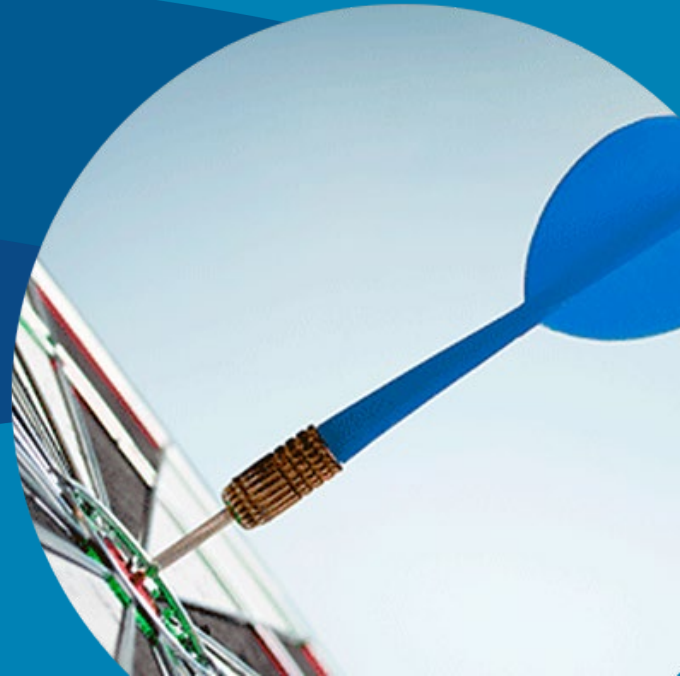




City of Dallas Employees' Retirement Fund

December 31, 2025

Final Valuation Results



Actuarial Valuation

- Prepared as of December 31, 2025, using member data, financial data, benefit and contribution provisions, actuarial assumptions and methods
- Purposes:
 - Measure the actuarial liabilities of the ERF
 - Determine actuarial required contribution rate
 - Current Total Obligation Rate
 - Current Adjusted Total Obligation Rate
 - Provide other information for reporting
 - GASB #67 & #68, Annual Comprehensive Financial Report
 - Explain changes in actuarial condition of the Fund

Key Issues and Changes

- 2024 Changes to Chapter 40-A increase the total contribution rate over a 5-year period beginning in fiscal year 2026 (October 1, 2025)
 - The increases are phased-in using maximum contribution rates specified by fiscal year in Chapter 40-A
 - The contribution rate is the Actuarially Determined Contribution rate (ADC) after the phase-in
 - Member rates are currently 14.00% for Group A and 13.32% for Group B
 - Closed 30-year amortization period of UAAL as of December 31, 2024
- ERF's investment return was above its investment target of 7.25% on a market value basis in 2025
 - Return on market value was 11.92%
 - Dollar-weighted return
 - Wilshire's uses a time-weighted return which can be different
 - Investment excess in 2025 of \$170 million
 - \$34 million of current year's excess was recognized in this valuation, \$136 million remaining in deferred investment excesses

Key Issues and Changes

- New assumptions from 2025 experience study decreased UAAL by \$49.7 million
- \$34.0 million gain on actuarial value of assets
- \$8.6 million net liability experience gain in 2025
 - Small loss from cost of living adjustment being greater than assumed
 - Small loss from salary increases being higher than assumed
 - Gains from most other decrements including retiree mortality
- Payroll increased more than expected
 - 3.4% increase in total covered payroll
 - Partially driven by 0.6% increase in active employees
- The new Tier became effective January 1, 2017
 - Over 5,200 employees in new Tier at December 31, 2025
 - New Tier is approximately 65% of the active employees
 - Normal Cost % decreased from 18.24% last year to 18.08% this year
 - Normal cost is the cost of benefits accrued by active members during the year

Key Issues and Changes

- During discussions with City about proposed changes to 40-A, projections estimated the ultimate actuarial determined contribution (ADC) of approximately 43.36% of payroll
- Based on this valuation the ultimate ADC is now expected to be 41.01% of payroll
- The lower rate is due to:
 - Investment returns in 2024 & 2025 exceeding the 7.25% assumption
 - 2024 & 2025 payroll growth exceeding the 3.0% assumption

Phase-in Versus ADC

Fiscal Year		Chapter 40-A Maximum		Projected ADC Using AVA ^{1,2}
2025		36.00%		36.00%
2026		38.22%		38.22%
2027		39.45%		39.45%
2028		40.68%		40.68%
2029		41.91%		41.01%
2030		ADC		41.01%

¹Assumes deferred investment gains are never recognized.

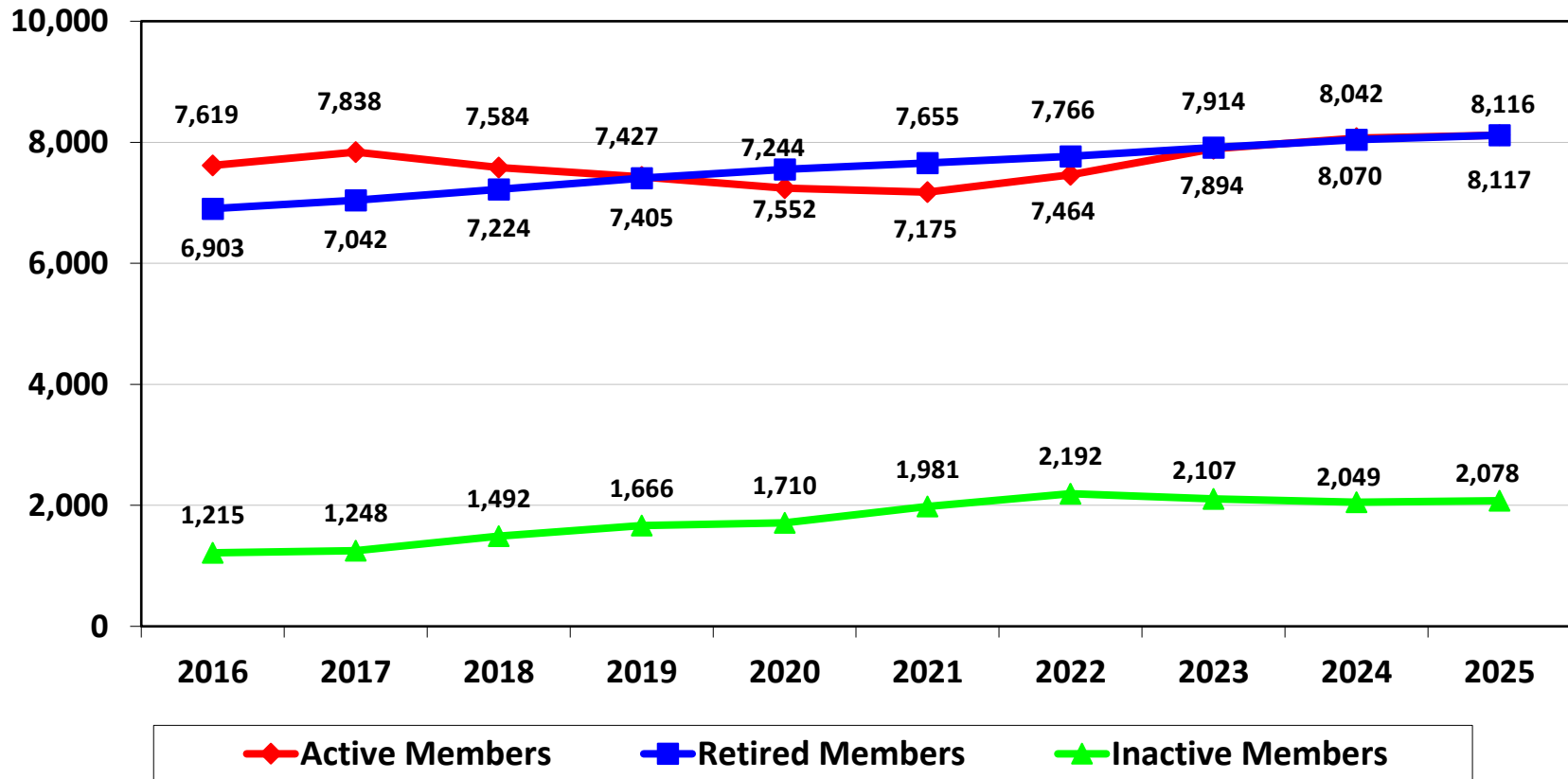
²Assumes no liability gains or losses

Notes: Original ADC estimated at 43.36% of pay based on 12-31-2023 valuation
12-31-2024 valuation ADC was 41.87%

Membership

- The number of active members increased from 8,070 to 8,116, a 0.6% increase
- Payroll for active members increased from \$556.6 million to \$575.7 million, a 3.4% increase
- The number of members in payment status increased by a net 75, from 8,042 to 8,117, a 0.9% increase
- The number of active members and retired members are almost the same, the ratio is 1.0

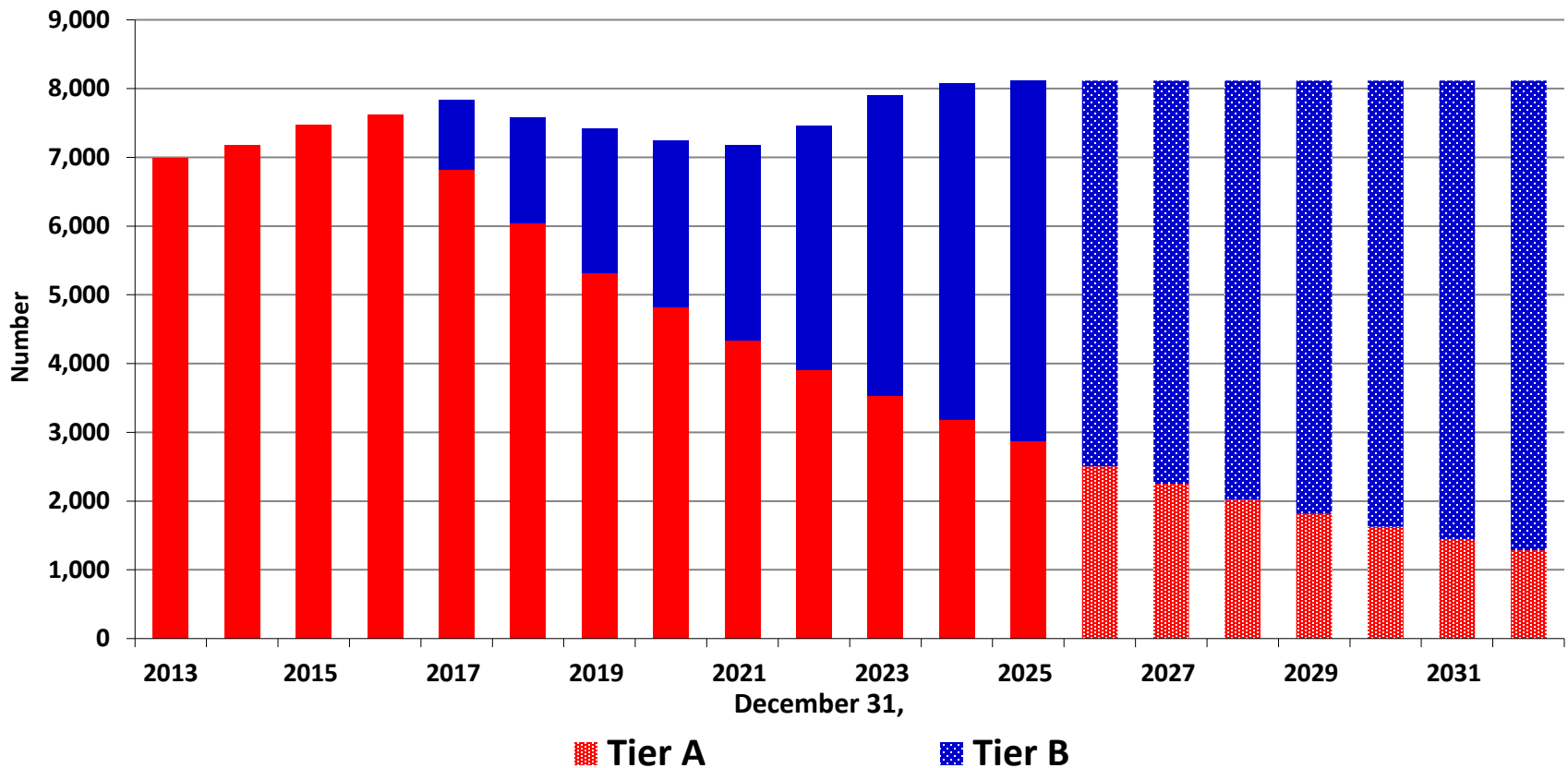
Active Members and Retired Members



Note: active membership increased 0.6% versus last year

Projected Active Membership

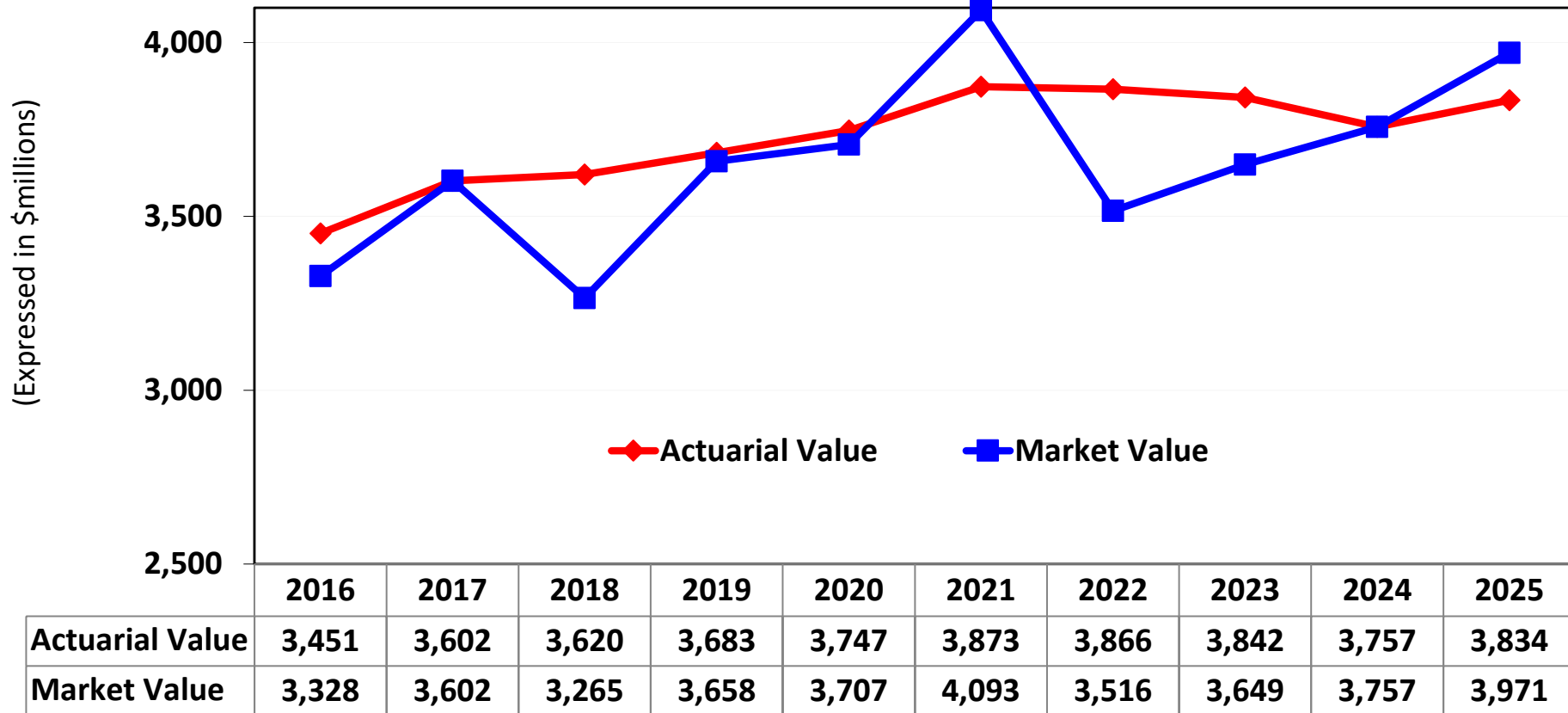
Projected Number of Tier A and Tier B Employees



Assets

- Fair market value (unaudited) increased from \$3.757 billion to \$3.971 billion
- Return on market value of assets was approximately 11.92% in 2025
- Actuarial value is \$3.834 billion, compared to \$3.757 billion last year
- Actuarial rate of return was 8.19% in 2025
 - More than 7.25% assumed rate
- Actuarial value is 96.6% of fair market value
- Net deferred excess investments of \$136 million still to be recognized in actuarial value of assets

Historical Asset Values



Actuarial value set equal to market value in 2017 & 2024



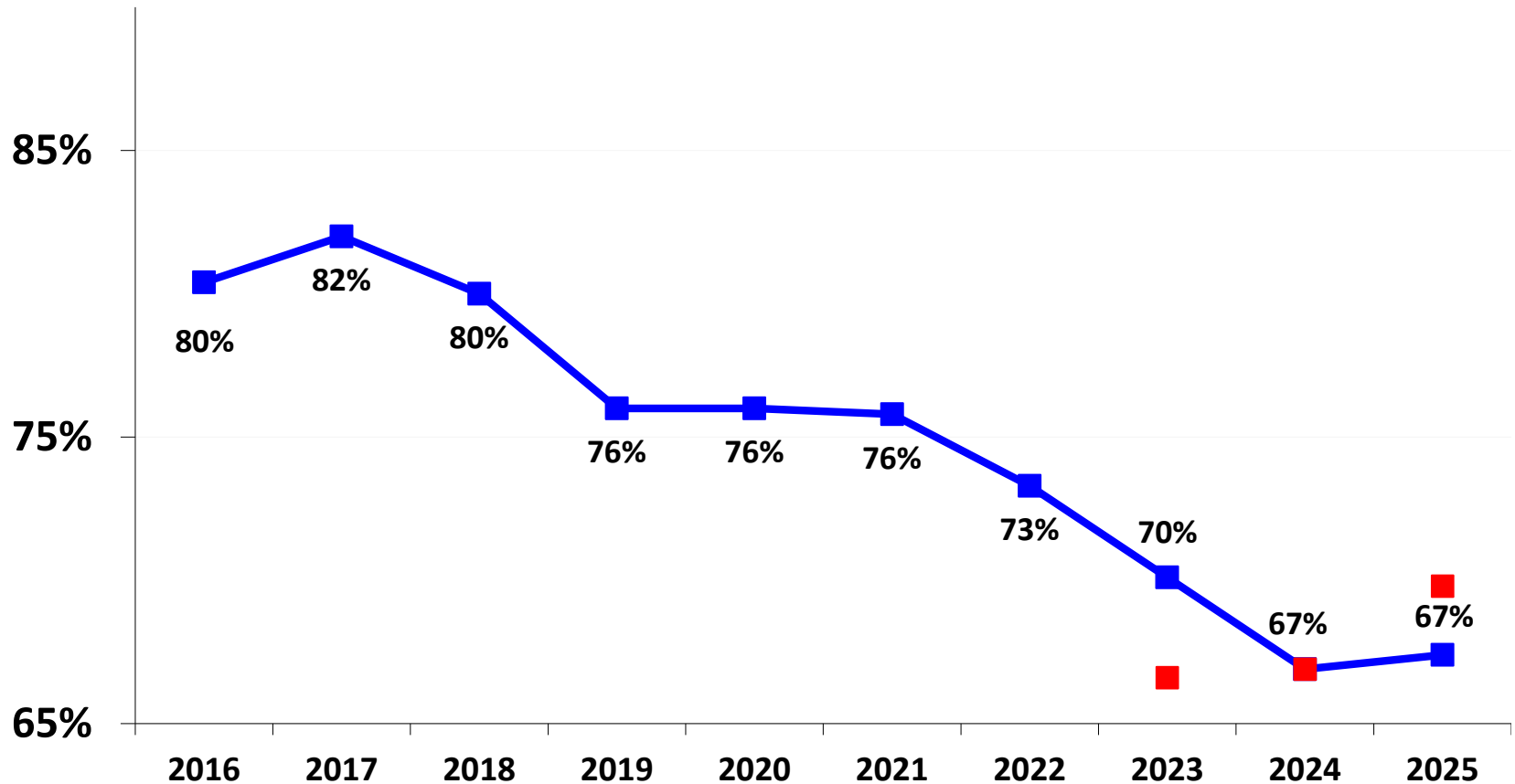
Actuarial Results

- Actuarial Accrued Liability (AAL) of benefits is now \$5.686 billion
- Unfunded Actuarial Accrued Liability (UAAL) decreased from \$1,857 million to \$1,852 million
 - Expected to increase \$87 million to \$1,944 million
 - Reflects \$34 million gain on actuarial value of assets and \$9 million liability experience gain
 - \$50 million gain due to new actuarial assumptions

Actuarial Results

- Funded ratio (actuarial assets divided by actuarial accrued liability) increased from 66.9% in 2024 to 67.4% in 2025
- Funded ratio using market value is 69.8%
 - Was 66.9% last year
 - Increase is primarily due to investment results in 2025
- Actuarially Determined Contribution Rate is 41.01% of pay
 - Reflects 5-year phase in
 - Fiscal Year 2027 maximum is 39.45% of pay

Historical Funded Ratios



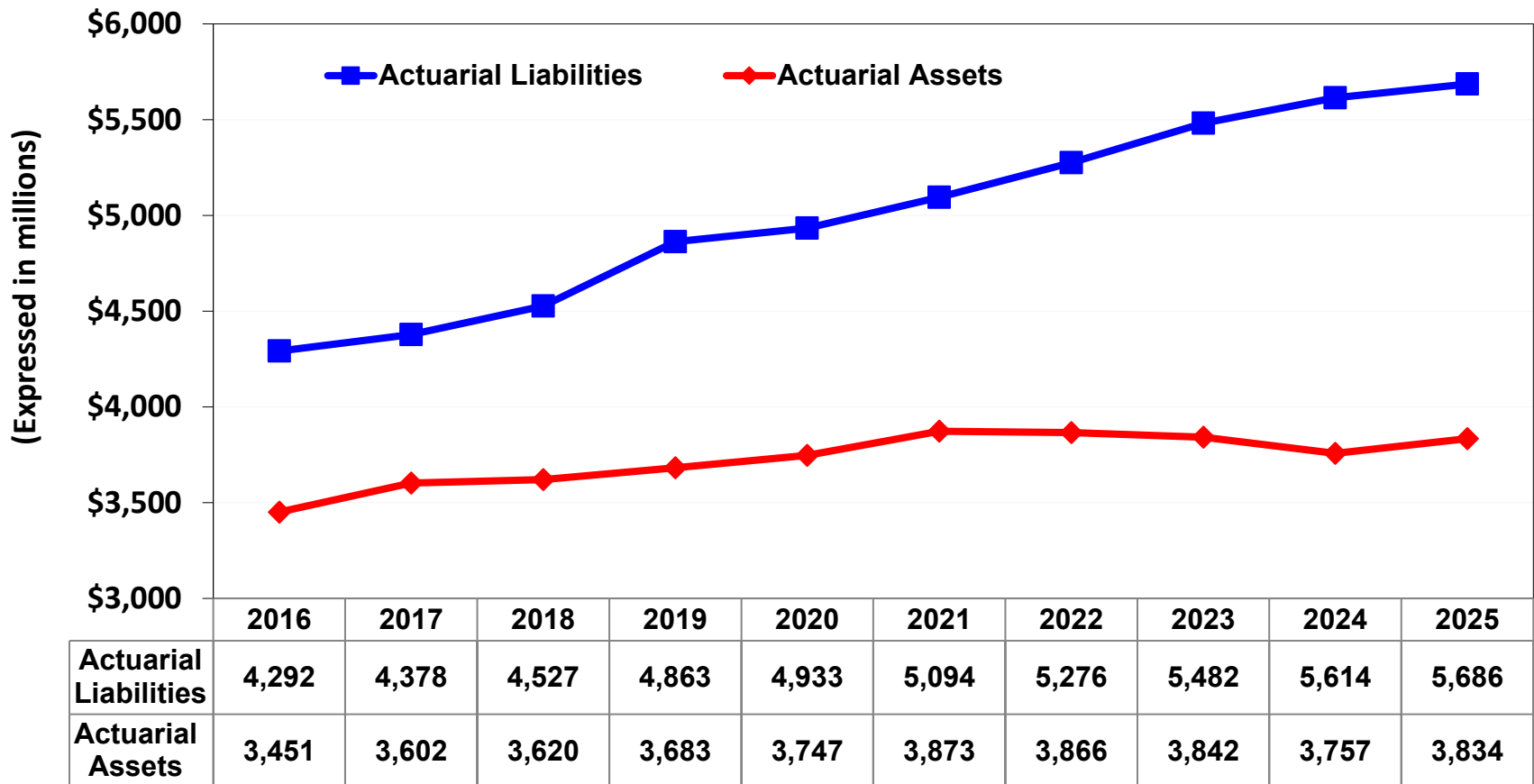
Funded ratio using market value of assets as of December 31, 2023 is 67%.

Funded ratio using market value of assets as of December 31, 2024 is 67%.

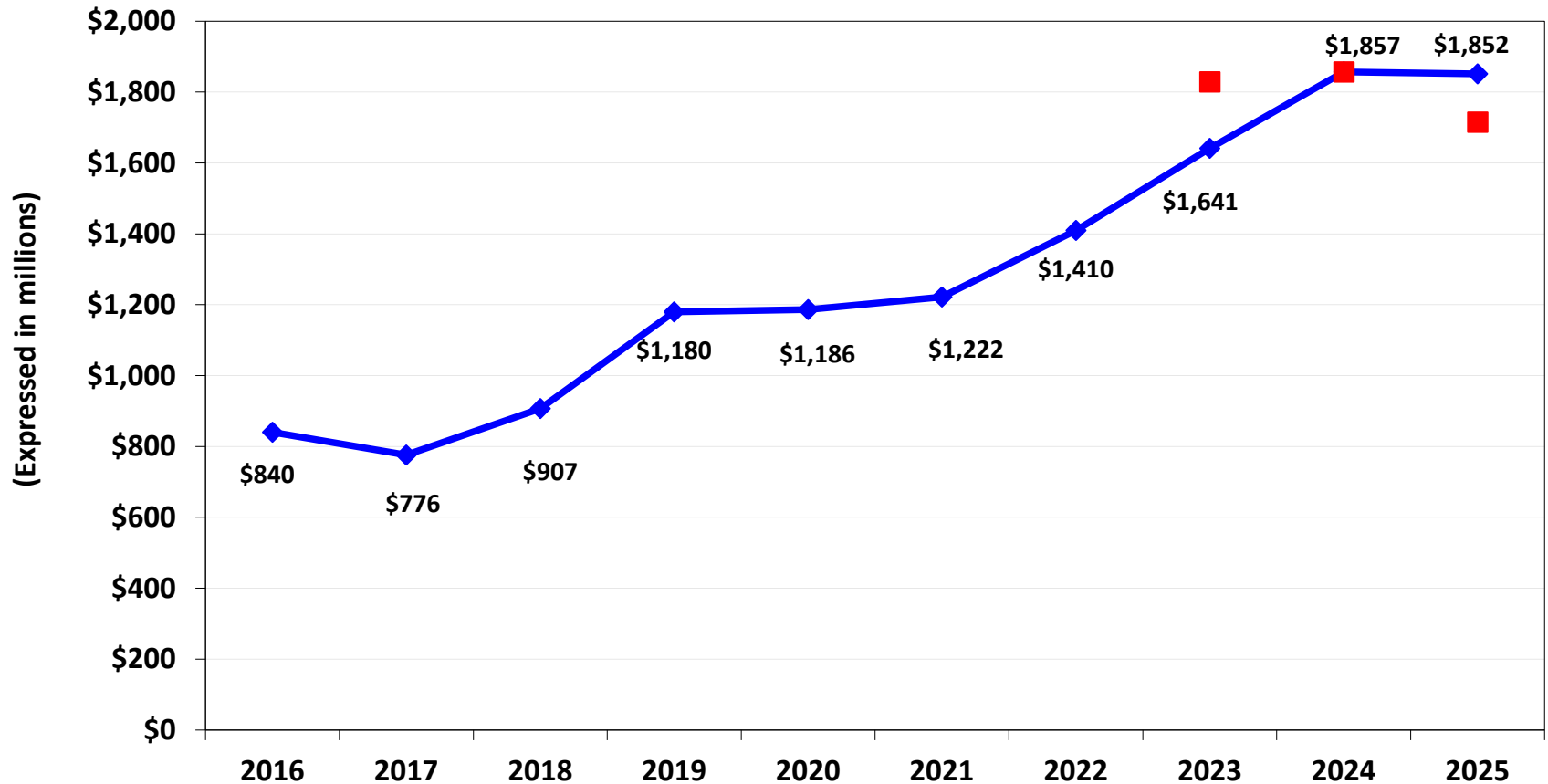
Funded ratio using market value of assets as of December 31, 2025 is 70%.



Liabilities vs. Assets



Unfunded Actuarial Accrued Liability (UAAL)



UAAL based on market value of assets as of December 31, 2023 is \$1,834 million.

■ UAAL based on market value of assets as of December 31, 2024 is \$1,857 million.

UAAL based on market value of assets as of December 31, 2025 is \$1,716 million.



Reconciliation of UAAL

▪ UAAL 12/31/24		\$1,857.0
▪ Expected Changes		
• Amortization Payment for 2025	(45.9)	
• Interest Adjustments	<u>133.0</u>	
		87.1
▪ Actuarial Experience Gain on Liabilities and Assets		(42.6)
▪ Actuarial Gain due to Change in Assumptions		<u>(49.7)</u>
▪ UAAL 12/31/25		\$1,851.8



\$ in Millions

Actuarial Determined Contribution Rate

- We use an Open-Group projection to determine the Actuarially Determined Contribution Rate (ADC)
 - Reflects declining average Normal Cost % over time due to new tier of benefits
 - Covered payroll is assumed to grow at 3%
 - Rate is the ultimate rate needed after phase-in to achieve full funding as of 12-31-2054
 - Includes debt service payments
 - Funding period as of 12-31-2025 is 29 years

Actuarial Required Contribution Rate

- ADC as of December 31, 2025 is 41.01%
 - Compares to ADC of 41.87% determined as of 12-31-2024 valuation
 - Current contribution rate in Fiscal Year 2026 is 38.22% (due to phase-in maximum)
 - Total contribution rate in Fiscal Year 2027 is 39.45%
 - Reflects phase-in maximum
 - Group A member rate is at maximum rate of 14.00%
 - Group B member rate is at maximum rate of 13.32%
 - Pension Obligation Bond Credit is 8.09%
 - City Contribution Rate to ERF is 17.78%

Fiscal Year Beginning October 1st

	<u>2025</u>	<u>2026</u>
1. Actuarially Determined Contribution Rate (not more than maximum)	38.22%	39.45%
2. Projected Payroll for Fiscal Year	\$569,088,452	\$588,692,245
3. Total Contributions Including Pension Obligation Bond Debt Service	\$217,505,606	\$232,239,091
4. Member Contributions		
a) Group A Payroll	\$236,212,145	\$222,300,461
b) Group B Payroll	\$332,876,307	\$366,391,784
c) Group A Contributions (Item 3.a x 14.00%)	\$33,069,700	\$31,122,065
d) Group B Contributions (Item 3.b x 13.32%)	\$44,339,124	\$48,803,386
e) Total Member Contributions	\$77,408,824	\$79,925,451
5. Pension Obligation Debt Service	\$46,203,207	\$47,631,383
6. Total City Contribution to ERF (Item 3. – Item 4.e. – Item 5.)	\$93,893,575	\$104,682,257
7. City Contribution as % of Pay (Item 6 / Item 2)	16.50%	17.78%

The formula for contributions are based on Dallas City Code 40A as modified by City ordinance 32801



Valuation Summary

- The Actuarially Determined Contribution Rate is 41.01%
 - After applying the phase-in the total rate for Fiscal year 2027 is 39.45%
- \$136 million in deferred excess investment earnings

GASB Preview

- GASB 67/68
 - Fund continues to pass the Single Discount Rate (SDR) test
 - Due to the funding policy of contributing the actuarially determined contribution (after phase-in)
 - Single Discount Rate is 7.25%
- NPL decreased significantly from \$1.9 billion last year and an estimated \$1.7 billion as of 12-31-2025
 - Most of the decrease is due to the return on the market value of assets
 - Volatile number
 - Assets based on the market value of assets
 - SDR should always be the assumed rate of return if the City is contributing the actuarially determined contribution rate

Employees' Retirement Fund of the City of Dallas

Actuarial Valuation Report
as of December 31, 2025

DRAFT





June 5, 2026

Board of Trustees
Employees' Retirement Fund of the City of Dallas
1920 McKinney Avenue
10th Floor
Dallas, Texas 75201

Dear Members of the Board:

We are pleased to present our report of the actuarial valuation of the Employees' Retirement Fund of the City of Dallas ("ERF" or the "Fund") as of December 31, 2025.

This valuation provides information on the financial health of ERF. Changes to Chapter 40-A were approved by the City of Dallas voters in November 2024. These changes include moving to an actuarially determined contribution (ADC) rate to pay off the unfunded actuarial accrued liability within 30 years. As discussed later in this report, the move to the ADC is being phased over a five-year period. The ADC is calculated as a level percentage of pay (after the completion of the phase-in) intended to cover the normal cost of the fund, make the debt service payments on the previously issued pension obligation bonds and amortize the December 31, 2024 unfunded actuarial accrued liability (UAAL) over a closed 30-year period from the valuation date.

In addition, the report provides various summaries of the data. A separate report is issued with regard to valuation results determined in accordance with Governmental Accounting Standards Board (GASB) Statements 67 and 68. Results of this report should not be used for any other purpose without consultation with the undersigned. Valuations are prepared annually as of December 31st, the last day of the ERF plan year. This report was prepared at the request of the Board and is intended for use by the ERF staff and those designated or approved by the Board. This report may be provided to parties other than ERF staff only in its entirety and only with the permission of the Board.

As authorized in Chapter 40A-4(a)(16) of the Dallas City Code, the actuarial methods and assumptions are set by the Board of Trustees, based upon recommendations made by the plan's actuary. An experience study was performed using data through December 31, 2024. As a result of that study, revised assumptions were adopted by the Board effective with the valuation as of December 31, 2025.

We believe the assumptions are internally consistent, reasonable, and, where appropriate, based on the actual experience of the ERF. All of the methods and assumptions used for funding purposes meet the parameters set by the Actuarial Standards of Practice. All actuarial methods and assumptions are described under Section P of this report. 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 the assumptions can materially change the liabilities and the calculated contribution rates. Due to the limited scope of this assignment, GRS did not perform an analysis of the potential range of such possible future differences. The actuarial calculations are intended to provide information for rational decision making. Other than the sensitivity analysis shown in Section L, this report does not include a more robust assessment of the future experience not meeting the actuarial assumptions. Additional assessment of risks was outside the scope of this assignment.

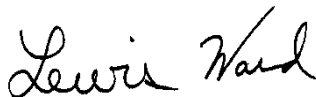
This valuation is based on the provisions of ERF in effect as of the valuation date, data on the ERF membership and information on the asset values of the Fund as of December 31, 2025. The member, annuitant and asset data used in the valuation were all prepared and furnished by ERF staff. While certain checks for reasonableness were performed, the data used was not audited.

To the best of our knowledge, this report is complete and accurate and was conducted in accordance with the Actuarial Standards of Practice as set forth by the Actuarial Standards Board and in compliance with the provisions of the Dallas City Code. The undersigned are independent actuaries and consultants. Mr. White is a Fellow of the Society of Actuaries, an Enrolled Actuary, and a Member of the American Academy of Actuaries and he meets the Qualification Standards of the American Academy of Actuaries. Both Mr. White and Mr. Ward have significant experience in performing valuations for large public retirement systems.

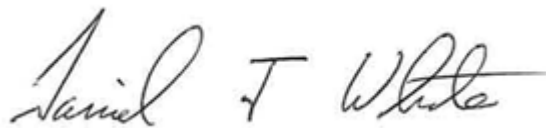
The following schedules in the actuarial section of the ERF Annual Comprehensive Financial Report were prepared by GRS: Executive Summary, Report Highlights, Summary of Actuarial Values, Demonstration of Actuarially Determined Contribution Rate, Information for City Ordinance 32801, Net Assets Available for Benefits, Change in Assets Available for Benefits, Development of Actuarial Assets, Historical Investment Performance, Analysis of Change in Unfunded Actuarial Accrued Liability, Investment Experience (Gain) or Loss, Analysis of Actuarial (Gains) or Losses, Schedule of Funding Status, Summary of Data Characteristics, Distribution of Active Members and Payroll by Age and Years of Service, Distribution of Benefit Recipients, Schedule of Active Member Valuation Data, Schedule of Retirees and Beneficiaries Added to and Removed from Rolls, Solvency Test, Analysis of Pay Experience (Valuation Pay), Analysis of Retirement Experience – Each Age, Analysis of Retirement Experience - Age Groups, Analysis of Turnover Experience, Analysis of Active Mortality Experience, Analysis of Disability Experience, Analysis of Retiree Mortality Experience.

We would like to thank the ERF staff for their assistance in providing all necessary information to complete this valuation. Their courteous help is very much appreciated. We look forward to discussing this actuarial valuation report with you at your convenience. Please do not hesitate to let us know if you have any questions or need additional information.

Respectfully submitted,
Gabriel, Roeder, Smith & Company



Lewis Ward
Consultant



Daniel J. White, FSA, EA, MAAA
Senior Consultant



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EXECUTIVE SUMMARY

(\$ in 000s)

The key results from the actuarial valuation of the Employees' Retirement Fund of the City of Dallas as of December 31, 2025 may be summarized as follows:

	<u>December 31, 2024</u>	<u>December 31, 2025</u>
· Members		
- Actives	8,070	8,116
- Benefit recipients	8,042	8,117
- Deferred vested ¹	1,154	1,178
- Other terminated ¹	<u>895</u>	<u>900</u>
- Total	18,161	18,311
· Covered payroll (including overtime)	\$ 556,566	\$ 575,738
· Normal cost	\$ 99,768	\$ 102,446
as % of expected payroll	18.24%	18.08%
· Actuarial accrued liability	\$ 5,614,481	\$ 5,686,269
· Actuarial value of assets	\$ 3,757,482	\$ 3,834,475
· Market value of assets	\$ 3,757,482	\$ 3,970,633
· Unfunded actuarial accrued liability (UAAL)	\$ 1,856,999	\$ 1,851,794
· Estimated yield on assets (market value basis)	9.18%	11.92%
· Estimated yield on assets (actuarial value basis)	3.52%	8.19%
· Contribution Rates Beginning on October 1st following valuation date		
a. Current Total Obligation Rate	41.87%	41.01%
b. Total Contribution Rate Maximum	38.22%	39.45%
c. Current Adjusted Total Obligation Rate (lesser of a. and b.)	38.22%	39.45%
· Actuarial gains/(losses)		
- Assets	\$ (55,776)	\$ 34,039
- Actuarial liability experience	\$ 1,051	\$ 8,583
- Assumption and method changes	\$ (83,516)	\$ 49,715
· Funded ratio		
- Based on actuarial value of assets	66.9%	67.4%
- Based on market value of assets	66.9%	69.8%

¹ *Deferred vested are members who have applied for a deferred pension. Other terminations are other members who have terminated and still have contribution balances in the Fund.*



PURPOSES OF THE ACTUARIAL VALUATION

At your request, we have performed the actuarial valuation of the Employees' Retirement Fund of the City of Dallas ("ERF" or the "Fund") as of December 31, 2025.

The purposes of an actuarial valuation are as follows:

- To determine the funding status of ERF as of the valuation date;
- To determine the Current Total Obligation Rate, which is the actuarially determined contribution rates that pay: the normal costs of the Fund, the debt service on the Pension Obligation Bonds, and the amortization of any liability layers over the periods specified by statute; and
- To determine the Current Adjusted Total Obligation Rate (which reflects the maximum contribution rate during the phase-in period) for the fiscal year beginning October 1, 2026; and
- Determine the allocation of the Current Adjusted Total Obligation Rate between the members and the City after application of the member contribution rate maximums

Please see the discussion about the maximum contribution rate on pages 6-7 of this report.

