

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEARS ENDED  
DECEMBER 31, 2025 & 2024



EMPLOYEES' RETIREMENT FUND  
OF THE CITY OF DALLAS

A COMPONENT UNIT OF THE CITY OF DALLAS, TX

2025 AT – A – GLANCE

(unaudited)

(\$ in thousands)

Active Members	8,116
Benefit Recipients	8,117
Inactive Members	2,078
Fund Net Position	\$3,970,633
Benefits Paid	\$359,469
Refunds	\$15,821
Member Contributions	\$77,981
City Contributions	\$86,580
Investment Rate of Return	11.77%

The Employees' Retirement Fund provides retirement, disability and death benefits to permanent civilian employees of the City of Dallas.

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# ANNUAL COMPREHENSIVE FINANCIAL REPORT | 2025

FISCAL YEARS ENDED  
DECEMBER 31, 2025 AND 2024



Prepared by the Staff of The Employees' Retirement Fund

**DAVID K. ETHERIDGE**  
**EXECUTIVE DIRECTOR**

## **EMPLOYEES' RETIREMENT FUND OF THE CITY OF DALLAS**

*A Fiduciary Component Unit of the City of Dallas*

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# 2025

## INTRODUCTORY SECTION



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## LETTER OF TRANSMITTAL

June 29, 2026

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

Dear Board of Trustees and Fund Members:

The Annual Comprehensive Financial Report (“Annual Report” or “ACFR”) of the Employees’ Retirement Fund of the City of Dallas (“ERF” or “Plan”) for the fiscal years ended December 31, 2025 and 2024 is submitted herewith. Our mission is to provide retirement benefits and superior service to advance the financial security of our members. The management of ERF assumes full responsibility for both the accuracy of the data and the completeness and fairness of the presentation based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Weaver and Tidwell, L.L.P. has issued an unmodified (“clean”) opinion on the financial statements as of and for the year ended December 31, 2025. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### Plan Overview

ERF was established by ordinance in November 1943 and became effective in January 1944 after ratification by the voters of the City of Dallas. ERF is a single-employer defined benefit pension plan sponsored by the City of Dallas, Texas (the “City”) and governed by Chapter 40-A of the City Code. It provides retirement, disability, and death benefits to its members. All employees of the City are members except police officers, firefighters, elected officers, non-salaried appointee members of administrative boards or commissions, temporary employees, individuals working under contract, and individuals whose salaries are paid in part by another government agency. Members are entitled to retirement benefits at the date of eligibility for retirement or disability or to survivor benefits after two years of service.

### Investments

The Board of Trustees oversees ERF’s portfolio, managers, and performance, as well as reviews and approves potential investment opportunities, with input from the investment consultant and staff. The Board follows the “prudent person rule” which states that fiduciaries shall discharge their duties solely in the interest of ERF and its participants and beneficiaries with the degree of diligence, care and skill which a prudent person would ordinarily exercise under similar circumstances in such a position.

An integral part of the overall investment policy is the strategic asset allocation policy. This policy is designed to provide an optimal diversification to reduce risk and maximize the total rate of return relative to risk. This emphasizes a maximum diversification of the portfolio that protects ERF from declines that a particular asset class may experience in a given



period. The Plan had a return of 11.77% for 2025 and 9.14% for 2024, and 10.09% for 2023. The Plan expects and assumes an investment rate of 7.25% over the long term, which encompasses many years in the future.

#### Additions to Plan Net Position

The collection of employer and member contributions, as well as income from investments, is intended to provide the reserves needed to finance retirement benefits. Contribution and net investment income for 2025, including unrealized gains and losses, total \$599 million.

City and member contributions for the fiscal year were approximately \$165.0 million, an increase of \$8.9 million from the prior year. This is primarily attributed to merit pay increases for civilian employees and an overall increase in hiring. The City's net contribution rate toward the pension plan was 14.44% in 2025. The City's total contribution rate was 22.68%, of which 8.24% was for debt service payments on pension obligation bonds. Effective with the first pay period in October 2025, the City's net contribution rate increased to 16.50% and its total rate to 24.62% under the Funding Soundness Restoration Plan (FSRP). The members' contribution rate remained unchanged at 13.32% in 2025 for Tier B members. For Tier A members, the rate increased to 14.00% effective with the first pay period in October 2025. The City's contributions received in 2025 were \$87 million and members' contributions were \$78 million.

