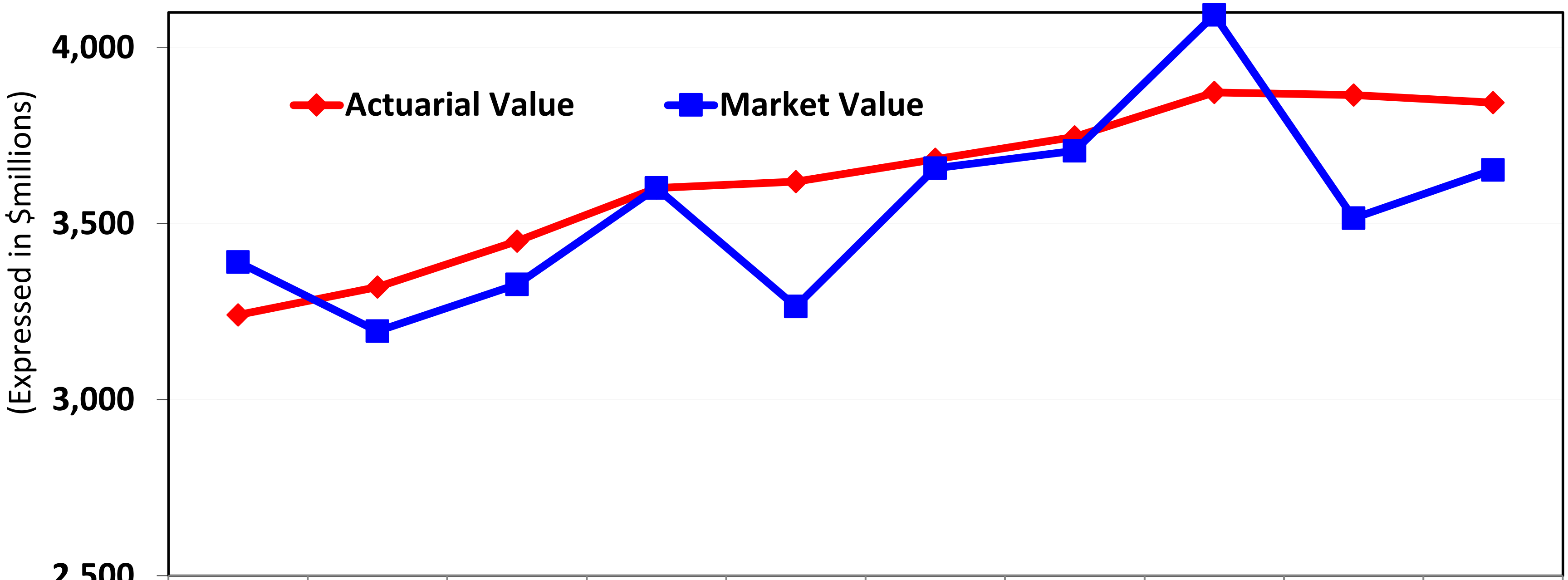
Historical Asset Values



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarial Value	3,241	3,320	3,451	3,602	3,620	3,683	3,747	3,873	3,866	3,844
Market Value	3,391	3,195	3,328	3,602	3,265	3,658	3,707	4,093	3,516	3,653

Actuarial Results

- Actuarial Accrued Liability (AAL) of benefits is now $5.482 billion
- Unfunded Actuarial Accrued Liability (UAAL) increased from $1,410 million to $1,638 million
  - Expected to increase to $1,439 million
  - Reflects $89 million loss on actuarial value of assets and $69 million loss on liabilities
  - UAAL increased $41 million due to difference between calculated contribution rate and actual contribution rate