REPORT HIGHLIGHTS

(\$ in 000s)

The following is a set of key actuarial results from the prior year's valuation as compared to the current year:

	Valuation Date	
	December 31, 2024	December 31, 2025
Contribution Rates (% of Payroll)¹		
Normal Cost (including administrative expense)	20.05%	19.82%
Current Total Obligation Rate ²	41.87%	41.01%
Current Adjusted Total Obligation Rate	38.22%	39.45%
Total Projected Contributions ³	\$217,505,606	\$232,239,091
Funded Status (on AVA basis)		
Actuarial Accrued Liability	\$5,614,481	\$5,686,269
Actuarial Value of Assets	3,757,482	3,834,475
Unfunded Actuarial Accrued Liability	\$1,856,999	\$1,851,794
Funded Ratio	66.92%	67.43%

¹For Fiscal Year beginning on next October 1st after valuation date

²The Current Total Obligation Rate is an actuarially determined contribution rate based on the funding parameters of Chapter 40-A incorporating any debt service payments still owed

³Includes any debt service payments still owed



FUNDING PROCESS

In November 2024, the voters of the City of Dallas approved changes to Chapter 40-A (previously ratified by the ERF Board of Trustees and the Dallas City Council) which are intended to restore the financial soundness of the ERF by establishing a funding mechanism intended to eliminate the December 31, 2024 unfunded actuarial accrued liability (UAAL) over the next 30 years. The Current Total Obligation Rate is an actuarially determined contribution rate (ADC) that is the total level contribution rate (after the phase-in) needed to pay the normal cost of the ERF, pay any outstanding debt service payments from the pension obligation bonds, and amortize the UAAL over time-period(s) specified in Chapter 40-A. For fiscal years 2026 through 2029, the Current Adjusted Total Obligation Rate is the lesser of the Current Total Obligation Rate and the Total Contribution Rate Maximum in Chapter 40-A. For 2030 and beyond, the Current Adjusted Total Obligation Rate is equal to the Current Total Obligation Rate.

While the share of the member contributions remains at 37% of the Current Adjusted Total Obligation Rate, these member rates are now capped at 14.00% of pay for Group A members and 13.32% of pay for Group B members. The City is responsible for the difference between the projected contributions based on the Current Adjusted Total Obligation Rate total and the projected member contributions. Please see Section N – Table 3 for a determination of the City Contribution.

Future valuations will determine an ADC which reflects the experience of the Fund during the prior year. Any unanticipated change in the UAAL will be recognized in a new liability layer that is amortized over the greater of the remaining amortization period of the December 31, 2024 UAAL or 20 years. This new ADC is compared to the original projected ADC from the December 31, 2024 valuation to determine if it exceeds that original ADC by more than 5% (after adjusting both the original ADC and the new ADC by removing the amortization payment for the December 31, 2024 UAAL). If the new adjusted ADC does not exceed the original adjusted ADC by 5% then it is the new ADC. If the new adjusted ADC exceeds the original adjusted ADC by more than 5% then the new adjusted ADC is the sum of the original adjusted ADC plus 5% and the amortization payment of the December 31, 2024 UAAL. Any shortfall in contributions as a result of this cap are added as an additional liability layer.



ACTUARIAL CONTRIBUTIONS

As shown in Section N – Table 2, the Actuarially Determined Contribution Rate (ADC) developed in this actuarial valuation is 41.01% of active member payroll. This rate includes the impact of phasing into the ADC over a 5-year phase-in period, and includes payments towards the debt service on the pension obligation bonds. If there was no phase-in period the rate would have been 40.90% of pay. As set out in Chapter 40-A the maximum contribution rate for fiscal years 2026 – 2030 are shown in the table below.

Fiscal Year	Maximum Total Rate
2026	38.22%
2027	39.45%
2028	40.68%
2029	41.91%
2030 and later	ADC

This ADC is the total level rate (after the phase-in) as a percentage of pay (member + City) that would need to be contributed to pay the normal cost of the Fund, pay any debt service on the pension obligation bonds, and payoff the unfunded liability of the Fund over the periods specified in Chapter 40-A. The ADC was determined using an open group projection due to the declining nature of the average normal cost of the Fund (as Group B members replace Group A members) and due to the elimination of the debt service payments after fiscal year 2035. Note that because the total rate is assumed to remain level (after the phase-in) and the average normal cost as a percentage of pay is expected to decline over that time period (due to Tier B), and because the debt service will be eliminated in 2035, the payments towards the unfunded liability as a percentage of pay are expected to increase over the remaining amortization period (substantially increasing after 2035). Note that because this ADC incorporates the debt service on the pension obligation bonds which are not a liability of the Fund, it is not an appropriate measure as a reasonable contribution rate under the requirements of ASOP No. 4. See Section L for this disclosure item.

The ADC incorporating the debt service is named the Current Total Obligation Rate (CTOR) in Chapter 40-A. The Current Adjusted Total Obligation Rate (CATOR) is the lesser of the CTOR and the Contribution Maximum discussed above. Since the CTOR is 41.01% and the Contribution Maximum for fiscal year 2026 is 39.45%, the CATOR for fiscal year 2026 is 39.45% of pay.



ACTUARIAL CONTRIBUTIONS (Continued)

The members contribute the lesser of 37% of the CATOR and the member maximum contribution rates (14.00% for Group A and 13.32% for Group B). The City's contribution rate is determined in a manner such that the City is expected to contribute the remaining portion of the projected contributions based on the CATOR that are not contributed by the members. As shown on Table 3, the expected fiscal year 2027 contributions based on the CATOR (39.45%) and a projected payroll of \$589 million is \$232.2 million. As shown on Table 3 the members are expected to contribute \$79.9 million. Therefore, the City would be expected to contribute \$152.3. This amount includes the debt service on the pension obligation bonds of \$47.6 million. The remainder of \$104.7 million is the expected contribution from the City to ERF during fiscal year 2027. This amount is then converted to a contribution rate by dividing it by the projected payroll, with the resulting rate being 17.78%.

Since the Current Adjusted Total Obligation Rate for fiscal year 2026 is 39.45% of pay and the members' share (37% of 39.45%) is 14.60% of pay, the members will contribute their maximum member rates of 14.00% for Group A and 13.32% for Group B, respectively. As shown on Table 3, the City portion will be 25.87% of pay. All of the member contribution rate will be contributed to the ERF. As noted on Table 3, 8.09% of the City's contribution rate is projected to go towards the debt service on the pension obligation bonds and the remaining 17.78% will be contributed towards the ERF. This means a total projected contribution rate of 32.38% (member plus City) will be contributed to the ERF for the 2027 fiscal year.

As noted above, the City is contributing 25.87% of pay towards ADC (this pays the debt service with the remainder going to the ERF). In the past the City has contributed 63% of the CATOR. However, 63% of the CATOR (39.45%) is 24.85%. The City is contributing more than this because of the impact of the maximum contribution rates for members. The City's share of the CATOR is now whatever remains after the member contributions are subtracted.



ACTUARIAL ASSUMPTIONS

Section P of this report includes a summary of the actuarial methods and assumptions used in this valuation. In short, costs are determined using the Entry Age Normal actuarial cost method. The assumed annual investment return rate is 7.25% and includes an annual assumed rate of inflation of 2.50%.

All actuarial assumptions and methods have been updated to reflect our recommendations from the experience study for the period ending December 31, 2024, that were adopted by the Board on December 9, 2025, to be effective with the December 31, 2025 actuarial valuation. Please see the experience study report dated October 29, 2025 for a complete description of the new assumptions as well as the rationale for their selection. The adoption of the new actuarial assumptions decreased the liabilities of the Fund by \$49.7 million.

As you may recall, the actuarial value of assets was set equal to the market value of assets as of December 31, 2024. The normal smoothing process discussed in the Actuarial Methods and Assumptions section of the report was resumed with the December 31, 2025 valuation.

Please see Section P of this report for a summary description of these methods and assumptions.

ERF BENEFITS

There were no changes to the benefit provisions of ERF since the prior valuation. Please see Section Q for a summary description of the ERF benefits.

DRAFT

EXPERIENCE DURING PREVIOUS YEARS

An Actuarial (Gain)/Loss Analysis [(G)/L] reviews the effects of the actual experience on the expected Unfunded Actuarial Accrued Liability (UAAL). If any unexpected difference increases assets or reduces liabilities (i.e., reductions in the UAAL), we have an actuarial gain. Unexpected increases in the UAAL results in an actuarial loss.

On a market value return basis, the Fund returned approximately 11.92% (calculated on a dollar-weighted basis, net of investment expenses). Given this return, the actual investment income was \$170 million more than the expected investment income on the market value of assets; therefore, an investment gain occurred. Please see Section N – Table 6 for the determination of the actuarial value of assets (AVA) and page 49 for a description of the AVA methodology. As developed on Section N – Table 9a, there was a \$34.0 million gain on the actuarial value of assets as of December 31, 2025 due to the recognition of 20% of the \$170 million excess investment income from 2025. The rate of return on the actuarial value of assets after reflecting this change was 8.19% (calculated on a dollar-weighted basis, net of investment expenses).

As shown on Section N – Table 8, ERF experienced an overall actuarial experience gain in calendar year 2025 in the amount of \$42.6 million. Since there was a \$34.0 million gain on the actuarial value of assets, this implies there was a liability actuarial gain of about \$8.6 million derived from the experience of the Fund compared to the demographic assumptions and non-investment economic assumptions (cost-of-living-adjustment). In addition, there was a \$49.7 million gain as a result of the adoption of the new actuarial assumptions effective with this valuation. Please see Section N – Table 9b for an analysis of the experience loss by source.

The total (G)/L for the prior 5 years is broken down as follows (\$ in millions):

	2021	2022	2023	2024	2025
Actuarial (Gain)/Loss on Assets	(\$52.23)	\$71.54	\$89.84	\$55.78	(\$34.04)
Actuarial (Gain)/Loss on Liabilities	29.37	55.13	71.07	(1.05)	(8.58)
Actuarial (Gain)/Loss on Methods	0.00	0.00	0.00	83.52	(49.72)
Total Actuarial (Gain) or Loss (1+2)	(\$22.86)	\$126.67	\$160.91	\$138.25	(\$92.34)



ASSET INFORMATION

The assets of the Fund (on a market value basis) increased from \$3,757 million as of December 31, 2024 to \$3,971 million as of December 31, 2025.

An asset smoothing method (adopted by the Board) is used to recognize asset gains and losses. The purpose of such a smoothing method is to allow the use of market values, but to dampen the effect of the typical year-to-year market fluctuations. Please see page 49 of this report for a description of the smoothing method (actuarial value of asset method). See Table 6 in Section N of this report for the determination of the actuarial value of assets as of December 31, 2025.

The actuarial value of assets has increased from \$3,757 million to \$3,834 million during 2025. The actuarial assets are more than the expected actuarial assets, \$3,800 million, due to the favorable investment experience in calendar year 2025. This resulted in the actuarial assets being \$34.0 million more than expected.

The rate of return on investments for 2025 on the actuarial value of assets was 8.19%, compared to 3.52% in 2024. The detailed determinations of asset values utilized in this valuation and the change in assets in the last year are exhibited in Tables 4 and 5 of Section N of this report.



FUNDED STATUS

The funded status of ERF is measured by the Funded Ratio and the Unfunded Actuarial Accrued Liability (UAAL). The Funded Ratio is the ratio of the actuarial value of assets available for benefits to the actuarial accrued liability (AAL) of the Fund on the valuation date. Therefore, it reflects the portion of the AAL that is covered by ERF assets. The UAAL is the difference between these two amounts.

A Funded Ratio of 100% means that the funding of ERF is precisely on schedule as of the particular valuation date. In addition, an increasing funded ratio from year-to-year may also mean that the funding of ERF is on schedule. By monitoring changes in the Funded Ratio each year, we can determine whether or not funding progress is being made.

Based on the market value of assets, the Funded Ratio of ERF of 66.9% increased as of December 31, 2024 to 69.8% as of December 31, 2025. Based on the actuarial value of assets, the Funded Ratio of ERF increased from 66.9% as of December 31, 2024 to 67.4% as of December 31, 2025.

The UAAL decreased from \$1,857.0 million as of December 31, 2024 to \$1,851.8 million as of December 31, 2025. Since the UAAL is positive, this implies the actuarial accrued liabilities exceed the actuarial assets of the Fund as of December 31, 2025.

The actual \$5.2 million decrease in the UAAL was better than the expected increase of \$87.0 million (due to negative amortization) resulting in a net actuarial experience gain in total. The primary reason the UAAL decreased (instead of increasing as expected) were the favorable investment experience from 2025 and the newly adopted assumptions from the 2024 Experience Study.

The funded status is one of many metrics used to show trends and develop future expectations about the health of a retirement system. The funded status measure itself is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations or assessing the need for or the amount of future contributions since it does not reflect normal cost contributions, the timing of amortization payments, or future experience other than expected.



GASB DISCLOSURE

Governmental Accounting Standards Board (GASB) Statement Numbers 67 and 68 detail the current accounting standards for ERF and the Fund's sponsor, the City of Dallas, Texas. These standards were effective with the plan year ending December 31, 2014 for the Fund and the fiscal year ending September 30, 2015 for the City. The standards created a clear distinction between the funding requirements of a pension plan and the accounting requirements. As a result, the GASB disclosure information is provided in a separate report.

DRAFT

Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions

The determination of the accrued liability and the actuarially determined contribution requires the use of assumptions regarding future economic and demographic experience. Risk measures, as illustrated in this report, are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability and the actuarially determined contribution that result from the differences between actual experience and the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period, or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the plan's future financial condition include:

1. Investment risk – actual investment returns may differ from the expected returns;
2. Asset/Liability mismatch – changes in asset values may not match changes in liabilities, thereby altering the gap between the accrued liability and assets and consequently altering the funded status and contribution requirements;
3. Contribution risk – actual contributions may differ from expected future contributions. For example, actual contributions may not be made in accordance with the plan's funding policy or material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base;
4. Salary and Payroll risk – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
5. Longevity risk – members may live longer or shorter than expected and receive pensions for a period of time other than assumed;
6. Other demographic risks – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected.

Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions (Continued)

The effects of certain trends in experience can generally be anticipated. For example, if the investment return since the most recent actuarial valuation is less (or more) than the assumed rate, the cost of the plan can be expected to increase (or decrease). Likewise, if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

The Current Adjusted Total Obligation Rate shown in the Executive Summary may be considered as a minimum contribution rate that complies with Chapter 40A of the Dallas City Code. However, due to the contribution rate cap, this is less than the actuarially calculated rate. The timely receipt of the actuarially determined contributions is critical to support the financial health of the plan. Users of this report should be aware that contributions made at the actuarially determined rate do not necessarily guarantee benefit security.

PLAN MATURITY MEASURES

Risks facing a pension plan evolve over time. A young plan with virtually no investments and paying few benefits may experience little investment risk. An older plan with a large number of members in pay status and a significant trust may be much more exposed to investment risk. Several generally accepted plan maturity measures are described below and are followed by a table showing a 10-year history of the measurements for ERF.

RATIO OF MARKET VALUE OF ASSETS TO PAYROLL

The relationship between assets and payroll is a useful indicator of the potential volatility of contributions. For example, if the market value of assets is 2.0 times the payroll, a return on assets 5% different than assumed would equal 10% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in plan sponsor contributions as a percentage of payroll.

RATIO OF ACTUARIAL ACCRUED LIABILITY TO PAYROLL

The relationship between actuarial accrued liability and payroll is a useful indicator of the potential volatility of contributions for a fully funded plan. A funding policy that targets a funded ratio of 100% is expected to result in the ratio of assets to payroll and the ratio of liability to payroll converging over time.

Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions (Continued)

The ratio of liability to payroll may also be used as a measure of sensitivity of the liability itself. For example, if the actuarial accrued liability is 2.5 times the payroll, a change in liability 2% other than assumed would equal 5% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in liability (and also plan sponsor contributions) as a percentage of payroll.

RATIO OF ACTIVES TO RETIREES AND BENEFICIARIES

A young plan with many active members and few retirees will have a high ratio of active to retirees. A mature open plan may have close to the same number of actives to retirees, resulting in a ratio near 1.0. A super-mature or closed plan may have significantly more retirees than actives, resulting in a ratio below 1.0.

RATIO OF NET CASH FLOW TO MARKET VALUE OF ASSETS

A positive net cash flow means contributions exceed benefits and expenses. A negative cash flow means existing funds are being used to make payments. A certain amount of negative net cash flow is generally expected to occur when benefits are prefunded through a qualified trust. Large negative net cash flows as a percent of assets may indicate a super-mature plan or a need for additional contributions.

DURATION OF PRESENT VALUE OF BENEFITS

The duration of the actuarial accrued liability may be used to approximate the sensitivity to a 1% change in the assumed rate of return. For example, duration of 10 indicates that the liability would increase approximately 10% if the assumed rate of return were lowered 1%.

ADDITIONAL RISK ASSESSMENT

Additional assessment may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability. While a robust measurement of additional risk assessment is outside the scope of the annual actuarial valuation, we have included a scenario test of a 1% increase or 1% decrease in the investment return assumption. The results of this test are shown at the end of this section.

Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions (Continued)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Ratio of the market value of assets to total payroll	6.90	6.75	6.88	7.38	9.24	8.64	8.43	7.71	8.55	8.13
Ratio of actuarial accrued liability to payroll	9.88	10.09	10.33	11.07	11.50	11.50	11.21	10.68	10.39	10.48
Ratio of actives to retirees and beneficiaries	1.00	1.00	1.00	0.96	0.94	0.96	1.00	1.05	1.11	1.10
Ratio of net cash flow to market value of assets	-5.6%	-5.7%	-5.7%	-5.9%	-4.7%	-4.9%	-4.8%	-5.1%	-4.3%	-4.4%
Duration of the actuarial present value of benefits*	12.39	12.53	12.52	12.47	12.54	12.69	12.37	NA	NA	NA

*Duration measure not available prior to 2019

Impact on Funding Metrics of Investment Return Assumption +/- 1%

Cost Item	Investment Return Assumption		
	6.25%	7.25%	8.25%
Normal Cost % (excluding admin expenses)	22.25%	18.08%	14.98%
UAAL (\$ in millions)	\$2,498.1	\$1,851.8	\$1,310.0
Actuarially Determined Contribution Rate (employee + City) ¹	48.62%	41.01%	34.83%
Funded Ratio	60.6%	67.4%	74.5%
Funding Period	29 years	29 years	29 years

¹The 5% maximum increase in the Actuarially Determined Contribution Rate is ignored for this purpose.

Low-Default-Risk Obligation Measure

Actuarial Standards of Practice No. 4 (ASOP No. 4) was revised and reissued in December 2021 by the Actuarial Standards Board (ASB). It includes a new calculation called a low-default-risk obligation measure (LDRM) to be prepared and issued annually for defined benefit pension plans. The transmittal memorandum for ASOP No. 4 includes the following explanation:

“The ASB believes that the calculation and disclosure of this measure provides appropriate, useful information for the intended user regarding the funded status of a pension plan. The calculation and disclosure of this additional measure is not intended to suggest that this is the “right” liability measure for a pension plan. However, the ASB does believe that this additional disclosure provides a more complete assessment of a plan’s funded status and provides additional information regarding the security of



benefits that members have earned as of the measurement date.”

The LDRM estimates the amount of money the plan would need to invest in low risk securities to provide the benefits with greater certainty. The current model expects lower costs but with higher investment risk, which creates less certainty and a possibility of higher costs. Thus, the difference between the two measures (Valuation and LDRM) is one illustration of the possible costs the sponsor could incur if there was a reduction in the investment risk in comparison to the current diversified portfolio. However, the downside risk would be limited in the scenarios where the current portfolio would fail to achieve returns in excess of the low-default-risk discount, in this case 5.46%.

The following information has been prepared in compliance with this new requirement. Unless otherwise noted, the measurement date, actuarial cost methods, and assumptions used are the same as for the funding valuation covered in this actuarial valuation report.

Valuation Accrued Liability	LDRM
\$5,686,269,000	\$6,933,882,000

Again, the difference between the two measures, or \$1,247,613,000, is one illustration of the savings the sponsor anticipates by assuming investment risk in a diversified portfolio.

Disclosures: Discount rate used to calculate LDRM: 5.46% Intermediate FTSE Pension Discount Curve as of December 31, 2025. This measure may not be appropriate for assessing the need for or amount of future contributions as the current portfolio is expected to generate significantly more investment earnings than the low-default-risk portfolio. This measure is also not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan’s benefit obligation as this measure includes projections of salary increases and the ability for current members to continue to accrue eligibility and vesting service.

Reasonable Contribution Rate Under ASOP No.4

ASOP No. 4 requires the disclosure of a reasonable actuarial contribution rate. For the purposes of this measure we have defined the reasonable contribution rate as the rate necessary to pay the normal cost and amortize the UAAL as of December 31, 2025 over the 29-year period ending on December 31, 2054. This rate will be different than the rate calculated for funding purposes for ERF due to: i) the exclusion of the payments on the debt service on the pension obligation bonds which are included in the total (member + City) contribution rate determined by this valuation, ii) determining a level rate over the 30-year period excluding phase-in increases that are part of the aforementioned total contribution rate. Based on these parameters a reasonable actuarially determined contribution rate for the ERF would be 37.39% of pay.



CLOSING COMMENTS

The unfunded actuarial accrued liability of the Fund has decreased rather than increase as was expected primarily due to the investment experience during 2025 and changes to the actuarial assumptions.

The calculated contribution rate necessary to pay the Fund's normal cost, pay any debt service on the pension obligation bonds, and amortize the December 31, 2025 UAAL over the period ending on December 31, 2054 is 40.90% of pay. However, because the increase to this rate is being phased-in over through fiscal year 2029 the ultimate rate increases to 41.01% of pay to make up for lower rates during the phase-in period. Chapter 40A of the Dallas City Code limits the contribution rates during fiscal years 2026-2029 to the contribution maximum discussed earlier in this report. Due to this limitation, the total rate to be contributed by the employees and the City for fiscal year 2027 will be 39.45% of pay.

ACTUARIAL TABLES

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Summary of Actuarial Values As of December 31, 2025

	Entry Age Actuarial Values			
	APV* of Projected Benefits	Actuarial Accrued Liability (AAL)	Normal Cost \$	Normal Cost % of Pay**
1 Active Members				
a. Retirement	\$ 2,127,148	\$ 1,581,947	\$ 72,917	12.87%
b. Death	24,823	13,764	1,414	0.25%
c. Disability	9,428	3,491	770	0.14%
d. Termination	191,573	(14,468)	25,991	4.59%
e. Health Subsidy	31,313	24,717	1,354	0.23%
Total	\$ 2,384,285	\$ 1,609,451	\$ 102,446	18.08%
2 Benefit Recipients	3,908,652	3,908,652		
3 Other Inactive	168,166	168,166		
4 Total Actuarial Values of Benefits	\$ 6,461,103	\$ 5,686,269	\$ 102,446	18.08%
5 Actuarial Value of Assets		\$ 3,834,475		
6 Unfunded Actuarial Accrued Liability (4 - 5)		\$ 1,851,794		
7 Funding Ratio				67.43%
8 Market Value Measurements				
UAAL on market value		\$ 1,715,636		
Funded Ratio on market value				69.83%

* APV – Actuarial Present Value

** Percentage of expected payroll for continuing active members.



Demonstration of Amortization of December 31, 2025 Unfunded Actuarial Accrued Liability

Valuation as of December 31,	Unfunded Actuarial Accrued Liability (UAAL \$M)	Projected Compensation for Plan Year (in \$M)	Total Contributions to Fund for Plan Year (in \$M)	Normal Cost Plus Administrative Expenses (in \$M)	Amortization Payment (in \$M)	Actuarially Determined Contribution Rate for FY Beginning After Valuation Date
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2025	\$1,851.8	\$575.7	\$175.1	\$116.0	\$ 59.1	39.45%
2026	1,924.8	593.0	187.8	117.4	70.4	40.68%
2027	1,991.5	610.8	199.5	119.2	80.3	41.01%
2028	2,052.7	629.1	207.0	120.3	86.7	41.01%
2029	2,111.7	648.0	213.2	122.3	90.8	41.01%
2030	2,170.7	667.4	219.5	124.6	95.0	41.01%
2031	2,229.7	687.5	226.1	126.9	99.2	41.01%
2032	2,288.6	708.1	232.9	129.3	103.6	41.01%
2033	2,347.2	729.3	243.7	131.7	112.0	41.01%
2034	2,401.4	751.2	274.0	134.2	139.8	41.01%
2035	2,430.7	773.7	317.3	136.9	180.4	41.01%
2036	2,420.1	797.0	326.8	139.7	187.1	41.01%
2037	2,401.8	820.9	336.6	142.7	193.9	41.01%
2038	2,375.1	845.5	346.7	145.9	200.8	41.01%
2039	2,339.4	870.9	357.1	149.3	207.8	41.01%
2040	2,293.8	897.0	367.8	152.9	215.0	41.01%
2041	2,237.5	923.9	378.9	156.6	222.2	41.01%
2042	2,169.5	951.6	390.2	160.6	229.7	41.01%
2043	2,089.0	980.2	402.0	164.8	237.2	41.01%
2044	1,994.9	1,009.6	414.0	169.2	244.8	41.01%
2045	1,886.0	1,039.8	426.4	173.9	252.6	41.01%
2046	1,761.2	1,071.0	439.2	178.7	260.5	41.01%
2047	1,619.1	1,103.2	452.4	183.7	268.7	41.01%
2048	1,458.2	1,136.3	466.0	188.9	277.1	41.01%
2049	1,277.0	1,170.4	480.0	194.2	285.7	41.01%
2050	1,073.7	1,205.5	494.4	199.7	294.6	41.01%
2051	846.4	1,241.6	509.2	205.4	303.8	41.01%
2052	593.2	1,278.9	524.5	211.3	313.2	41.01%
2053	311.8	1,317.2	540.2	217.3	322.9	41.01%
2054	(0.0)	1,356.8	556.4	556.4	(0.0)	41.01%

Liability (Gain)/Loss Layers As of December 31, 2025

Valuation Date Base Established	Original Layer	Remaining Layer	Estimated Amortization Payment 2027 Fiscal Year ¹	Remaining Payments
(1)	(2)	(3)	(4)	(5)
December 31, 2025	\$ (93.3)	\$ (93.3)	\$ (0.5)	29
December 31, 2024	1,857.0	1,945.1	59.6	29
Total		\$ 1,851.8	\$ 59.1	
Single Equivalent Amortization Period from the Valuation Date				29

¹ Payment for fiscal year beginning on October 1st after the valuation date

Information for City Ordinance 32801 For the Fiscal Year Commencing October 1, 2026

1 Current Adjusted Total Obligation Rate for FY 2027	39.45%
2 Projected Contributions for FY2027	
a Projected Payroll for FY 2027	\$ 588,692,245
b Total Projected Contributions for FY 2027 (1 x 2a)	232,239,091
3 Projected Member Contributions for FY2027	
a Group A Projected Payroll	\$ 222,300,461
b Group B Projected Payroll	366,391,784
c Group A Projected Contributions (3a x 14.00%)	31,122,065
d Group B Projected Contributions (3b x 13.32%)	48,803,386
e Total Projected Member Contributions for FY 2027	79,925,451
4 Pension Obligation Bonds	
a Scheduled Debt Service Payment for FY 2027	\$ 47,631,383
b Pension Obligation Bond Credit Rate (4a / 2a)	8.09%
5 City Contributions	
a Total City Contributions to ERF (2b - 3e - 4a)	\$ 104,682,257
b Total City Contributions to ERF as % of Projected Pay (5a / 2a)	17.78%
6 Total City Contributions as % of Projected Pay (4b + 5b)¹	25.87%



Net Assets Available for Benefits

	December 31, 2024	December 31, 2025
Assets		
a. Cash & Short-Term	\$ 310,494	\$ 224,765
Receivables		
a. Accrued Investment Income	\$ 17,691	\$ 19,147
b. Securities Sold	6,660	1,038
c. Employer Contribution	1,527	2,116
d. Employee Contribution	1,409	1,768
e. Pending Contracts	1,131,676	981,714
	\$ 1,158,963	\$ 1,005,783
Investments		
a. Index Funds	\$ 200,399	\$ 227,777
b. Fixed Income	1,133,379	1,227,403
c. Equities	1,605,886	1,769,067
d. Real Estate	339,290	303,400
e. Private Equity	369,482	364,075
	\$ 3,648,436	\$ 3,891,722
Total Assets	\$ 5,117,893	\$ 5,122,270
Liabilities		
a. Accounts Payable	\$ 8,344	\$ 7,352
b. Investment Transactions	1,352,067	1,144,285
	\$ 1,360,411	\$ 1,151,637
Net Assets Available For Benefits	\$ 3,757,482	\$ 3,970,633



Change in Assets Available for Benefits Fiscal Year Ending December 31, 2025

	2024	2025
1 Assets Available at Beginning of Year	\$ 3,649,102	\$ 3,757,482
Adjustment *	<u>0</u>	<u>0</u>
	\$ 3,649,102	\$ 3,757,482
2 Revenues		
a. Employer Contributions	\$ 80,782	\$ 86,580
b. Employee Contributions	74,830	77,981
c. Investment Income	134,797	119,765
d. Investment Expense	(16,785)	(15,043)
e. Realized and Unrealized Gains (Losses)	205,571	328,289
f. Other (Security Lending)	<u>1,347</u>	<u>1,712</u>
Total Revenues	\$ 480,542	\$ 599,284
3 Expenses		
a. Benefits	\$ 348,938	\$ 359,470
b. Refunds	12,369	15,821
c. Administrative Expenses	10,005	9,991
d. Depreciation Expense	<u>850</u>	<u>851</u>
Total Expense	\$ 372,162	\$ 386,133
4 Assets Available at End of Year (1 + 2 - 3)	<u>\$ 3,757,482</u>	<u>\$ 3,970,633</u>

* Change due to difference between unaudited asset value used for prior valuation and audited asset value reported the following year.

Development of Actuarial Value of Assets

(\$ in 000s)

December 31, 2025

1. Market value of assets at beginning of year	\$	3,757,482
2. External cashflow		
a. Contributions	\$	164,561
b. Benefits and refunds paid		(375,291)
c. Administrative and miscellaneous expenses		(10,842)
d. Subtotal		(221,572)
3. Assumed investment return rate for fiscal year		7.25%
4. Assumed investment income for fiscal year	\$	264,526
5. Expected Market Value at end of year (1+ 2 + 4)	\$	3,800,436
6. Market value of assets at end of year	\$	3,970,633
7. Difference (6 - 5)	\$	170,197
8. Development of amounts to be recognized as of December 31, 2025:		

Fiscal Year	Remaining Deferrals of Excess (Shortfall) of Investment Income (1)	Offsetting of Gains/(Losses) (2)	Net Deferrals Remaining (3) = (1) + (2)	Years Remaining (4)	Recognized for this valuation (5) = (3) / (4)	Remaining after this valuation (6) = (3) - (5)
2021	\$ 0	\$ 0	\$ 0	1	\$ 0	\$ 0
2022	0	0	0	2	0	0
2023	0	0	0	3	0	0
2024	0	0	0	4	0	0
2025	170,197	0	170,197	5	34,039	136,158
Total	\$ 170,197	\$ 0	\$ 170,197		\$ 34,039	\$ 136,158

9. Final actuarial value of plan net assets, end of year (Item 6 - Item 8, Column 6)	\$	3,834,475
10. Ratio of actuarial value to market value		96.6%

Notes: Remaining deferrals in Column (1) for prior years are from last year's report Table 6, column 6. The number in the current year is Item 7, above. Column 2 is a direct offset of the current year's excess/(shortfall) return against prior years' excess/(shortfall) of the opposite type.
 Years remaining in Column 4 set to 1 for all years to reflect actuarial value of assets being "Marked to Market".



Historical Investment Performance

Dollar Weighted Basis Net of Investment Expenses

<u>Calendar Year</u>	<u>On Market Value</u>	<u>On Actuarial Value</u>
2006	16.90%	13.03%
2007	3.56%	9.58%
2008	-31.31%	-3.76%
2009	30.35%	6.79%
2010	15.77%	4.30%
2011	0.86%	1.15%
2012	14.29%	2.82%
2013	16.75%	10.65%
2014	6.14%	10.29%
2015	-1.83%	7.02%
2016	8.65%	8.51%
2017*	12.34%	8.99%
2018	-5.15%	5.23%
2019	17.30%	6.74%
2020	6.42%	6.81%
2021	16.01%	8.68%
2022	-9.25%	5.36%
2023	9.96%	4.87%
2024*	9.18%	3.52%
2025	11.92%	8.19%
5-year average ending in 2025	7.18%	6.11%
10-year average ending in 2025	7.41%	6.68%
20-year average ending in 2025	6.61%	6.83%

*The yield on the actuarial value of assets for 2017 and 2024 includes the impact of the method change for the Actuarial Value of Assets.



Analysis of Change in Unfunded Actuarial Accrued Liability For the Year Ending December 31, 2025

(\$ in 000s)

1. UAAL as of December 31, 2024		\$ 1,856,999
2. Expected Change in UAAL during 2025		
a. Expected Amortization Payment for CY 2025	(45,867)	
b. Interest adjustments on 1 & 2a to Year End @ 7.25%	<u>132,999</u>	
c. Expected change in UAAL		87,132
3. Increase/(Decrease) in UAAL Due to Difference Between the Actuarially Determined Contribution Rate and Actual Contribution Rate		0
4. Net Actuarial Experience (Gains) & Losses		(42,622)
5. Assumption and Method Changes		<u>(49,715)</u>
6. UAAL as of December 31, 2025		\$ 1,851,794



Investment Experience (Gain) or Loss

(\$ in 000s)

Item	Valuation as of December 31, 2025
1. Actuarial assets, beginning of year	\$ 3,757,482
2. Contributions	164,561
3. Benefits and refunds paid with administrative expenses	(386,133)
4. Assumed net investment income at 7.25% on	
a. Beginning of year assets	272,417
b. Contributions	5,861
c. Benefits and refunds paid with administrative expenses	(13,752)
d. Total	\$ 264,526
5. Expected actuarial assets, end of year (Sum of Items 1 through 4)	3,800,436
6. Actual actuarial assets, end of year	3,834,475
7. Asset experience (gain)/loss for year	(34,039)

Analysis of Actuarial (Gains) and/or Losses for 2025

(\$ in 000s)

	2025
Investment Return	\$ (34,039)
Salary Increase	4,831
Age and Service Retirement	(6,107)
General Employment Termination	(4,707)
Disability Incidence	(224)
Active Mortality	2,149
Benefit Recipient Mortality	(6,944)
Actual vs. Expected Cost of Living Adjustment (COLA)*	12,990
Other	(10,571)
Total Actuarial Experience (Gain)/ Loss	\$ (42,622)

* Actual COLA of 3.024% for Tier A and 3.00% for Tier B versus expected COLAs of 2.50% for Tier A and 2.20% for Tier B.

Schedule of Funding Status

(\$ in 000s)

End of Year	Actuarial Value of Assets (a)	AAL (b)	UAAL (b-a)	Funding Ratio (a/b)	Payroll* (c)	UAAL as % of Payroll ((b-a)/c)
2006	2,998,099	2,761,404	(236,695)	108.57%	344,997	-68.61%
2007	3,183,260	2,915,164	(268,096)	109.20%	370,150	-72.43%
2008	2,957,506	3,075,385	117,879	96.17%	389,362	30.27%
2009	3,031,652	3,192,120	160,468	94.97%	375,164	42.77%
2010	3,027,439	3,282,126	254,687	92.24%	332,045	76.70%
2011	2,916,746	3,391,652	474,906	86.00%	318,972	148.89%
2012	2,846,124	3,518,356	672,232	80.89%	340,452	197.45%
2013	3,074,284	3,610,845	362,477	85.14%	352,486	102.83%
2014	3,241,053	4,004,055	763,002	80.94%	374,002	204.01%
2015	3,320,387	4,129,133	808,746	80.41%	404,981	199.70%
2016	3,451,463	4,291,802	840,339	80.42%	420,693	199.75%
2017	3,601,612	4,377,844	776,232	82.27%	432,854	179.33%
2018	3,620,319	4,526,996	906,677	79.97%	435,375	208.25%
2019	3,682,959	4,863,325	1,180,366	75.73%	444,737	265.41%
2020	3,747,078	4,932,886	1,185,808	75.96%	439,544	269.78%
2021	3,872,601	5,094,362	1,221,761	76.02%	453,934	269.15%
2022	3,866,412	5,276,469	1,410,057	73.28%	488,516	288.64%
2023	3,842,459	5,483,251	1,640,792	70.08%	543,970	301.63%
2024	3,757,482	5,614,481	1,856,999	66.92%	573,263	323.94%
2025	3,834,475	5,686,269	1,851,794	67.43%	593,010	312.27%

* Projected to following year.



Summary of Data Characteristics

As of December 31,	2023	2024	2025
Active Members			
Number	7,894	8,070	8,116
Total Annualized Earnings of Members as of 12/31 (000s)	\$ 530,702	\$ 556,566	\$ 575,738
Average Earnings	67,229	68,967	70,939
Benefit Recipients			
Number	7,914	8,042	8,117
Total Annual Retirement Income (000s)	\$ 327,190	\$ 340,021	\$ 350,902
Total Annual Health Supplement (000s)	11,440	11,613	11,715
Average Total Annual Benefit	42,789	43,725	44,674
Inactive Members*			
Deferred Vested	1,095	1,154	1,178
Deferred Nonvested	1,012	895	900
Total	2,107	2,049	2,078

* The number of inactives on 12/31/2025 includes 1,178 members who have applied for a deferred pension and 900 other members who have terminated and still have contribution balances in the Fund.