#### Deductions from Plan Net Position

The principal purpose for which ERF was established is to provide retirement benefits, survivor benefits, and total and permanent disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, refund of contributions to terminated employees, and the cost of administering ERF.

Deductions for fiscal year 2025 totaled \$386 million representing an increase of 3.75% compared to 2024. This increase can be attributed to several factors, including the average number of retirees and beneficiaries, the cost-of-living adjustment of 2.94% for Tier A and Tier B members, as well as higher average benefit payments for new retirees compared to retirees who have passed away. Additionally, administrative expenses, which are controlled by a budget approved by the Board of Trustees, decreased by \$14 thousand compared to the previous year due to lower professional services fees.

#### Accounting System and Internal Controls

This ACFR was prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") that apply to government accounting for fiduciary funds. The accompanying financial statements are prepared using the accrual basis of accounting. Member and employer contributions are recognized in the period in which employee services are performed. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. The statistical section is a required part of an ACFR.

In developing and evaluating ERF's accounting system, it was determined that internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.



### Funding

A pension fund is well funded when it is receiving enough money to meet all expected future obligations to its participants. ERF's funding objective is to meet long-term benefit payments through contributions that remain approximately level as a percent of member payroll. As of December 31, 2025, the funded ratio was 67.4% based on the actuarial value of assets which smooths gains and losses over a 5-year period. The actuarial accrued liability and actuarial value of assets of ERF as of December 31, 2025 amounted to \$5.69 billion and \$3.83 billion, respectively. A detailed discussion of funding is provided in the Actuarial Section of this report.

### Professional Services

Consultants are appointed by the Board of Trustees to perform professional services that are essential to the effective and efficient operation of ERF. An opinion from the certified public accounting firm of Weaver and Tidwell, L.L.P., the actuarial report from Gabriel, Roeder, Smith & Company, and the investment consultant letter from Wilshire Associates Inc. are included in this report. The consultants appointed by the Board of Trustees are listed in the Introductory Section.

### Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the Employees' Retirement Fund of the City of Dallas for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2024. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This was the ninth consecutive year that ERF had achieved this prestigious award. To be awarded a Certificate of Achievement, the ERF had to publish an easily readable and efficiently organized Annual Comprehensive Financial Report that satisfied both GAAP and applicable program requirements.

A Certificate of Achievement is valid for a period of one year. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The compilation of this report reflects the combined effort of the staff under the leadership of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the funds of ERF. The report is available to all members of ERF.

We would like to express our gratitude to the Board, staff, advisors, and others who have worked so diligently to ensure the successful operation of ERF.

Respectfully submitted,

David K Etheridge  
Executive Director

Edward R. Scott  
Chief Financial Officer



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Employees' Retirement Fund of the City of Dallas  
Texas**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2024

*Christopher P. Morill*

Executive Director/CEO

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## **BOARD OF TRUSTEES**

*As of December 31, 2025*

T. Dupree Scovell (Chair)  
Council Appointed Member

Tina B. Richardson (Vice Chair)  
Employee Elected Member

Henry Talavera  
Council Appointed Member

Dr. John W. Peavy III  
Council Appointed Member

Sunil King  
Employee Elected Member

John Jenkins  
Employee Elected Member

Mark S. Swann  
City Auditor

## **PROFESSIONAL SERVICE PROVIDERS**

*As of December 31, 2025*

### **MASTER CUSTODIAN**

The Northern Trust Company

### **CONSULTING ACTUARY**

Gabriel, Roeder, Smith & Company

### **INVESTMENT CONSULTANT**

Wilshire Advisors LLC

Bloomberg Inc

### **INVESTMENT ACCOUNTING FIRM**

STP Investment Services

### **AUDITOR**

Weaver and Tidwell, L.L.P.