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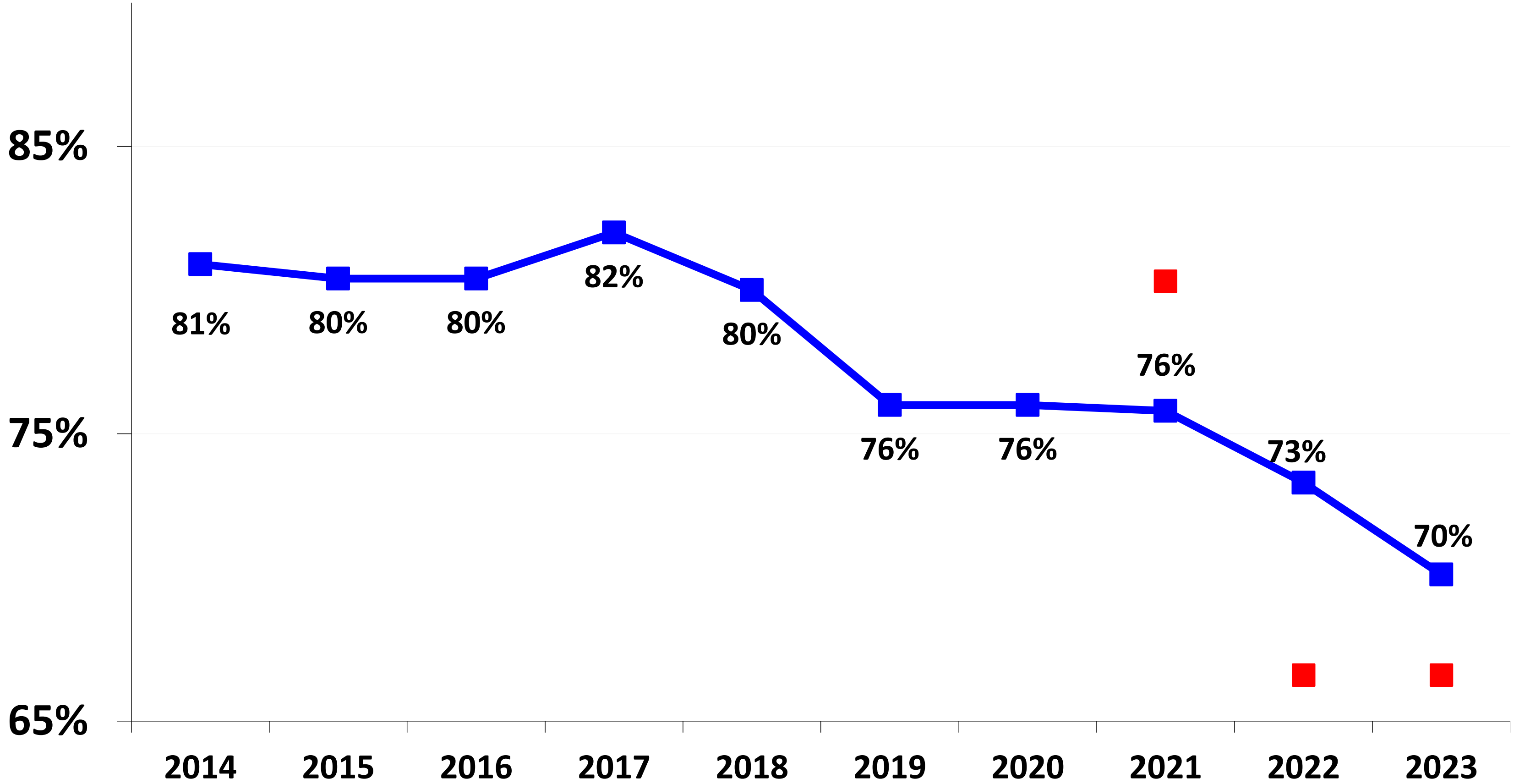
Actuarial Results