Distribution of Active Members and Payroll by Age and Years of Service

Age	Years of Service								Totals
	Under 1	1-4	5-9	10-14	15-19	20-24	25-29	30 & Over	
Under 20	13	2							15
	\$588,156	\$108,662							\$696,818
20-24	162	169							331
	\$7,619,099	\$9,426,158							\$17,045,257
25-29	213	542	64	0					819
	\$11,462,525	\$31,177,084	\$4,072,669	0					\$46,712,278
30-34	160	521	201	59					941
	\$8,891,773	\$32,593,639	\$13,710,658	\$4,359,341					\$59,555,411
35-39	146	415	220	144	39				964
	\$8,307,354	\$26,630,642	\$16,033,741	\$11,505,575	\$3,499,179				\$65,976,491
40-44	105	354	178	151	106	29	3		926
	\$6,247,358	\$23,698,519	\$13,479,878	\$13,156,090	\$9,486,802	\$2,882,783	283,871		\$69,235,301
45-49	86	315	174	173	120	94	49	0	1,011
	\$4,925,681	\$21,395,941	\$13,897,790	\$14,137,675	\$10,403,302	\$8,901,334	\$4,263,362	\$0	\$77,925,085
50-54	78	272	176	150	127	101	105	16	1,025
	\$4,842,153	\$17,545,556	\$13,475,798	\$13,069,518	\$10,879,717	\$8,681,919	\$8,489,000	\$1,418,515	\$78,402,176
55-59	67	241	170	152	119	94	53	36	932
	\$4,068,657	\$15,778,221	\$13,160,096	\$11,201,033	\$10,571,239	\$8,314,983	\$4,830,385	\$3,272,696	\$71,197,310
60-64	25	166	142	114	113	53	50	21	684
	\$1,575,859	\$11,524,213	\$10,234,386	\$9,065,771	\$8,853,772	\$4,892,519	\$4,526,566	\$1,842,618	\$52,515,704
65&Over	19	83	99	79	65	39	44	40	468
	\$1,135,419	\$5,436,873	\$7,588,270	\$5,964,026	\$5,273,669	\$3,495,146	\$3,934,432	\$3,648,471	\$36,476,306
Totals	1,074	3,080	1,424	1,022	689	410	304	113	8,116
	\$59,664,034	\$195,315,508	\$105,653,286	\$82,459,029	\$58,967,680	\$37,168,684	\$26,327,616	\$10,182,300	\$575,738,137



Distribution of Benefit Recipients as of December 31, 2025

Age	Number	Annual Benefit*	Annual Average Benefit*
Under 50	25	\$ 483,733	\$ 19,349
50-54	147	7,599,897	51,700
55-59	453	24,508,871	54,103
60-64	1,227	53,682,858	43,751
65-69	1,642	74,169,130	45,170
70-74	1,720	75,128,039	43,679
75-79	1,524	67,930,376	44,574
80-84	777	28,725,794	36,970
85-89	381	12,632,878	33,157
90 & Over	221	6,040,488	27,333
Total	8,117	\$ 350,902,065	\$ 43,231

Schedule of Active Member Valuation Data

Year Ending December 31,	Active Participants	Percent Change	Covered Payroll	Percent Change	Average Salary	Percent Change
2007	8,117	-	\$ 359,369,000	-	\$ 44,274	-
2008	8,371	3.1%	378,021,000	5.2%	45,158	2.0%
2009	7,654	-8.6%	364,237,000	-3.6%	47,588	5.4%
2010	7,034	-8.1%	322,374,000	-11.5%	45,831	-3.7%
2011	6,745	-4.1%	309,682,000	-3.9%	45,913	0.2%
2012	6,864	1.8%	330,536,000	6.7%	48,155	4.9%
2013	6,993	1.9%	342,219,000	3.5%	48,937	1.6%
2014	7,180	2.7%	363,109,000	6.1%	50,572	3.3%
2015	7,477	4.1%	393,186,000	8.3%	52,586	4.0%
2016	7,619	1.9%	409,433,000	4.1%	53,738	2.2%
2017	7,838	2.9%	421,269,000	2.9%	53,747	0.0%
2018	7,584	-3.2%	423,723,000	0.6%	55,871	4.0%
2019	7,427	-2.1%	433,890,000	2.4%	58,421	4.6%
2020	7,244	-2.5%	428,824,000	-1.2%	59,197	1.3%
2021	7,175	-1.0%	442,863,000	3.3%	61,723	4.3%
2022	7,464	4.0%	476,601,000	7.6%	63,853	3.5%
2023	7,894	5.8%	530,702,000	11.4%	67,229	5.3%
2024	8,070	2.2%	556,566,000	4.9%	68,967	2.6%
2025	8,116	0.6%	575,738,000	3.4%	70,939	2.9%



Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

Year Ending December 31,	Added to Rolls		Removed from Rolls		Rolls-End of Year		% Increase in Annual Allowances	Average Annual Allowances
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
2007	239	\$ 7,250,468	205	\$ 4,551,742	5,304	\$ 142,267,609	-	\$ 26,823
2008	383	8,905,680	211	4,684,964	5,476	154,692,846	8.7%	28,249
2009	446	9,268,740	216	4,795,982	5,706	165,826,328	7.2%	29,062
2010	508	12,798,268	221	4,907,000	5,993	179,730,384	8.4%	29,990
2011	404	10,012,165	198	4,396,317	6,199	193,851,170	7.9%	31,271
2012	325	9,795,464	204	4,529,539	6,320	202,120,582	4.3%	31,981
2013	324	11,246,955	197	4,327,990	6,447	210,027,512	3.9%	32,578
2014	370	12,415,771	219	4,821,713	6,598	219,150,070	4.3%	33,215
2015	476	13,777,204	318	6,847,464	6,756	226,019,290	3.1%	33,455
2016	384	12,746,549	237	5,562,549	6,903	237,992,528	5.3%	34,477
2017	383	9,893,931	244	6,375,641	7,042	244,768,143	2.8%	34,758
2018	402	14,905,595	220	5,976,286	7,224	258,085,328	5.4%	35,726
2019	478	17,715,050	297	8,368,302	7,405	269,263,106	4.3%	35,726
2020	455	28,634,730	308	11,614,128	7,552	277,428,698	3.0%	36,362
2021	424	16,109,924	321	8,655,976	7,655	294,130,270	6.0%	36,736
2022	384	14,364,767	273	8,500,245	7,766	309,799,134	6.0%	38,423
2023	404	15,039,143	256	8,098,656	7,914	327,189,809	5.3%	39,892
2024	408	15,343,035	280	9,709,112	8,042	340,021,059	5.6%	41,343
2025	337	11,886,222	262	8,647,200	8,117	350,902,065	3.2%	43,231

Note: the annual allowances at the end of year will not sum to the prior year's end of year annual allowances plus the added allowances less the removed allowances. This is due to the automatic cost-of living adjustment that increases all retirees benefits.



Solvency Test

Valuation Date	Aggregated Accrued Liabilities for				Portions of Accrued Liabilities Covered by Reported Assets		
	Active and Inactive Members Contributions	Retirees and Beneficiaries	Active and Inactive Members (Employer Financed Portion)	Reported Assets	(5)/(2)	[(5)-(2)]/3	[(5)-(2)-(3)]/(4)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
December 31, 2007	\$ 206,090	\$ 1,591,731	\$ 1,117,343	\$ 3,183,260	100.0%	100.0%	100.0%
December 31, 2008	221,667	1,707,599	1,146,119	2,957,506	100.0%	100.0%	89.7%
December 31, 2009	228,666	1,834,491	1,128,963	3,031,652	100.0%	100.0%	85.8%
December 31, 2010	232,727	2,041,322	1,008,077	3,027,439	100.0%	100.0%	74.7%
December 31, 2011	240,821	2,181,731	969,100	2,916,746	100.0%	100.0%	51.0%
December 31, 2012	257,716	2,250,533	1,010,107	2,846,124	100.0%	100.0%	33.4%
December 31, 2013	278,892	2,319,424	1,012,529	3,074,284	100.0%	100.0%	47.0%
December 31, 2014	301,567	2,578,071	1,124,417	3,241,053	100.0%	100.0%	32.1%
December 31, 2015	325,607	2,650,638	1,152,888	3,320,387	100.0%	100.0%	29.9%
December 31, 2016	350,646	2,770,533	1,170,623	3,451,463	100.0%	100.0%	28.2%
December 31, 2017	373,193	2,854,818	1,149,833	3,601,612	100.0%	100.0%	32.5%
December 31, 2018	392,004	2,989,597	1,145,395	3,620,319	100.0%	100.0%	20.8%
December 31, 2019	408,984	3,228,576	1,225,766	3,682,959	100.0%	100.0%	3.7%
December 31, 2020	430,411	3,312,228	1,190,247	3,747,078	100.0%	100.0%	0.4%
December 31, 2021	448,149	3,456,659	1,189,554	3,872,601	100.0%	99.1%	0.0%
December 31, 2022	467,549	3,603,830	1,205,090	3,866,412	100.0%	94.3%	0.0%
December 31, 2023	490,401	3,758,969	1,233,881	3,842,459	100.0%	89.2%	0.0%
December 31, 2024	513,897	3,872,845	1,227,739	3,757,482	100.0%	83.8%	0.0%
December 31, 2025	543,967	3,908,652	1,233,649	3,834,475	100.0%	84.2%	0.0%



EXPERIENCE TABLES

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**Pay Experience for Employees who are Active at
Beginning and End of Year
Valuation Pay Analysis
Analyzed by Years of Service**

Service Beginning of Year	Experience for 2025			
	Number	Expected Pay	Actual Pay	Ratio A/E
Under 5	2,890	\$ 180,252,731	\$ 181,572,552	101%
5-9	1,469	108,320,309	108,601,406	100%
10-14	1,103	87,459,127	87,762,440	100%
15-19	678	57,495,793	57,785,755	101%
20-24	451	40,390,066	40,542,054	100%
25-29	313	26,786,748	27,078,946	101%
30 & Over	133	11,811,716	11,790,951	100%
Total	7,037	\$ 512,516,490	\$ 515,134,104	101%
Over 10 Years	2,678	\$ 223,943,450	\$ 224,960,146	100%

Analysis of Retirement Experience

Each Age

Age	2025 Retirement		
	Actual	Expected	Ratio A/E
46	-	-	N/A
47	-	-	N/A
48	-	-	N/A
49	-	0.10	0%
50	4	4.55	88%
51	5	5.80	86%
52	8	10.20	78%
53	7	9.60	73%
54	10	9.55	105%
55	8	6.70	119%
56	8	11.05	72%
57	14	10.85	129%
58	9	10.25	88%
59	10	11.20	89%
60	11	15.43	71%
61	14	13.30	105%
62	12	13.65	88%
63	11	12.79	86%
64	9	14.13	64%
65	13	15.07	86%
66	11	14.70	75%
67	11	14.33	77%
68	6	10.19	59%
69	7	7.35	95%
70 & Over	11	114.00	10%
Total	199	334.79	59%
Total Under 70	188	220.79	85%



Analysis of Retirement Experience

Age Groups

Age Group	2025 Retirements		
	Actual	Expected	Ratio A/E
Under 55	34	39.80	85%
55-59	49	50.05	98%
60-64	57	69.30	82%
65-69	48	61.64	78%
70 & Over	11	114.00	10%
Total	199	334.79	59%
Total Under 70	188	220.79	85%

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Analysis of Turnover Experience

Years of Service	2025 Quits		
	Actual	Expected	Ratio A/E
0-4	563	559.50	101%
5-9	159	111.45	143%
10-14	59	35.27	167%
15-19	19	9.38	203%
20-24	5	4.00	125%
25-29	3	0.34	893%
Total	808	719.93	112%

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Analysis of Active Mortality Experience

<u>Age</u>	2025 Deaths		
	<u>Actual</u>	<u>Expected</u>	<u>Ratio A/E</u>
20-24	0	0.05	0%
25-29	0	0.14	0%
30-34	0	0.24	0%
35-39	0	0.34	0%
40-44	2	0.50	401%
45-49	2	0.84	237%
50-54	2	1.32	151%
55-59	3	1.79	168%
60 and Over	12	3.63	330%
Total	21	8.86	237%

Analysis of Disability Experience

<u>Age</u>	2025 Disabilities		
	Actual	Expected	Ratio A/E
20-24	0	0.00	0%
25-29	0	0.04	0%
30-34	0	0.15	0%
35-39	0	0.33	0%
40-44	0	0.57	0%
45-49	0	0.96	0%
50-54	0	1.29	0%
55-59	1	1.41	71%
60 and Over	0	1.28	0%
Total	1	6.02	17%

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Analysis of Retiree Mortality Experience*

<u>Age</u>	2025 Experience		
	<u>Actual</u>	<u>Expected</u>	<u>Ratio A/E</u>
Under 60	5	2.02	247%
60-64	12	8.12	148%
65-69	19	17.85	106%
70-74	36	32.59	110%
75-79	48	25.54	188%
80-84	44	39.07	113%
85-89	47	34.01	138%
90 & over	42	44.64	94%
Total	253	203.83	124%

**This analysis does not include beneficiary, QDRO, or disabled deaths.*

ACTUARIAL METHODS AND ASSUMPTIONS

The most recent experience study was completed for the period ending on December 31, 2024. Please see our experience study, dated October 29, 2025, to see more detail of the rationale for the current assumptions. As authorized under Sec. 40A-9 of Chapter 40A, the actuarial methods and assumptions are established set by the Board of Trustees based upon recommendations from the Fund's actuary.

Entry Age Normal Method

The Entry Age Normal actuarial cost method is the actuarial valuation method used for all purposes under ERF. The concept of this method is that funding of benefits for each member should be affected as a, theoretically, level contribution (as a level percentage of pay) from entry into ERF to termination of active status.

The Normal Cost (NC) for a fiscal year under this method is determined as described in the prior paragraph for each individual member. The ERF NC for the year is the total of individual normal costs determined for each active member. The Actuarial Accrued Liability (AAL) under this method is the theoretical asset balance of the normal costs that would have accumulated to date based upon current actuarial assumptions. To the extent that the current assets of the fund are insufficient to cover the AAL, an Unfunded Actuarial Accrued Liability (UAAL) develops.

Actuarially Determined Contribution

The actuarially determined contribution rate is developed using an open group projection. The total contribution rate (member plus City) is the level percentage of pay needed to fund the Normal Cost for each year, make debt service payments on the Pension Obligation Bonds and pay off the UAAL over the period ending December 31, 2054. It is intended that the total rate (including the debt service payments) will be level over the amortization periods. Because the normal cost is declining as Group B members replace Group A members and because the debt service will be eliminated after 2035, the contributions towards the UAAL will increase over time, with a substantial increase in 2035 when the pension obligation bonds have been paid off.



ACTUARIAL METHODS AND ASSUMPTIONS (cont.)

In the open group projection, the demographic assumptions are applied to the current active employees and any employees that are assumed to leave employment are replaced one for one with a new employee. Over time this results in the change of the employee group from mostly Tier A members to Tier B members. The projection is built to assume no gains or losses on the actuarial accrued liability or the actuarial value of assets. assumption). Payroll is assumed to grow at 3%.

New Entrant Profile

For the purposes of determining the normal cost and liabilities of future members, an open group projection is used which replaces on a one-to-one basis each active member who leaves employment with an average new hire. The average new hire is determined based on a new entrant profile, which is created from the valuation data by determining the entry age and entry pay for anyone with between one and six years of service as of the valuation date, with salaries normalized to the valuation date. A summary of the new entrant profile is shown in the table below, with 57% of the population being male. The salaries below would be applicable for the year preceding the valuation date. Future cohorts of new hires have starting salaries that are assumed to grow at the General Wage Inflation of 3.25% over the salaries of the previous year.

New Entrant Profile		
Entry Age	# of Employees	Average Salary
15-19	22	\$50,448
20-24	371	52,145
25-29	627	54,343
30-34	529	58,053
35-39	387	59,529
40-44	384	62,669
45-49	319	60,018
50-54	304	60,282
55-59	222	60,645
60-64	136	63,703
65-69	11	46,825
Total	3,312	\$58,108

ACTUARIAL METHODS AND ASSUMPTIONS (cont.)

Actuarial Value of Asset Method

The method for determining the actuarial value of assets in future years is equal to the market value of assets less a five-year phase in of the excess (shortfall) between expected investment return and actual income. The actual calculation is based on the difference between actual market value and the expected market value of assets each year, and recognizes the cumulative excess return (or shortfall) at a minimum rate of 20% per year. Each year, a base is set up to reflect this difference. If the current year's base is of opposite sign to the deferred bases, then it is offset dollar for dollar against the deferred bases. Any remaining bases are then recognized over the remaining period for that base.

The actuarial value of assets was set equal to the market value of assets as of December 31, 2024 which fully recognized all prior year bases. The normal attribution of deferred gains and losses began again with the December 31, 2025 valuation.

ACTUARIAL METHODS AND ASSUMPTIONS (cont.)

Annual Rate of Investment Return: For all purposes under the Fund, the rate of investment return is assumed to be 7.25% per annum, net of investment expenses. This rate includes an annual assumed rate of inflation of 2.50%.

Cost of Living Adjustments: As noted above, the inflation assumption is 2.50%. Because the annual cost-of-living adjustments (COLA) are CPI related but are subject to separate maximum increases (5% for Tier A and 3% for Tier B) we have separate assumptions for each tier. The COLAs are assumed to occur on average at the rate of 2.50% per annum for Tier A members and 2.20% for Tier B members (due to the lower maximum on cost-of-living-adjustments).

Annual Compensation Increases: Each member’s compensation is assumed to increase in accordance with a table based on actual ERF experience. Sample rates follow:

Years of Service	Merit, Promotion, Longevity	General	Total
0	6.75 %	3.25 %	10.00
1	4.75	3.25	8.00
2	3.25	3.25	6.50
3	2.50	3.25	5.75
4	2.00	3.25	5.25
5	1.75	3.25	5.00
6	1.75	3.25	5.00
7	1.50	3.25	4.75
8	1.50	3.25	4.75
9	1.00	3.25	4.25
10	1.00	3.25	4.25
11	1.00	3.25	4.25
12	1.00	3.25	4.25
13	1.00	3.25	4.25
14	1.00	3.25	4.25
15	1.00	3.25	4.25
16	0.75	3.25	4.00
17	0.75	3.25	4.00
18	0.75	3.25	4.00
19 & Over	0.00	3.25	3.25



ACTUARIAL METHODS AND ASSUMPTIONS (cont.)

Mortality:

Disabled Lives:

- a. Males – 103% of the gender-distinct 2019 Municipal Retirees of Texas Mortality Table, set forward 4 years, and fully generational mortality using the ultimate improvement rates of mortality improvement scale MP-2021.
- b. Females – 105% of the gender-distinct 2019 Municipal Retirees of Texas Mortality Table, set forward 3 years, and fully generational mortality using the ultimate improvement rates of mortality improvement scale MP-2021

Sample rates as of 2025 follow (rate per 1,000), with projected mortality applied:

Age	Disability Mortality Rate	
	Male	Female
20	35	30
30	35	30
40	35	30
50	35	30
60	35	30
70	35	30
80	82	50
90	241	167

ACTUARIAL METHODS AND ASSUMPTIONS (cont.)

Other Benefit Recipients:

- a. Males - 103% of the gender-distinct 2019 Municipal Retirees of Texas Mortality Table and fully generational mortality using the ultimate improvement rates of mortality improvement scale MP-2021.
- b. Females – 105% of the gender-distinct 2019 Municipal Retirees of Texas Mortality Table and fully generational mortality using the ultimate improvement rates of mortality improvement scale MP-2021

Sample rates as of 2025 follow (rate per 1,000), with projected mortality applied:

Age	Mortality Rate	
	Male	Female
30	0.4	0.1
40	0.7	0.3
50	2.6	1.1
60	7.1	3.5
70	19.3	11.0
80	53.8	35.2
90	155.9	115.5

ACTUARIAL METHODS AND ASSUMPTIONS (cont.)

Mortality, Continued:

Active Members:

- a. Males – PUB(16) Mortality Table for General Employees and fully generational mortality using the ultimate improvement rates of mortality improvement scale MP-2021.
- b. Females – PUB(16) Mortality Table for General Employees and fully generational mortality using the ultimate improvement rates of mortality improvement scale MP-2021.

Sample rates as of 2025 follow (rate per 1,000), with projected mortality applied:

Age	Mortality Rate	
	Male	Female
30	0.4	0.2
40	0.6	0.3
50	1.2	0.7
60	2.7	1.6
70	5.9	3.8
80	15.1	9.0
90	127.8	99.0

10% of active deaths are assumed to be service related.

Disability: The 2019 Municipal Retirees of Texas disability incidence multiplied by 60%, with sample rates as follows (rate per 1,000):

Age	Disability Rate
30	0.1
40	0.3
50	0.7
60	1.3

20% of disabilities are assumed to be service related. There is a 0% assumption of disability for members who have over 10 years of service and are eligible for retirement.



ACTUARIAL METHODS AND ASSUMPTIONS (cont.)

Retirement: Upon eligibility, active members are assumed to retire as follows (rate per 1,000):

Tier A:

Age	Male		Female	
	First Year Eligible	Thereafter	First Year Eligible	Thereafter
48-49	100	100	100	100
50	450	550	450	350
51	450	450	350	250
52	450	300	350	250
53	450	300	350	250
54	350	250	330	250
55	350	250	330	250
56	350	250	330	200
57	350	250	330	200
58-59	200	250	270	200
	Service < 18 yrs.	Service 18 yrs.+	Service < 18 yrs.	Service 18 yrs. +
60	100	250	110	250
61	100	200	110	180
62	100	200	110	180
63	100	200	130	180
64	150	200	130	180
65	150	270	130	270
66	220	270	130	270
67	220	270	200	270
68	220	230	200	300
69	200	230	150	300
70	1,000	1,000	1,000	1,000



ACTUARIAL METHODS AND ASSUMPTIONS (cont.)

Retirement, Continued:

Upon eligibility, active members are assumed to retire as follows (rate per 1,000):

Tier B:

Age	Male		Female	
	Service < 40 yrs.	Service 40 yrs. +	Service < 40 yrs.	Service 40 yrs. +
<55	10	350	10	350
55-56	20	350	20	350
57-58	30	350	30	350
59-60	40	350	40	350
61-62	50	350	50	350
63-64	60	350	60	350
65	180	600	200	450
66	200	250	250	250
67	200	250	250	250
68	200	250	150	250
69	200	250	150	250
70	1,000	1,000	1,000	1,000

*For service < 40 yrs, rates shown are for those who met the rule of 80.

Retirement of Deferred Vested Members:

All deferred vested members are assumed to commence payment at their normal retirement age, which is age 60 for Tier A members and age 65 for Tier B members.

ACTUARIAL METHODS AND ASSUMPTIONS (cont.)

General Turnover: A table of termination rates based on ERF experience as shown below.

Years of Service	Terminations (per 1,000)	
	Male	Female
1	247	209
2	193	178
3	151	158
4	115	122
5	96	102
6	79	102
7	74	84
8	65	72
9	52	50
10	44	50
11	37	50
12	36	33
13	30	33
14	33	33
15	26	24
16	24	17
17	19	16
18	22	16
19	16	13
20	15	12
21	13	12
22	13	12
23	10	10
24	10	6
25	9	6
26	9	6
27	5	5
28	4	5
29	4	5
30 & Over	0	0

There is 0% assumption of termination for members eligible for retirement.



ACTUARIAL METHODS AND ASSUMPTIONS (cont.)

Refunds of Contributions: Members are assumed to choose the most valuable termination benefit.

Operational Expenses: The amount of estimated administrative expenses expected in the next year is assumed to be equal to the prior year's expenses and is incorporated in the Normal Cost.

Marital Status: 75% of active male members and 50% of active female employees are assumed to be married.

Vacation Leave Conversions: Members with 20 or more years of service are assumed to convert unused vacation leave to 1.5 months of service. Other members are assumed to convert unused vacation leave to 1 month of service. No vacation leave conversion is assumed for disability retirement.

Spouse Age: The female spouse is assumed to be 3 years younger than the male spouse.

Payroll Growth Rate: Used to estimate the growth of future payroll. The assumption is equal to 3.00%.

Member's Pay: In determining the member's valuation salary, the greater of the prior calendar year's gross pay and the member's rate of compensation is used.

Form of Payment: For Tier A it is assumed that 75% of married active male members and 50% of married active female employees will elect a Joint & 50% Survivor form of payment. Taking into consideration the marriage assumption and the inherent subsidy in the ERF's Joint & 100% Survivor factors, the male employees are valued with Joint and 28.5% Survivor annuities and the female employees are valued with Joint and 19.5% Survivor annuities. It is also assumed that 100% of Tier B employees will elect the normal form of payment under Tier B.

Data Adjustments: Certain records are missing spousal information. For these records we use the marital status assumption and spousal age difference assumption to value these records. No other adjustments are made to the data.

Actuarial Equivalence Assumptions: for form of payment conversion and Tier B early retirement factors are based on the following assumptions:

- a. Interest Rate of 8.00%.
- b. Mortality: Unisex blend (60% male and 40% female) of the following assumptions for males and females. 109% of the RP-2000 Combined Healthy Table for males with Blue Collar adjustment projected to 2026 using improvement scale BB for males. 103% of the RP-2000 Combined Healthy Table for females with Blue Collar adjustment projected to 2026 using improvement scale BB for females.
- c. Cost-of-living-adjustments (COLA): a 3.00% COLA assumption for Tier A members and a 2.50% COLA assumption for Tier B members.



ACTUARIAL METHODS AND ASSUMPTIONS (cont.)

Actuarial Model: This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

Changes in Methods and Assumptions Since Prior Valuation: New actuarial assumptions were adopted effective with the December 31, 2025 Actuarial Valuation. Please see the ERF Actuarial Experience Study for the period ending December 31, 2024 for a description of the changes in the assumptions.

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SUMMARY OF BENEFIT PROVISIONS

Employees' Retirement Fund of the City of Dallas As of December 31, 2025

Membership

An employee becomes a member upon permanent employment and contributes to the Fund.

Tier A

A person who was employed by the City prior to January 1, 2017, or who was re-employed by the City on or after January 1, 2017 and whose pre January 1, 2017 credited service was not cancelled by withdrawal or forfeiture or was reinstated.

Tier B

A person who was employed by the City on or after January 1, 2017, or who was re-employed by the City on or after January 1, 2017 and whose pre January 1, 2017 credited service has been cancelled by withdrawal or forfeiture.

Contributions

Member: 37% of the current adjusted total obligation rate with a maximum rate of 14.00% for Group A members and 13.32% for Group B members. New rates effective October 1 after the valuation date.

City: 63% of the current adjusted total obligation rate plus and difference between the 37% employee share of the current adjusted total obligation rate and the actual member rates due to the maximum rates discussed above. New rates effective October 1 after the valuation date.

Definitions

Final Average Salary:

Tier A

Average monthly salary over the member's highest three years (or 36 months) of service.

Tier B

Average monthly salary over the member's highest five years (or 60 months) of service.

Credited Service: Length of time as an employee of the City of Dallas and while making contributions to the Fund.



SUMMARY OF BENEFIT PROVISIONS (cont.)

Retirement Pension

Eligibility:

Tier A

- a. Attainment of age 60; or
- b. Attainment of age 55 (if credited service began before May 9, 1972); or
- c. At any age after completion of 30 years of credited service with a reduced benefit before age 50; or
- d. Attainment of age 50, if the sum of an active member's age and credited service is at least equal to 78.

Tier B

- a. Attainment of age 65 and 5 years of service; or
- b. At any age after completion of 40 years of credited service; or
- c. At any age if the sum of an active member's age and credited service is at least equal to 80 (under this eligibility the member's pension will be actuarially reduced for each year prior to the age of 65 that the member retires).
- d. Restricted Prior Service Credit included for eligibility (if approved).

Retirement Benefits:

Tier A

The retirement benefit equals 2-3/4% multiplied by average monthly earnings multiplied by credited service limited to a maximum of 36.3636 years plus a monthly \$125 health supplement (prorated for service less than 5 years).

Tier B

The retirement benefit equals 2-1/2% multiplied by average monthly earnings multiplied by credited service limited to a maximum of 40 years (no monthly health supplement).

Form of Payment:

Tier A

An unreduced pension benefit under a joint and one-half survivor option with 10 years guaranteed or a ten-year certain and life option. An actuarially equivalent joint and full survivor option is also available.

Tier B

An unreduced pension payable for life with 10 years guaranteed. Actuarially equivalent joint and survivor options (50% and 100%) are also available.



SUMMARY OF BENEFIT PROVISIONS (cont.)

Early Retirement Factors:

Tier A

For members retiring prior to age 50 with 30 or more years of service the pension shall be multiplied by the following percentage:

Age	Percentage
49	93.3
48	87.2
47	81.5
46	76.3
45	71.5
44	67.0

Tier B

For members retiring prior to age 65 with less than 40 years of service, the pension shall be multiplied by the following percentage:

Age	Percentage	Age	Percentage
64	89.72	56	40.03
63	80.66	55	36.41
62	72.64	54	33.15
61	65.53	53	30.22
60	59.21	52	27.57
59	53.58	51	25.18
58	48.56	50	23.01
57	44.06	49	21.05

Deferred Retirement

Eligibility: Deferred retirement pension benefit commencing at age 60 for Tier A members or at age 65 for Tier B members, with at least five (5) years of credited service, and accumulated contributions are left on deposit with the Fund.

Monthly Benefit: The deferred retirement benefit is equal to the retirement pension based on earnings and credited service at the time of termination.



SUMMARY OF BENEFIT PROVISIONS (cont.)

Disability Retirement Pension

Non-Service Disability:

1. Eligibility: Five (5) years of service and totally and permanently incapacitated for duty.
2. Monthly Benefit: Computed based on average monthly earnings and credited service at time of disability but not less than 10 times the percentage multiplier multiplied by the average monthly earnings.

Service Disability:

1. Eligibility: Totally and permanently incapacitated from the further performance of duty as a result of injury while in the course of employment for the City.
2. Monthly Benefit: Calculated as a non-service disability pension but not less than \$1,000 per month.

Death Benefits

Eligibility: active or inactive members who die prior to retirement

Benefit: For members with less than 2 years of service or inactive member with less than 5 years of service: refund of the members contributions.

Benefit: For members with more than 2 years of service but less than 15 years of service: an unreduced pension to designated beneficiary for 120 months or a one-half survivor option for life with 120 payments guaranteed.

Benefit: For members eligible for retirement or members and inactive members with more than 15 years of service: an unreduced pension to designated beneficiary for 120 months or a Full Survivor option for life with 120 payments guaranteed.

Form: Benefit paid in accordance with the option on file, or the eligible option, or if no eligible beneficiary, a lump sum equivalent of 10 years of benefit payments to the member's estate.

Minimum Benefit for Service Death: For job-related death a minimum of 10 years of service used in calculation of benefit. Benefit will not be less than \$1,000 per month.



SUMMARY OF BENEFIT PROVISIONS (cont.)

Return of Accumulated Contributions

A member at the time of termination is entitled to be paid accumulated contributions without interest.

Cost-of-Living Adjustments

An annual cost-of-living adjustment to the base pension benefit shall be made based on the greater of:

Tier A

- a. The percentage of change in the price index for October of the current year over October of the previous year, up to 5%, or
- b. The percentage of annual average change in the price index for the 12-month period ending with the effective date of the adjustment, up to 5%.

Tier B

- c. The percentage of change in the price index for October of the current year over October of the previous year, up to 3%, or
- d. The percentage of annual average change in the price index for the 12-month period ending with the effective date of the adjustment, up to 3%.



June 3, 2026

Mr. David Etheridge
Executive Director
Employees' Retirement Fund of the City of Dallas, Texas
1920 McKinney Avenue
10th Floor
Dallas, Texas 75201

Subject: GASB 67/68 Reporting and Disclosure Information for the Employees' Retirement Fund of the City of Dallas for Plan Fiscal Year Ending December 31, 2025 and the City of Dallas Fiscal Year Ending September 30, 2026

Dear David:

This report provides information required by the Employees' Retirement Fund of the City of Dallas (ERF) in connection with the Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." Additionally, this report provides information required by the City of Dallas (the City) in connection with the GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." It is our understanding this information will be used by the City in financial reporting for fiscal year ending September 30, 2025. The information provided herein was prepared for the purpose of assisting ERF and the City in the compliance with the financial reporting and disclosure requirements of GASB Nos. 67 and 68.

The calculation of the liability associated with the benefits described in this report was performed for the purpose of satisfying the requirements of GASB Nos. 67 and 68 and may not be applicable for purposes of funding the plan. A calculation of the plan's liability for other purposes may produce significantly different results. This report may be provided to parties other than ERF only in its entirety and only with the permission of ERF.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of December 31, 2025. As allowed for under GASB No. 68, it is intended that the City will report ERF's Net Pension Liability (NPL) as of the end of the ERF fiscal year.

Paragraph 57 of GASB No. 68 indicates that contributions to the pension plan subsequent to the measurement date of the Net Pension Liability and prior to the end of the employer's reporting period can be reported by the employer as a deferred outflow of resources related to pensions. The information contained in this report does not incorporate any contributions made by the City subsequent to December 31, 2025.

There were no significant events or changes in benefit provisions that required an adjustment to the liabilities. New actuarial assumptions were adopted effective December 31, 2025. As shown in the exhibits, these new assumptions had a minor impact on the Net Pension Liability. It is our opinion that the recommended assumptions are internally consistent, reasonable, and comply with the requirements under GASB Nos. 67 and 68 and with the Actuarial Standards of Practice.

This report is based upon information, furnished to us by ERF, which include benefit provisions, membership information, and financial data. We did not audit this data and information, but we did apply a number of tests and concluded that it was reasonable and consistent. GRS is not responsible for the accuracy or completeness of the information provided to us by ERF.

The final section of the report titled "Calculation of the Single Discount Rate" is not a required disclosure item for your financial statements. However, it is possible that your auditors will request this information which is why it is included in the report. It should be noted that these projections were prepared in accordance with the methods and assumptions outlined by GASB for this purpose. These projections will be different than the projections of ERF's funding status communicated as part of the funding valuation.

Certain tables included in the Required Supplementary Information should include a 10-year history of information. As provided for in GASB Nos. 67 and 68, this historical information is only presented for the years in which the information was measured in conformity with the requirements of GASB Nos. 67 and 68. The historical information in this report will begin with the information presented for the fiscal year ending December 31, 2016.

This report compliments the actuarial valuation report that was provided to ERF and should be considered together as a complete report for the plan year ending December 31, 2025. Please see the actuarial valuation report as of December 31, 2025 for additional discussion of the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

In the Schedules of Required Supplementary Information there is a Schedule of Contributions exhibit. One of the columns in this exhibit is the Actuarially Determined Employer Contribution (ADEC). The total contribution rate contributed by the employees and the City includes not only the contributions to the Fund but also the contributions towards the debt service payment on the Pension Obligation Bonds (POB). However, from the Fund's (and GASB's) point of view, the contribution on the debt service is a separate transaction and not related to the contribution to the Fund. In addition, for fiscal years prior to October 1, 2025, the total contribution rate is not always the direct actuarially determined rate due to the smoothing mechanism in City Ordinance 25695 that were effective at that time.

Because the contribution rate was not fixed by statute, and is at least partially based on the actuarially determined contribution rate, we believe that the most appropriate rate to show as the ADEC is the remaining portion of the Current Total Obligation Rate (CTOR) after subtracting the member contribution rate and the pension obligation bond credit rate (i.e. the 30-year rate less the member contribution rate). Beginning October 1, 2025, the City began contributing an amount based on the ADEC (with certain maximum rates applied in fiscal years 2026 – 2029). Going forward this Schedule will reflect this change in



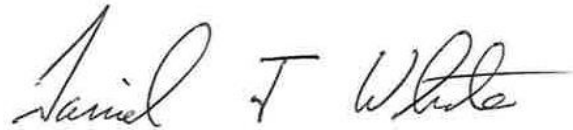
the financing of the ERF.

To the best of our knowledge, the information contained within this report is accurate and fairly represents the actuarial position of the Employees' Retirement Fund of the City of Dallas. All calculations have been made in conformity with generally accepted actuarial principles and practices as well as with the Actuarial Standards of Practice issued by the Actuarial Standards Board. Mr. White is a member of the American Academy of Actuaries (MAAA) and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,



Lewis Ward
Consultant



Daniel J. White, FSA, EA, MAAA
Regional Director

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Summary of Population Statistics

The total pension liability described in this report is based on the plan membership as of December 31, 2025:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	8,117
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	2,078
Active Plan Members	<u>8,116</u>
Total Plan Members	18,311

Note: The Inactive Plan Members Entitled to But Not Yet Receiving Benefits includes non-vested terminated members entitled to a refund of their member contributions.

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Measurement of the Net Pension Liability

The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

A single discount rate of 7.25% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.25% and the municipal bond rate of 4.83%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions and employer contributions will be made at the projected future contribution rates assuming that the ERF annually earns 7.25% on its market value of assets and that the number of active members remains constant in the future. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance all projected benefit payments. As a result, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments and the single discount rate is equal to the long-term expected rate of return of 7.25%.

Below is a table providing the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the plan's net pension liability, if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

1% Decrease	Current Single Discount Rate Assumption	1% Increase
6.25%	7.25%	8.25%
\$2,361,985	\$1,715,636	\$1,173,848

Statement of Fiduciary Net Position as of December 31, 2025 (\$ in 000s)

	2025
Assets	
Cash and Short-Term	\$ 224,765
Receivables	
Accrued Interest and Other Dividends	\$ 19,147
Accounts Receivable - Sale of Investments	1,038
Contributions	3,884
Pending Contracts	981,714
Accounts Receivable - Other	-
Total Receivables	\$ 1,005,783
Investments	
Index Funds	\$ 227,777
Fixed Income	1,227,403
Equities	1,769,067
Real Estate	303,400
Private Equity	364,075
Other	-
Total Investments	\$ 3,891,722
Total Assets	\$ 5,122,270
Liabilities	
Payables	
Accounts Payable - Other	\$ 7,352
Accounts Payable - Investment Transactions	1,144,285
Total Liabilities	\$ 1,151,637
Net Position Restricted for Pensions	\$ 3,970,633

Statement of Changes in Fiduciary Net Position for Year Ended December 31, 2025 (\$ in 000s)

	2025
Additions	
Contributions	
Employer	\$ 86,580
Employee	77,981
Other	-
Total Contributions	\$ 164,561
Investment Income	
Interest and Dividends	\$ 111,455
Less Investment Expense	(15,043)
Net Appreciation in Fair Value of Investments	338,311
Net Investment Income	\$ 434,723
Other	\$ -
Total Additions	\$ 599,284
Deductions	
Benefit payments, including refunds of employee contributions	\$ 375,291
Pension Plan Administrative Expense	9,991
Other	851
Total Deductions	\$ 386,133
Net Increase in Net Position	\$ 213,151
Net Position Restricted for Pensions	
Beginning of Year	\$ 3,757,482
End of Year	\$ 3,970,633

Schedules of Required Supplementary Information

Schedule of Changes in the Employers' Net Pension Liability and Related Ratios

(\$ in 000s)

Fiscal year ending December 31,	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service Cost	\$ 123,463	\$ 157,423	\$ 152,774	\$ 94,476	\$ 141,653	\$ 118,452	\$ 124,289	\$ 84,843	\$ 81,178	\$ 133,457
Interest on the Total Pension Liability	397,921	362,610	346,704	360,815	322,901	330,348	325,767	332,011	325,620	305,826
Benefit Changes	-	-	-	-	-	-	-	-	-	-
Experience	(24,590)	(2,815)	89,578	56,503	30,791	(82,641)	(7,819)	4,793	(59,066)	(38,327)
Assumption Changes	(49,715)	(1,188,687)	(103,487)	1,226,214	(1,303,800)	479,292	(43,032)	1,020,969	-	(1,227,079)
Benefit Payments	(359,470)	(348,938)	(328,296)	(317,528)	(296,586)	(287,465)	(278,007)	(263,981)	(253,534)	(243,775)
Refunds	(15,821)	(12,369)	(12,700)	(12,158)	(10,452)	(6,857)	(10,436)	(8,515)	(8,156)	(5,864)
Net Change in Total Pension Liability	71,788	(1,032,776)	144,573	1,408,322	(1,115,493)	551,129	110,762	1,170,121	86,042	(1,075,762)
Total Pension Liability - Beginning	5,614,481	6,647,257	6,502,684	5,094,362	6,209,855	5,658,726	5,547,964	4,377,844	4,291,802	5,367,564
Total Pension Liability - Ending (a)	\$ 5,686,269	\$ 5,614,481	\$ 6,647,257	\$ 6,502,684	\$ 5,094,362	\$ 6,209,855	\$ 5,658,726	\$ 5,547,964	\$ 4,377,844	\$ 4,291,802
Plan Fiduciary Net Position										
Employer Contributions	\$ 86,580	\$ 80,782	\$ 73,939	\$ 67,288	\$ 63,583	\$ 61,615	\$ 62,177	\$ 60,924	\$ 58,966	\$ 56,130
Employee Contributions	77,981	74,830	70,025	63,427	59,256	58,358	58,314	56,772	55,175	53,436
Pension Plan Net Investment Income	434,723	324,930	339,879	(368,929)	578,010	229,105	550,942	(167,782)	413,510	294,918
Benefit Payments	(359,470)	(348,938)	(328,296)	(317,528)	(296,586)	(287,465)	(278,007)	(263,981)	(253,534)	(243,775)
Refunds	(15,821)	(12,369)	(12,700)	(12,158)	(10,452)	(6,857)	(10,436)	(8,515)	(8,156)	(5,864)
Pension Plan Administrative Expense	(9,991)	(10,005)	(9,184)	(9,035)	(7,349)	(5,699)	(7,513)	(7,485)	(5,951)	(5,343)
Other	(851)	(850)	(841)	-	-	(392)	298	121	207	333
Net Change in Plan Fiduciary Net Position	213,151	108,380	132,822	(576,935)	386,462	48,665	375,775	(329,946)	260,217	149,835
Plan Fiduciary Net Position - Beginning	3,757,482	3,649,102	3,516,280	4,093,215	3,706,753	3,658,088	3,282,313	3,612,259	3,352,042	3,202,208
Plan Fiduciary Net Position - Ending (b)	\$ 3,970,633	\$ 3,757,482	\$ 3,649,102	\$ 3,516,280	\$ 4,093,215	\$ 3,706,753	\$ 3,658,088	\$ 3,282,313	\$ 3,612,259	\$ 3,352,043
Net Pension Liability - Ending (a) - (b)	1,715,636	1,856,999	2,998,155	2,986,404	1,001,147	2,503,102	2,000,638	2,265,651	765,585	939,759
Plan Fiduciary Net Position as a Percentage										
of Total Pension Liability	69.83 %	66.92 %	54.90 %	54.07 %	80.35 %	59.69 %	64.65 %	59.16 %	82.51 %	78.10 %
Covered Employee Payroll	\$ 575,738	\$ 556,566	\$ 530,702	\$ 476,601	\$ 442,863	\$ 428,824	\$ 433,890	\$ 423,723	\$ 421,269	\$ 409,433
Net Pension Liability as a Percentage										
of Covered Employee Payroll	297.99 %	333.65 %	564.94 %	626.60 %	226.06 %	583.71 %	461.09 %	534.70 %	181.73 %	229.53 %

Notes to Schedule:

The covered employee payroll is the sum of the active members' pay for valuation purposes as of the measurement date. An active member's valuation pay is the greater of their actual pay for the just completed calendar year or their current annual rate of pay.