### **LEGAL ADVISORS**

Baker & Hostetler LLP

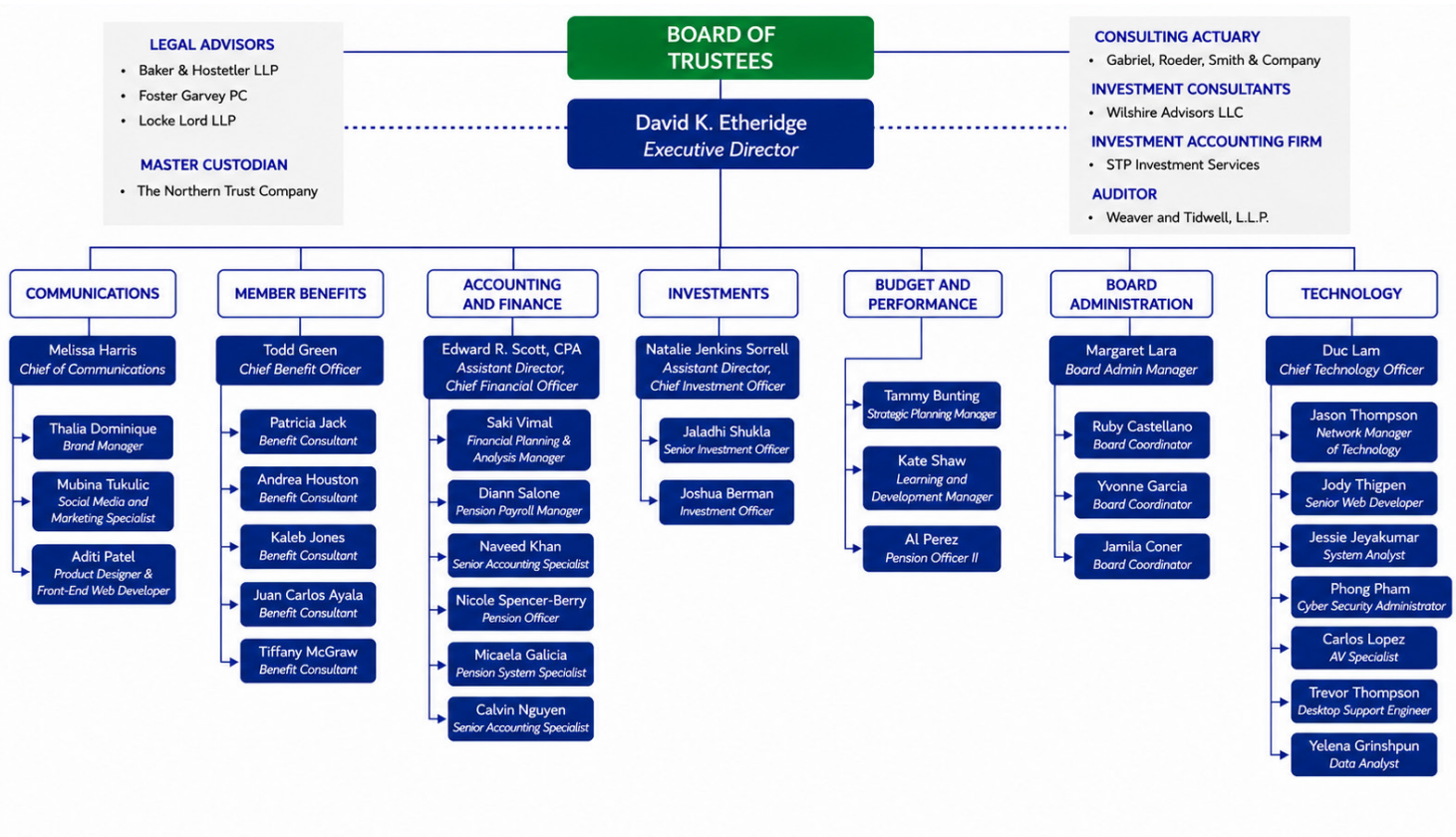
Foster Garvey PC

Locke Lord LLP

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# ORGANIZATIONAL CHART

As of December 31, 2025



Information regarding investment professionals who provide services to the Fund is presented in the Schedule of Investment Management Fees on page 77 in the Investment Section.

## PLAN SUMMARY

### Summary of Key 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 Plan. Tier A members were hired prior to January 1, 2017. An amendment to the governing documents passed by voters on November 8, 2016 created a new tier of benefits, Tier B, for members hired on or after January 1, 2017.