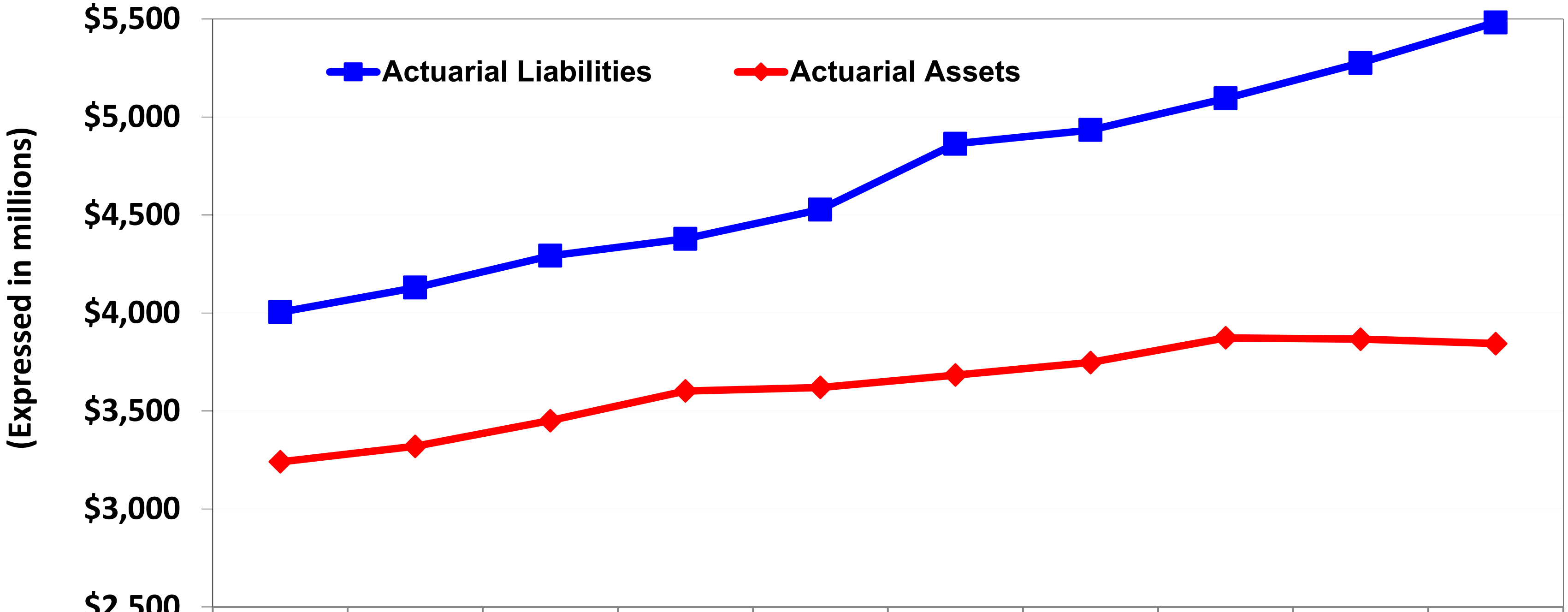
- Funded ratio (actuarial assets divided by actuarial accrued liability) decreased from 73.3% in 2022 to 70.1% in 2023
- Funded ratio using market value is 66.6%
  - Was 66.6% last year
- Total 30-year contribution rate is 35.95%
  - Does not include POB debt service payments
  - Based on open-group projection
  - 35.40% last year

Historical Funded Ratios



Funded ratio using market value of assets as of December 31, 2021 is 80%.
Funded ratio using market value of assets as of December 31, 2022 is 67%.
Funded ratio using market value of assets as of December 31, 2023 is 67%.

Liabilities vs. Assets



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarial Liabilities	4,004	4,129	4,292	4,378	4,527	4,863	4,933	5,094	5,276	5,482
Actuarial Assets	3,241	3,320	3,451	3,602	3,620	3,683	3,747	3,873	3,866	3,844

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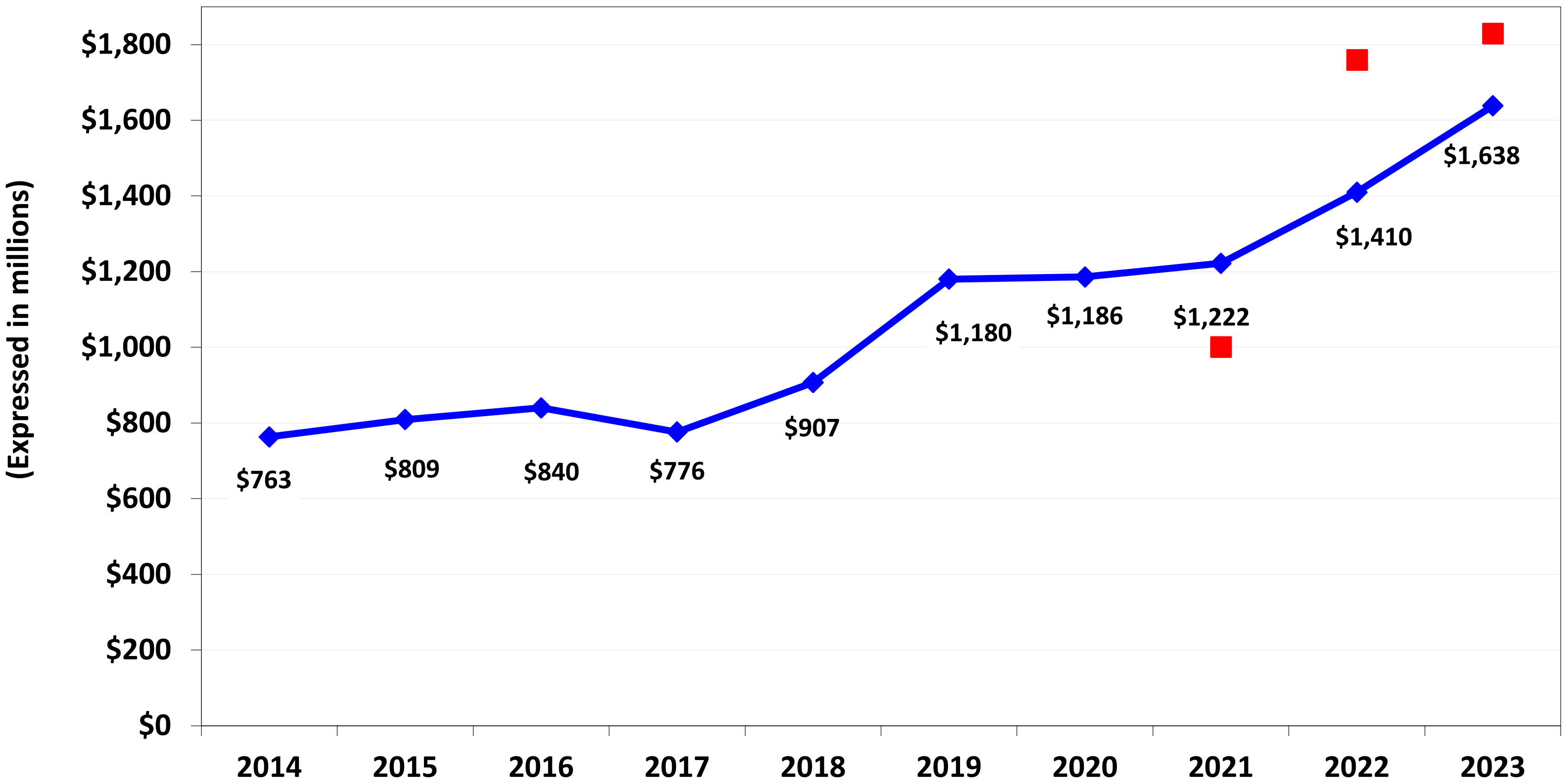
Unfunded Actuarial Accrued Liability (UAAL)