Schedules of Required Supplementary Information Schedule of the Net Pension Liability (Historical)

Last 10 Fiscal Years

(\$ in 000s)

FY Ending December 31,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2016	\$ 4,291,802	\$ 3,352,043	\$ 939,759	78.10%	\$ 409,433	229.53%
2017	4,377,844	3,612,259	765,585	82.51%	421,269	181.73%
2018	5,547,964	3,282,313	2,265,651	59.16%	423,723	534.70%
2019	5,658,726	3,658,088	2,000,638	64.65%	433,890	461.09%
2020	6,209,855	3,706,753	2,503,102	59.69%	428,824	583.71%
2021	5,094,362	4,093,215	1,001,147	80.35%	442,863	226.06%
2022	6,502,684	3,516,280	2,986,404	54.07%	476,601	626.60%
2023	6,647,257	3,649,102	2,998,155	54.90%	530,702	564.94%
2024	5,614,481	3,757,482	1,856,999	66.92%	556,566	333.65%
2025	5,686,269	3,970,633	1,715,636	69.83%	575,738	297.99%

Notes to Schedule:

The covered employee payroll is the sum of the active members' pay for valuation purposes as of the measurement date. An active member's valuation pay is the greater of their actual pay for the just completed calendar year or their current annual rate of pay.

Schedules of Required Supplementary Information

Schedule of Contributions

Last 10 Fiscal Years (\$ in 000s)

ERF FY Ending December 31,	Actuarially Determined Contribution ¹	Actual Contribution ²	Contribution Deficiency (Excess)	Covered Payroll ³	Actual Contribution as a % of Covered Payroll
2016	\$ 84,316	\$ 56,130	\$ 28,186	\$ 402,077	13.96%
2017	86,785	58,966	27,819	410,913	14.35%
2018	90,328	60,924	29,404	423,083	14.40%
2019	87,455	62,177	25,278	433,591	14.34%
2020	93,226	61,615	31,611	434,214	14.19%
2021	99,279	63,583	35,696	452,709	14.05%
2022	104,309	67,288	37,021	479,089	14.05%
2023	111,858	73,939	37,919	520,514	14.21%
2024	124,078	80,782	43,296	558,658	14.46%
2025	125,739	86,580	39,159	582,371	14.87%

Note:¹ The actuarially determined employer contribution (ADEC) shown is based on employer contribution rates using a 30-year open amortization period and actual payroll.

² The actual City contribution rate is set by City Ordinance No. 25695. Prior to October 1, 2025 the rate was based on a 30-year open amortization with corridors that limited the change from year to year. There was also a contribution rate maximum of 36% of payroll.

Since the City's fiscal year is October 1 to September 30 and the Fund's fiscal year is the calendar year, the contribution amounts shown above are a blend of the City's two fiscal year rates that occur during the calendar year.

Beginning October 1, 2025 the actual contribution rate is based on an actuarially determined rate but subject to maximum rates in fiscal years 2026-2029.

³ For this exhibit, the covered payroll is the estimated payroll for the calendar year on which contributions were made.

Notes to Schedule of Contributions

Valuation Date: December 31, 2024 for most recent ADEC shown on Schedule of Contributions
December 31, 2025 for Net Pension Liability

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	The actuarially determined contribution (ADEC) is initially based on a 30-year open amortization period. As specified in City Ordinance No. 25695, the rate may not change from year to year if the calculated rate is less than 300 basis points different from the current rate.
Remaining Amortization Period	Not determined, see description of amortization method
Asset Valuation Method	5-Year smoothed market
Inflation	2.50%
Salary Increases	3.00% to 8.25%, including inflation
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2019 valuation pursuant to an experience study of the 5-year period December 31, 2019.
Mortality	For Healthy Retirees: The gender-distinct 2019 Texas Municipal Retirees Mortality Tables are used for males and females respectively. The rates are projected from 2019 on a fully generational basis using Scale UMP. For Disabled Lives: The gender-distinct 2019 Texas Municipal Retirees Mortality Tables are used for males and females respectively, set forward 4 years for males and 3 years for females. The rates are projected from 2019 on a fully generational basis using Scale UMP. For Actives: The PubG-2010 Employee Mortality Table are used for males and females. The rates are projected from 2010 on a fully generational basis using Scale UMP.

Other Information:

Notes The assumptions described above were for the most recent ADEC shown in the schedule of contributions. Updated actuarial assumptions were used in determining the Net Pension Liability as of December 31, 2025. These are the same assumptions used in the actuarial valuation as of December 31, 2025. Please see that report for a description of those assumptions.

Governmental Employer Financial Statements
Pension Expense for Plan Fiscal Year Ending December 31, 2025
To be used for Governmental Employer Reporting
for Fiscal Year Ending September 30, 2026

A. Expense

1. Service Cost	\$	123,463
2. Interest on the Total Pension Liability		397,921
3. Current-Period Benefit Changes		0
4. Employee Contributions (made negative for addition here)		(77,981)
5. Projected Earnings on Plan Investments (made negative for addition here)		(264,526)
6. Pension Plan Administrative Expense		9,991
7. Other Changes in Plan Fiduciary Net Position		851
8. Recognition of Outflow (Inflow) of Resources due to Liabilities		(84,829)
9. Recognition of Outflow (Inflow) of Resources due to Assets		2,318
10. Total Pension Expense	\$	107,208

Recognition of Deferred Outflows and Inflows of Resources

According to paragraph 33 of GASB No. 68, *differences between expected and actual experience and changes in assumptions* are recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period.

At the beginning of the 2025 fiscal year, the expected remaining service lives of all employees was 85,074 years. Additionally, the plan membership (active employees and inactive employees) was 18,161. As a result, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the 2025 fiscal year is 4.6844 years.

Additionally, *differences between projected and actual earnings on pension plan investments* should be recognized in pension expense using a systematic and rational method over a closed five-year period.

For this purpose, the deferred outflows and inflows of resources are recognized in the pension expense as a level dollar amount over the closed period identified above.

Governmental Employer Financial Statements

Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods for Plan Fiscal Year Ending December 31, 2025 To be used for Governmental Employer Reporting for Fiscal Year Ending September 30, 2026

A. Outflows and Inflows of Resources due to Liabilities and Assets to be recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. due to Liabilities	\$ 329,859	\$ 414,688	\$ (84,829)
2. due to Assets	131,656	129,338	2,318
3. Total	\$ 461,515	\$ 544,026	\$ (82,511)

B. Outflows and Inflows of Resources by Source to be recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 37,158	\$ 5,876	\$ 31,282
2. Assumption Changes	292,701	408,812	(116,111)
3. Net Difference between projected and actual earnings on pension plan investments	131,656	129,338	2,318
4. Total	\$ 461,515	\$ 544,026	\$ (82,511)

C. Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
1. Differences between expected and actual experience	\$ 28,845	\$ 20,902	\$ 7,943
2. Assumption Changes	55,410	728,611	(673,201)
3. Net Difference between projected and actual earnings on pension plan investments	131,655	213,935	(82,280)
4. Total	\$ 215,910	\$ 963,448	\$ (747,538)

D. Deferred Outflows and Deferred Inflows of Resources by Year to be recognized in Future Pension Expenses

Year Ending December 31	Net Deferred Outflows of Resources
2026	\$ (161,041)
2027	(348,193)
2028	(193,406)
2029	(44,898)
2030	-
Thereafter	-
Total	\$ (747,538)

Governmental Employer Financial Statements

Statements of Outflows and Inflows Arising from Current and Prior Reporting Period for Fiscal Year Ending September 30, 2026

Year Established	Initial Amount	Initial Recognition Period	Current Year Recognition	Remaining Recognition	Remaining Recognition Period
A. Deferred Outflow (Inflow) due to Differences Between Expected and Actual Experience on Liabilities					
2021	30,791	4.3651	2,575	0	0.0000
2022	56,503	4.1893	13,487	2,555	0.1893
2023	89,578	4.2463	21,096	26,290	1.2463
2024	(2,815)	4.4894	(627)	(1,561)	2.4894
2025	(24,590)	4.6844	(5,249)	(19,341)	3.6844
Total			31,282	7,943	
B. Deferred Outflow (Inflow) due to Assumption Changes					
2021	(1,303,800)	4.3651	(109,052)	0	0.0000
2022	1,226,214	4.1893	292,701	55,410	0.1893
2023	(103,487)	4.2463	(24,371)	(30,374)	1.2463
2024	(1,188,687)	4.4894	(264,776)	(659,135)	2.4894
2025	(49,715)	4.6844	(10,613)	(39,102)	3.6844
Total			(116,111)	(673,201)	
C. Deferred Outflow (Inflow) due to Differences Between Projected and Actual Earnings on Plan Investment:					
2021	(316,093)	5.0000	(63,217)	0	0.0000
2022	658,279	5.0000	131,656	131,655	1.0000
2023	(92,323)	5.0000	(18,465)	(36,928)	2.0000
2024	(68,083)	5.0000	(13,617)	(40,849)	3.0000
2025	(170,197)	5.0000	(34,039)	(136,158)	4.0000
Total			2,318	(82,280)	

Calculation of the Single Discount Rate

GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a “municipal bond” rate is required, as described in the following paragraph.

The *single discount rate* (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The tax-exempt municipal bond rate is the rate for state and local general obligation bonds with 20 years to maturity and mixed credit quality as reported in the Bond Buyer Index’s “20-Bond GO Index.” In describing this index, the Bond Buyer notes that the bonds’ average credit quality is roughly equivalent to Moody’s Investors Service’s Aa2 rating and Standard & Poor’s Corp.’s AA. The rate noted is for the Thursday closest to, or including, the last day of the month, but not after the last day of the month.

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.25%, the municipal bond rate is 4.83%. Based on the stated assumptions and the projection of cash flows as of each plan year ending December 31, the pension plan’s fiduciary net position and future contributions, were sufficient to finance all projected benefit payments. As a result, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments and the Single Discount Rate is equal to the long-term expected rate of return, and the resulting single discount rate is 7.25%.

The tables in this section provide background for the development of the single discount rate.

The **Projection of Contributions** table shows the development of expected contributions in future years. Normal Cost contributions for future hires are not included (nor are their liabilities).

The **Projection of Plan Fiduciary Net Position** table shows the development of expected asset levels in future years.

The **Present Values of Projected Benefit Payments** table shows the development of the Single Discount Rate (SDR). It breaks down the benefit payments into present values for funded and unfunded portions and shows the equivalent total at the SDR.

Single Discount Rate Development

Projection of Contributions from December 31 of 2025 to 2124

(\$ in 000s)

December 31,	Payroll for Current Employees	Payroll for Future Employees	Total Employee Payroll	Employer Contributions			Total Contributions
				Contributions from Current Employees	Contributions for Current Employees	Contributions Related to Payroll of Future Employees	
2025	\$ 566,467	9,272	575,738	\$ 78,312	\$ 99,332	\$ 1,914	\$ 179,558
2026	506,432	86,579	593,010	71,445	93,550	15,121	180,116
2027	474,142	136,659	610,801	66,711	89,279	25,227	181,217
2028	447,157	181,967	629,125	62,788	84,323	34,027	181,138
2029	423,285	224,713	647,998	59,423	79,792	42,014	181,230
2030	402,382	265,057	667,438	56,417	75,923	49,537	181,878
2031	383,474	303,988	687,461	53,803	72,319	56,813	182,936
2032	365,416	342,669	708,085	51,419	68,764	64,043	184,226
2033	348,753	380,574	729,328	49,084	72,873	73,106	195,063
2034	333,121	418,087	751,208	46,918	89,692	93,147	229,757
2035	318,685	455,059	773,744	44,813	85,877	121,998	252,689
2036	305,171	491,785	796,956	42,789	82,360	131,845	256,994
2037	292,179	528,685	820,865	40,921	78,900	141,737	261,558
2038	280,192	565,299	845,491	39,117	75,788	151,553	266,458
2039	268,760	602,095	870,856	37,454	72,763	161,418	271,635
2040	257,635	639,347	896,981	35,837	69,817	171,405	277,059
2041	247,108	676,783	923,891	34,291	67,046	181,441	282,779
2042	237,387	714,221	951,607	32,777	64,574	191,478	288,829
2043	228,874	751,281	980,156	31,355	62,505	201,414	295,274
2044	221,304	788,256	1,009,560	30,146	60,609	211,326	302,082
2045	214,261	825,586	1,039,847	29,032	58,835	221,334	309,202
2046	207,515	863,528	1,071,043	28,005	57,096	231,506	316,607
2047	201,157	902,016	1,103,174	27,036	55,458	241,825	324,318
2048	195,091	941,178	1,136,269	26,177	53,828	252,324	332,329
2049	188,831	981,526	1,170,357	25,322	52,116	263,141	340,579
2050	182,402	1,023,066	1,205,468	24,444	50,358	274,277	349,079
2051	175,611	1,066,021	1,241,632	23,566	48,451	285,793	357,810
2052	168,487	1,110,394	1,278,881	22,608	46,488	297,689	366,785
2053	160,958	1,156,289	1,317,247	21,657	44,351	309,994	376,002
2054	152,882	1,203,883	1,356,765	20,597	42,098	322,753	385,449
2055	144,427	1,253,041	1,397,468	7,923	13,192	-	21,115
2056	134,996	1,304,395	1,439,392	7,441	12,255	-	19,696
2057	124,716	1,357,857	1,482,573	6,899	11,297	-	18,196
2058	113,749	1,413,301	1,527,051	6,344	10,252	-	16,596
2059	102,075	1,470,787	1,572,862	5,728	9,164	-	14,892
2060	90,352	1,529,696	1,620,048	5,101	8,082	-	13,183
2061	78,298	1,590,351	1,668,649	4,481	6,943	-	11,424
2062	65,381	1,653,328	1,718,709	3,817	5,722	-	9,539
2063	52,173	1,718,097	1,770,270	3,106	4,506	-	7,612
2064	39,452	1,783,926	1,823,378	2,414	3,342	-	5,756
2065	28,516	1,849,564	1,878,080	1,756	2,405	-	4,161
2066	20,094	1,914,328	1,934,422	1,257	1,675	-	2,932
2067	13,649	1,978,806	1,992,455	864	1,127	-	1,991
2068	8,905	2,043,324	2,052,228	576	723	-	1,299
2069	5,555	2,108,240	2,113,795	363	448	-	811
2070	3,250	2,173,959	2,177,209	223	252	-	475
2071	1,744	2,240,781	2,242,525	119	135	-	254
2072	941	2,308,860	2,309,801	64	73	-	137
2073	475	2,378,620	2,379,095	35	35	-	70
2074	191	2,450,277	2,450,468	15	13	-	28



Single Discount Rate Development

Projection of Contributions from December 31 of 2025 to 2124 (Continued)

(\$ in 000s)

December 31,	Payroll for Current Employees	Payroll for Future Employees	Total Employee Payroll	Employer		Contributions Related to Payroll of Future Employees	Total Contributions
				Contributions from Current Employees	Contributions for Current Employees		
2075	55	2,523,927	2,523,982	5	3	-	8
2076	7	2,599,694	2,599,701	1	-	-	1
2077	-	2,677,692	2,677,692	-	-	-	-
2078	-	2,758,023	2,758,023	-	-	-	-
2079	-	2,840,764	2,840,764	-	-	-	-
2080	-	2,925,987	2,925,987	-	-	-	-
2081	-	3,013,766	3,013,766	-	-	-	-
2082	-	3,104,179	3,104,179	-	-	-	-
2083	-	3,197,305	3,197,305	-	-	-	-
2084	-	3,293,224	3,293,224	-	-	-	-
2085	-	3,392,021	3,392,021	-	-	-	-
2086	-	3,493,781	3,493,781	-	-	-	-
2087	-	3,598,595	3,598,595	-	-	-	-
2088	-	3,706,552	3,706,552	-	-	-	-
2089	-	3,817,749	3,817,749	-	-	-	-
2090	-	3,932,282	3,932,282	-	-	-	-
2091	-	4,050,250	4,050,250	-	-	-	-
2092	-	4,171,757	4,171,757	-	-	-	-
2093	-	4,296,910	4,296,910	-	-	-	-
2094	-	4,425,818	4,425,818	-	-	-	-
2095	-	4,558,592	4,558,592	-	-	-	-
2096	-	4,695,350	4,695,350	-	-	-	-
2097	-	4,836,210	4,836,210	-	-	-	-
2098	-	4,981,297	4,981,297	-	-	-	-
2099	-	5,130,735	5,130,735	-	-	-	-
2100	-	5,284,658	5,284,658	-	-	-	-
2101	-	5,443,197	5,443,197	-	-	-	-
2102	-	5,606,493	5,606,493	-	-	-	-
2103	-	5,774,688	5,774,688	-	-	-	-
2104	-	5,947,929	5,947,929	-	-	-	-
2105	-	6,126,367	6,126,367	-	-	-	-
2106	-	6,310,158	6,310,158	-	-	-	-
2107	-	6,499,462	6,499,462	-	-	-	-
2108	-	6,694,446	6,694,446	-	-	-	-
2109	-	6,895,279	6,895,279	-	-	-	-
2110	-	7,102,138	7,102,138	-	-	-	-
2111	-	7,315,202	7,315,202	-	-	-	-
2112	-	7,534,658	7,534,658	-	-	-	-
2113	-	7,760,698	7,760,698	-	-	-	-
2114	-	7,993,519	7,993,519	-	-	-	-
2115	-	8,233,324	8,233,324	-	-	-	-
2116	-	8,480,324	8,480,324	-	-	-	-
2117	-	8,734,734	8,734,734	-	-	-	-
2118	-	8,996,776	8,996,776	-	-	-	-
2119	-	9,266,679	9,266,679	-	-	-	-
2120	-	9,544,679	9,544,679	-	-	-	-
2121	-	9,831,020	9,831,020	-	-	-	-
2122	-	10,125,950	10,125,950	-	-	-	-
2123	-	10,429,729	10,429,729	-	-	-	-
2124	-	10,742,621	10,742,621	-	-	-	-

Single Discount Rate Development

Projection of Plan Fiduciary Net Position from December 31 of 2025 to 2124

(\$ in 000s)

December 31, Year	Projected Beginning Plan Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expenses	Projected Investment Earnings at 7.25%	Projected Ending Plan Net Position
	(a)	(b)	(c)	(d)	(e)	(f)=(a)+(b)-(c)-(d)+(e)
2025	\$ 3,970,633	\$ 179,558	\$ 397,399	\$ 10,694	\$ 279,731	\$ 4,021,829
2026	4,021,829	180,116	402,832	9,539	283,311	4,072,885
2027	4,072,885	181,217	415,804	8,911	286,612	4,116,000
2028	4,116,000	181,138	427,538	8,386	289,336	4,150,550
2029	4,150,550	181,230	438,784	7,365	291,480	4,177,110
2030	4,177,110	181,878	449,458	7,001	293,061	4,195,589
2031	4,195,589	182,936	459,295	6,672	294,100	4,206,657
2032	4,206,657	184,226	468,926	6,358	294,616	4,210,215
2033	4,210,215	195,063	478,360	6,068	294,935	4,215,785
2034	4,215,785	229,757	487,451	5,796	296,260	4,248,556
2035	4,248,556	252,689	495,009	5,545	299,192	4,299,882
2036	4,299,882	256,994	501,271	5,310	302,852	4,353,147
2037	4,353,147	261,558	507,367	5,084	306,667	4,408,922
2038	4,408,922	266,458	512,221	4,875	310,720	4,469,004
2039	4,469,004	271,635	515,911	4,676	315,136	4,535,189
2040	4,535,189	277,059	518,769	4,483	320,033	4,609,028
2041	4,609,028	282,779	520,857	4,300	325,522	4,692,172
2042	4,692,172	288,829	521,868	4,131	331,735	4,786,738
2043	4,786,738	295,274	521,419	3,982	338,842	4,895,453
2044	4,895,453	302,082	519,394	3,851	347,043	5,021,333
2045	5,021,333	309,202	516,141	3,728	356,544	5,167,209
2046	5,167,209	316,607	511,868	3,611	367,540	5,335,877
2047	5,335,877	324,318	506,730	3,500	380,230	5,530,195
2048	5,530,195	332,329	500,997	3,395	394,811	5,752,943
2049	5,752,943	340,579	494,973	3,286	411,472	6,006,736
2050	6,006,736	349,079	488,504	3,174	430,410	6,294,546
2051	6,294,546	357,810	481,900	3,056	451,826	6,619,225
2052	6,619,225	366,785	475,193	2,932	475,928	6,983,814
2053	6,983,814	376,002	468,552	2,801	502,930	7,391,393
2054	7,391,393	385,449	462,227	2,660	533,047	7,845,001
2055	7,845,001	21,115	456,096	2,513	553,181	7,960,688
2056	7,960,688	19,696	450,752	2,349	561,714	8,088,997
2057	8,088,997	18,196	446,191	2,170	571,132	8,229,964
2058	8,229,964	16,596	442,366	1,979	581,438	8,383,653
2059	8,383,653	14,892	439,250	1,776	592,638	8,550,157
2060	8,550,157	13,183	436,256	1,572	604,762	8,730,275
2061	8,730,275	11,424	433,680	1,362	617,857	8,924,514
2062	8,924,514	9,539	431,994	1,138	631,941	9,132,862
2063	9,132,862	7,612	430,585	908	647,036	9,356,017
2064	9,356,017	5,756	428,624	686	663,226	9,595,689
2065	9,595,689	4,161	424,816	496	680,688	9,855,226
2066	9,855,226	2,932	418,376	350	699,695	10,139,127
2067	10,139,127	1,991	409,797	237	720,554	10,451,638
2068	10,451,638	1,299	399,358	155	743,561	10,796,985
2069	10,796,985	811	387,312	97	769,012	11,179,400
2070	11,179,400	475	374,084	57	797,198	11,602,932
2071	11,602,932	254	359,849	30	828,404	12,071,712
2072	12,071,712	137	344,631	16	862,929	12,590,131
2073	12,590,131	70	328,856	8	901,074	13,162,411
2074	13,162,411	28	312,758	3	943,137	13,792,814
2075	13,792,814	8	296,510	1	989,419	14,485,730



Single Discount Rate Development

Projection of Plan Fiduciary Net Position from December 31 of 2025 to 2124 (continued) (\$ in 000s)

December 31, Year	Projected Beginning Plan Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expenses	Projected Investment Earnings at 7.25%	Projected Ending Plan Net Position
	(a)	(b)	(c)	(d)	(e)	(f)=(a)+(b)-(c)-(d)+(e)
2076	14,485,730		1	280,260	-	15,245,705
2077	15,245,705	-		264,060	-	16,077,554
2078	16,077,554	-		247,976	-	16,986,369
2079	16,986,369	-		232,039	-	17,977,578
2080	17,977,578	-		216,262	-	19,056,987
2081	19,056,987	-		200,681	-	20,230,791
2082	20,230,791	-		185,345	-	21,505,577
2083	21,505,577	-		170,264	-	22,888,404
2084	22,888,404	-		155,481	-	24,386,795
2085	24,386,795	-		141,062	-	26,008,751
2086	26,008,751	-		127,073	-	27,762,787
2087	27,762,787	-		113,581	-	29,657,963
2088	29,657,963	-		100,651	-	31,703,929
2089	31,703,929	-		88,356	-	33,910,961
2090	33,910,961	-		76,769	-	36,290,003
2091	36,290,003	-		65,951	-	38,852,728
2092	38,852,728	-		55,959	-	41,611,599
2093	41,611,599	-		46,837	-	44,579,934
2094	44,579,934	-		38,621	-	47,771,984
2095	47,771,984	-		31,326	-	51,203,010
2096	51,203,010	-		24,955	-	54,889,385
2097	54,889,385	-		19,492	-	58,848,679
2098	58,848,679	-		14,904	-	63,099,773
2099	63,099,773	-		11,134	-	67,662,976
2100	67,662,976	-		8,111	-	72,560,142
2101	72,560,142	-		5,751	-	77,814,797
2102	77,814,797	-		3,963	-	83,452,265
2103	83,452,265	-		2,650	-	89,499,810
2104	89,499,810	-		1,719	-	95,986,766
2105	95,986,766	-		1,080	-	102,944,688
2106	102,944,688	-		659	-	110,407,496
2107	110,407,496	-		392	-	118,411,633
2108	118,411,633	-		229	-	126,996,240
2109	126,996,240	-		132	-	136,203,331
2110	136,203,331	-		75	-	146,077,995
2111	146,077,995	-		42	-	156,668,607
2112	156,668,607	-		23	-	168,027,057
2113	168,027,057	-		13	-	180,209,006
2114	180,209,006	-		7	-	193,274,152
2115	193,274,152	-		4	-	207,286,524
2116	207,286,524	-		2	-	222,314,795
2117	222,314,795	-		1	-	238,432,617
2118	238,432,617	-		0	-	255,718,981
2119	255,718,981	-		0	-	274,258,607
2120	274,258,607	-		0	-	294,142,356
2121	294,142,356	-		0	-	315,467,677
2122	315,467,677	-		0	-	338,339,083
2123	338,339,083	-		0	-	362,868,667
2124	362,868,667	-		0	-	389,176,645

Single Discount Rate Development

Present Values of Projected Benefits from December 31 of 2025 to 2124 (\$ in 000s)

Year	Projected		Funded Portion of Benefit Payments	Unfunded Portion of Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate (vf)	Present Value of Benefit Payments using Single Discount Rate (sdr)
	Beginning Plan Net Position	Projected Benefit Payments					
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v^(a)-.5	(g)=(e)*vf^(a)-.5	(h)=(c)/(1+sdr)^(a)-.5
2025	\$ 3,970,633	\$ 397,399	\$ 397,399	\$ -	\$ 383,732	\$ -	\$ 383,732
2026	4,021,829	402,832	402,832	-	362,684	-	362,684
2027	4,072,885	415,804	415,804	-	349,056	-	349,056
2028	4,116,000	427,538	427,538	-	334,645	-	334,645
2029	4,150,550	438,784	438,784	-	320,231	-	320,231
2030	4,177,110	449,458	449,458	-	305,847	-	305,847
2031	4,195,589	459,295	459,295	-	291,414	-	291,414
2032	4,206,657	468,926	468,926	-	277,412	-	277,412
2033	4,210,215	478,360	478,360	-	263,862	-	263,862
2034	4,215,785	487,451	487,451	-	250,701	-	250,701
2035	4,248,556	495,009	495,009	-	237,379	-	237,379
2036	4,299,882	501,271	501,271	-	224,132	-	224,132
2037	4,353,147	507,367	507,367	-	211,522	-	211,522
2038	4,408,922	512,221	512,221	-	199,110	-	199,110
2039	4,469,004	515,911	515,911	-	186,988	-	186,988
2040	4,535,189	518,769	518,769	-	175,314	-	175,314
2041	4,609,028	520,857	520,857	-	164,121	-	164,121
2042	4,692,172	521,868	521,868	-	153,323	-	153,323
2043	4,786,738	521,419	521,419	-	142,836	-	142,836
2044	4,895,453	519,394	519,394	-	132,663	-	132,663
2045	5,021,333	516,141	516,141	-	122,920	-	122,920
2046	5,167,209	511,868	511,868	-	113,662	-	113,662
2047	5,335,877	506,730	506,730	-	104,915	-	104,915
2048	5,530,195	500,997	500,997	-	96,716	-	96,716
2049	5,752,943	494,973	494,973	-	89,094	-	89,094
2050	6,006,736	488,504	488,504	-	81,986	-	81,986
2051	6,294,546	481,900	481,900	-	75,410	-	75,410
2052	6,619,225	475,193	475,193	-	69,334	-	69,334
2053	6,983,814	468,552	468,552	-	63,743	-	63,743
2054	7,391,393	462,227	462,227	-	58,632	-	58,632
2055	7,845,001	456,096	456,096	-	53,943	-	53,943
2056	7,960,688	450,752	450,752	-	49,708	-	49,708
2057	8,088,997	446,191	446,191	-	45,878	-	45,878
2058	8,229,964	442,366	442,366	-	42,410	-	42,410
2059	8,383,653	439,250	439,250	-	39,265	-	39,265
2060	8,550,157	436,256	436,256	-	36,361	-	36,361
2061	8,730,275	433,680	433,680	-	33,703	-	33,703
2062	8,924,514	431,994	431,994	-	31,302	-	31,302
2063	9,132,862	430,585	430,585	-	29,091	-	29,091
2064	9,356,017	428,624	428,624	-	27,001	-	27,001
2065	9,595,689	424,816	424,816	-	24,952	-	24,952
2066	9,855,226	418,376	418,376	-	22,913	-	22,913
2067	10,139,127	409,797	409,797	-	20,926	-	20,926
2068	10,451,638	399,358	399,358	-	19,014	-	19,014
2069	10,796,985	387,312	387,312	-	17,194	-	17,194
2070	11,179,400	374,084	374,084	-	15,484	-	15,484
2071	11,602,932	359,849	359,849	-	13,888	-	13,888
2072	12,071,712	344,631	344,631	-	12,402	-	12,402
2073	12,590,131	328,856	328,856	-	11,034	-	11,034
2074	13,162,411	312,758	312,758	-	9,785	-	9,785



Single Discount Rate Development

PVs of Projected Benefits from December 31 of 2025 to 2124 (continued)

(\$ in 000s)

Year	Projected		Funded Portion of Benefit Payments	Unfunded Portion of Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate (vf)	Present Value of Benefit Payments using Single Discount Rate (sdr)
	Beginning Plan Net Position	Projected Benefit Payments					
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v^(a)-.5	(g)=(e)*vf^(a)-.5	(h)=((c)/(1+sdr)^(a)-.5)
2075	\$ 13,792,814	\$ 296,510	\$ 296,510	\$ -	\$ 8,649	\$ -	\$ 8,649
2076	14,485,730	280,260	280,260	-	7,623	-	7,623
2077	15,245,705	264,060	264,060	-	6,696	-	6,696
2078	16,077,554	247,976	247,976	-	5,863	-	5,863
2079	16,986,369	232,039	232,039	-	5,116	-	5,116
2080	17,977,578	216,262	216,262	-	4,446	-	4,446
2081	19,056,987	200,681	200,681	-	3,846	-	3,846
2082	20,230,791	185,345	185,345	-	3,312	-	3,312
2083	21,505,577	170,264	170,264	-	2,837	-	2,837
2084	22,888,404	155,481	155,481	-	2,416	-	2,416
2085	24,386,795	141,062	141,062	-	2,043	-	2,043
2086	26,008,751	127,073	127,073	-	1,716	-	1,716
2087	27,762,787	113,581	113,581	-	1,430	-	1,430
2088	29,657,963	100,651	100,651	-	1,182	-	1,182
2089	31,703,929	88,356	88,356	-	967	-	967
2090	33,910,961	76,769	76,769	-	784	-	784
2091	36,290,003	65,951	65,951	-	628	-	628
2092	38,852,728	55,959	55,959	-	497	-	497
2093	41,611,599	46,837	46,837	-	388	-	388
2094	44,579,934	38,621	38,621	-	298	-	298
2095	47,771,984	31,326	31,326	-	225	-	225
2096	51,203,010	24,955	24,955	-	167	-	167
2097	54,889,385	19,492	19,492	-	122	-	122
2098	58,848,679	14,904	14,904	-	87	-	87
2099	63,099,773	11,134	11,134	-	61	-	61
2100	67,662,976	8,111	8,111	-	41	-	41
2101	72,560,142	5,751	5,751	-	27	-	27
2102	77,814,797	3,963	3,963	-	17	-	17
2103	83,452,265	2,650	2,650	-	11	-	11
2104	89,499,810	1,719	1,719	-	7	-	7
2105	95,986,766	1,080	1,080	-	4	-	4
2106	102,944,688	659	659	-	2	-	2
2107	110,407,496	392	392	-	1	-	1
2108	118,411,633	229	229	-	1	-	1
2109	126,996,240	132	132	-	0	-	0
2110	136,203,331	75	75	-	0	-	0
2111	146,077,995	42	42	-	0	-	0
2112	156,668,607	23	23	-	0	-	0
2113	168,027,057	13	13	-	0	-	0
2114	180,209,006	7	7	-	0	-	0
2115	193,274,152	4	4	-	0	-	0
2116	207,286,524	2	2	-	0	-	0
2117	222,314,795	1	1	-	0	-	0
2118	238,432,617	0	0	-	0	-	0
2119	255,718,981	0	0	-	0	-	0
2120	274,258,607	0	0	-	0	-	0
2121	294,142,356	0	0	-	0	-	0
2122	315,467,677	0	0	-	0	-	0
2123	338,339,083	0	0	-	0	-	0
2124	362,868,667	0	-	0	-	-	0
Totals					\$ 6,461,150	\$ -	\$ 6,461,150



2025 Audit Presentation and Discussion

Employees' Retirement Fund
of the City of Dallas

weaver

Assurance • Tax • Advisory



Team in Attendance

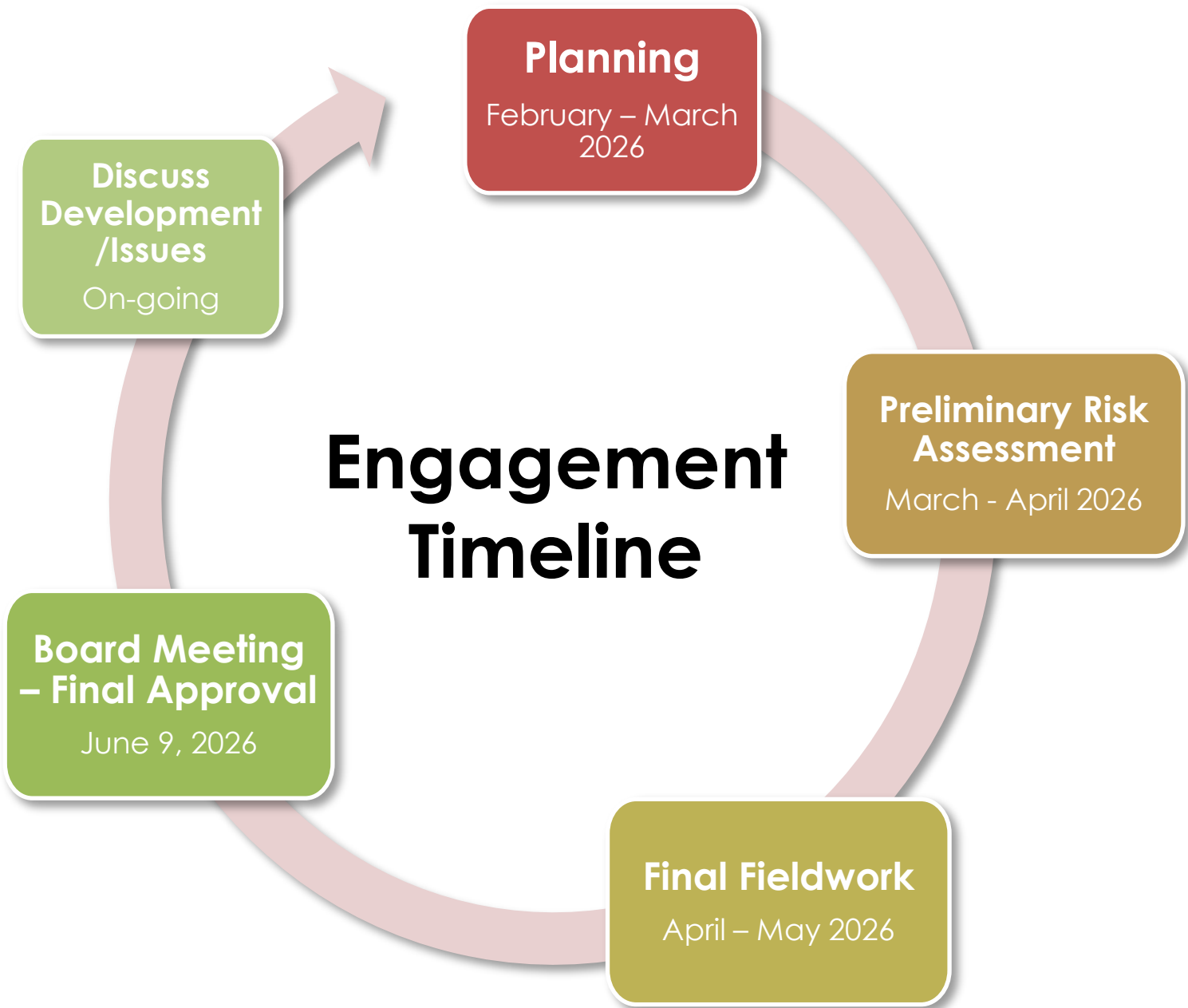


Aracely Rios, CPA
Partner,
Employee Benefit Plans

- ▶ **20+ years** of public accounting experience
- ▶ Practice emphasis in auditing employee benefit plans, including government pensions
- ▶ Dallas office

Kaylee Vachon, CPA
Manager,
Employee Benefit Plans

- ▶ **6+ years** of public accounting experience
- ▶ Practice emphasis in auditing cities and government pensions
- ▶ Dallas office



Engagement Timeline

Planning

February – March 2026

Discuss Development /Issues

On-going

Preliminary Risk Assessment

March - April 2026

Board Meeting – Final Approval

June 9, 2026

Final Fieldwork

April – May 2026

Audit Testing

Our audit process is a risk-based approach in which we identified potential areas of risk that could lead to material misstatement of the financial statements.

Financial Statement Level Risk	Procedures Performed
Management override of internal controls	<ul style="list-style-type: none">- Tested approval of journal entries- Agreed disclosures to support- Tested estimates for reasonableness
Audit Areas of Focus	Procedures Performed
Investments	<ul style="list-style-type: none">- Confirmation with Plan's custodian (Northern Trust) and investment managers- Recalculation of net asset value from audited financial statements for private equity, real estate, and collective investment funds- Use of third party database, Interactive Data Services to test fair values of level 1 and 2 investments

Audit Testing (continued) **weaver**

Assurance • Tax • Advisory

Our audit process is a risk-based approach in which we identified potential areas of risk that could lead to material misstatement of the financial statements.

Audit Areas of Focus	Procedures Performed
Participant Benefit Payments	<ul style="list-style-type: none"> - Examination of benefits on a test basis - Tested eligibility of participants - Recalculated benefits in accordance with plan provisions - Compared recurring payments year over year and inquired of any differences outside of expectations
Participant Data and Census	<ul style="list-style-type: none"> - Reconciled census from actuary to underlying payroll information - Tested a sample of key participant data to underlying HR records - Recalculated employee and employer contributions
Actuarial Valuation	<ul style="list-style-type: none"> - Reviewed assumptions and methodology used by actuary - Reviewed related disclosures

Financial Audit Results

Type of Report:	UNMODIFIED
Internal control over financial reporting:	
Any material weakness(es) identified?	NO
Any significant deficiencies that are not material weaknesses?	NO

Required Communications to Those in Charge of Governance

Communication

Auditor's responsibility under generally accepted auditing standards (GAAS)

Results

The financial statements are the responsibility of the Plan. Our audit was designed in accordance with GAAS in the U.S. and provide for reasonable rather than absolute assurance that the financial statements are free of material misstatement. Our responsibility is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

The audit of the fiscal year 2025 financial statements is complete and we plan to issue an unmodified opinion.