**Contributions** **Member:** Effective October 1, 2025, Tier A members' contribution rate is 14% of pay while Tier B members' contribution rate is 13.32% of pay.

**City:** Effective October 1, 2025, the City's contribution rate is actuarially determined to fully fund the Plan within 30 years. The funding period is reduced each year until, after 10 years, a 20 year funding period is maintained. The actuarially determined contribution rate is phased in over a 5-year period which began October 1, 2025.

### Definitions

#### **Final Average Salary:**

#### **Tier A**

Average monthly salary over the member's highest three years of service.

#### **Tier B**

Average monthly salary over the member's highest five years of service.

#### **Credited Service:**

Length of time as an employee of the City of Dallas and while making contributions to the Plan.

### 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 rule, the member's pension will be actuarially reduced for each year prior to the age of 65 that the member retires.

## Retirement Benefits

### Tier A

The retirement benefit equals 2-3/4% multiplied by average monthly salary 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 salary 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 after 15 years of service.

### Tier B

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

## 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 if 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.

## Disability Retirement Pension

### Non-Service Disability:

#### Eligibility:

Five (5) years of service if active or ten (10) years of service if deferred vested and totally and permanently incapacitated for duty.

#### Monthly Benefit:

Computed based on average monthly earnings and credited service at time of disability but not less than 10 times the percentage multiplied by the average monthly earning.

**Service Disability:**

**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.

**Monthly Benefit:**

Calculated as a non-service disability pension but not less than \$1,000 per month.

**Death Benefits**

**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.

**Monthly Benefit:**

Based on average monthly earnings and credited service at death but not less than 10 times the percentage multiplier multiplied by the average monthly earnings.

**Minimum Service Death Benefit:**

Not less than \$1,000 per month if death resulted from a service-related injury.

**Return of Accumulated Contributions**

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

**Cost-of-Living Adjustment**

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

- a) The percentage of change in the price index for October of the current year over October of the previous year, up to 5% for Tier A and 3% for Tier B 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% for Tier A and 3% for Tier B.

2025

**FINANCIAL  
SECTION**



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2300 North Field Street, Suite 1000  
Dallas, Texas 75201  
972-490-1970

## Independent Auditor's Report

To the Board of Trustees of the  
Employees' Retirement Fund of the City of Dallas, Texas

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the Employees' Retirement Fund of the City of Dallas (the Plan), as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as of December 31, 2025 and 2024, and the changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Weaver and Tidwell, L.L.P.

CPAs AND ADVISORS | [WEAVER.COM](http://WEAVER.COM)

The Board of Trustees of the  
Employees' Retirement Fund of the City of Dallas

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control – related matters that we identified during the audit.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of money-weighted rates of return, and schedule of contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plan's basic financial statements. The schedule of administrative expenses, schedule of investment expenses, and schedule of payments for professional services are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of administrative expenses, schedule of investment expenses, and schedule of payments for professional services are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Board of Trustees of the  
Employees' Retirement Fund of the City of Dallas

***Other Information Included in the Annual Comprehensive Financial Report (ACFR)***

Management is responsible for the other information included in the ACFR. The other information comprises the introductory section, investment section, actuarial section, and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
June 29, 2026

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information

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## 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
<b>Fiduciary Net Position</b>				
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		\$3,970,633	\$3,757,482	\$3,649,102
<b>Changes in Fiduciary Net Position</b>				
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		\$599,283	\$480,542	\$483,842
<b>Deductions:</b>				
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		\$386,132	\$372,162	\$351,020
Change in Fiduciary Net Position Restricted for Pension Benefits		213,151	108,380	132,822
<b>Net Position Restricted for Pension Benefits:</b>				
Beginning of Year		3,757,482	3,649,102	3,516,280
End of Year		\$3,970,633	\$3,757,482	\$3,649,102

## 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 a 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 9 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.