UAAL based on market value of assets as of December 31, 2021 is $1,001 million.
UAAL based on market value of assets as of December 31, 2022 is $1,760 million.
UAAL based on market value of assets as of December 31, 2023 is $1,829 million.

Actuarial Required Contribution Rate

- We use an Open-Group projection to determine the Actuarially Required Contribution Rate (ARC)
  - Reflects declining average Normal Cost % over time due to new tier of benefits
  - Rate is determined as level percentage of pay so amortization rate is increasing over time
  - 30-year funding period is used
  - Debt service is not included

Actuarial Required Contribution Rate

- ARC as of December 31, 2023 is 35.95%
  - Increase from 35.40% in prior year
  - Compares to actual rate expected to be contributed in fiscal year 2024 of 27.76%
    - Total rate of 36.00% of pay less POB Credit of 8.24%
  - Increase due to losses on actuarial assets and liabilities, partially offset by greater than expected payroll growth

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Fiscal Year Beginning October 1st

		2023	2024
1.	Prior Adjusted Total Obligation Rate	36.00%	36.00%
2.	Actuarially Required Contribution Rate	35.40%	35.95%
3.	Debt Service		
	a) Scheduled Debt Service Payment*	$ 40,142,080	$ 44,821,069
	b) Projected Payroll	$488,516,155	$543,738,650
	c) Pension Obligation Bond Credit (a/b)	8.22%	8.24%
4.	Current Total Obligation Rate (2+3c)	43.62%	44.19%
5.	Current Adjusted Total Obligation Rate	36.00%	36.00%
6.	Allocation of Contribution Rates for Fiscal Year Beginning October 1st		
	a) Employee (5 x .37)	13.32%	13.32%
	b) City (5 x .63)	22.68%	22.68%
7.	City Contribution to Fund (6.b. – 3.c)	14.46%	14.44%

*The debt service payment increased 11.7% between fiscal years 2024 and 2025. If the debt service payment had grown at the same rate as the prior year the POB Credit would have decreased to 7.63% of pay.

The formula for contributions are based on Dallas City Code 40A originally established with City ordinance 25695

Valuation Summary

- The Actuarially Required Contribution to the Fund increased from 35.40% to 35.95%
- The total contribution rate including the debt service increased from 43.62% to 44.19%
- $191 million in deferred investment loss still to be recognized or offset

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Valuation Summary

- Calculated contribution rate is projected to remain relatively level until POBs are paid off
  - Assuming all assumptions are met including 7.25% return on AVA
  - Impact of shortfall in contributions because of 36.00% maximum rate is being somewhat offset by 30-year rolling amortization period
- Actual contribution rate will remain at 36% cap for foreseeable future