Required Communications to Those in Charge of Governance



Communication

Unusual transactions and the adoption of new accounting principles

Results

The significant accounting policies used by the Plan are reasonable

We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus.

Required Communications to Those in Charge of Governance

Communication	Results
Fraud and illegal acts	No material errors, irregularities, or illegal acts were noted.
Material weakness in internal control	No material weaknesses noted.
Other information contained in documents containing audited financial statements	No such items.
Management consultations	We are not aware of management consulting with other accountants for a second opinion.

Required Communications to Those in Charge of Governance

Communication	Results
Difficulties encountered	No difficulties or disagreements arose during the course of our audit.
Management representations	We will request certain representations from management that will be included in the management representation letter
Auditor independence	No independence issues noted.
Other information contained in documents containing audited financial statements	We performed limited procedures on the Management's Discussion and Analysis (MD&A) and Required Supplementary Information (RSI). We did not provide any assurance on this information and other supplementary information.
Management judgments and accounting estimates	Management's estimates of investment fair values; investment classifications; and net pension liability actuarial valuation were evaluated and determined to be reasonable in relation to the financial statements as a whole.

Required Communications to Those in Charge of Governance



Communication	Results
Audit adjustments and Passed adjustments	<p>Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no passed adjustments during the audit.</p> <p>In addition, there were no uncorrected misstatements identified as a result of our audit procedures.</p>
Other material written communications between Weaver and Tidwell, L.L.P., and the Plan	<p>Nothing to note. No going concern issues identified or subsequent events.</p>

Use of Other Auditors

Specialists

Weaver uses a third-party pricing service for level 1 and level 2 investments

DISCUSSION



Contact Us

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
(Required Supplementary Information)

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

The Management’s Discussion and Analysis of the Employees’ Retirement Fund of the City of Dallas (“ERF” or “the Plan”) financial performance provides an overview of the financial activities and funding conditions for the fiscal years ended December 31, 2025, 2024, and 2023. The intent of this discussion and analysis is to give a narrative overview and analysis of the Plan’s financial performance as a whole. For more detailed information regarding performance, readers should also review the Financial Statements, Notes to the Financial Statements, and Required Supplementary Information to enhance their understanding of the Plan’s financial performance.

FINANCIAL STATEMENTS

The Plan is a defined benefit plan that provides retirement, disability, and death benefits to permanent full-time and part-time civilian employees of the City of Dallas (“the City”). The Plan has two basic Financial Statements:

- A Statement of Fiduciary Net Position that provides information about the fair value and composition of plan assets, plan liabilities, and fiduciary net position; and
- A Statement of Changes in Fiduciary Net Position that provides information about the year-to-year Changes in Fiduciary Net Position.

There are also notes to the Financial Statements that include a brief Plan description, a summary of significant accounting policies, and information about contributions, legally required reserves, investment concentrations, and the Net Pension Liability. The report also contains the required supplementary information in addition to the basic financial statements. Collectively, this information presents the Net Position Restricted for Pension Benefits and summarizes the Changes in Net Position for those benefits.

FINANCIAL HIGHLIGHTS

Fiscal year 2025 experienced an increase in investments. The Plan’s Financial Highlights for fiscal year ended December 31, 2025, are as follows:

- The Plan had a return of 11.77% for the year, a 5-year return of 7.36% and a 10-year return of 7.62%.
- As of December 31, 2025, the Net Position Restricted for Pension Benefits was \$3.97 billion, reflecting a \$213 million increase from the previous year due to higher investments.
- Total contributions for fiscal year 2025 were \$164.6 million, an increase of approximately \$8.95 million from the prior fiscal year. This increase is primarily attributable to merit pay increases for civilian employees, a higher contribution rate for Tier A employees, increases in the City’s actuarially determined contribution rate, and growth in the number of full-time employees eligible to accrue retirement benefits.
- Pension benefits paid to retirees and beneficiaries increased \$10.5 million in 2025 compared to 2024, bringing the total benefit payments to \$359 million. Refunds of contributions paid to former members after termination of employment were \$16 million for 2025 and \$12 million for 2024.
- Net Investment Income (net appreciation/depreciation) in the fair value of investments, plus interest and dividend income, less investment expenses, excluding Other Income, increased \$110 million compared to last fiscal year.

- Administrative Expenses of \$10 million in 2025 were slightly lower than 2024 by \$14 thousand due to lower vendor payments.

CONDENSED FINANCIAL INFORMATION

(\$ in thousands)

	For the Fiscal Years Ended December 31	2025	2024	2023
Fiduciary Net Position				
Asset		5,122,270	\$5,082,186	\$4,520,902
Liabilities		1,151,637	1,324,704	871,800
Fiduciary Net Position Restricted for Pension Benefits		<u>3,970,633</u>	<u>\$3,757,482</u>	<u>\$3,649,102</u>
Changes in Fiduciary Net Position				
Additions:				
Employer contributions		86,580	80,782	73,939
Employee contributions		77,981	74,831	70,025
Investment & other income/(loss), net		434,722	324,929	339,878
Total additions		<u>599,283</u>	<u>480,542</u>	<u>483,842</u>
Deductions:				
Benefit payments		359,469	348,938	328,296
Refund of contributions		15,821	12,369	12,700
Administrative expenses		9,991	10,005	9,183
Depreciation expense		851	850	841
Total deductions		<u>386,132</u>	<u>372,162</u>	<u>351,020</u>
Change in Fiduciary Net Position Restricted for Pension Benefits		<u>213,151</u>	<u>108,380</u>	<u>132,822</u>
Net Position Restricted for Pension Benefits:		3,757,482	3,649,102	3,516,280
Beginning of Year				
End of Year		<u>3,970,633</u>	<u>\$3,757,482</u>	<u>\$3,649,102</u>

FINANCIAL POSITION AND RESULTS OF OPERATIONS

The Plan's total investment return for fiscal year 2025 was 11.77% as compared to 9.14% in 2024 and 10.09% in 2023. The one-year return was below the policy benchmark of 13.16%. The Plan has performed well over longer time periods. The Plan's 5-year return is 7.36% which is slightly below the policy benchmark of 7.69%. The 10-year return is 7.62%, which is below the policy benchmark of 8.08%.

ERF has a global, diversified investment program. The best performing asset classes in 2025 were International Equity Composite, Global Equity Composite and Domestic Equity Composite. The ERF's International Equity Composite generated a return of 32.65% for the fiscal year ended December 31, 2025. Global Equity Composite and Domestic Equity Composite reported returns of 21.76% and 15.53%, respectively.

The Fund's real estate investments, consisting of real estate investment trusts as well as core and value-add real estate funds, produced a return of 1.70% for the fiscal year ended December 31, 2025.

Additions to the Plan's fiduciary net position consist of employer and employee contributions, as well as investment income. The Plan's fiduciary net position increased from \$3.757 billion in fiscal year 2024 to \$3.971 billion in 2025, representing an increase of approximately \$213 million. This growth is primarily attributable to investment income, appreciation in the value of investments, and higher employee and employer contributions. City and employee contributions for fiscal year 2025 were \$87 million and \$78 million, respectively. Total contributions for 2025 were \$164.6 million, compared to \$155.6 million in 2024 and \$143.9 million in 2023.

Net investment income/(loss) is presented net of investment expenses and is comprised of interest, dividend income, gains/(losses) from the sale of investments, net unrealized appreciation/(depreciation) in the fair value of investments, and net income from securities lending activities. For fiscal year 2025, the Plan had net investment income of \$434 million, (excluding non-investment Other Income of \$245 thousand) compared to net investment income of \$325 million in fiscal year 2024 and a net investment loss of \$340 million in 2023.

Fiscal year 2025 liabilities of \$1.152 billion decreased by approximately 13.06% from fiscal year 2024 liabilities of \$1.325 billion. Liabilities for 2024 increased by \$453 million or 52% over 2023. The decrease in 2025 liabilities was primarily due to decrease in currency contracts by the managers to hedge against changes in foreign currency rates, in accordance with the managers' investment strategies and goals. This was slightly offset by a decrease in liabilities attributed to payable for securities purchased and securities lending collateral.

Year-end balances for securities purchased were \$14 million in 2025, \$17 million in 2024, and \$37 million in 2023. Foreign currency contracts at year-end were \$982 million in 2025, \$1.096 billion in 2024, and \$586 million in 2023. The changes were due to the investment managers' portfolio management.

Deductions from fiduciary net position are mostly for benefit payments. The increase in fiscal year 2025 was due to large retirement payments, cost-of-living adjustments (COLAs), and contribution refunds, similar to the increase from 2023 to 2024.

New retirements were 289, 311, and 326 for fiscal years 2025, 2024, and 2023, respectively. COLAs were 2.94% in 2025 for Tier A and Tier B members. For 2024 COLAs were 4.43% for Tier A and 3% for Tier B members. A COLA is granted effective January 1 of each year if there is an increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) based on the greater of either a) the change from October of the prior year to October of the current year; or b) the monthly average change; or c) zero.

During fiscal year 2025, refunds of contributions amounted to \$16 million (847 refunds), compared to 2024 refunds of \$12 million (967 refunds), and 2023 refunds of \$13 million (919 refunds). The fiscal year 2025 refund amount reflects an increase in average refund amount per application as compared to fiscal year 2024. Administrative expenses of approximately \$10 million represent approximately 2.6% of total deductions for the year.

CAPITAL ASSETS

The Plan's investment in capital assets as of December 31, 2025, amounts to approximately \$4 million (net of accumulated depreciation). This investment includes \$20 thousand in furniture and fixtures, \$3.9 million in intangible assets, and \$108 thousand in construction in progress. The total net decrease in capital assets for the current fiscal year was 16% compared to the prior year, primarily due to depreciation expense.

Additional information on the Plan's capital assets can be found in Note 8 of this report.

CURRENT ENVIRONMENT

Plan membership for active members increased during fiscal year 2025 from 8,070 to 8,116 members, an increase of 0.6%. For 2025, the number of new retirements was 289 compared to 311 in 2024. Overall, the trend of benefit payments continues to increase. Similar to most mature plans, benefit payments exceed the level of contribution revenue received, and cash generated from investments is needed in order to meet benefit payments.

An actuarial valuation of the Plan's assets and benefit obligations is performed annually by an independent firm, Gabriel, Roeder, Smith & Company ("GRS"). Based on the actuarial value of assets, the funded ratio of the Plan increased from 66.9% in 2024 to 67.4% in 2025 primarily due to investment returns. The Unfunded Actuarial Accrued Liability ("UAAL") decreased from \$1.857 billion as of December 31, 2024, to \$1.852 billion as of December 31, 2025. Based on accounting principles generally accepted in the United States of America ("GAAP"), the Plan Fiduciary Net Position as a percentage of the Total Pension Liability was 69.80% in 2025 as compared to 66.92% in 2024 and 54.90% in 2023. This is due to a blended discount rate of 7.25% in 2025. See Note 10 (c) for more information.

CONTACTING THE PLAN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Plan's finances. Questions and requests for additional information should be addressed to the Employees' Retirement Fund of the City of Dallas, 1920 McKinney Avenue, 10th Floor, Dallas, TX 75201.

EMPLOYEES' RETIREMENT FUND
OF THE CITY OF DALLAS
Statement of Fiduciary Net Position
For the Fiscal Years Ended December 31, 2025 and 2024
(\$ in thousands)

	2025	2024
ASSETS:		
Cash and short-term investments	\$ 75,294	\$ 105,936
Collateral on loaned securities	145,468	199,812
	220,762	305,748
Capital Asset:		
Construction-in-Progress	108	-
Intangible Assets	3,875	4,713
Furniture and Fixtures, net	20	33
Total capital assets (net)	4,003	4,746
Receivables:		
Currency contracts	981,714	1,095,968
Currency contract gains	-	1,064
Accrued dividends	6,701	5,590
Accrued interest	11,455	10,736
Accrued real estate income	991	1,365
Accrued securities lending	118	86
Securities sold	920	5,511
Employer contributions	2,116	1,527
Employee contributions	1,768	1,409
Total receivables	1,005,783	1,123,256
Investments, at fair value:		
Commingled index funds	227,777	200,399
Domestic equities	1,277,798	1,174,945
United States and foreign government fixed income securities	278,739	254,931
Domestic corporate fixed-income securities	948,664	878,448
International equities	491,269	430,941
Investments, at estimated fair value:		
Private equities	364,075	369,482
Real estate	303,400	339,290
Total investments	3,891,722	3,648,436
Total assets	5,122,270	5,082,186
LIABILITIES:		
Accounts payable	7,352	8,343
Payable for securities purchased	14,302	17,392
Investment fees payable	2,547	3,189
Currency contracts	981,714	1,095,968
Currency contract losses	254	-
Securities lending collateral	145,468	199,812
Total liabilities	1,151,637	1,324,704
NET POSITION RESTRICTED FOR PENSION	\$ 3,970,633	\$ 3,757,482

(A Schedule of Changes in Net Pension Liability is presented in the Required Supplementary Information)

EMPLOYEES' RETIREMENT FUND
OF THE CITY OF DALLAS
Statements of Changes in Fiduciary Net Position
For the Fiscal Years Ended December 31, 2025 and 2024
(\$ in Thousands)

	<u>2025</u>	<u>2024</u>
ADDITIONS:		
Contributions:		
Employer	\$ 86,580	\$ 80,782
Employee	77,981	74,831
Total contributions	<u>164,561</u>	<u>155,613</u>
NET INVESTMENT INCOME:		
Dividends	57,399	67,707
Interest	55,890	60,455
Real estate dividend income	8,914	8,209
Net appreciation/(depreciation) in fair value of investments	330,222	206,920
Securities lending rebates paid by borrowers	(9,114)	(12,082)
Securities lending income	10,826	13,428
Total investment income/(loss)	<u>454,137</u>	<u>344,637</u>
LESS INVESTMENT EXPENSES:		
Investment management fees	(18,483)	(18,850)
Custody fees	(110)	(110)
Consultant fees	(725)	(736)
Securities lending management fees	(342)	(269)
Total investment expenses	<u>(19,660)</u>	<u>(19,965)</u>
Net investment income/(loss)	<u>434,477</u>	<u>324,672</u>
OTHER INCOME:	<u>245</u>	<u>257</u>
Total additions	<u>599,283</u>	<u>480,542</u>
DEDUCTIONS:		
Benefit payments	359,469	348,938
Refund of contributions	15,821	12,369
Administrative expenses	9,991	10,005
Depreciation expense	851	850
Total deductions	<u>386,132</u>	<u>372,162</u>
Net increase/(decrease) in Net Position Restricted for Pensions	<u>213,151</u>	<u>108,380</u>
NET POSITION :		
RESTRICTED FOR PENSION		
Beginning of year	3,757,482	3,649,102
End of year	<u>\$ 3,970,633</u>	<u>\$ 3,757,482</u>

The accompanying Notes are an integral part of these financial statements.

1) Description of the Plan

a) General

The Employees' Retirement Fund of the City of Dallas ("ERF" or the "Plan") is a single employer defined benefit pension plan that provides retirement, disability, and death benefits to its members, and is sponsored by the City of Dallas, Texas (the "City"). All employees of the City are members in the Plan, except police officers, firefighters, elected officers, non-salaried appointee members of administrative boards or commissions, part-time employees working less than one-half time, temporary employees, individuals working under contract, and individuals whose salaries are paid in part by another government agency. Members are entitled to retirement benefits after five years of service and to survivor benefits after two years of service or at the date of eligibility for retirement. The Plan was established and derives its authority to continue in operation from Chapter 40A of the Dallas City Code ("Chapter 40A"). The description of the Plan provisions in this report is for financial disclosure only. It is not intended to create or reduce legal rights. The rights and responsibilities of the Board of Trustees, the Plan, the members, and the retirees are governed by the Plan as set forth in Chapter 40A. As of December 31, 2025 and 2024, the Plan's membership consisted of:

	<u>2025</u>	<u>2024</u>
Retirees and beneficiaries currently receiving benefits and inactive members entitled to benefits but not yet receiving them	<u>10,195</u>	<u>10,091</u>
Current members:		
Vested	4,154	4,086
Non-vested	<u>3,962</u>	<u>3,984</u>
Total current members	<u>8,116</u>	<u>8,070</u>
Total membership	<u>18,311</u>	<u>18,161</u>

b) Plan Administration

The Plan is governed by a seven-member Board consisting of three members appointed by the City Council, who may include Council members; three employee members elected by the Plan membership; and the City Auditor, who serves as an ex officio member. The Board is responsible for the general administration and operation of the Plan, including appointing an administrator to conduct the business of the Board, investing Plan assets, authorizing expenditures from the Plan, and determining members' eligibility for benefits.

Pursuant to a Plan amendment approved by the voters of the City of Dallas in November 2024, the Board annually establishes contribution rates based on the actuarial valuation in accordance with the Funding Soundness Restoration Plan ("FSRP"). The amendment established procedures requiring the Board to provide notice of contribution rates to the City and allowing the City to review and challenge those rates. The amendment also codified the Board's policies and procedures related to the actuarial process and the City's participation in the selection of an actuarial firm to perform a peer review or audit.

Effective with the first pay period in October 2025, contribution rates were updated under the approved FSRP. Tier A member contribution rates increased to 14.00% for employees hired before January 1, 2017, while Tier B member contribution rates remained at 13.32% for employees hired on or after January 1, 2017. The City's contribution rate beginning October 1, 2025 was established at 38.22% under the FSRP corridor funding framework.

Pursuant to a Plan amendment approved by the voters of the City of Dallas in November 2016, a new tier of benefits ("Tier B") was added to the Plan effective January 1, 2017. The benefits provided under each tier are described below.

The Plan may be terminated only through an ordinance recommended by the Board, adopted by the City Council, and approved by a majority of the City's voters in a general or special election. The Plan does not specify the allocation of net position in the event of termination.

c) Pension Benefits

Tier A

Members of the Plan hired before January 1, 2017, are entitled to pension benefits equal to 2.75% of the average monthly earnings for each year of credited service. Average monthly earnings are based on the most beneficial to the member and are determined based on the member's earnings for the highest three calendar years, last 6,240 hours of credited service, or the length of credited service if less than three years. Normal retirement age is 55 if credited service began before May 9, 1972 or age 60.

Tier A members are also eligible to retire at age 50 if the sum of the member's age and credited service is equal to or greater than 78. Members who have completed 30 years of credited service may alternatively elect retirement before age 50; however, the pension benefits will be actuarially reduced based on the member's age at retirement.

Tier B

Members of the Plan hired on or after January 1, 2017, are entitled to pension benefits equal to 2.5% of the average monthly earnings of the member for each year of credited service. Average monthly earnings are based on the most beneficial to the member and are determined based on the member's earnings for the five highest calendar years, last 10,400 hours of credited service, or the length of credited service if less than five years. Normal retirement age is 65 with five years of credited service.

Tier B members who have completed 40 years of credited service may elect retirement at any age and are entitled to full pension benefits. Members who elect retirement before age 65 are entitled to an actuarially reduced pension benefit depending upon the age of the member. Active members may also elect to retire with actuarially reduced benefit once a combination of their age and years of credited service equal at least 80.

d) Cost of Living Adjustments

Cost of living adjustments for retirees are made each year on the first of January by adjusting the pension base by the percentage change of the Consumer Price Index ("CPI"), not to exceed 5% for

Tier A and 3% for Tier B members. The cost-of-living adjustment effective January 2025 was 2.94% for Tier A and Tier B members.

e) Disability and Death Benefits

Members who become totally and permanently disabled may qualify for a service-connected disability with no minimum service requirement, or a non-service connected disability with five or more years of credited service. Non-service connected benefits are based on actual credited service or a minimum of 10 years. Service-connected benefits are equal to normal retirement benefits or a minimum of \$1,000.

Upon the death of an active married member with less than 15 years of service, the joint and one-half survivor option is the automatic death benefit.

If an active married member has at least 15 years of service and is eligible to retire or has reached normal retirement age, the member may elect the joint and full survivor option. Under this option, the member receives a reduced base pension payment which is actuarially computed based on the member's age, average monthly earnings, years of credited service at retirement, and the relative age of the spouse. Upon the death of the member, this option pays the full amount of the member's pension payment to the surviving spouse for life.

Upon the death of a member before retirement, death benefits equal to the normal retirement benefit will be paid to a qualified recipient: surviving spouse, minor child under age 18, a disabled child who became disabled before age 18, a dependent parent, or a parent over age 65. Death benefits vary depending on the beneficiary. The surviving spouse, the disabled child, or the dependent parent will receive a lifetime benefit unless the ten-year option is taken. The minor child under age 18 will receive the normal retirement benefit for ten years or until reaching age 18. If the member has less than two years of credited service, the member's contributions will be refunded.

Upon the death of a retired member, a death benefit is paid in accordance with the option selected by the member at retirement. If there are no qualified recipients at the time of death and benefits have not been paid for ten years, death benefits are paid to the designee (an estate, a person, or an entity) named by the member. The designee will receive a lump-sum payment based on ten years of benefit payments when the member's death occurs before retirement. If death occurs after retirement, the designee will receive a commuted lump-sum payment representing the balance of a guaranteed ten-year period starting from the date of retirement.

If a member does not have an eligible beneficiary, death benefits will be paid to the designee or member's estate in one commuted value payment. Benefit payments will vary depending on whether death occurred before or after retirement. Upon the death of a member before retirement, the designee or member's estate will receive a lump-sum payment based on ten years of benefit payments. Upon the death of a retired member, the designee or estate will receive a commuted value lump-sum payment representing the balance of a guaranteed ten-year period starting from the date of retirement.

f) Contributions

If employment terminates before a member attains five years of credited service and before becoming eligible for retirement, the member's accumulated contributions are refunded upon written request to the Plan. If employment terminates after five years of credited service, the member may elect either a refund of accumulated contributions upon written request or a deferred retirement benefit payable at normal retirement age based on the benefit accrued through the date of termination.

In fiscal year 2024, employee contribution rates remained at 13.32% for both Tier A and Tier B members, and the City's total contribution rate remained at 22.68%, consistent with fiscal year 2023. Effective October 1, 2024, the City's contribution rate was allocated between 14.44% contributed directly to the Plan and 8.24% designated for debt service payments on the pension obligation bonds. Effective October 1, 2023, the City's contribution allocation consisted of 14.46% contributed to the Plan and 8.22% designated for debt service payments on the pension obligation bonds. The pension obligation bonds are scheduled to be fully repaid in 2035.

Effective with the first pay period in October 2025, contribution rates were updated under the Funding Soundness Restoration Plan ("FSRP"). Tier A member contribution rates increased to 14.00% for employees hired before January 1, 2017, while Tier B member contribution rates remained at 13.32% for employees hired on or after January 1, 2017. The City's contribution rate for 2026 was established at 38.22% under the FSRP corridor funding framework.

Actual contributions may vary from actuarially determined contribution rates because the actuarial valuation is based on covered payroll as of the valuation date of December 31, while contributions are calculated and remitted throughout the year based on actual payroll activity. In addition, changes in benefit provisions, actuarial assumptions, and the size or composition of the covered population may significantly affect the trends presented in the Schedule of Net Pension Liability and the Schedule of Changes in Net Pension Liability included in the Required Supplementary Information section.

2) Summary of Significant Accounting Policies

a) Basis of Accounting

The accompanying financial statements are prepared on the economic resources measurement focus and accrual basis of accounting. Accordingly, interest earned but not received and dividends declared but not received as of the Plan's fiscal year end are recorded as accrued interest and dividends receivable, respectively. Contributions owed but not received as of the Plan's fiscal year end are recorded as contributions receivable. Benefits and refunds are recorded when paid. In addition, unsettled investment purchases and sales are accrued.

b) Administrative Expenses

Administrative expenses are paid from the Plan's contributions. The contribution rates calculated by the actuary take into consideration the expected administrative expenses.

c) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d) Investments and Investment Income

The Plan's investment policy requires that investments comply at all times with applicable local, state, and federal regulations. The Plan's investment policy is based upon an asset allocation study that considers the current and expected condition of the Plan, the expected long-term capital market outlook and the Plan's risk tolerance. Unless specifically permitted in the investment manager guidelines or other governing document, the investment policy prohibits the purchase of non-negotiable securities, short sales, selling on margin, puts, calls, straddles, options, or "letter" (restricted) stock. Also, unless specifically authorized in a manager's individual guidelines, the investment policy prohibits the use of derivatives (See derivatives disclosure in footnote 3).

Marketable Securities are valued at fair value based on quoted market prices, where available. Purchases and sales of securities and any resulting gain or loss are recorded on a trade-date basis. Net appreciation/(depreciation) include the Plan's gains and losses on investments bought and sold as well as held during the year. In May 2023, the Plan modified the asset allocation. The Plan's asset allocation is shown in the following table.

SUMMARY OF ASSET ALLOCATION TARGETS AND RANGES

	Target	Minimum	Maximum
Equity			
Domestic Equity	12.00%	10.00%	14.00%
International Equity	11.50%	9.50%	13.50%
Global Equity	5.00%	3.00%	7.00%
Global Low Volatility Equity	10.00%	8.00%	12.00%
Private Equity	10.00%	5.00%	15.00%
Total Equity	48.50%	46.50%	50.50%
Fixed Income			
Core Fixed Income	17.50%	15.50%	19.50%
High Yield	10.00%	8.00%	12.00%
Credit Opportunities	4.00%	2.00%	6.00%
Private Credit	2.50%	0.00%	5.00%
Total Fixed Income	34.00%	32.00%	36.00%
Real Assets			
Real Estate Investment Trusts	2.50%	0.50%	4.50%
Global Listed Infrastructure	5.00%	3.00%	7.00%
Private Real Estate	7.50%	2.50%	12.50%
Total Real Assets	15.00%	13.00%	17.00%
Diversifying Strategies			
Marketable Alternatives	2.50%	0.50%	4.50%
Total Diversifying Strategies	2.50%	0.50%	4.50%
TOTAL PORTFOLIO	100.00%		

e) Private Equity

To enhance the potential for earning higher rates of return relative to its other asset classes and to provide for broader portfolio diversification, the Plan allocates 10.00% of its total Plan portfolio to Private Equity. Recognizing that Private Equity investments have higher risk levels, this target of 10.00% is to be allocated within an acceptable range of 5.0% to 15.0% of private equity-oriented investments. Funding of committed capital in the Private Equity portfolio can occur over an extended time period and may take several years before the total allocation is fully invested. In order to reach the allocation target, a “committed” allocation up to 1.5 times the allocation is authorized. The Plan had three Private Equity managers at December 31, 2025.

Investments in these funds as a limited partner are carried at estimated fair value. Estimated fair values of investments in private limited partnerships are determined by the fund managers or general partner based on the latest investee information available, including audited financial statements and other similar data necessary to the valuation process. The Private Equity values at December 31, 2025 and December 31, 2024 were \$364 million and \$369 million, respectively.

f) Real Assets

The Plan is authorized to allocate 15% of its portfolio to Real Assets. The Plan has seven managers that manage Real Assets for a total value of \$303 million at December 31, 2025 and \$339 million at December 31, 2024. The Plan invests in Heitman’s core real estate fund, Invesco’s core fund, Invesco II which manages 1900 McKinney, LLC, AEW Partners, Long Wharf Capital, Virtus Real Estate Capital III, L.P. and Brasa Capital management. AEW Partners manages AEW Partners Real Estate Fund IX, L.P. and Pix Oakland Park Co-invest L.P. for the Plan.

Estimated fair values of investments are determined by the fund managers based on their best estimates using fair value estimation techniques substantiated, in part, by their audited financial statements and supported by the due diligence of the Plan investment staff.

g) Real Estate Investment Trust (REIT)

The Plan is authorized to allocate 2.5% of its portfolio to REITs. The plan has two managers within this category: Adelante and Center Square. Investments are listed at net asset value.

h) Foreign Currency Transactions

The Plan may enter into forward foreign currency exchange contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date as a hedge against specific transactions or to position the portfolio to protect the Plan against adverse currency movements. Entering into these arrangements involves the risk of dealing with counterparties and their ability to meet the terms of the contracts. These contracts are valued at fair value at the financial statement date, and any realized and unrealized gains and losses are recorded when they are incurred.

Investments denominated in foreign currencies at December 31, 2025 and 2024 were converted to U.S. dollars at the foreign exchange rates quoted at December 31, 2025 and 2024. These foreign

exchange gains and losses are included in net appreciation/(depreciation) in fair value of investments in the accompanying Statements of Changes in Fiduciary Net Position.

i) Securities Lending

The Board has authorized the Plan to enter into an agreement with The Northern Trust Company (“Northern Trust”) for the lending of certain of the Plan’s securities (the “Securities Lending Program” or “Program”) including, but not limited to, stocks and bonds to counterparty brokers and banks (“borrowers”) for a predetermined period of time and fee.

In 2009, the Board capped the securities lending exposure at \$538.2 million.

j) Rate of Return

For the year ended December 31, 2025, the annual money-weighted rate of return on pension plan investment, net of investment fees, was 11.89%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Schedule of Money-Weighted Investment Returns

<u>For Year</u> <u>Ended December 31</u>	<u>Annual Investment</u> <u>Returns</u>
2016	8.88%
2017	13.08%
2018	-4.99%
2019	17.33%
2020	5.75%
2021	16.25%
2022	-8.23%
2023	10.17%
2024	9.08%
2025	11.89%

k) Capital Assets

Capital Assets, which include furniture, fixtures, and software, are reported in the Plan’s Financial Statements. Capital Assets are defined by the Plan as assets with an initial, individual cost of more than \$50,000 and an estimated useful life in excess of two years. As the Plan constructs or develops additional Capital Assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

Furniture and fixtures are depreciated using the straight-line method over an estimated useful life of 5-20 years. Intangible Assets are depreciated using the straight-line method over an estimated useful life of 5-15 years. Construction in progress is not depreciated.

l) Leases

The Plan does not have any material noncancellable leases. The Plan recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the financial statements with an initial, individual value of \$50,000 or more.

At the commencement of a lease, the Plan initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgments related to leases include how the Plan determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Plan uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Plan generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the Plan is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

It is the policy of the plan to monitor changes in circumstances that would require a remeasurement of its leases and will remeasure the lease assets and liability if certain changes occur that are expected to be significant.

3) Derivatives

Derivatives are generally defined as contracts whose values depend on, or are derived from, the value of an underlying asset, reference rate, or index. The Plan has classified the following as derivatives:

a) Currency Forward Contracts

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 the possible nonperformance by one of the counterparties. The maximum potential loss is the

aggregate face value in U.S. dollars at the time the contract was opened; however, the likelihood of such loss is remote. No such losses occurred during the fiscal years 2025 and 2024. Currency forwards are usually traded over the counter. These transactions are entered into in order to hedge risks from exposure to foreign currency rate fluctuation and to facilitate trade settlement of foreign security transactions. Currency 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 Plan records the realized currency translation gain or loss based on the applicable exchange rates.

As of December 31, 2025, the Plan recognized a net realized loss of \$422 thousand on Currency Forward Contracts. In comparison, the net realized loss for the previous year, ending December 31, 2024, was \$1.1 million. These gains and losses are included in net appreciation/(depreciation) in fair value of investments in the accompanying Statements of Changes in Fiduciary Net Position.

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Currency Forward Contracts outstanding at December 31, 2025, and 2024 were approximately \$982 million and \$1.096 billion, respectively, with a fair value of \$(182) thousand and \$1.1 million, respectively. The Future values for December 31, 2025, and 2024 were \$28,620 and (\$13,697) (\$ in thousands):

Currency	<u>2025</u>	<u>2025</u>	<u>2024</u>	<u>2024</u>
	Currency Forward Contracts Outstanding	Futures	Currency Forward Contracts Outstanding	Futures
Australian Dollar	\$48,136	(\$3,145)	\$50,655	(\$9,094)
Brazilian Real	5,805	(534)	12,967	-
Canadian Dollar	36,130	3,768	45,306	(\$4,339)
Chile Peso	2,683		799	-
Columbian Peso	2,958		668	-
Czech Koruna	1,707		1,453	-
Denmark Krone	142		534	-
Euro	65,569	(7,765)	58,147	788
HK offshore Chinese Yuan	7,794		3,414	-
Hong Kong Dollar	3,034		2,133	-
Hungary Forint	4,573		8,986	-
Indonesia-Rupiahs	1,204		3,557	-
Indian Rupees	5,110		12,837	671
Israel Shekel	645		13,142	-
Japanese Yen	72,652	7,187	63,892	(1,632)
Malaysian ringgit		934	33	599
Mexican Peso	9,163		15,070	-
New Zealand Dollar	32,882		32,117	-
Norwegian Krone	43,509		44,956	-
Peruvian Nuevo Sol	34		8	-
Philippine Peso	3,070		1,356	-
Poland Zloty	1,990		12,730	-
Saudi Riyal	1,509		1,660	-
Singapore Dollar	2,459	(972)	348	110
South Africa Rand	6,738	(575)	9,347	(1,469)
South Korea Won	13,178		4,975	-
Swedish Krona	32,677		41,036	3,761
Switzerland Franc	35,004		30,195	-
Turkish lira	2,512		5,443	-
Thailand Baht	128	(2,139)	29	(1,512)
Taiwan New Dollar	8,450		7,695	853
UK Pound	42,149		56,825	(10,805)
US Dollar	488,120	\$31,861	553,655	8,372
Totals	\$981,714	\$28,620	\$1,095,968	(\$13,697)

b) Other Forward Contracts

Forward Contracts other than Currency Forward Contracts include rights and warrants and various other contractual agreements between two parties to buy or sell an asset at a specified price on a certain future date. Forward Contracts carry credit risk due to the possible nonperformance by one of the counterparties. The maximum potential loss is the aggregate face value in U.S. dollars at the time the contract was opened; however, the likelihood of such loss is remote. No such losses occurred during the fiscal years 2025 and 2024. Forward Contracts are usually traded over the counter. These transactions are entered into in order to hedge risks from exposure to fluctuations in prices in securities, commodities, or other financial instruments. Forward Contracts carry market risk resulting from adverse fluctuations in price. Recognition of realized gain or loss depends on whether the price of the asset has moved favorably or unfavorably to the contract holder upon termination of the contract. Prior to termination of the contract, the Plan records the unrealized gain or loss based on the applicable rates.

The Plan recognized a net realized gain on Other Forward Contracts of \$2 million as of December 31, 2025. As of December 31, 2025, the Plan had a net realized loss on Currency Forward Contracts of (\$422 thousands). The gains and losses are included in net appreciation/(depreciation) in fair value of investments in the accompanying Statements of Changes in Fiduciary Net Position.

c) Swaps

A Swap is an agreement between two or more parties to exchange a sequence of cash flows over a period of time in the future. No principal is exchanged at the beginning of the Swap. The cash flows that the counterparties exchange is tied to a “notional” amount. The agreements provide, at predetermined future dates, the Plan pays interest based upon a notional principal amount and receives a return based upon the underlying instrument. Notional amounts represent the volume of outstanding transactions and do not represent the potential gain or loss associated with market risk or credit risk of such instruments. Risk associated with Swaps includes adverse movements in the underlying instrument.

As of December 31, 2025 the Plan recognized a net realized gain on Swaps of \$331 thousands. The gains and losses are included in net appreciation/(depreciation) in fair value of investments in the accompanying Statements of Changes in Fiduciary Net Position.

d) Futures

Financial Futures are agreements to purchase or sell a specific amount of an asset at a specified delivery or maturity date for an agreed upon price. These derivative securities are used to improve yield, adjust the duration of the Fixed Income portfolio, circumvent changes in interest rates, or to replicate an index. Futures Contracts are standardized and traded on organized exchanges, thereby minimizing the Plan’s risk. There were no outstanding Futures Contracts at December 31, 2025 and December 31, 2024

The Plan recognized a net realized gain of \$3.7 million on futures. The gain is included in net appreciation/(depreciation) in fair value of investments in the accompanying Statements of Changes in Fiduciary Net Position.

As of December 31, 2025, and 2024 open derivatives contracts values were as follows (\$ in thousands):

Derivative Type	12/31/2025		12/31/2024	
	Total Notional Value	Total Fair Value	Total Notional Value	Total Fair Value
Forward Contracts	\$981,714	\$(365)	\$1,095,968	\$1,021
Other Forwards		46	-	(110)
Futures	\$28,620		(\$13,697)	-
Swap Agreement		136	-	172
Totals	\$1,010,334	\$(183)	\$1,082,271	\$1,083

4) Deposit and Investment Risk Disclosures

Deposits and investments of state and local governments are exposed to risks that have the potential to result in losses. The common deposit and investment risks include custodial credit risk, credit risk, concentration of credit risk, foreign currency risk and interest rate risk. The required disclosures related to these risks and the Plan's exposures to these risks are disclosed in the following sections.

a) Custodial Credit Risk

In the event of a failure of the counterparty, custodial credit risk is the risk that the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Plan's custodial credit risk policy is set forth in Chapter 40A of the Dallas City Code and in the master custody agreement which includes the Securities Lending Program. All investments are registered in the name of Employees' Retirement Fund of the City of Dallas or in the name of the Plan's custodian established through a master trust custodial agreement. The securities are held by the custodian in the name of the Plan.

As of December 31, 2025, the Plan had \$1.4 million or 0.04% of its approximate \$3.9 billion total investments (excluding short-term investments) exposed to custodial credit risk. The custodial credit risk exposure at December 31, 2024 was \$6.5 million or 0.2% of total investments (excluding short-term investments) of approximately \$3.6 billion. These exposures were uninsured and uncollateralized deposits held by custodian banks outside of the United States. The Plan has experienced no losses on these deposits during the year.

b) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. A concentration of investments in any one single issuer of debt securities presents a greater risk for loss in the event that the issuer fails on its obligations.

The Board has contracted with third party investment managers to manage the investment portfolio of the Plan, subject to the policies and guidelines established by the Board. The Plan's Concentration of Credit Risk Policy is communicated to individual managers in their guidelines through limitations or restrictions to securities, sectors, debt ratings, and other factors that may be applicable to a particular manager. As the Plan's custodian bank, Northern Trust has

responsibility for the safekeeping of certain investments, handling of transactions based on the instructions of investment managers, and recordkeeping for the investment transactions.

As of December 31, 2025, the Plan held investments that exceeded 5% of the net position available for Plan benefits. These included the NTAM AGG Bond Index Fund and the BlackRock Global Low Volatility Fund – SL.

c) Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality ratings for the Plan’s investments in Fixed Income securities as of December 31, 2025 and 2024 are included in the following schedule. Securities are rated using Standard and Poor’s quality ratings as presented following in the rating scale.

The Plan’s strategic Fixed Income Investment Policy allocates 34% of the total assets to Fixed Income. The Plan’s Investment Policy provides for investment of up to 17.5% of the Fixed Income allocation in Investment Grade assets, up to 10% of the Fixed Income allocation in High Yield (below Investment Grade) assets, and up to 4% for Opportunistic Credit and 2.5% in Private Credit. The Investment Grade allocation also allows selected managers to invest in non-U.S. dollar issues on an opportunistic basis up to 20% of their portfolio assets.

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Long term bond ratings as of December 31, 2025 and 2024 are as follows (\$ in Thousands):

Quality Rating	<u>2025</u>		<u>2024</u>	
	Fair Value	Percentage of Bond Portfolio	Fair Value	Percentage of Bond Portfolio
AAA	100,557	8.19%	\$92,175	8.13%
AA+	15,717	1.28%	12,178	1.08%
AA	-	-	22	-
AA-	81	0.01%	-	-
A+	4,723	0.38%	4,613	0.41%
A	1,352	0.11%	1,228	0.11%
A-	10,232	0.83%	13,387	1.18%
BBB+	4,346	0.35%	4,153	0.37%
BBB	7,631	0.62%	4,739	0.42%
BBB-	8,677	0.71%	7,101	0.63%
BB+	19,812	1.61%	13,839	1.22%
BB	46,661	3.80%	34,959	3.09%
BB-	42,369	3.45%	45,099	3.98%
B+	58,020	4.73%	48,845	4.31%
B	58,528	4.77%	58,957	5.20%
B-	29,011	2.36%	36,600	3.23%
C	-	-	718	0.06%
CC	-	-	921	0.08%
CCC+	16,409	1.34%	14,781	1.30%
CCC-	277	0.02%	804	0.07%
CCC	7,260	0.59%	8,209	0.72%
D	682	0.06%	396	0.03%
Not rated (NR)*	624,260	50.86%	574,819	50.72%
U.S. Government fixed income securities (NR)**	170,798	13.93%	154,836	13.66%
Total	\$1,227,403	100%	\$1,133,379	100%

* NR-Investments that are not rated.