### **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.

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**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF DALLAS**

Statements of Fiduciary Net Position  
As of December 31, 2025 and 2024  
(\$ in thousands)

	2025	2024
<b>ASSETS:</b>		
Cash and short-term investments	\$ 75,294	\$ 105,936
Collateral on loaned securities	145,468	199,812
	220,762	305,748
<b>Capital Asset:</b>		
Construction-in-Progress	108	-
Intangible Assets	3,875	4,713
Furniture and Fixtures, net	20	33
Total capital assets (net)	4,003	4,746
<b>Receivables:</b>		
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
<b>Investments, at fair value:</b>		
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
<b>Investments, at estimated fair value:</b>		
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
<b>LIABILITIES:</b>		
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 contracts losses	254	-
Securities lending collateral	145,468	199,812
Total liabilities	1,151,637	1,324,704
<b>NET POSITION RESTRICTED FOR PENSION</b>	<b>\$ 3,970,633</b>	<b>\$ 3,757,482</b>

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

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	<u>3,757,482</u>	<u>3,649,102</u>
End of year	<u>\$ 3,970,633</u>	<u>\$ 3,757,482</u>

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

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF DALLAS**

Notes to the Financial Statements  
December 31, 2025 and 2024

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	3,962	3,984
Total current members	<u>8,116</u>	<u>8,070</u>
Total membership	<u><u>18,311</u></u>	<u><u>18,161</u></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

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF DALLAS**

Notes to the Financial Statements  
December 31, 2025 and 2024

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.

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF DALLAS**

Notes to the Financial Statements  
December 31, 2025 and 2024

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.

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF DALLAS**

Notes to the Financial Statements  
December 31, 2025 and 2024

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 2025, 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 2024, through the first pay period in October 2025. The City's 22.68% rate was allocated between 14.44% contributed directly to the Plan and 8.24% designated for debt service payments on the pension obligation bonds, which 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 total contribution rate beginning October 1, 2025 was established at 38.22% under the FSRP corridor funding framework. The City's portion was 24.62%, allocated between 16.50% contributed directly to the Plan and 8.12% designated for debt service payments on the pension obligation bonds.

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) Reporting Entity

The Plan is a fiduciary component unit of the City of Dallas, Texas (the "City"), the primary government, and is reported as a pension trust fund in the City's annual comprehensive financial report. The Plan is considered a component unit of the City because the City Council appoints three of the seven members of the Board of Trustees and the City Auditor serves ex officio, the Plan was established by and operates under Chapter 40A of the Dallas City Code, and amendments to the Plan require approval of the City Council and the voters of the City. The Plan issues this stand-alone annual comprehensive financial report, which may be obtained from the Employees' Retirement Fund of the City of Dallas, 1920 McKinney Avenue, 10th Floor, Dallas, Texas 75201, or at [www.dallaserf.org](http://www.dallaserf.org).

b) 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.

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF DALLAS**

Notes to the Financial Statements  
December 31, 2025 and 2024

c) 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.

d) 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.

e) 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.

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF DALLAS**

Notes to the Financial Statements  
December 31, 2025 and 2024

**SUMMARY OF ASSET ALLOCATION TARGETS AND RANGES**

	Target	Minimum	Maximum
<b>Equity</b>			
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%
<b>Total Equity</b>	<b>48.50%</b>	<b>46.50%</b>	<b>50.50%</b>
<b>Fixed Income</b>			
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%
<b>Total Fixed Income</b>	<b>34.00%</b>	<b>32.00%</b>	<b>36.00%</b>
<b>Real Assets</b>			
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%
<b>Total Real Assets</b>	<b>15.00%</b>	<b>13.00%</b>	<b>17.00%</b>
<b>Diversifying Strategies</b>			
Marketable Alternatives	2.50%	0.50%	4.50%
<b>Total Diversifying Strategies</b>	<b>2.50%</b>	<b>0.50%</b>	<b>4.50%</b>
<b>TOTAL PORTFOLIO</b>	<b>100.00%</b>		

f) 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

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF DALLAS**

Notes to the Financial Statements  
December 31, 2025 and 2024

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.

g) 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.

h) 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.

i) 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.

j) 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.

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF DALLAS**

Notes to the Financial Statements  
December 31, 2025 and 2024

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

k) Rate of Return

For the year ended December 31, 2025, the annual money-weighted rate of return on pension plan investments, 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**

<b>For Year Ended December 31</b>	<b>Annual Investment Returns</b>
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%

l) 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.

m) 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.

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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.

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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	-
Colombian 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)

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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.