**NR-U.S. Treasury Bonds and Notes are obligations of the U.S. government or explicitly guaranteed by the US. government and therefore are not considered to have a credit risk.

d) Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Plan's Foreign Currency Risk policy is communicated to those managers who are authorized to hedge currencies in their guidelines and sets specific parameters for each manager individually.

The Plan's investment policies limit the aggregate amount that can be invested in each class of investments. The Plan's General Investment Policy sets an allocation of 11.50% of assets to International Equity, 5.00% of assets to Global Equity and 10.00% to Global Low Volatility Equity.

The Plan's positions in International Equity securities, directly and through commingled funds, were 18.48% and 17.30% of invested assets at December 31, 2025 and 2024, respectively. The Plan's position in Global Equity securities was 4.47% and 3.87% of invested assets at December 31, 2025, and 2024, respectively. The Plan's position in Global Low Volatility Equity was 10.05% at December 31, 2025 and 10.65% at 2024. The Plan's positions in Global Fixed Income assets were 31.54% and 31.06% of invested assets at December 31, 2025 and 2024, respectively.

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Non-US Dollar denominated investments at December 31, 2025 and 2024 were as follows (\$ in thousands):

Currency	<u>2025</u>				<u>2024</u>			
	U. S. Dollars Balance of Investments				U. S. Dollars Balance of Investments			
	Equities	Fixed Income	Currency Forward Contracts	Futures	Equities	Fixed Income	Currency Forward Contracts	Futures
Australian Dollar	\$14,911	-	\$48,136	(\$3,145)	\$14,990	\$-	\$50,655	(\$9,094)
Brazil Real	5,549	-	5,805	(534)	5,127	-	12,967	(10,805)
British Pound Sterling	55,596	137	42,149	-	55,817	-	56,825	-
Canadian Dollar	44,889	-	36,130	3,768	40,687	-	45,306	(4,339)
Chile Peso	45	-	2,683	-	31	-	799	-
Columbia Peso	-	-	2,958	-	-	-	668	-
Czech Republic-Koruna	-	-	1,707	-	-	-	1,453	-
Denmark Krone	10,557	-	142	-	8,883	-	534	-
Euro	146,328	8,439	65,569	(7,765)	124,994	4,871	58,147	788
HK offshore Chinese Yuan	-	-	7,794	-	-	-	3,414	-
Hong Kong Dollars	43,429	-	3,034	-	40,741	-	2,133	-
Hungary-Forint	552	-	4,573	-	420	-	8,986	-
Indian Rupee	16,097	-	5,110	-	13,702	-	12,837	671
Indonesia-Rupiahs	6,288	-	1,204	-	7,199	-	3,557	-
Israel Shekel	3,026	-	645	-	2,005	-	13,142	-
Japanese Yen	100,433	-	72,652	7,187	88,283	-	63,892	(1,632)
Malaysia Ringgit	3,849	-	-	934	5,057	-	33	599
Mexican Peso	3,116	-	9,163	-	2,675	-	15,070	-
New Zealand Dollar	451	-	32,882	-	622	-	32,117	-
Norwegian Krone	10,366	-	43,509	-	9,017	-	44,956	-
Peruvian Nuevo Sol	31	-	34	-	-	-	8	-
Offshore Chinese-Renminbi	11,968	-	-	-	7,987	-	-	-
Philippines-Pesos	2,007	-	3,070	-	1,816	-	1,356	-
Poland-Zloty	3,344	-	1,990	-	1,848	-	12,730	-
Qatar-Riyal	1,660	-	-	-	1,250	-	-	-
Saudi Riyal	-	-	1,509	-	-	-	1,660	-
Singapore Dollar	8,860	-	2,459	(972)	6,342	-	348	110
South Africa Rand	5,427	-	6,738	(575)	3,003	-	9,347	(1,469)
South Korea-Won	27,953	-	13,178	-	14,428	-	4,975	-
Swedish Krona	9,182	-	32,677	-	6,663	-	41,036	3,761
Swiss Franc	35,147	-	35,004	-	33,002	-	30,195	-
Taiwan New Dollar	24,573	-	8,450	-	19,561	-	7,695	853
Thailand Baht	6,063	-	128	(2,139)	5,650	-	29	(1,512)
Turkish Lira	650	-	2,512	-	851	-	5,443	-
United Arab-Dirham	1,141	-	-	-	1,317	-	-	-
Total	\$603,488	\$8,576	\$493,594	(\$3,241)	\$523,968	\$4,871	\$542,313	(\$22,069)

e) Interest Rate Risk

Interest rate risk is the risk that future changes in prevailing market rates of interest will have an adverse effect on the fair value of debt investments. The fair value of securities with long terms to maturity may be highly sensitive to interest rate changes.

As of December 31, 2025, and 2024 the weighted-average maturity of the bonds by bond type are as follows (\$ in thousands):

Bond Category	<u>2025</u>			<u>2024</u>		
	Fair Value 12/31/2025	Weighted Average Maturity (years)	WAM Factor	Fair Value 12/31/2024	Weighted Average Maturity (years)	WAM Factor
Asset Backed Securities	\$29,784	16.82	0.41	\$32,517	15.32	0.44
Bank Loans	23,673	4.71	0.09	29,857	5.16	0.14
Commercial Mortgage- Backed	18,670	18.70	0.28	18,385	19.44	0.32
Corp Convertible Bonds	1,380	34.98	0.04	2,281	31.06	0.06
Corporate Bonds	562,455	9.99	4.58	517,793	9.90	4.52
Government Agencies	9,345	12.74	0.10	6,746	15.27	0.09
Government Bonds	185,650	11.81	1.79	168,589	11.93	1.77
Govt Mtg Backed	100,858	23.58	1.94	93,953	24.12	2.00
Index Linked Government Bonds	4,785	15.59	0.05	2,048	14.73	0.03
Municipal/ Provincial Bonds	679	7.37	0.00	815	7.16	0.01
Non-Government Backed CMOs	15,437	31.48	0.40	12,229	29.84	0.32
Unassigned	274,687	18.10	4.05	248,166	19.65	4.30
Total	<u>1,227,403</u>			<u>1,133,379</u>		
Portfolio weighted average maturity			13.73			14.00

Government Mortgage-Backed Securities are sensitive to changes in interest rates as their prepayments can vary significantly with interest rate changes. This change in prepayments will generally cause the duration, or Interest Rate Risk, of these securities to increase when interest rates rise and decrease when interest rates fall. These securities represented 8% of the total Fixed Income portfolio at year-end 2025 and 2024. Their fair values at years ended 2025 and 2024 were \$100.9 million and \$94.0 million, respectively. The Plan's Interest Rate Risk policy is communicated to the Fixed Income managers through the Fixed Income Asset Policy and each manager's guideline

5) Appreciation or (Depreciation) of Investments

In 2025 and 2024, the Plan's investments, including investments bought, sold, and held during the year, appreciated (depreciated) in value as follows (\$ in thousands):

	2025	2024
Investments, at fair value:		
Commingled index funds	\$30,828	\$32,063
Domestic equities	124,429	165,172
United States and foreign government fixed income securities	14,362	(2,220)
Domestic corporate fixed income securities	39,287	1,520
International equities	130,374	33,198
Short-term investments	(31)	(579)
Currency contracts	(5,531)	279
	<u>333,718</u>	<u>229,433</u>
Investments at estimated fair value:		
Real assets	(6,730)	(7,896)
Private equity	3,234	(14,617)
	<u>\$330,222</u>	<u>\$206,920</u>

6) Fair Value Measurement

The Plan's investments are measured and categorized according to fair value hierarchy guidelines established by GAAP.

The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets.
- *Level 2:* Observable inputs other than quoted market prices in active market; and,
- *Level 3:* Significant unobservable inputs.

At December 31, 2025, the Plan had the following recurring fair value measurements (\$ in thousands):

THE CITY OF DALLAS
Investments at Fair Value Measurement
As of December 31, 2025

	Total 12/31/2025	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by Fair Value Level				
Cash and Short Term Investment:				
Short-Term Investment Fund	\$ 75,294	\$ 75,294	\$ -	\$ -
Total Cash and Short Term Investment	\$ 75,294	\$ 75,294	\$ -	\$ -
Fixed Income:				
Domestic Asset and Mortgage Backed Securities	\$ 41,034	\$ -	\$ 41,034	\$ -
Government and US Agency Obligations	278,739	-	278,739	-
Corporate and Taxable Municipal Bonds	521,802	-	521,802	-
Index Commingled	-	-	-	-
Total Fixed Income	\$ 841,575	\$ -	\$ 841,575	\$ -
Equity:				
Domestic Common and Preferred Stock	\$ 957,125	\$ 956,756	\$ -	\$ 369
International Common and Preferred Stock	483,319	483,273	46	-
Total Equity	\$ 1,440,444	\$ 1,440,029	\$ 46	\$ 369
Total Investments by Fair Value Level	\$ 2,357,313	\$ 1,515,323	\$ 841,621	\$ 369
Investments Measured at Net Asset Value				
Commingled Funds:				
Corporate bonds	\$ 385,828			
Index Commingled-Corporate Bonds	227,777			
Domestic Equity and Collective Trust	320,672			
International Equity	7,951			
Total Commingled Funds	\$ 942,228			
Alternative Investments:				
Private Equity	\$ 364,075			
Real Estate	303,400			
Total Alternative Investments	\$ 667,475			
Total Investments Measured at Net Asset Value	\$ 1,609,703			

At December 31, 2024, the Plan had the following recurring fair value measurements (\$ in thousands):

THE CITY OF DALLAS
Investments at Fair Value Measurement
As of December 31, 2024

	Total 12/31/2024	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by Fair Value Level				
Cash and Short Term Investment:				
Short-Term Investment Fund	\$ 105,936	\$ 105,936	\$ -	\$ -
Total Cash and Short Term Investment	\$ 105,936	\$ 105,936	\$ -	\$ -
Fixed Income:				
Domestic Asset and Mortgage Backed Securities	\$ 63,857	\$ -	\$ 63,857	\$ -
Government and US Agency Obligations	254,931	-	254,931	-
Corporate and Taxable Municipal Bonds	458,265	-	458,265	-
Index Commingled	-	-	-	-
Total Fixed Income	\$ 777,053	\$ -	\$ 777,053	\$ -
Equity:				
Domestic Common and Preferred Stock	\$ 872,689	\$ 872,533	\$ -	\$ 156
International Common and Preferred Stock	423,367	423,616	(249)	-
Total Equity	\$ 1,296,056	\$ 1,296,149	\$ (249)	\$ 156
Total Investments by Fair Value Level	\$ 2,179,045	\$ 1,402,085	\$ 776,804	\$ 156
Investments Measured at Net Asset Value				
Commingled Funds:				
Corporate bonds	\$ 356,326			
Index Commingled-Corporate Bonds	200,399			
Domestic Equity and Collective Trust	302,258			
International Equity	7,574			
Total Commingled Funds	\$ 866,557			
Alternative Investments:				
Private Equity	\$ 369,482			
Real Estate	339,290			
Total Alternative Investments	\$ 708,772			
Total Investments Measured at Net Asset Value	\$ 1,575,329			

Private Placement Debt

Private placement debt is initially stated at its fair value, which is adjusted for any transaction costs directly associated with its issuance. Subsequently, the debt is carried at its amortized cost, accounting for adjustments related to discounts or premiums over the term of the debt. They are included with Corporate Bonds.

Commingled Funds

Commingled funds are fund-structure investments reported by the fund managers at NAV per share.

Neuberger Berman, Northern Trust Asset Management S&P 500 Index, Northern Trust ACWI Index, Northern Trust Aggregate Bond Index and BlackRock do not have a redemption period notice requirement. They may be redeemed at any time by the Plan. Earnest Partners has a redemption period notice requirement of 5 days.

Real Estate

Real Estate investments are held either 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. Estimated fair values of investments are determined by the fund managers based on their best estimates using fair value estimation techniques substantiated, in part, by their audited financial statements and supported by the due diligence of the Plan.

The Plan invests in:

- AEW partners
- Brasa Capital Management
- Heitman's core real estate fund
- Invesco's core fund
- Invesco II
- Long Wharf Capital
- Virtus Real Estate Cap

The redemption schedule for each Real Estate investment is as follows:

AEW Partners redemption is at the sole discretion of AEW's general partner; no limited partner of AEW has the right to cause a redemption.

Heitman's core real estate fund does not have a redemption period notice requirement. Heitman may be redeemed quarterly at any time by the Plan.

Invesco's core fund has a 45-day redemption period.

Invesco II manages 1900 McKinney, LLC. There is no redemption period.

Virtus Real Estate Cap's redemption is at the sole discretion of Virtus' general partner; no limited partner of Virtus has the right to cause a redemption.

Unfunded commitments at December 31, 2025 for real estate are as follows:

AEW Partners \$7.5 million
Brasa Capital Management \$1.8 million
Long Wharf \$7 million

Private Equity

Private equity holdings include fund-structure investments with general partners. By their nature, these investments are illiquid and typically not resold or redeemed.

Private equity managers' expectations that the underlying assets of the funds will be liquidated in the future as follows:

Fairview Lone Star Fund: 12 years from subscription date with 3 one-year extensions.

GCM Grosvenor: 15th anniversary of subscription date with 3 one-year extensions.

Hamilton Lane: 10 -14 years after subscription date with 2 one-year extensions.

Upon initial investment with a general partner or in certain fund-structures, the Plan commits to a certain funding level for the duration of the contract. At will, the partners or fund managers may request that the Plan fund a portion of this amount. Such amounts remaining as of December 31, 2025, and 2024 for investments measured at NAV are disclosed as unfunded commitments.

Unfunded commitments at December 31,2025 for private equity are as follows:

Fairview Lone Star Fund	\$28.5 million
GCM Grosvenor	\$42.2 million
Hamilton Lane	\$83.9million

Unfunded commitments at December 31,2025 for private credit are as follows:

Private Credit

Silver Point	\$18.0 million
Vista credit Partner	\$14.6 million
MGG Structured Solutions	\$13.3 million

7) Securities Lending

During the year, Northern Trust lent, on behalf of the Plan, securities held by Northern Trust as Plan custodian and received cash, United States government securities, agency securities, and irrevocable bank letters of credit as collateral. Northern Trust did not have the ability to pledge or sell collateral securities absent a borrower default. Northern Trust's Core USA Collateral Section establishes requirements for participation, collateralization levels, cash and non-cash collateral guidelines, and

investment guidelines for the collateral received from borrowers. Borrowers were required to put up collateral for each loan equal to: (i) in the case of loaned securities, the collateral for which is all denominated in the same currency as the loaned securities, 102% of the fair value of the loaned securities plus any accrued but unpaid distributions thereon, and (ii) in the case of loaned securities denominated in a different currency from the loaned securities, 105% of the fair value of the loaned securities plus any accrued but unpaid distributions thereon. Additionally, the guidelines set maturity/liquidity requirements for the collateral received from borrowers.

The following table shows for open loans at December 31, 2025 and 2024, the type of collateral held, the fair value of the securities on loan, and the fair value of the collateral held (\$ in thousands).

Type	<u>12/31/2025</u>			<u>12/31/2024</u>		
	Fair Value	Collateral Fair Value	Collateral Percentage	Fair Value	Collateral Fair Value	Collateral Percentage
Cash	\$141,511	\$145,468	103%	\$194,307	\$199,812	103%

The following represents the balances relating to the Securities Lending transactions as of December 31, 2025, and 2024 (\$ in thousands):

Securities Lent	<u>12/31/2025</u>			<u>12/31/2024</u>		
	Underlying Securities	Securities Collateral Value	Cash Collateral Investment Value	Underlying Securities	Securities Collateral Value	Cash Collateral Investment Value
Lent for cash collateral:						
Domestic equities	\$40,579	\$-	\$41,816	\$45,023	\$-	\$46,221
Domestic Agencies	343	-	352	113	-	116
Domestic corporate fixed income	80,710	-	82,887	104,623	-	107,239
Global corporate fixed income	127	-	142	559	-	605
Global government fixed income	370	-	402	2,508	-	2,724
International equities	246	-	273	8,629	-	9,318
Global Agencies	224	-	245	195	-	213
US government fixed	18,912	-	19,351	32,657	-	33,376
Subtotal	\$141,511	\$	145,468	\$194,307	\$-	\$199,812

Disclosure of Securities Lending income is shown gross with the associated reductions for investment expenses on the Statements of Changes in Fiduciary Net Position, and the cash collateral and associated securities lending payable is shown on the Statements of Fiduciary Net Position for December 31, 2025, and 2024. The net income from Securities Lending in 2025 was \$1.4 million compared to \$1.08 million in 2024.

8) Federal Income Tax Status

The Internal Revenue Service issued a determination letter dated August 15, 2016, stating that the Plan was designed in accordance with applicable Internal Revenue Code requirements as of that date. The Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, the Plan was qualified, and the related trust was tax-exempt as of the financial statement dates.

9) Capital Assets

Capital Assets activity for the years ended December 31, 2025, and 2024, were as follows (\$ in thousands):

	Balance	Increase	Decrease	Balance	Increase	Decrease	Balance
	12/31/2023			12/31/2024			12/31/2025
Capital asset not being depreciated/amortized							
Construction in Progress	\$ -	-	-	-	\$ 108		\$ 108
Capital assets being depreciated/amortized							
intangible assets	8,381	-	-	8,381			8,381
Furniture, Fixture and Equipment	99	-	(32)	67			67
Less							
Accumulated amortization intangible Assets	(2,830)	(839)	-	(3,669)	(837)		(4,506)
Accumulated depreciation FF&E	\$ (36)	\$ -	\$ 3	\$ (33)	\$ (14)		\$ (47)
Total capital asset being depreciated/amortized							
net of accumulated Depreciation/Amortization	<u>\$ 5,614</u>	<u>\$ (839)</u>	<u>\$ (29)</u>	<u>\$ 4,746</u>	<u>\$ (743)</u>	<u>\$ -</u>	<u>\$ 4,003</u>
Total Capital Assets, net of							
Accumulated depreciation amortization	<u>\$ 5,614</u>	<u>\$ (839)</u>	<u>\$ (29)</u>	<u>\$ 4,746</u>	<u>\$ (743)</u>		<u>\$ 4,003</u>

10) Schedule of Net Pension Liability

- a) The components of the Net Pension Liability of the City at December 31, 2025 and 2024 were as follows (\$ in thousands).

<u>Description</u>	<u>2025</u>	<u>2024</u>
Total Pension Liability	5,686,269	\$5,614,481
Plan Fiduciary Net Position	3,970,633	3,757,482
Net Pension Liability	1,715,636	1,856,999
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	69.83%	66.92%

- b) Actuarial Methods and Assumptions:

Valuation date	December 31, 2024, for most recent ADEC shown on Schedule of Contributions December 31, 2025 for Net Pension Liability
Actuarial cost method	Entry Age Normal
Asset valuation method	5-year smoothed market
Amortization method	The actuarially determined contribution (ADEC) is initially based on a 30-year open amortization period. As specified in City Ordinance No. 25695, the rate may not change from year to year if the calculated rate is less than 300 basis points different from the current rate.
Remaining Amortization Period	Not determined, see description of amortization method.
Investment rate of return	7.25%
Salary increases	3.00% to 8.25%, including inflation.
Inflation	2.50% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2019 valuation pursuant to an experience study of the 5-year period ended December 31, 2019.
Mortality	For Healthy Retirees: The gender-distinct 2019 Texas Municipal Retirees Mortality Tables are used for males and

females respectively. The rates are projected from 2019 on a fully generational basis using Scale UMP. For Disabled Lives: The gender-distinct 2019 Texas Municipal Retirees Mortality Tables are used for males and females respectively, set forward 4 years for males and 3 years for females. The rates are projected from 2019 on a fully generational basis using Scale UMP. For Actives: The PubG-2010 Employee Mortality Table are used for males and females. The rates are projected from 2010 on a fully generational basis using Scale UMP

Other Information

The assumptions described above were for the most recent ADEC shown in the schedule of contributions. Updated actuarial assumptions were used in determining the Net Pension Liability as of December 31, 2025. These are the same assumptions used in the actuarial valuation as of December 31, 2025. Please see that report for a description of those assumptions.

The following table shows the best estimates of arithmetic real rates of return for each of the Plan's asset classes.

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	4.45%
International Equity	5.45%
Global Equity	5.05%
Global Low Volatility Equity	5.65%
Private Equity	6.30%
Core Bond	4.90%
High Yield	6.05%
Private Credit	7.45%
Cash	3.25%
Credit Opportunities	5.95%
US Reits	5.80%
Private RE Core	6.00%
Private RE Value Add	7.35%
MLPs	6.75%
Global Public infrastructure	5.00%
Market Alternatives	6.10%

c) A single discount rate of 7.25% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.25% and the municipal bond rate of 4.83%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions and employer contributions will be made at the projected future contribution rates assuming that the ERF annually earns 7.25% on its market value of assets and that the number of active members remains constant in the future. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position

and future contributions were sufficient to finance all projected benefit payments. As a result, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments and the single discount rate is equal to the long-term expected rate of return of 7.25%.

Below is a table providing the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the plan's net pension liability, if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate

Sensitivity of the Net Pension Liability for FY2025
To the Single Discount Rate Assumption
(\$000)

<u>1% Decrease</u>	<u>Current Single Discount Rate</u>	<u>1% Increase</u>
<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
\$2,361,985	\$1,715,636	\$1,173,848

Sensitivity of the Net Pension Liability for FY2024
To the Single Discount Rate Assumption
(\$000)

<u>1% Decrease</u>	<u>Current Single Discount Rate</u>	<u>1% Increase</u>
<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
\$2,505,941	\$1,856,999	\$1,314,471

11) Implementation of New Accounting Standards

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, will enhance the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This statement also addresses corrections of errors in previously issued financial statements. The Fund has implemented this Statement in the current fiscal year and there were no changes to the financial statements.

GASB Statement No. 101, *Compensated Absences*, will better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The

objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The Fund has implemented this Statement in the current fiscal year with no additional changes in the liability calculation.

GASB Statement No. 102, Certain Risk Disclosures, establishes disclosure requirements for risks related to certain concentrations and constraints that could result in a substantial impact to the Fund. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The Fund implemented this Statement in the current fiscal year. Management evaluated the Fund's concentrations and constraints and determined that no disclosures were required under the criteria of this Statement

12) Subsequent Events

The Plan has evaluated its December 31, 2025, financial statements for subsequent events through July 8, 2026, the date the financial statements were available to be issued. The Plan is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Schedule of Changes in Net Pension Liability and Related Ratios

(\$ in thousands)

FY ended December 31,	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Pension Liability										
Service Cost	\$123,463	\$157,423	\$152,774	\$94,476	\$141,653	\$118,452	\$124,289	\$84,843	\$81,178	\$133,457
Interest on the Total Pension Liability	397,921	362,610	346,704	360,815	322,901	330,348	325,767	332,011	325,620	305,826
Difference between Expected and Actual Experience	(24,590)	(2,815)	89,578	56,503	30,791	(82,641)	(7,819)	4,793	(59,066)	(38,327)
Assumption Changes	(49,715)	(1,188,687)	(103,487)	1,226,214	(1,303,800)	479,292	(43,032)	1,020,969	-	(1,227,079)
Benefit Payments	(359,470)	(348,938)	(328,296)	(317,528)	(296,586)	(287,465)	(278,007)	(263,981)	(253,534)	(243,775)
Refunds	(15,821)	(12,369)	(12,700)	(12,158)	(10,452)	(6,857)	(10,436)	(8,515)	(8,156)	(5,864)
Net Change in Total Pension Liability	71,788	(1,032,776)	144,573	1,408,322	(1,115,493)	551,129	110,762	1,170,121	86,042	(1,075,762)
Total Pension Liability - Beginning	5,614,481	6,647,257	6,502,684	5,094,362	6,209,855	5,658,726	5,547,964	4,377,844	4,291,802	5,367,564
Total Pension Liability – Ending (a)	\$5,686,269	\$5,614,481	\$6,647,257	\$6,502,684	\$5,094,362	\$6,209,855	\$5,658,726	\$5,547,964	\$4,377,844	\$4,291,802
Plan Fiduciary Net Position										
Employer Contributions	86,580	\$80,782	\$73,939	\$67,288	\$63,584	\$61,615	\$62,177	\$60,924	\$58,966	\$56,130
Employee Contributions	77,981	74,830	70,025	63,427	59,256	58,358	58,314	56,772	55,175	53,436
Pension Plan Net Investment Income	434,723	324,930	339,879	(368,929)	578,010	229,105	550,942	(167,783)	413,510	294,918
Benefit Payments	(359,470)	(348,938)	(328,296)	(317,528)	(296,587)	(287,465)	(278,007)	(263,981)	(253,534)	(243,775)
Refunds	(15,821)	(12,369)	(12,700)	(12,158)	(10,452)	(6,857)	(10,436)	(8,515)	(8,156)	(5,864)
Pension Plan Administrative Expense	(9,991)	(10,005)	(9,184)	(9,035)	(7,349)	(5,699)	(7,513)	(7,485)	(5,951)	(5,343)
Other	(851)	(850)	(841)	-	-	(392)	298	121	207	333
Net Change in Plan Fiduciary Position	213,151	108,380	132,822	(576,935)	386,462	48,665	375,775	(329,947)	260,217	149,835
Plan Fiduciary Net Position - Beginning	3,757,482	3,649,102	3,516,280	4,093,215	3,706,753	3,658,088	3,282,313	3,612,260	3,352,043	3,202,208
Plan Fiduciary Net Position – Ending (b)	3,970,633	3,757,482	3,649,102	3,516,280	4,093,215	3,706,753	3,658,088	3,282,313	3,612,260	3,352,043
Net Pension Liability – Ending (a)-(b)	\$1,715,636	\$1,856,999	\$2,998,155	\$2,986,404	\$1,001,147	\$2,503,102	\$2,000,638	\$2,265,651	\$765,584	\$939,759
Plan Fiduciary Net Position as Percentage of Total Pension Liability	69.83 %	66.92%	54.90%	54.07%	80.35%	56.69%	64.65%	59.16%	82.51%	78.10%
Covered Payroll	575,738	\$556,566	\$530,702	\$476,601	\$442,863	\$428,824	\$433,890	\$423,083	\$410,913	\$402,077
Net Pension Liability as a Percentage of Covered Payroll	297.99 %	333.65%	564.94%	626.60%	226.06%	583.71%	461.09%	535.51%	186.31%	233.73%

The covered payroll is the sum of the active members' pay for valuation purposes as of the measurement date. An active member's valuation pay is the greater of their actual pay for the just completed calendar year or their current annual rate of pay.

SCHEDULE OF MONEY-WEIGHTED RATES OF RETURN

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Rate of Return:	11.89%	9.08%	10.17%	-8.23%	16.25%	5.75%	17.33%	-4.99%	13.08%	8.88%

Schedule of Contributions

Last 10 Fiscal Years
(\$ in thousands)

FY Ending December 31,	Actuarially Determined Contribution ¹	Actual Contributions ²	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2016	84,316	56,130	28,186	402,077	13.96%
2017	86,785	58,966	27,819	410,913	14.35%
2018	90,328	60,924	29,404	423,083	14.40%
2019	87,455	62,177	25,278	433,591	14.34%
2020	93,226	61,615	31,611	434,214	14.19%
2021	99,279	63,584	35,695	452,709	14.05%
2022	104,309	67,288	37,021	479,089	14.05%
2023	111,858	73,939	37,919	526,444	14.05%
2024	124,078	80,782	43,296	558,658	14.46%
2025	125,739	86,580	39,159	582,371	14.87%

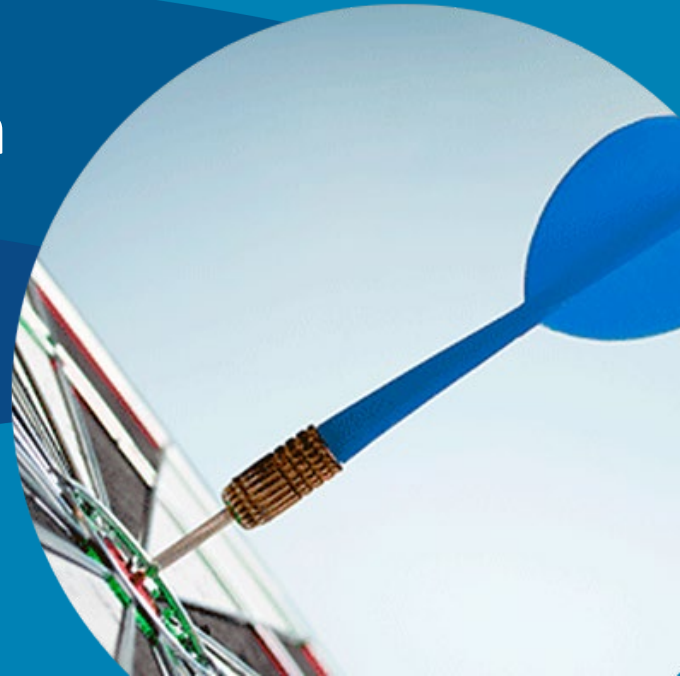
Notes to Schedule:

1. The actuarially determined employer contribution (ADEC) shown is based on employer contribution rates using a 30-year open amortization period and actual payroll.
2. The actual City contribution rate is set by City Ordinance No. 25695. Prior to October 1, 2025 the rate was based on a 30-year open amortization with corridors that limited the change from year to year. There was also a contribution rate maximum of 36% of payroll. Since the City's fiscal year is October 1 to September 30 and the Fund's fiscal year is the calendar year, the contribution amounts shown above are a blend of the City's two fiscal year rates that occur during the calendar year. Beginning October 1, 2025 the actual contribution rate is based on an actuarially determined rate but subject to maximum rates in fiscal years 2026-2029.
3. For this exhibit, the covered payroll is the estimated payroll for the calendar year on which contributions were made.



City of Dallas Employees' Retirement Fund

Impact of Not Contributing the Actuarially Determined Contribution



Purpose

- GRS was asked to determine the impact on the Dallas ERF of the City contributing something other than the actuarially determined contribution (ADC) rate
- The purpose of this study is not to assign blame as the City contributed the contribution rate mandated by Chapter 40-A in each year
- Rather it is to quantify the impact of contributing something other than the ADC

Chapter 40-A

- As part of the “Working Group” Chapter 40-A was significantly overhauled in 2004
 - Dallas ERF received approximately \$500 million in pension obligation bond (POB) proceeds
 - An actuarially determined contribution using a 30-year amortization was established
 - Combined rate for City and members
 - A POB debt service payment was incorporated into the actuarially determined contribution rate
 - Contribution rate corridors were established to smooth changes in the contribution rates
 - 36% of pay cap maximum contribution rate was established

Chapter 40-A Continued

- If the calculated contribution rate is different than the prior year rate by more than 3.00% of pay then the rate moved towards the new calculated rate
 - By smaller of half way or 10% of the prior year's rate
 - But never more than 36% of pay in total
 - The member's share was 37% and the City's share was 63%
 - The debt service payment was carved out of the City's share
- This provided stability to the contribution rates but the actual ADC was only contributed by happenstance

Contribution Differences from ADC

- We have estimated the contribution differences between the actual ADC and the rate specified by Chapter 40-A
 - Starting with fiscal year 2007
 - The first couple of years the rate was actually higher than the ADC
 - Then the Great Financial Crisis occurred in 2008 and the ADC has been higher than the actual rate ever since
 - Until eventually the maximum 36% of pay was reached which exacerbated the situation
- The table on the following page shows the estimated contribution differences for each fiscal year

ADC versus Chapter 40-A Contribution Rate

Fiscal Year	ADC	Chapter 40-A	Contribution Difference	Fiscal Year	ADC	Chapter 40-A	Contribution Difference
2007	22.56%	24.41%	1.85%	2017	42.54%	36.00%	-6.54%
2008	21.00%	22.71%	1.71%	2018	43.46%	36.00%	-7.46%
2009	20.21%	22.71%	2.50%	2019	41.41%	36.00%	-5.41%
2010	26.81%	24.76%	-2.05%	2020	43.07%	36.00%	-7.07%
2011	28.26%	26.51%	-1.75%	2021	43.92%	36.00%	-7.92%
2012	31.99%	29.16%	-2.83%	2022	43.77%	36.00%	-7.77%
2013	37.62%	32.08%	-5.54%	2023	43.17%	36.00%	-7.17%
2014	40.47%	35.29%	-5.18%	2024	43.62%	36.00%	-7.62%
2015	37.74%	35.29%	-2.45%	2025	44.17%	36.00%	-8.17%
2016	43.17%	36.00%	-7.17%				

Contribution Differences and Impact

- Using estimated projected payrolls from the prior years' valuation we have estimated the total differences in the actual contributions versus the ADC for fiscal years 2007 through 2025
 - \$369 million (less than the ADC)
- If we accumulate these differences with actual investment earnings we get a total impact of
 - \$548 million

Important Disclosures

- As noted previously projected payroll from the prior year was used in estimating the fiscal year contribution amount. In years where payroll was declining this would overestimate the dollar differences and in years where the payroll grew faster than expected this would underestimate the dollar differences.
- The accumulated impact of the contribution differences was not adjusted for the changes that would have occurred in the rates if the ADC had been contributed in a prior year.



Employees' Retirement Fund
| of the City of DALLAS |[®]

Overview of Public Pension Investment Return Assumptions

**Presented by
Keith Brainard**

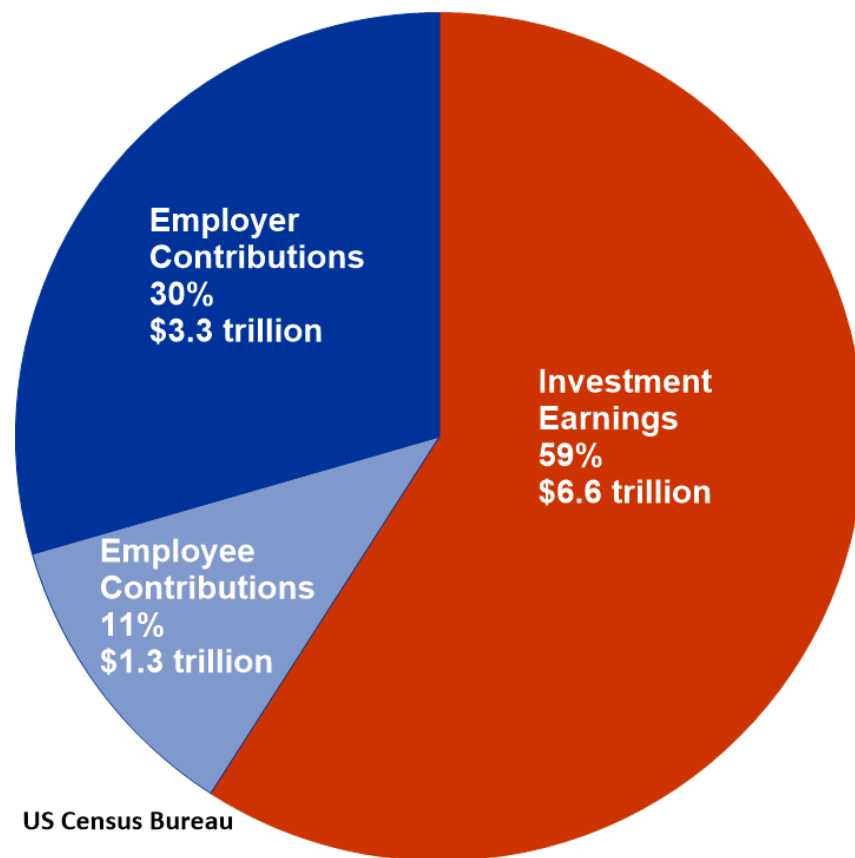


June 2026

The Importance of the Investment Return Actuarial Assumption

- Of the dozens of actuarial assumptions, the most consequential by far is the assumed rate of investment return
- Over time, investment earnings account for most of a pension plan's source of funding

Public pension sources of revenue,
1996 to 2025



The Importance of Getting it Right

- **A return assumption that is set too low will overstate a plan's liabilities, leading to contributions that are too high**
- **A return assumption that is set too high will understate a plan's liabilities, leading to contributions that are too low**
- **Both scenarios result in a misallocation of capital**

How the Investment Return Assumption Affects the Plan

- The investment return assumption is a major factor in determining the plan's
 - Funding level
 - Cost
 - Required contribution rates
 - Benefit levels for some plans

Other factors held equal:

Higher Return Assumption	Lower Return Assumption
<ul style="list-style-type: none">• Lower liabilities• Higher funding level• Lower plan cost• Lower required contribution rate	<ul style="list-style-type: none">• Higher liabilities• Lower funding level• Higher plan cost• Higher required contribution rate

Sensitivity of Changes to the Investment Return Assumption

The information below, from the Dallas ERF 2024 annual financial report, is a required disclosure of the Governmental Accounting Standards Board and identifies the effect on the Plan's liabilities, cost, and funding level of a discount rate (i.e., the investment return assumption), that is 1.0 percent higher and lower than the current assumption.

2024 Annual Comprehensive Financial Report

Impact on Funding Metrics of Investment Return Assumption +/- 1%

Cost Item	Investment Return Assumption		
	6.25%	7.25%	8.25%
Normal Cost % (excluding admin expenses)	22.50%	18.24%	15.09%
UAAL (\$ in millions)	\$2,505.9	\$1,857.0	\$1,314.5
Actuarially Determined Contribution Rate (employee + City)	51.03%	41.87%	34.50%
Funded Ratio	60.0%	66.9%	74.1%
Funding Period	30 years	30 years	30 years

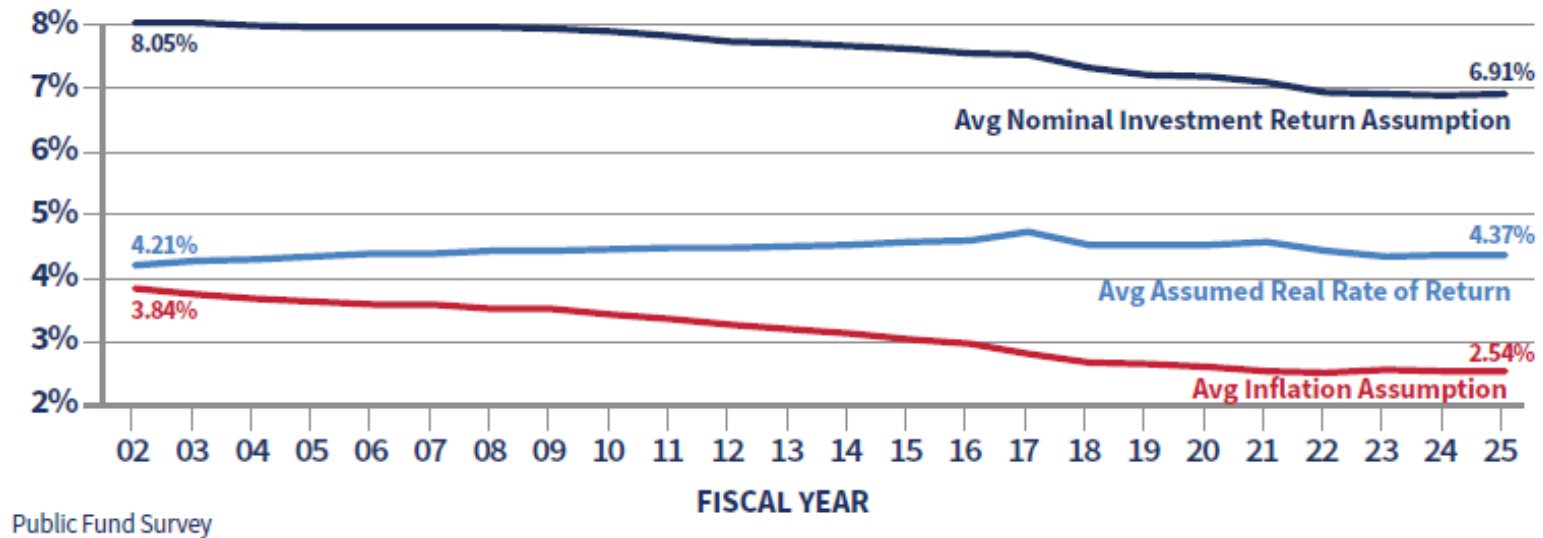
Governmental Accounting Standards Board Requirements for Setting the Investment Return Assumption

- **GASB Statement 67 says actuarial assumptions should conform with Actuarial Standards of Practice (ASOP) issued by the Actuarial Standards Board**
- **The assumption should reflect the long-term expected rate of return**
- **An overarching GASB precept is intergenerational equity, i.e., each cohort of taxpayers and plan participants should pay for the cost of benefits accrued during their tenure**
- **Maintaining an investment return assumption is vital to promoting intergenerational equity**

What Do Actuarial Standards of Practice Say?

- Actuarial Standards of Practice (ASOP) No. 27 prescribes the factors actuaries should consider in setting the return assumption
 - Current and projected rates of inflation
 - Current and projected interest rates
 - Forecast returns for individual asset classes
 - The fund's current and target asset allocations
 - Historic fund returns

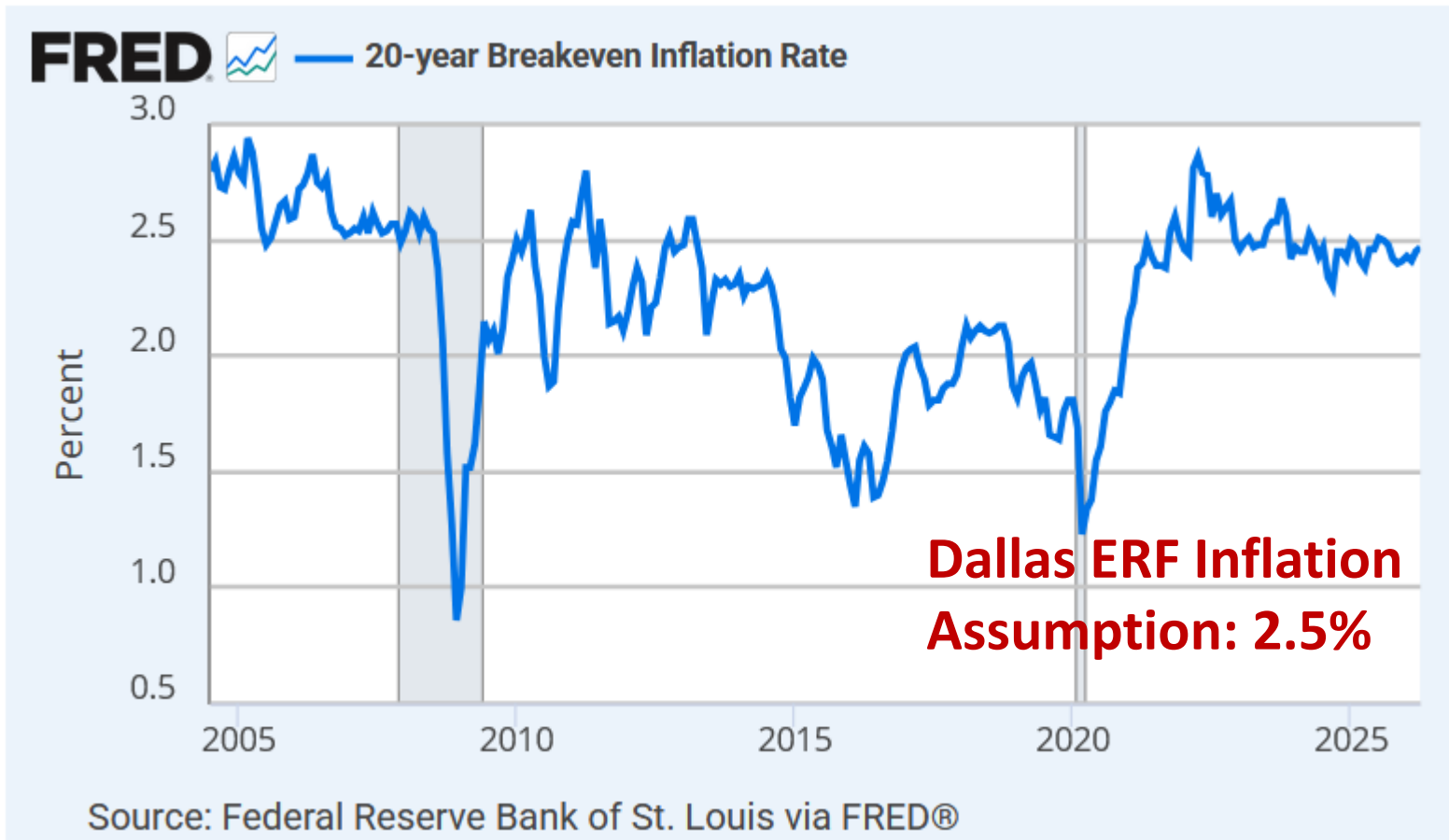
Change in Nominal and Real* Investment Return Assumptions, FY 02 to FY 25



Inflation has been the predominant driver of change in public pension plans' investment return assumption, as the real rate of return has remained mostly stable

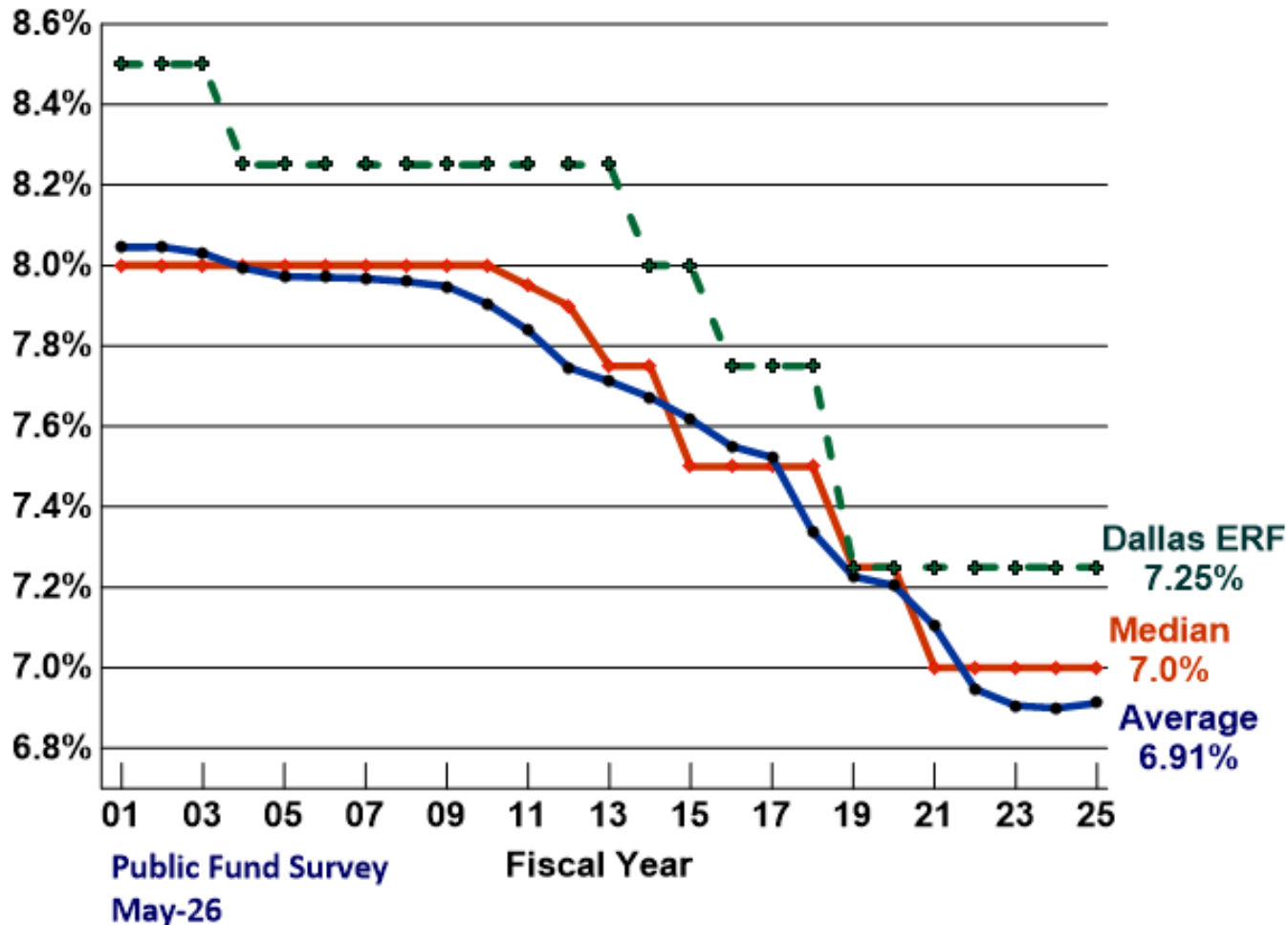
* **Nominal is non-inflation-adjusted; real is inflation-adjusted.**

20-Year Breakeven Rate

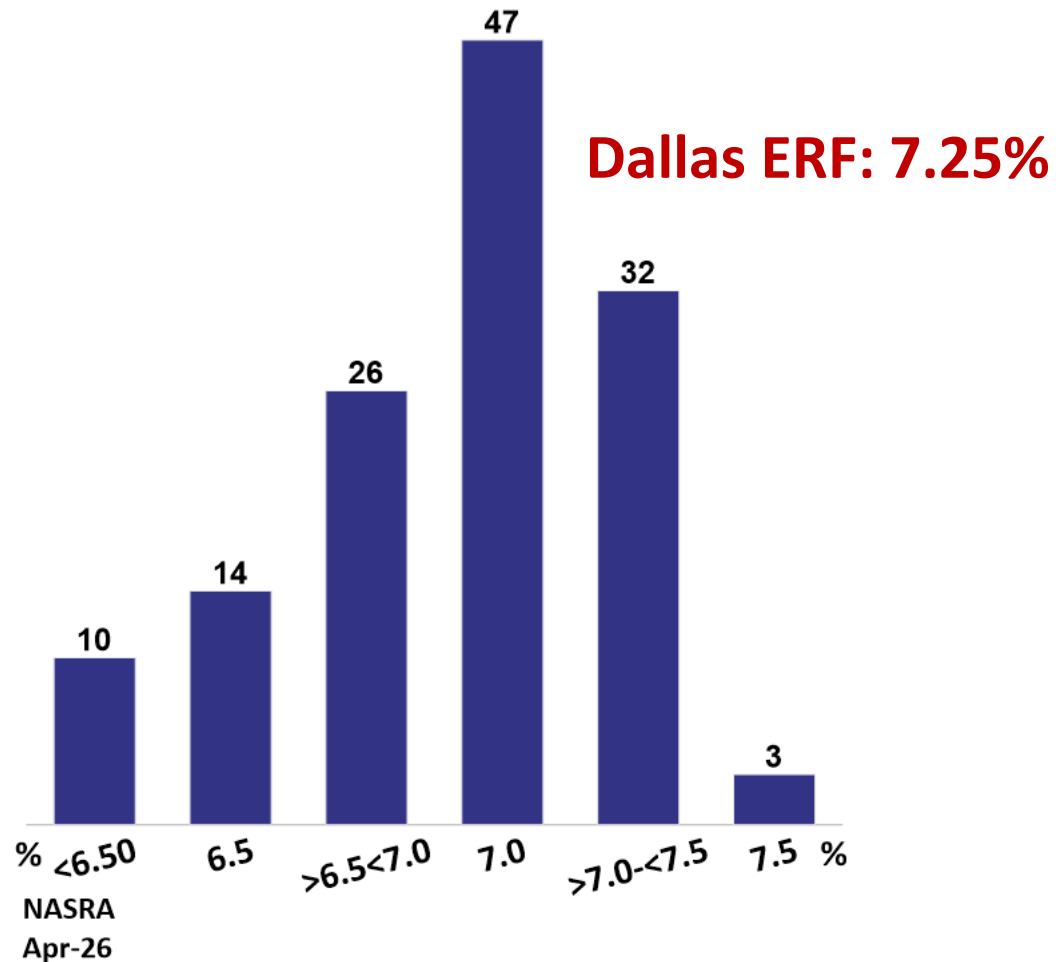


The breakeven inflation rate represents what market participants expect inflation to be in the next 20 years, on average.

Change in Median and Average Nominal Investment Return Assumptions, FY 01 to FY 25



Current Distribution of Investment Return Assumptions





Employees' Retirement Fund
| of the City of DALLAS | ®

Thank you

Keith Brainard

keith@nasra.org

202-624-8464

RESOLUTION NO. 2026 - 3
Employees Retirement Fund of the City of Dallas

Resolution to Establish the 2026 ERF Rate of Return Study Group

WHEREAS, Chapter 40A of the Dallas City Code establishes the Employees' Retirement Fund of the City of Dallas and the Board of Trustees responsible for the administration of the Fund; and

WHEREAS, pursuant to Chapter 40A of the Dallas City Code, including Section 40A-4, the Board has the power and duty to administer the Employees' Retirement Fund of the City of Dallas for the exclusive purposes of providing benefits to members, inactive members, retirees, and their beneficiaries and defraying reasonable expenses of administering the Fund; and

WHEREAS, the Board of Trustees has fiduciary responsibilities in connection with the administration, funding, investment oversight, and long-term sustainability of the Fund; and

WHEREAS, the Fund is committed to long-term funding sustainability, actuarial discipline, prudent investment governance, and compliance with applicable funding requirements; and

WHEREAS, the Fund's current funding policy is structured to comply with the State of Texas Pension Review Board Funding Soundness Restoration Plan requirements, including a 30-year amortization period extending through 2054, an Actuarially Determined Contribution model, layered amortization, and phased-in contribution increases; and

WHEREAS, the Board desires to authorize a comprehensive study evaluating a potential reduction in the Fund's assumed rate of return from 7.25 percent to 7.00 percent or 6.75 percent; and

WHEREAS, the study group shall consider and use the nationwide NASRA study of 131 public pension plans' investment return assumptions, including recent national trends, average and median assumed rates of return, and the distribution of nominal investment return assumptions, as a comparative benchmark in evaluating the Fund's assumed rate of return;

WHEREAS, the study is intended to incorporate experience study information, demographic experience, capital market expectations, actuarial modeling, investment strategy and asset allocation analysis, ADC and contribution impacts, amortization schedule analysis, FSRP compliance, and risk assessment using the Sharpe Ratio; and

WHEREAS, the study is expected to be conducted in coordination with the ERF Board Investment Committee, the City of Dallas Chief Financial Officer, the City of Dallas Deputy Chief Financial Officer, Deloitte, Gabriel, Roeder, Smith & Company, Milliman, Wilshire Advisors, and ERF staff; and

WHEREAS, the Board desires to evaluate whether extending contribution guardrails beyond the current five-year step-up plan would enhance stability and predictability; and

WHEREAS, the Board anticipates scheduled briefings to the Board and, if appropriate, a potential presentation to the Dallas City Council in October 2026; and

WHEREAS, reducing the assumed rate of return may increase near-term contributions but may strengthen long-term funding stability and improve risk-adjusted performance.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE EMPLOYEES' RETIREMENT FUND OF THE CITY OF DALLAS:

SECTION 1. Authorization of Study Group. The Board hereby authorizes the initiation of a comprehensive assumed rate of return study evaluating potential reductions in the Fund's assumed rate of return from 7.25 percent to 7.00; 6.75 percent or other recommended percentages.

SECTION 2. Consultants and Coordination. The Board directs the Executive Director to coordinate the study with the ERF Board Investment Committee, the City of Dallas Chief Financial Officer, the City of Dallas Deputy Chief Financial Officer, Deloitte, Gabriel, Roeder, Smith & Company, Milliman, Wilshire Advisors, ERF staff, and other appropriate advisors or participants as determined by the Executive Director.

SECTION 3. Scope of Study. The study shall include, as appropriate, experience study integration, ADC and contribution impacts, amortization schedule and FSRP compliance, investment strategy and asset allocation modeling assuming 7.00 percent or 6.75 percent rates of return, and risk assessment using the Sharpe Ratio.

SECTION 4. ADC Policy and Contribution Guardrails. The Board authorizes review of ADC policy enhancements, including whether contribution guardrails should be extended beyond the current five-year step-up plan to enhance stability and predictability.

SECTION 5. Investment Committee Engagement. The ERF Investment Committee is authorized to review interim study materials, conduct fact-finding, evaluate information presented by consultants and staff, and make recommendations to the full Board for consideration at scheduled Board meetings.

SECTION 6. Board and City Council Briefings. The Executive Director and consultants are directed to schedule appropriate interim and final briefings for the Board and, if appropriate, coordinate a potential Dallas City Council presentation in October 2026.

SECTION 7. No Final Adoption by Study Authorization. This Resolution authorizes the Study Group to be established and report to ERF Investment Committee. Any final change to the assumed rate of return, funding policy, ADC policy, contribution guardrails, amortization schedule, or other matter requiring Board approval shall be presented to the Board for separate consideration and action at a duly called meeting.

SECTION 8. Effective Date. This Resolution shall take effect immediately upon its adoption.

Employees' Retirement Fund Of The City of Dallas

Dupree Scovell
Board Chair

Date

Attest:

David K. Etheridge
Executive Director

Approved in Form:

Stefan Smith, Legal Counsel
Baker & Hostetler, LLP

EMPLOYEES' RETIREMENT FUND OF THE CITY OF DALLAS
BOARD DISCUSSION SHEET
June 9, 2026

Discussion Item: Formation and work plan for a Rate of Return Study Group

Discussion and consideration of the formation and work plan for a Rate of Return Study Group to evaluate the Employees' Retirement Fund's assumed rate of return, including potential reductions from 7.25% to 7.00% or 6.75%, and related impacts on funding policy, actuarial assumptions, investment strategy, and Funding Soundness Restoration Plan alignment.

Background

The Fund's current assumed rate of return is 7.25%. In furtherance of the Board's fiduciary responsibilities under Chapter 40A of the Dallas City Code, the proposed Rate of Return Study Group would conduct fact-finding and review information necessary to support recommendations to the full Board. The study is intended to align with the Fund's long-term funding sustainability, actuarial discipline, prudent investment governance, and compliance with applicable State of Texas Pension Review Board Funding Soundness Restoration Plan requirements.

The Fund's current funding framework includes a 30-year amortization period extending through 2054, an Actuarially Determined Contribution model, layered amortization, and a Five-Year phased-in approach with City contribution increasing through 2029. Any change to the assumed rate of return may affect contribution requirements, actuarial liabilities, amortization schedules, and long-term funding projections.

Purpose of the Study Group

The Rate of Return Study Group will serve as a fact-finding and advisory group. The Study Group will not have independent decision-making authority and will not bind the Board or the Fund. Its purpose is to review consultant analysis, evaluate relevant data, and make recommendations to the full Board at scheduled Board meetings.

Participants

The proposed Study Group and participants will include:

- ERF Board Investment Committee
- City of Dallas Chief Financial Officer
- City of Dallas Deputy Chief Financial Officer
- Deloitte, City's' Actuary Consultant
- Gabriel, Roeder, Smith & Company, Consultant, ERF Actuary Consultant
- Milliman, ERF Actuary Consultant
- Wilshire Advisors, ERF Investment Consultant
- ERF staff, coordinated through the Executive Director

Scope of Review

The Study Group is expected to review and evaluate the following:

- Potential reduction of the assumed rate of return from 7.25% to 7.00% or 6.75%
- Integration of the 2025 Valuation and demographic experience
- Capital market assumptions and asset allocation modeling
- Actuarial modeling, ADC impacts, and contribution requirements
- Amortization schedule impacts and FSRP compliance
- Investment strategy and risk-adjusted performance, including Sharpe Ratio analysis
- Potential ADC policy enhancements and extension of contribution guardrails beyond the current five-year step-up plan
- National public pension trends, including the nationwide NASRA study of 131 public pension plans' investment return assumptions

Key Considerations

- A lower assumed rate of return may increase near-term contribution requirements.
- A lower assumption may improve long-term funding discipline and reduce the risk of future underperformance.
- The Board should consider the relationship between the assumed rate of return, inflation assumptions, capital market expectations, asset allocation, and intergenerational equity.
- The Study Group should evaluate whether any recommended assumption change should be phased in or coordinated with ADC guardrails.
- Any final change to the assumed rate of return or funding policy would require separate Board action at a duly called meeting.

Proposed Timeline

Date	Milestone
June 9, 2026	Study kickoff with ERF, City, and consultant participants
June – August 2026	2025 Valuation review and data validation
Mid-August 2026	Interim review with ERF Board Investment Committee and integrated scenario analysis and Sharpe Ratio evaluation
September 8, 2026	Present findings to the ERF Board
October 2026	Coordinate a requested meeting with the Dallas City Council through the City's Chief Financial Officer and Deputy Chief Financial Officer
January 1, 2027	Implementation of approved changes, if adopted

Requested Board Direction

The Board is requested to discuss and provide direction regarding:

- Authorization for the Executive Director to coordinate the Rate of Return Study Group
- Engagement of the ERF Board Investment Committee in interim review and fact-finding
- Use of Wilshire Advisors, Gabriel, Roeder, Smith & Company, Milliman, Deloitte, and City finance representatives in the study process
- Evaluation of ADC policy enhancements and contribution guardrails
- Scheduling of interim Board briefings and a final Board presentation
- Potential coordination of a requested meeting with the Dallas City Council in October 2026 through the City's Chief Financial Officer and Deputy Chief Financial Officer

Recommended Motion

Authorize the Executive Director to coordinate the Rate of Return Study Group, including the ERF Board Investment Committee, City of Dallas finance representatives, and identified consultants, to evaluate potential reductions in the Fund's assumed rate of return: maintain a rate of 7.25% or 7.00% or 6.75% or a different rate, review related ADC, amortization, FSRP, investment, and risk considerations, and return to the Board with findings and recommendations for further Board action.

RESOLUTION NO. 2026 - 4
Employees Retirement Fund of the City of Dallas
Establishing the 2026 ERF Board Committees

WHEREAS, Chapter 40A of the Dallas City Code establishes the Employees' Retirement Fund of the City of Dallas and the Board of Trustees responsible for the administration of the Fund; and

WHEREAS, the Board of Trustees has fiduciary responsibilities in connection with the administration and oversight of the Fund; and

WHEREAS, pursuant to Chapter 40A of the Dallas City Code, including Section 40A-4, the Board has the power and duty to administer the Employees' Retirement Fund of the City of Dallas for the exclusive purposes of providing benefits to members, inactive members, retirees, and their beneficiaries and defraying reasonable expenses of administering the Fund, and, in furtherance of that authority, the Board appoints the Executive Director, who has authority for the selection and supervision of all Fund staff; and

WHEREAS, the Board desires to establish standing Board committees for calendar year 2026 to assist Board members in conducting fact-finding, reviewing information, and developing recommendations for consideration by the full Board at scheduled Board meetings; and

WHEREAS, the Board intends that each committee shall serve in an advisory and fact-finding capacity only, and that no committee shall have independent decision-making authority or authority to act on behalf of the Board except as expressly authorized by the Board and in accordance with applicable law, Chapter 40A, and Board policies; and

WHEREAS, each committee may select up to two volunteer experts to serve as subject matter experts to meet with the committee and assist in evaluating fact-finding information for the purpose of developing recommendations to the Board; provided, however, that any such volunteer subject matter expert shall have no authority to vote, no decision-making authority, and no rights as a committee member or Board member; and the selection of

WHEREAS, committee membership shall be approved by vote of the Board based on the consensus of the entire Board.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE EMPLOYEES' RETIREMENT FUND OF THE CITY OF DALLAS:

SECTION 1. Establishment of 2026 Board Committees. The Board hereby establishes the following four Board committees for calendar year 2026:

- **Audit Committee:** Chair: Tina Richardson; Members: Sunil King, Mamatha Sparks.
- **Compensation Committee:** Chair: Dupree Scovell; Members: John Jenkins, Henry Talavera.
- **Disability Committee:** Chair: Sunil King; Members: Henry Talavera.
- **Investment Committee:** Chair: John Peavy; Members: John Jenkins, Dupree Scovell.

SECTION 2. Purpose and Scope. The purpose of the committees is to allow Board members, acting as fiduciaries, to conduct fact-finding, review information, and make recommendations to the entire Board at scheduled Board meetings.

SECTION 3. No Independent Decision-Making Authority. The committees shall not have decision-making power and shall not bind the Board or the Fund. Any recommendation, action, or decision requiring Board approval must be presented to and approved by the Board at a duly called meeting with a quorum present, unless otherwise authorized by applicable law and Board policy.

SECTION 4. Committee Membership Approval. The committee members identified in this Resolution shall be voted on by the Board based on the consensus of the entire Board.

SECTION 5. Effective Date. This Resolution shall take effect immediately upon its adoption and shall remain in effect for calendar year 2026 unless amended, superseded, or rescinded by the Board.

Employees' Retirement Fund of the City of Dallas

Dupree Scovell
Board Chair

Date

Attest:

David K. Etheridge
Executive Director

Approved in Form:

Stefan Smith, Legal Counsel
Baker & Hostetler, LLP

Employees' Retirement Fund of the City of Dallas

Board Meeting Discussion Page

Meeting Date: June 9, 2026

Agenda Item: Resolution No. 2026-4 – Establishing the 2026 ERF Board Committees

This resolution establishes the standing Board Committees for calendar year 2026 and outlines the governance framework, authority limitations, and committee membership structure for the Employees' Retirement Fund of the City of Dallas.

Key Discussion Points

- Confirms the establishment of four standing committees for 2026: Audit, Compensation, Disability, and Investment Committees.
- Clarifies that all committees serve in fact-finding capacity only and do not possess independent decision-making authority.
- Reaffirms that all recommendations requiring action must be approved by the full Board during a duly called meeting with a quorum present.
- Authorizes committees to engage up to two volunteer subject matter experts (SMEs) to assist with committee fact-finding and evaluation activities.
- Clarifies that volunteer SMEs have no voting authority, decision-making authority, or rights as committee or Board members.
- Provides that volunteer SME engagements or commitments up to eighty-nine (89) days may be approved through the consensus of the applicable Committee Members.
- Requires Board approval by vote for any volunteer SME engagement or commitment extending beyond ninety (90) days.
- Provides governance clarity and transparency regarding committee operations, committee appointments, and the use of volunteer expertise.

Staff Recommendation

Staff recommends approval of Resolution No. 2026-4 establishing the 2026 ERF Board Committees and related governance provisions.

2026 TRUSTEE ELECTION

SEPTEMBER						
SUN	MON	TUE	WED	THU	FRI	SAT
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

- ★ September 7
- September 8
- September 8
- September 15
- September 22
- September 29

- Labor Day
- Payroll Count
- Board Meeting
- Letter to Department Directors
- Department Delegate Election
- Elected Department Delegate List to ERF

OCTOBER						
SUN	MON	TUE	WED	THU	FRI	SAT
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

- October 5
- October 6
- ★ October 12
- October 13
- October 15
- October 16
- October 20
- October 23
- October 30

- Letter to Delegates
- Member Data File to Election Vendor
- Indigenous Day - Observed
- Board Meeting
- Nominating Committee Meeting, City Hall L1FN - TBA
- Candidate Profile to ERF
- Candidate Profile to Votem
- Candidate Trustee Training
- Candidate Forum, City Hall L1FN - TBA

NOVEMBER						
SUN	MON	TUE	WED	THU	FRI	SAT
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

- November 2
- ★ November 11
- November 24
- ★ November 26
- ★ November 27

- Ballots Mailed, Election Begins
- Veterans' Day
- Election Closes at 5PM
- Thanksgiving
- City Holiday

DECEMBER						
SUN	MON	TUE	WED	THU	FRI	SAT
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

- December 1
- December 8
- December 16
- ★ December 25

- Run-Off Election begins if necessary
- Election Results to the Board if no Run-Off
- Run-Off Election closes
- Christmas



EAST COAST REGIONAL EVENT

JUNE 17, 2026 | NEW YORK, NY



Co-hosted by iDAC's Diverse-Owned and Emerging Asset Manager Cohort and Greenberg Traurig, LLP



REGISTRATION NOW OPEN - THIS EVENT IS EXPECTED TO SELL OUT!

Date: Wednesday, June 17, 2026

Time: 3:00 PM - 7:00 PM ET

Location: Greenberg Traurig Office, One Vanderbilt Ave, New York, NY 10017

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[Look Who's Coming](#)

[Speakers](#)

[Agenda](#)

“Beyond the Usual Suspects: Inside the Allocator Channels Smaller Managers May Be Missing”

OCIOs, Endowments, Foundations, and Private Wealth open the door on how they work to maximize asset manager talent

PROGRAM DESCRIPTION

For many managers, particularly diverse and emerging asset managers, the fundraising map looks the same: a short list of known institutional names, familiar conference circuits, and introductions that circle back to the same room. But what about the allocators that emerging managers rarely reach? OCIOs, Endowments and Foundations, and Private Wealth platforms are sitting on a wave of growth and intergenerational capital transfer.

This event exists to close that gap through direct, practitioner-led conversation with the allocators themselves. What do they look for? How do they decide? And what does it actually take to move from a first meeting to a commitment?



NASRA Annual Conference

Save the date for the NASRA Annual Conference, August 8 to 12, 2026, in Boston, Massachusetts. This flagship event provides a comprehensive platform for networking, learning, and collaboration among public retirement system professionals. Featuring in-depth sessions, expert panels, and opportunities to share effective and efficient practices, the conference is a must-attend for those shaping the future of public pensions. Registration will open in late May, 2026.



SAVE THE DATE

2026 Annual Meeting

Miami Beach

October 27–28

SAVE THE DATE

2026 Global Annual Meeting

October 27-28, 2026

Miami Beach, Florida, USA

Pre-register and save the date

The Hamilton Lane Global Annual Meeting brings together industry leaders and trusted partners to explore the trends shaping tomorrow's opportunities. Join us for our flagship event, where market insights, bold ideas and meaningful conversations set the stage for what's ahead. We hope to see you there!

Registration opens in May 2026!

SEM Consortium

Small and Emerging Managers Conference

Save the Date: October 27- 29, 2026
New York Hilton Midtown

SEM Consortium, GCM Grosvenor's marquee conference, focuses on small and emerging managers from across the alternative investments industry. The event convenes institutional investors, consultants, and the next generation of manager talent.

Designed to inform and educate investors and consultants, SEM Consortium provides key insights into investment strategies and offers a "first look" at top talent from across the alternatives landscape. It also serves as a platform for industry professionals to gain valuable training, expand their networks, and explore opportunities shaping the future of investing.

Who Should Attend?

- Institutional investors
- Investment consultants
- Small, early-stage, and/or emerging investment managers

Why Attend?

SEM Consortium's mission is to educate institutional investors and consultants on best practices of allocating to small and emerging managers, while providing managers with training and insights to help them fundraise and grow their businesses. Importantly, the event features industry experts and offers structured opportunities to connect one-on-one and in small groups.

Wilshire

ERF of the City of Dallas

Monthly Investment Summary

May 31, 2026

Monthly Index Performance

Periods Ended May 31, 2026

	Performance (%)					
	1 Month	YTD	1 Year	3 Years	5 Years	10 Years
U.S. Equity						
Wilshire 5000 Total Market Index	5.11	11.45	29.78	23.24	13.16	15.29
S&P 500 Index	5.26	11.27	29.78	23.61	14.15	15.65
Wilshire 4500 Completion Index	3.30	12.92	29.10	21.02	7.58	12.86
MSCI USA Minimum Volatility Index	2.05	2.95	4.96	12.43	7.67	10.17
<i>U.S. Equity by Size/Style</i>						
Wilshire U.S. Large-Cap Index	5.22	11.00	29.17	23.52	13.72	15.77
Wilshire U.S. Large-Cap Growth Index	7.90	9.62	29.43	26.13	15.74	18.34
Wilshire U.S. Large-Cap Value Index	1.66	11.49	25.19	18.98	10.50	12.15
Wilshire U.S. Small-Cap Index	3.51	17.79	38.02	19.36	7.03	11.20
Wilshire U.S. Small-Cap Growth Index	5.86	21.36	39.47	19.93	6.56	12.06
Wilshire U.S. Small-Cap Value Index	0.92	14.13	36.47	18.78	7.58	10.10
Wilshire U.S. Micro-Cap Index	6.77	22.86	68.02	22.61	3.79	9.87
Non-U.S. Equity (USD)						
MSCI AC World ex USA (Net)	5.03	14.36	32.77	20.81	8.77	9.82
MSCI ACWI ex USA Minimum Volatility Index (Net)	0.14	3.19	9.49	12.18	5.93	6.41
MSCI EAFE (Net)	3.07	9.37	22.80	18.15	8.79	9.28
MSCI Emerging Markets (Net)	9.69	25.61	54.31	25.15	7.54	10.66
MSCI AC World ex USA Small Cap (Net)	3.77	13.46	30.73	19.29	7.01	9.20
U.S. Fixed Income & Real Assets						
Blmbg. U.S. Aggregate Index	0.31	0.38	5.13	3.95	0.17	1.70
Blmbg. U.S. Treasury: Long	0.51	-0.58	4.39	-0.80	-5.13	-0.84
Blmbg. U.S. Long Corporate Index	1.60	0.79	7.64	4.48	-1.64	2.57
Blmbg. U.S. TIPS Index	0.21	1.64	4.90	4.03	1.23	2.84
Blmbg. U.S. Credit Index	0.67	0.65	6.04	5.23	0.64	2.70
Blmbg. U.S. Corp: High Yield Index	0.49	1.68	7.57	9.36	4.39	5.88
Morningstar LSTA U.S. Leveraged Loan	0.51	1.24	5.12	8.33	6.07	5.49
Wilshire Global Real Estate Securities Index	-1.81	7.43	10.52	11.36	3.76	5.27
FTSE Global Core Infrastructure 50/50 Index	-2.23	9.71	16.37	13.79	8.04	8.68
Bloomberg Commodity Index Total Return	-3.56	25.03	40.47	16.59	11.75	7.21

Asset Allocation & Performance

Dallas Total Fund

Periods Ended May 31, 2026

	Performance (%) Net of Fees								Allocation	
	1 Month	1 Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date	Market Value \$	%
Global Equity Composite	5.60	8.22	12.79	29.67	20.73	11.12	10.82	9/1/2012	249,322,041	5.99
Global Low Volatility Composite	0.66	-2.82	2.93	5.94	12.11	7.18	8.03	7/1/2015	373,448,560	8.97
Domestic Equity Composite	4.10	9.34	12.69	31.76	22.96	12.12	11.01	1/1/1990	544,983,834	13.09
International Equity Composite	5.40	4.25	15.27	31.42	22.65	9.06	6.62	1/1/1990	530,519,074	12.74
Fixed Income Composite	0.17	-1.84	0.16	5.21	3.73	0.21	4.24	10/1/1995	629,352,642	15.11
High Yield Composite	0.36	0.89	1.42	7.55	9.40	4.64	6.19	1/1/1997	420,666,504	10.10
Credit Opportunities Composite	0.71	0.77	2.16	9.63	10.53	4.49	5.69	2/1/2016	172,989,971	4.15
Private Credit Composite	2.97	3.70	5.48	18.47			17.91	6/1/2024	25,644,536	0.62
Total Real Estate Composite	0.35	0.10	2.76	3.65	2.16	4.43	6.31	1/1/1990	404,296,674	9.71
Global Listed Infrastructure Composite	-3.56	0.59	17.17	22.33	23.28	18.64	8.26	1/1/2012	249,609,714	5.99
Private Equity Composite	-0.28	1.47	1.99	4.33	2.74	9.62	11.90	6/1/2009	357,188,407	8.58
PitchBook PE Universe	0.00	3.79	3.79	9.16	8.81	12.21	14.33			
Marketable Alternatives Composite	1.81	1.71	2.58	9.44	8.47		7.81	10/1/2022	118,594,210	2.85
Managed Short Term Composite	0.30	0.92	1.92	4.84	5.04	3.66	2.94	1/1/1990	87,960,991	2.11
Dallas Total Fund	1.53	1.93	6.22	13.95	11.59	6.90	8.85	1/1/1985	4,164,577,158	100.00
Policy Index	1.75	2.33	6.34	15.48	13.57	7.30	9.45			
Secondary Policy Index with PE Universe*	1.56	2.24	6.07	14.15	12.20	6.94	9.42			

Asset Allocation & Performance

Domestic Equity

Periods Ended May 31, 2026

	Performance (%) Net of Fees								Allocation	
	1 Month	1 Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date	Market Value \$	%
Systematic Financial Russell 2000 Index	1.65 4.37	10.34 11.26	21.78 18.15	45.36 43.08	20.41 20.25	9.87 6.61	11.30 9.72	8/1/2003	76,956,321	14.12
Channing Capital Russell 2000 Value Index	-2.24 2.79	-3.08 8.62	10.74 18.30	32.62 44.36	16.02 20.22	5.24 7.27	7.88 8.65	12/1/2013	39,725,160	7.29
Domestic Equity Small Cap Composite	0.29	5.37	17.78	40.76	18.71	6.85	9.89	6/1/2003	116,681,481	21.41
T. Rowe Price S&P 500 Index	5.11 5.26	10.43 10.52	11.51 11.27	29.25 29.78	24.06 23.61	14.71 14.15	11.85 11.27	4/1/2006	210,495,930	38.62
Northern Trust S&P 500 (Lending) S&P 500 Index	5.26 5.26	10.51 10.52	11.26 11.27	29.77 29.78	23.59 23.61	14.15 14.15	11.40 11.36	1/1/1995	217,806,423	39.97
Domestic Equity Composite Custom Benchmark ¹ Domestic Equity Blended Benchmark ²	4.10 5.11 5.01	9.34 10.21 10.54	12.69 11.45 12.64	31.76 29.78 32.46	22.96 23.24 22.81	12.12 13.16 11.53	11.01 11.19	1/1/1990	544,983,834	100.00

¹ Domestic Equity Composite Custom Benchmark: FT Wilshire 5000 (2Q99-Present); S&P 500 (1Q90-1Q99)

² Blended Benchmark is a target-weighted blend of individual manager benchmarks. For comparison purposes only and does not roll into Total Fund Policy.