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

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

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

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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	Fair Value	<u>2025</u>	Fair Value	<u>2024</u>
		Percentage of Bond Portfolio		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%
<b>Total</b>	<b>\$1,227,403</b>	<b>100%</b>	<b>\$1,133,379</b>	<b>100%</b>

\*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.

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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	-	-	-
<b>Total</b>	<b>\$603,488</b>	<b>\$8,576</b>	<b>\$493,594</b>	<b>(\$3,241)</b>	<b>\$523,968</b>	<b>\$4,871</b>	<b>\$542,313</b>	<b>(\$22,069)</b>

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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	2025			2024		
	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
<b>Total</b>	<b>1,227,403</b>			<b>1,133,379</b>		
Portfolio weighted average maturity			<b>13.73</b>			<b>14.00</b>

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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
	333,718	229,433
Investments at estimated fair value:		
Real assets	(6,730)	(7,896)
Private equity	3,234	(14,617)
	\$330,222	\$206,920

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.

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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
<b>Investments by Fair Value Level</b>				
Cash and Short Term Investment:				
Short-Term Investment Fund	\$ 75,294	\$ 75,294	\$ -	\$ -
Total Cash and Short Term Investment	<u>\$ 75,294</u>	<u>\$ 75,294</u>	<u>\$ -</u>	<u>\$ -</u>
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	<u>\$ 841,575</u>	<u>\$ -</u>	<u>\$ 841,575</u>	<u>\$ -</u>
Equity:				
Domestic Common and Preferred Stock	\$ 957,125	\$ 956,756	\$ -	\$ 369
International Common and Preferred Stock	483,319	483,273	46	-
Total Equity	<u>\$ 1,440,444</u>	<u>\$ 1,440,029</u>	<u>\$ 46</u>	<u>\$ 369</u>
<b>Total Investments by Fair Value Level</b>	<u>\$ 2,357,313</u>	<u>\$ 1,515,323</u>	<u>\$ 841,621</u>	<u>\$ 369</u>
<b>Investments Measured at Net Asset Value</b>				
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	<u>\$ 942,228</u>			
Alternative Investments:				
Private Equity	\$ 364,075			
Real Estate	303,400			
Total Alternative Investments	<u>\$ 667,475</u>			
<b>Total Investments Measured at Net Asset Value</b>	<u>\$ 1,609,703</u>			

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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
<b>Investments by Fair Value Level</b>				
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
<b>Total Investments by Fair Value Level</b>	<b>\$ 2,179,045</b>	<b>\$ 1,402,085</b>	<b>\$ 776,804</b>	<b>\$ 156</b>
<b>Investments Measured at Net Asset Value</b>				
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			
<b>Total Investments Measured at Net Asset Value</b>	<b>\$ 1,575,329</b>			

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF DALLAS**

Notes to the Financial Statements  
December 31, 2025 and 2024

**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.

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF DALLAS**

Notes to the Financial Statements  
December 31, 2025 and 2024

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                      \$83.9 million

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

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF DALLAS**

Notes to the Financial Statements  
December 31, 2025 and 2024

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	12/31/2025			12/31/2024		
	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	12/31/2025			12/31/2024		
	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

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF DALLAS**

Notes to the Financial Statements  
December 31, 2025 and 2024

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

**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%

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF DALLAS**

Notes to the Financial Statements  
December 31, 2025 and 2024

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 is 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.

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF DALLAS**

Notes to the Financial Statements  
December 31, 2025 and 2024

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 fair 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

**EMPLOYEES' RETIREMENT FUND OF  
THE CITY OF DALLAS**

Notes to the Financial Statements  
December 31, 2025 and 2024

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>
6.25%	7.25%	8.25%
\$2,505,941	\$1,856,999	\$1,314,471

10) Implementation of New Accounting Standards

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

11) Subsequent Events

The Plan has evaluated its December 31, 2025, financial statements for subsequent events through June 29, 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)