Asset Allocation & Performance

International Equity

Periods Ended May 31, 2026

	Performance (%) Net of Fees								Allocation	
	1 Month	1 Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date	Market Value \$	%
Acadian International	3.06	1.71	14.48	33.06	22.87	9.45	9.08	4/1/1989	131,240,643	24.74
Custom Benchmark ¹	3.77	1.27	13.46	30.73	19.29	7.01	6.62			
Ativo International	2.07	-3.25	6.62	20.18	18.36	7.60	7.02	1/1/2018	27,803,034	5.24
MSCI EAFE (Net)	3.07	-0.65	9.37	22.80	18.15	8.79	7.94			
AQR Capital Management	5.14	4.06	17.01	36.29	26.79	10.96	6.05	4/1/2006	162,985,824	30.72
Custom Benchmark ²	5.03	2.74	14.36	32.77	20.81	8.77	5.35			
Baillie Gifford									770,641	0.15
Baillie Gifford - Sanctioned Assets									33,179	0.01
NTAM ACWI Ex US								5/1/2026	87,134,241	16.42
MSCI AC World ex USA (Net)										
Earnest Partners	11.20	12.26	24.77	45.75	26.13	12.63	14.01	4/1/2019	120,551,512	22.72
MSCI AC World ex USA (Net)	5.03	2.74	14.36	32.77	20.81	8.77	10.45			
International Equity Composite	5.40	4.25	15.27	31.42	22.65	9.06	6.62	1/1/1990	530,519,074	100.00
Custom Benchmark ³	4.86	2.54	14.23	32.49	20.60	8.53	5.60			

¹ Acadian Custom Benchmark: MSCI ACWI x-US Small Cap (3Q09-Present); MSCI EAFE Small Cap (4Q99-2Q09); S&P/Citigroup Eur/Pac EMI Index (2Q96-3Q99); MSCI EAFE (2Q89-1Q96)

² AQR Custom Benchmark: MSCI ACWI x-US (2Q10-Present); MSCI EAFE (1Q06-1Q10)

³ International Equity Composite Custom Benchmark: MSCI ACWI x-US IMI (2Q10-Present); MSCI ACWI x-US (1Q99-1Q10); Wilshire Non-US/Non-SA (2Q96-4Q98; MSCI EAFE (4Q89-1Q96)

Asset Allocation & Performance

Global Equity

Periods Ended May 31, 2026

	Performance (%) Net of Fees								Allocation	
	1 Month	1 Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date	Market Value \$	%
Ariel Global	11.41	17.77	24.28	40.20	21.45	12.97	10.93	1/1/2018	63,332,360	25.40
MSCI AC World Index (Net)	5.16	7.54	12.15	30.27	22.30	11.45	11.72			
MSCI AC World Index Value (Net)	3.17	3.49	12.44	28.41	19.88	10.19	8.67			
NT ACWI IMI Fund	5.02	7.33	12.61	31.02			20.44	10/1/2024	73,509,307	29.48
MSCI AC World IMI Index (Net)	5.00	7.19	12.45	30.64			20.03			
Wellington	2.95	4.03	7.28	23.53	20.57	9.81	12.14	9/1/2012	112,480,374	45.11
MSCI AC World Index (Net)	5.16	7.54	12.15	30.27	22.30	11.45	11.57			
Global Equity Composite	5.60	8.22	12.79	29.67	20.73	11.12	10.82	9/1/2012	249,322,041	100.00
MSCI AC World Index (Net)	5.16	7.54	12.15	30.27	22.30	11.45	11.57			

Asset Allocation & Performance

Global Low Volatility

Periods Ended May 31, 2026

	Performance (%) Net of Fees								Allocation	
	1 Month	1 Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date	Market Value \$	%
Acadian Global Low Vol.	0.24	-3.15	2.89	6.41	13.31	8.47	8.37	7/1/2015	175,503,569	47.00
MSCI AC World Index (Net)	5.16	7.54	12.15	30.27	22.30	11.45	11.34			
MSCI AC World Minimum Volatility Index (Net)	1.07	-2.72	2.62	4.84	10.47	5.52	7.35			
Acadian Global Low Vol - Sanctioned Assets									46,406	0.01
BlackRock Global Low Vol.	1.09	-2.49	2.97	5.45	10.90	5.89	7.68	7/1/2015	197,898,585	52.99
MSCI AC World Minimum Volatility Index (Net)	1.07	-2.72	2.62	4.84	10.47	5.52	7.35			
Global Low Volatility Composite	0.66	-2.82	2.93	5.94	12.11	7.18	8.03	7/1/2015	373,448,560	100.00
MSCI AC World Minimum Volatility Index (Net)	1.07	-2.72	2.62	4.84	10.47	5.52	7.35			

Private Equity Summary

Periods Ended as of May 31, 2026

	Month-End Market Value	Commitment Value	Drawn Down Capital	Cash Distributions	Inception Date	IRR Since Inception	TVPI Multiple ¹
Hamilton Lane Secondary Fund II	1	25,000,000	22,058,532	31,298,964	Jul-09	13.4%	1.4
Hamilton Lane Secondary Fund III	143,449	30,000,000	23,372,292	29,807,176	Nov-12	8.7%	1.3
Hamilton Lane Secondary Fund IV	8,303,430	30,000,000	25,907,343	30,952,910	Mar-17	13.3%	1.5
Hamilton Lane Secondary Fund V	42,730,764	65,000,000	43,128,993	25,180,465	Mar-20	12.0%	1.6
Hamilton Lane Secondary Fund VI-A	19,033,279	30,000,000	16,672,363	2,978,825	Feb-23	21.8%	1.3
Hamilton Lane Fund VII Composite	4,958,055	50,000,000	45,600,834	61,390,491	Jan-10	4.9%	1.5
Hamilton Lane Fund VIII (Global)	9,602,566	30,000,000	22,270,594	22,913,373	Nov-12	5.6%	1.5
GCM Grosvenor - Partnership, L.P.	16,197,361	75,000,000	95,722,822	143,214,170	Jun-11	13.6%	1.7
GCM Grosvenor - Partnership II, L.P. (2014)	24,885,199	60,000,000	73,566,185	87,805,390	Jul-14	13.0%	1.5
GCM Grosvenor - Partnership II, L.P. (2015)	60,756,825	55,000,000	49,450,168	19,360,121	Dec-15	10.7%	1.6
GCM Grosvenor - Partnership II, L.P. (2017)	29,364,349	30,000,000	32,380,286	18,464,094	Jan-18	10.5%	1.5
GCM Grosvenor - Advance Fund, L.P.	9,216,773	10,000,000	7,991,542	345,493	Jun-21	7.1%	1.2
GCM Grosvenor - Partnership II, L.P. (2022)	11,363,787	20,000,000	9,108,043	212,511	May-22	12.4%	1.3
Fairview Capital - Lone Star Fund I	48,688,563	40,000,000	33,903,847	25,923,460	Aug-15	12.0%	2.2
Fairview Capital - Lone Star Fund II	31,715,943	30,000,000	23,900,777	11,021,175	Dec-18	11.4%	1.8
Fairview Capital - Lone Star Fund III - A	24,756,534	25,000,000	22,028,064	2,102,488	Apr-21	6.1%	1.2
Fairview Capital - Lone Star Fund III - B	7,360,110	20,000,000	7,965,782	-	Dec-22	-12.2%	0.9
Fairview Capital - Private Markets Fund VI	8,138,419	10,000,000	7,219,555	210,556	Apr-22	8.3%	1.2
Total Private Equity Composite	357,188,407	635,000,000	562,248,021	513,181,662	Jul-09	11.6%	1.5

Public Market Equivalent (PME) ²

870,230,356

18.0%

¹ Total Value to Paid-in Capital ("TVPI") multiple calculation = (market value + distributions) / capital called

² The Public Market Equivalent (PME) approach creates a hypothetical investment vehicle that mimics the private equity composite cash flows. The performance difference between the PME vehicle and the private equity portfolio is determined by their net asset value (NAV) at the end of the benchmarking period. The performance of the "public market" is simulated using the monthly Wilshire 5000 index returns, plus a 300 BPs annual hurdle rate.

Private Real Estate Summary

Periods Ended as of May 31, 2026

	Month-End Market Value	Commitment Value	Drawn Down Capital	Cash Distributions	Inception Date	IRR Since Inception	TVPI Multiple ¹
Invesco II	71,682,842	65,188,333	65,188,333	20,072,076	Jan-14	3.9%	1.4
Total Direct Private Real Estate	71,682,842	65,188,333	65,188,333	20,072,076	Jan-14	3.9%	1.4

	Month-End Market Value	Commitment Value	Drawn Down Capital	Cash Distributions	Inception Date	IRR Since Inception	TVPI Multiple
Heitman America Real Estate Trust	62,972,401	75,000,000	88,210,161	119,542,315	Dec-10	6.3%	2.1
Invesco Core Real Estate USA	41,122,637	75,000,000	76,921,500	117,020,541	Oct-10	9.4%	2.1
Total Core Private Real Estate	104,095,038	150,000,000	165,131,661	236,562,856	Oct-10	7.9%	2.1

	Month-End Market Value	Commitment Value	Drawn Down Capital	Cash Distributions	Inception Date	IRR Since Inception	TVPI Multiple
AEW Partners Real Estate Fund IX	29,756,857	45,000,000	38,222,222	16,509,988	Mar-21	5.2%	1.2
AEW PIX MM Co-Invest	4,538,118	10,000,000	5,490,566	1,623,031	Nov-21	2.0%	1.1
AEW PIX Oakland Park Co-Invest	4,558,636	5,000,000	5,000,000	764,960	Feb-22	1.1%	1.1
Virtus Real Estate Capital III	44,846,736	43,281,585	44,340,405	10,829,275	Jan-21	6.0%	1.3
Brasa Real Estate Fund II	22,341,073	20,000,000	19,681,894	1,133,526	Jul-22	6.5%	1.2
Long Wharf Real Estate Partners VII	12,381,835	20,000,000	16,332,954	4,413,437	Mar-23	0.8%	1.0
Total Value-Add Private Real Estate	118,423,255	143,281,585	129,068,041	35,274,218	Jan-21	5.1%	1.2

¹ Total Value to Paid-in Capital ("TVPI") multiple calculation = *(market value + distributions) / capital called*

Private Credit Summary

Periods Ended as of May 31, 2026

	Month-End Market Value	Commitment Value	Drawn Down Capital	Cash Distributions	Inception Date	IRR Since Inception	TVPI Multiple ¹
Silver Point DOF II	4,731,513	20,000,000	3,910,777	693,438	May-24	33.4%	1.4
MGG Structured Solutions	11,499,001	20,000,000	80,623,811	276,615	Jul-24	11.1%	0.1
Vista Credit Partners Fund IV	9,414,022	20,000,000	7,373,997	1,571,608	Jul-25	12.8%	1.5
Total Private Credit Composite	25,644,536	60,000,000	91,908,585	2,541,661	May-24	17.4%	0.3

¹ Total Value to Paid-in Capital ("TVPI") multiple calculation = *(market value + distributions) / capital called*

Asset Allocation & Performance

Real Estate

Periods Ended May 31, 2026

	Performance (%) Net of Fees								Allocation	
	1 Month	1 Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date	Market Value \$	%
Adelante Capital Management	-0.72	1.36	12.32	11.69	12.73	5.71	9.19	10/1/2001	53,933,715	48.99
Adelante Blended Policy ¹	-0.03	2.73	14.24	17.19	13.75	6.04	9.37			
CenterSquare	-0.08	3.12	14.64	17.55	14.13	6.52	8.64	6/1/2018	56,161,823	51.01
CenterSquare Blended Policy ¹	-0.03	2.73	14.24	17.19	13.75	6.04	7.69			
REIT Composite	-0.39	2.25	13.49	14.60	13.44	6.12	9.37	10/1/2001	110,095,539	100.00
REIT Composite Blended Policy ¹	-0.03	2.73	14.24	17.19	13.75	6.04	9.37			

¹ Blended Policy: Wilshire U.S. Real Estate Securities Index (Inception-4Q24); FTSE NAREIT Equity REIT Index (1Q25-Present)

Asset Allocation & Performance

Global Listed Infrastructure

Periods Ended May 31, 2026

	Performance (%) Net of Fees								Allocation	
	1 Month	1 Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date	Market Value \$	%
CIBC	-3.54	2.55	20.73	26.00	29.25	24.26	10.93	1/1/2012	93,652,901	37.52
CIBC Policy ¹	-4.33	2.01	20.67	23.58	31.59	25.66	8.07			
Harvest Fund Advisors MLP	-3.90	1.09	18.51	21.81	27.50	24.06	10.67	1/1/2012	98,159,368	39.33
Harvest Policy ²	-4.33	2.01	20.67	23.58	31.59	25.66	8.07			
C&S Global Listed Infrastructure	-2.99	-3.24	9.81	17.62	14.11	8.20	9.74	10/1/2020	57,797,445	23.16
FTSE Global Core Infrastructure 50/50 (Net)	-2.32	-3.08	9.38	15.46	12.84	7.17	9.35			
Global Listed Infrastructure Composite	-3.56	0.59	17.17	22.33	23.28	18.64	8.26	1/1/2012	249,609,714	100.00
Global Listed Infrastructure Benchmark ³	-3.83	0.78	17.84	21.65	26.88	21.10	5.96			

¹ CIBC Policy: Alerian Midstream Energy Index (5/24-Present); Alerian MLP Index (1Q12-4/24)

² Harvest Policy: Alerian Midstream Energy Index (5/24-Present); Alerian MLP Index (1Q12-4/24)

³ Global Listed Infrastructure Benchmark: 75% Alerian Midstream Energy Index / 25% FTSE Global Core Infrastructure 50/50 (5/24-Present) / 75% Alerian MLP / 25% FTSE Global Core Infrastructure 50/50 (4Q20-4/24); Alerian MLP (1Q12-3Q20)

Asset Allocation & Performance

Fixed Income

Periods Ended May 31, 2026

	Performance (%) Net of Fees								Allocation	
	1 Month	1 Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date	Market Value \$	%
Garcia Hamilton	0.11	-2.63	-0.15	5.16	3.22	0.18	2.22	11/1/2013	204,389,016	32.48
Blmbg. U.S. Aggregate Index	0.31	-1.35	0.38	5.13	3.95	0.17	2.06			
NT Aggregate Bond Index	0.29	-1.35	0.35	5.12			2.63	10/1/2024	209,588,550	33.30
Blmbg. U.S. Aggregate Index	0.31	-1.35	0.38	5.13			2.62			
Wellington Core Bond	0.10	-1.55	0.26	5.34	4.50		3.32	7/1/2022	215,375,032	34.22
Blmbg. U.S. Aggregate Index	0.31	-1.35	0.38	5.13	3.95		2.86			
Fixed Income Composite	0.17	-1.84	0.16	5.21	3.73	0.21	4.24	10/1/1995	629,352,642	100.00
Blmbg. U.S. Aggregate Index	0.31	-1.35	0.38	5.13	3.95	0.17	4.28			

Asset Allocation & Performance

Opportunistic Credit

Periods Ended May 31, 2026

	Performance (%) Net of Fees								Allocation	
	1 Month	1 Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date	Market Value \$	%
Neuberger Berman	0.71	0.77	2.16	9.63	10.53	4.49	5.69	2/1/2016	172,989,971	
Custom Benchmark ¹	0.66	1.29	1.84	8.71	9.53	4.40	5.69			

¹ Custom Benchmark: 33% Morningstar LSTA U.S. Leveraged Loan Index / 33% ICE BofA U.S. High Yield Constrained Index / 33% JPM EMBI Global Diversified

Asset Allocation & Performance

High Yield

Periods Ended May 31, 2026

	Performance (%) Net of Fees								Allocation	
	1 Month	1 Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date	Market Value \$	%
Oaktree Capital Management	0.37	0.66	1.45	7.33	9.34	4.46	6.31	2/1/1997	212,033,496	50.40
FTSE High Yield Cash Pay	0.54	1.00	1.69	7.34	9.35	4.51	6.45			
BlackRock	0.34	1.12	1.40	7.79	9.46	4.81	6.05	10/1/2006	208,633,009	49.60
FTSE High Yield Cash Pay	0.54	1.00	1.69	7.34	9.35	4.51	6.31			
High Yield Composite	0.36	0.89	1.42	7.55	9.40	4.64	6.19	1/1/1997	420,666,504	100.00
FTSE High Yield Cash Pay	0.54	1.00	1.69	7.34	9.35	4.51	6.46			

Asset Allocation & Performance

Marketable Alternatives

Periods Ended May 31, 2026

	Performance (%) Net of Fees								Allocation	
	1 Month	1 Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date	Market Value \$	%
Davidson Kempner	1.87	2.18	3.38	11.22	9.60		8.69	10/1/2022	61,085,815	51.51
HFRI Event-Driven Total Index	4.07	2.33	5.11	15.81	11.18		10.40			
Hudson Bay Capital	1.75	1.21	1.75	7.60	7.32		6.92	10/1/2022	57,508,395	48.49
HFRI Relative Value Total Index	1.25	1.73	3.48	8.97	8.16		7.54			
Marketable Alternatives Composite	1.81	1.71	2.58	9.44	8.47		7.81	10/1/2022	118,594,210	100.00
Marketable Alternatives Policy ¹	2.66	2.04	4.31	12.36	9.68		8.98			

¹ Marketable Alternatives Policy: 50% HFRI Event-Driven Total Index / 50% HFRI Relative Value Total Index

Asset Allocation & Performance

Cash

Periods Ended May 31, 2026

	Performance (%) Net of Fees								Allocation	
	1 Month	1 Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	Inception Date	Market Value \$	%
Cash Account	0.30	0.92	1.92	4.84	5.04	3.66	3.23	1/1/1988	87,960,991	100.00
Managed Short Term Composite	0.30	0.92	1.92	4.84	5.04	3.66	2.94	1/1/1990	87,960,991	100.00

AON

ERF Compensation Review

Prepared for Dallas
Employee Retirement Fund

26 May 2026

Private & Confidential



Introduction

The Dallas Employee Retirement Fund (“Dallas ERF”) engaged Aon (McLagan Partners, Inc.) (“Aon”) to conduct a competitive pay analysis for all ERF Employees.

To complete this review, Aon:

- Reviewed background materials provided by ERF (e.g., plan documents, job descriptions, org charts, etc.).
- Interviewed key stakeholders to get their perspectives on pay and to confirm survey position matches with the Executive Director.
- Assembled pay data from Aon’s investment management survey suite. Recognizing that ERF competes with a broad range of firms for investment talent, Aon assembled competitive pay data from four compensation reference groups (see Appendix for more detail on each group):
 1. Public Funds with AUM less than \$35B and primarily manage assets externally – *Primary peer group*
 2. All US-based Public Funds
 3. All private sector asset management firms with AUM less than \$25B (advisory firms, banks, insurance companies, endowments, foundations and corporate plan sponsors).
- Prepared summary documentation about the competitiveness of ERF’s salary and total compensation (salary + incentives) vs peers.

The results of our findings can be found on the following pages.

Suggested Peer Group for ED, CIO & Investment Team

ERF's Board adopted a compensation resolution in 2022 that states:

NOW, THEREFORE, BE IT RESOLVED THAT, the Board of the Fund adopts the AON / McLagan compensation study authorizing that the remuneration of the Fund's investment staff shall be at or above the 50th percentile, when compared to other public sector pension funds with similar positions and functionality; and

Aon has developed a peer group consisting of the 25 organizations summarized in the table to the right. These organizations reflect a mix of size, investment strategy and accountability considerations that make them the most comparable to ERF of any other organizations available within Aon's proprietary datasets.

- Full list of potential comparators considered are provided in Appendix

While no comparator set will exactly capture the unique mix of accountabilities, size and location of the ERF, Aon believes that the comparator list is reflective of a reasonable market for talent that the ERF competes with.

Proposed Comparator Group: Public Funds with AUM < \$35B & Assets Managed Primarily Externally

	<i>AUM</i>
Wyoming State Treasury	30.0
Public Employee Retirement System of Idaho	24.5
Orange County Employees Retirement System	24.3
Teachers Retirement System of Oklahoma	23.8
North Dakota Retirement and Investment Office	23.6
Arkansas Teacher Retirement System	22.0
West Virginia Investment Management Board	21.6
Maine Public Employees Retirement System	20.3
School Employees Retirement System of Ohio	19.5
Public Employees Retirement Association of New Mexico	17.9
New Mexico Educational Retirement Board	17.0
Employees' Retirement System of the State of Rhode Island	13.8
Missouri State Employees' Retirement System (MOSERS)	12.6
District of Columbia Retirement Board	12.2
New Hampshire Retirement System	12.0
Wyoming Retirement Systems	11.6
Missouri Local Government Employees Retirement System (MO LAGERS)	10.8
Vermont Pension Investment Commission	8.0
Fire & Police Pension Association of Colorado	7.5
Fresno County Employees' Retirement Association	6.9
MoDOT & Patrol Employees' Retirement System	3.8
State of Utah, School and Institutional Trust Funds Office	3.8
City of Austin Employees' Retirement System	3.6
Municipal Fire & Police Retirement System of Iowa	3.4
Idaho Endowment Fund Investment Board	3.3

	AUM % Ext. Mg'd
75th Percentile	21.59
50th Percentile	12.55
25th Percentile	7.50
Average	14.31 77%

Summary of Market Benchmarking Findings: Overall Firm

The table below summarizes pay positioning of Dallas ERF salaries and total compensation (salaries + incentives) relative to three markets:

- 1) Select public funds that Aon believes provide a balance of smaller and larger funds, to position Dallas ERF at the middle of peers based on AUM size
- 2) All public funds, to provide context on broader market positioning when including much larger funds
- 3) For Reference Only: Traditional asset management firms (a potential source for talent), but who have a different employee value proposition

Dallas ERF vs Competitive Market															
	Dallas ERF			Salary						Actual Total Comp					
	# off EEs	Salary	Total Comp	Aggregate Spend			% Variance			Aggregate Spend			% Variance		
				25th	50th	75th	25th	50th	75th	25th	50th	75th	25th	50th	75th
Select Public Funds															
Exec Director	1	\$394	\$394	\$219	\$319	\$358	+79%	+24%	+10%	\$225	\$344	\$373	+75%	+14%	+6%
Investments	3	643	643	666	724	815	-4%	-11%	-21%	687	804	956	-6%	-20%	-33%
Administrative	32	3,966	3,966	3,111	3,602	4,203	+28%	+10%	-6%	3,119	3,619	4,253	+27%	+10%	-7%
Total	36	5,003	5,003	3,996	4,644	5,375	+25%	+8%	-7%	4,032	4,766	5,581	+24%	+5%	-10%
All Public Funds															
Exec Director	1	\$394	\$394	\$248	\$363	\$459	+58%	+9%	-14%	\$258	\$379	\$509	+53%	+4%	-23%
Investments	3	643	643	720	878	1,026	-11%	-27%	-37%	793	1,043	1,612	-19%	-38%	-60%
Administrative	32	3,966	3,966	3,767	4,485	5,120	+5%	-12%	-23%	3,760	4,587	5,545	+5%	-14%	-28%
Total	36	5,003	5,003	4,736	5,725	6,605	+6%	-13%	-24%	4,811	6,010	7,666	+4%	-17%	-35%
All Private Sector AM Firms LT \$25B															
Exec Director	1	\$394	\$394	\$257	\$321	\$385	+53%	+23%	+2%	\$557	\$696	\$835	-29%	-43%	-53%
Investments	3	643	643	938	1,046	1,143	-31%	-39%	-44%	1,876	2,377	3,252	-66%	-73%	-80%
Administrative	32	3,966	3,966	4,924	5,690	6,340	-19%	-30%	-37%	8,278	10,721	13,414	-52%	-63%	-70%
Total	36	5,003	5,003	6,119	7,057	7,868	-18%	-29%	-36%	10,711	13,794	17,502	-53%	-64%	-71%

- In aggregate, salaries are competitive (+/- 10%) with select public fund peers. Despite not paying incentives for the most recent performance year, ERF's actual total compensation is competitive versus the select public fund peer group market 50th percentile. However, investment team actual compensation falls below the market 50th percentile.
- Salaries and actual total compensation are generally reflective of the 25th percentile of the all public funds group, which includes larger organizations, but are potential competitors for talent.

Market Findings

ERF's Compensation is Competitive vs. Select PFs

As shown below, Aon compared ERF's total staff to its select public fund peers as well as several alternatives. As shown below:

ERF's salary spend of \$5M fell between the 50th and 75th percentiles vs. select public fund salaries. Compared to All Public Funds and the private sector, ERF's aggregate spend fell well below the 50th percentile.

ERF's target total compensation levels fell 5% below the 75th percentile of selected public fund peers.

Dallas ERF Agg Spend vs. Peers									Mkt Positioning
	# of EEs	Dallas ERF	Aggregate Spend (\$'000s)			% Diff to Market			
			25th	50th	75th	25th	50th	75th	
Base Salary									
Select Public Funds	36	\$5,003	\$3,996	\$4,644	\$5,375	+25%	+8%	-7%	2
All Public Funds	36	5,003	4,736	5,725	6,605	+6%	-13%	-24%	3
Select Private Sector Firms	36	5,003	6,119	7,057	7,868	-18%	-29%	-36%	4
Total Compensation									
Select Public Funds	36	\$5,003	\$4,032	\$4,766	\$5,581	+24%	+5%	-10%	2
All Public Funds	36	5,003	4,811	6,010	7,666	+4%	-17%	-35%	3
Select Private Sector Firms	36	5,003	10,711	13,794	17,502	-53%	-64%	-71%	4
Target Total Compensation									
Select Public Funds	36	\$5,300	\$4,032	\$4,766	\$5,581	+31%	+11%	-5%	2
All Public Funds	36	5,300	4,811	6,010	7,666	+10%	-12%	-31%	3
Select Private Sector Firms	36	5,300	10,711	13,794	17,502	-51%	-62%	-70%	4
Maximum Total Compensation									
Select Public Funds	36	\$5,448	\$4,032	\$4,766	\$5,581	+35%	+14%	-2%	2
All Public Funds	36	5,448	4,811	6,010	7,666	+13%	-9%	-29%	3
Select Private Sector Firms	36	5,448	10,711	13,794	17,502	-49%	-61%	-69%	4

Appendix

For Reference

Additional Peer Group: All Public Funds

Organization	Location of Investment Staff	FYE '24 AUM (\$B)	Organization	Location of Investment Staff	FYE '24 AUM (\$B)
CA Public Employees' Retirement System	Sacramento, CA	\$527.7	Nebraska Investment Council	Lincoln, NE	42.7
CA State Teachers' Retirement System	West Sacramento, CA	349.7	Employees Retirement System of Texas	Austin, TX	40.3
Teachers Retirement System of Texas	Austin, TX	224.0	Wyoming State Treasury	Cheyenne, WY	30.0
Florida State Board of Administration	Tallahassee, FL	218.9	Montana Board of Investments	Helena, MT	28.7
Washington State Investment Board	Olympia, WA	211.4	Public Employee Retirement System of Idaho	Boise, ID	24.5
North Carolina Retirement System	Raleigh, NC	190.5	Orange County Employees Retirement System	Santa Ana, CA	24.3
Minnesota State Board of Investment	St. Paul, MN	149.7	Teachers Retirement System of Oklahoma	Oklahoma City, OK	23.8
State of Wisconsin Investment Board	Madison, WI	147.2	North Dakota Retirement and Investment Office	Bismarck, ND	23.6
New York State Teachers' Retirement System	Albany, NY	146.5	Arkansas Teacher Retirement System	Little Rock, AR	22.0
Oregon Public Employees' Retirement Fund	Tigard, OR	141.1	West Virginia Investment Management Board	Charleston, WV	21.6
Ohio Public Employees Retirement System	Columbus, OH	119.4	South Dakota Investment Council	Sioux Falls, SD	20.3
Virginia Retirement Systems	Richmond, VA	116.9	Maine Public Employees Retirement System	Augusta, ME	20.3
Tennessee Consolidated Retirement System	Nashville, TN	112.6	School Employees Retirement System of Ohio	Columbus, OH	19.5
State of Michigan Retirement System	East Lansing, MI	110.1	Public Employees Retirement Association of New Mexico	Santa Fe, NM	17.9
Massachusetts PRIM	Boston, MA	109.7	Municipal Employees' Retirement System of Michigan	Lansing, MI	17.2
State Teachers Retirement System of Ohio	Columbus, OH	96.3	New Mexico Educational Retirement Board	Santa Fe, NM	17.0
Alaska Permanent Fund	Juneau, AK	83.7	Employees' Ret System of the State of Rhode Island	Providence, RI	13.8
Los Angeles County Employees Retirement Assoc	Pasadena, CA	81.2	Missouri State Employees' Retirement System (MOSERS)	Jefferson City, MO	12.6
Colorado Public Employees' Retirement Association	Denver, CO	73.3	District of Columbia Retirement Board	Washington, D.C.	12.2
Teachers Retirement System of Illinois	Springfield, IL	73.1	New Hampshire Retirement System	Concord, NH	12.0
Maryland State Retirement Agency	Baltimore, MD	70.0	Wyoming Retirement Systems	Cheyenne, WY	11.6
Public Employees' Retirement System of Nevada	Carson City, NV	66.3	Missouri Local Government Employees Ret Sys	Jefferson City, MO	10.8
Utah Retirement Systems	Salt Lake City, UT	60.7	State of Vermont Pension Investment Commission	Montpelier, VT	8.0
Public School Retirement Systems of Missouri	Jefferson City, MO	59.7	State of Vermont Pension Investment Commission	Montpelier, VT	8.0
Arizona State Retirement System	Phoenix, AZ	56.8	Fire & Police Pension Association of Colorado	Denver, CO	7.5
Illinois Municipal Retirement Fund	Oak Brook, IL	54.9	Fresno County Employees' Retirement Association	Fresno, CA	6.9
Alaska Retirement Management Board	Juneau, AK	52.6	City of Detroit Retirement System	Detroit, MI	4.7
Indiana Public Retirement System (INPRS)	Indianapolis, IN	51.9	State of Utah, School and Institutional Trust Funds Office	Salt Lake City, UT	4.0
Texas County & District Retirement System	Austin, TX	50.0	MoDOT & Patrol Employees' Retirement System	Jefferson City, MO	3.8
SC Retirement System Investment Commission	Columbia, SC	46.8	City of Austin Employees' Retirement System	Austin, TX	3.6
Iowa Public Employees' Retirement System	Des Moines, IA	44.6	Municipal Fire & Police Retirement System of Iowa	Des Moines, IA	3.4
Pennsylvania State Employees' Retirement System	Harrisburg, PA	43.9			

AUM (\$B)	
75th Percentile	\$96.3
Median	43.9
25th Percentile	17.0

For Reference

Additional Peer Group: All Private Sector Firms with AUM < \$25B

All Private Sector Firms with AUM < \$25B				
	# of Firms	AUM		
		Low Q	Median	High Q
Banks	11	\$2.2	\$9.5	\$13.0
Insurance Companies	3	10.6	18.1	19.3
Investment Management/Advisory Firms	30	5.5	11.6	15.5
Corporate Pensions, Endowments, & Foundations	65	2.7	4.3	9.3
Total	109	\$5.3	\$10.9	\$14.3

Banks: The asset management business of US-headquartered banks with AUM less than \$25B. The organizations are typically structured with a centralized CIO and investment teams of about 20 to 50 professionals.

Insurance Companies: The asset management business of US-headquartered insurance companies with AUM less than \$25B. Together they include insurance-centric general-account portfolios, open-architecture wealth and retirement solutions, and investment teams ranging from roughly 20 – 70 professionals.

Investment Management/Advisory Firms: Consists largely of independent and specialty managers, spanning fundamental equity, fixed income, multi-asset, and private markets platforms. These firms typically have investment teams of about 20 to 150 professionals supporting institutional, intermediary, and high-net-worth client bases through a mix of traditional and alternative strategies.

AON

Investment Incentive Plan Review

Prepared for Dallas
Employee Retirement Fund

28 May 2026



Introduction

The Dallas Employee Retirement Fund (“Dallas ERF”) engaged Aon (McLagan Partners, Inc.) (“Aon”) to conduct an Investment Incentive Pay Practice Review and a competitive pay analysis for all ERF Employees. This work included the following activities:

- Conduct a review of the investment incentive plan design relative to Dallas ERF’s investment strategy and market practices
- Conduct a competitive pay analysis of the Executive Director, investment team and administrative team. This included a review of all ERF employee roles and responsibilities and confirmation of Aon’s survey position matches.

Aon met with key stakeholders to discuss investment strategy, split of responsibilities between the Board, the investment team and 3rd party advisors, key performance goals for the investment team, and competitors for. Stakeholders interviewed include:

- Dupree Scovell – Board Chair and Trustee
- Natalie Jenkins Sorrell – Chief Investment Officer (CIO)
- Edward Scott – Chief Financial Officer (CFO)
- John Jenkins – Trustee
- Henry Talavera – Trustee and Former Board Chair
- Tom Toth – Wilshire

This report summarizes key findings from our stakeholder interviews, market research on incentive plan design, and initial recommendations for change. We anticipate reviewing this report with key stakeholders and refining our findings and recommendations to reflect their feedback.

Aon’s Investment Consulting team has completed a review of Dallas ERF’s benchmark policy portfolio and alpha targets, which has been provided under separate cover.

A report and workbook of employee level competitive pay analysis findings were provided under separate cover to Dallas ERF.

Summary of Stakeholder Feedback

Low Incentive Payouts Over The Last 3 Years Have Resulted in Retention Concerns

- Investment performance versus policy portfolio benchmark has resulted in no incentive plan payouts for performance years 2025 and 2024, and plan payouts at 50% of target for performance year 2023.
- Management is concerned about the long-term ability of the fund to retain investment staff if the incentive continues to not pay out near target.

Board Expectations of the Investment Team Are Not Reflected in Current Incentive Plan Metrics

- The current incentive plan's design measures total fund performance versus a benchmark policy portfolio. This metric is aligned with typical market practice for public funds and the investment team's accountability for recommending investment managers as documented in Dallas ERF's investment policy and governance documentation.
- However, it falls short of measuring the breadth of goals the Board holds the investment team accountable for, including:
 - Recommending strategic asset allocation approaches that meet Dallas ERC's risk and return requirements;
 - Achievement of long-term annual returns of 7.25%;
 - Relative performance of the fund versus other Texas public funds;
 - Minimization of investment return volatility; and,
 - Ensuring that there is sufficient liquidity to meet payout requirements.

Executive Director, Chief Investment Officer and Investment Staff Have Sufficient Line-of-Site to Investment Decisions to Warrant Incentive Plan Eligibility

- The Board, Dallas ERF's investment consultants and the above staff positions all play an important role in establishing and executing against Dallas ERF's investment strategy.

There is a Need to Ramp Up Investment Metrics as the new CIO's Investment Decisions Impact the Fund

- With the appointment of a new CIO in 2026, it is the preference of stakeholders to only hold them accountable for fund performance during their tenure. This will require a ramp-up of 1-year, to two-year to three-year, etc. performance metrics overtime, but will increase the line-of-site between the performance metrics in the plan and what can be controlled by eligible staff.

Summary of Incentive Plan Design Review Findings

Aon found that many design features within ERF's incentive plan are similar to other leading public funds.

ERF incentive plan design features aligned with leading public funds and best practices:

- Incorporates multi-year performance conditions (1-year, 3-year, and 5-year)
- Awards are based on investment return performance relative to a benchmark policy portfolio
- Incentive opportunities vary by position, with the ED and CIO having different threshold/target/maximum percentages of base salary, and a greater portion of pay-at-risk compared to other investment staff

ERF differs from other leading public funds in the design of the following aspects of the plan:

- The plan does not include a qualitative / discretionary component
- All roles use the same fully formulaic, quantitative weighting, whereas in the market weightings typically vary by level, with more qualitative weight for junior roles and more formulaic weight for senior roles.

Aspects of the incentive plan do not align with Dallas ERF's objectives, stakeholder experiences and accountability structure:

- Board holds the investment team accountable for strategic asset allocation recommendations, but the incentive program only reflects accountability for manager selection (by measuring relative outperformance versus a policy benchmark portfolio)
- Incentive program has the potential to pay-out in down markets where stakeholders, including the City of Dallas, have significantly increased costs to fund pension plan shortfalls during down markets
- The Executive Director, who does not have investment accountabilities, participates in the investment team incentive plan

Aspects of the incentive plan could be improved to better align with leading approaches to portfolio performance measurement:

- The plan pays on a total fund performance benchmark only, with no separate private market portfolio component

Recommendations For Change

1 Add an Absolute Return Metric

Add a 3-year 7.25% target absolute total fund return component to the incentive plan

- This metric is an objective goal for the investment team and aligns with Dallas ERF's stakeholder objectives. It will provide a component of the incentive plan that, over short time periods, will payout higher when the market is up, and payout lower when the market is down.
- Aon notes that absolute returns are not a common metric in public fund incentive plans as the investment team has limited control over absolute returns over short time periods, but the metric may be effective as one of several metrics in the plan.

2 Add a Texas Peer Return Metric

Add a 3-year total fund return versus Texas peers metric

- Relative returns versus peers are the second most common metric used in public fund incentive programs. Stakeholders identified performance versus peers as an important consideration when assessing investment team performance.
- Measuring relative peer returns will assist in paying for the investments team relative manager selection and strategic portfolio allocation skills, with overall market returns controlled for.

3 Separate Measurement of Private Market and Public Market Returns vs. Benchmark Portfolio

Replace 1, 3 and 5-year measures of total fund performance versus the benchmark portfolio index with a 3-year measure of public markets performance and a 5-year measure of private markets performance

- Public and private market performance has diverged significantly in recent years. This divergence has shown the need in the market for separate measures and time periods for these different kinds of markets.
- Given the long-term nature of the fund, consider eliminating 1-year measures and implementing a single 3-year measure for public markets, and a longer 5-year measure for private markets.

Recommended Plan Design – Plan Metrics and Weightings

The table below summarizes Aon’s recommended metrics and weightings.

- Public and private investment relative weightings are reflective of their relative size difference in the portfolio and can be adjusted over time.
- Returns versus benchmark are weighted higher than absolute total fund return to reflect higher investment team line-of-site to manager selection decisions than overall return outcomes.

Metrics	Recommended Weighting
3-Yr Public Investments (Return vs. Benchmark on a Time-Weighted Return Basis)	36%
5-Yr Private Investments (Return vs. Benchmark on an IRR basis)	14%
3-Yr Average Absolute Return (Return vs. 7.25% Annual Absolute Expectation)	25%
3-Yr Relative Return vs. Texas Peers (Percentile Positioning vs. Peers)	25%

- As the CIO’s tenure increases, Dallas ERF should consider building up to the above 3 and 5-year measures considering the following:

Metrics	2026	2027	2028	2029	2030
Public Investments (Return vs. Benchmark on a Time-Weighted Return Basis)	1-year	2-year	3-year	3-year	3-year
Private Investments (Return vs. Benchmark on an IRR basis)	1-year	2-year	3-year	4-year	5-year
Average Absolute Return (Return vs. 7.25% Annual Absolute Expectation)	1-year	2-year	3-year	3-year	3-year
Relative Return vs. Texas Peers (Percentile Positioning vs. Peers)	1-year	2-year	3-year	3-year	3-year

Recommended Plan Design – Thresholds, Maximums and Leverage

The table below summarizes Aon’s recommended link between performance metric performance and payouts, using illustrative weightings developed for the Chief Investment Officer.

Metrics	Weight	Performance Metrics ¹			Performance Payout (% of Total Opportunity)		
		Threshold	Target	Maximum	Threshold	Target	Maximum
3-Yr Public Investments (Return vs. Benchmark on a Time-Weighted Return Basis)	36%	0bps	12.5bps	25bps	18%	36%	54%
5-Yr Private Investments (Return vs. Benchmark ¹ on an IRR basis)	14%	0bps	100bps	200bps	7%	14%	21%
3-Yr Average Absolute Return	25%	3.50% (75% Chance of Achieving)	7.25%	11.00% (25% Chance of Achieving)	12.5%	25%	37.5%
3-yr Return vs. Texas Peers	25%	25 th Percentile	50 th Percentile	75 th Percentile	12.5%	25%	37.5%
Total	100%				50%	100%	150%

- Maximum performance under each of the three quantitative metrics is calibrated to reflect 75th percentile investment performance based on expected return simulations run by Aon
- For relative return measure metrics, threshold is set at 0bps versus benchmark, as otherwise the fund would have been better off utilizing passive / index-based approaches at a lower expense
- For the absolute return measure, the table above sets threshold at 25th percentile investment performance based on expected return simulations run by Aon. Dallas ERF could choose to make threshold for this metric more difficult and set at 7.25%, which would be exceeded approximately 50% of the time based on Aon’s return simulations.



Note: (1) Aon recommends performance be measured against the Russell 3000 + 2%. Maximum payout is at Russell 3000 + 4%

Other Recommended Plan Design Features

The following design features represent areas for further discussion prior to finalization of the incentive plan.

Use of Deferral When Absolute Returns are Negative

- Most funds retain discretion within the administration of the plan to defer all or a portion of incentive awards when absolute fund returns are negative. A minority of plans have a formulaic approach that requires deferral if absolute returns are negative.
- Aon recommends that the Dallas ERF Board retain discretion within the incentive plan design to defer incentive plan awards when absolute returns are negative.

Recommended Incentive Opportunity

- This incentive plan design can work with various target and maximum incentive opportunities. The following incentive target and maximum incentive opportunities are competitive with the compensation analysis, provided under a separate report.
- Recommended incentive opportunities, as a percent of base salary, to consider are:

	Target Incentive Opp	Maximum Incentive Opp
Executive Director	20%	30%
Chief Investment Officer	20%	30%
Investment Staff	15%	22.5%

Reassess Investment Benchmarks

- Reassess investment benchmarks to ensure continued alignment with ERF's strategic objectives and evolving asset allocation, consistent with recommendations outlined in Aon's investment consulting report.

Interim Benchmarks

- Establish interim benchmarks to measure performance until asset class allocations reach their target portfolio levels.