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**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>
<b>Total Pension Liability</b>										
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)
<b>Net Change in Total Pension Liability</b>	<b>71,788</b>	<b>(1,032,776)</b>	<b>144,573</b>	<b>1,408,322</b>	<b>(1,115,493)</b>	<b>551,129</b>	<b>110,762</b>	<b>1,170,120</b>	<b>86,042</b>	<b>(1,075,762)</b>
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
<b>Total Pension Liability – Ending (a)</b>	<b>\$5,686,269</b>	<b>\$5,614,481</b>	<b>\$6,647,257</b>	<b>\$6,502,684</b>	<b>\$5,094,362</b>	<b>\$6,209,855</b>	<b>\$5,658,726</b>	<b>\$5,547,965</b>	<b>\$4,377,844</b>	<b>\$4,291,802</b>
<b>Plan Fiduciary Net Position</b>										
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
<b>Net Change in Plan Fiduciary Position</b>	<b>213,151</b>	<b>108,380</b>	<b>132,822</b>	<b>(576,935)</b>	<b>386,462</b>	<b>48,665</b>	<b>375,775</b>	<b>(329,947)</b>	<b>260,217</b>	<b>149,835</b>
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
<b>Plan Fiduciary Net Position – Ending (b)</b>	<b>3,970,633</b>	<b>3,757,482</b>	<b>3,649,102</b>	<b>3,516,280</b>	<b>4,093,215</b>	<b>3,706,753</b>	<b>3,658,088</b>	<b>3,282,313</b>	<b>3,612,260</b>	<b>3,352,043</b>
<b>Net Pension Liability – Ending (a)-(b)</b>	<b>\$1,715,636</b>	<b>\$1,856,999</b>	<b>\$2,998,155</b>	<b>\$2,986,404</b>	<b>\$1,001,147</b>	<b>\$2,503,102</b>	<b>\$2,000,638</b>	<b>\$2,265,651</b>	<b>\$765,584</b>	<b>\$939,759</b>
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 <sup>1</sup>	Actual Contributions <sup>2</sup>	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.

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OTHER  
SUPPLEMENTARY INFORMATION  
(unaudited)

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## SCHEDULE OF ADMINISTRATIVE EXPENSES

### FY 2025

(\$ in thousands)

#### Personal Services:

Salaries	\$4,586
Retirement	791
Insurance	778
<b>Total Personal Services</b>	<b>\$6,155</b>

#### Professional Services:

Actuary Service	\$113
Accounting & Audit Fees	98
Legal Fees	445
<b>Total Professional Services</b>	<b>\$656</b>

#### Operating Services:

Data Processing	\$1,037
Rent	547
Supplies and Services	85
Travel and Training	168
Indirect and Other Costs	994
<b>Total Operating Services</b>	<b>\$2,831</b>

#### Furniture & Fixtures:

Furniture	-
Other	349
<b>Total Furniture &amp; Fixtures</b>	<b>\$349</b>

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<b>Total Administrative Expenses</b>	<b>\$9,991</b>
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## SCHEDULE OF INVESTMENT EXPENSES

as of December 31, 2025  
(\$ in thousands)

Manager Fees	\$18,483
Custodian Fees	110
Securities Lending Fees*	342
Investment Consultant Fees	725
<b>Total Investment Expenses</b>	<b>\$19,660</b>

\*Securities lending fees include broker rebates and the lending agent's fees.

## SCHEDULE OF PAYMENTS FOR PROFESSIONAL SERVICES

as of December 31, 2025  
(\$ in thousands)

### **Accounting and Audit:**

Weaver and Tidwell, L.L.P.	\$48
STP Investment Services	50

### **Actuarial:**

Gabriel, Roeder, Smith & Company	\$113
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### **Legal:**

BAKER & HOSTETLER LLP	\$152
FOSTER GARVEY	293

<b>Total Professional Services Payments</b>	<b>\$656</b>
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2025

**INVESTMENT  
SECTION**



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# Wilshire

1299 Ocean Ave, Ste 700  
Santa Monica, CA 90401 USA

+1 310 451 3051

Mr. David Etheridge  
Executive Director  
Employees' Retirement Fund of the City of Dallas  
1920 McKinney Ave. 10<sup>th</sup> Floor  
Dallas, TX 75201  
Re: 2025 Performance Results

Dear Mr. Etheridge:

The purpose of this letter is to review the 2025 investment performance results of the Employees' Retirement Fund of the City of Dallas (hereby referred to as "ERF" or "the Fund").

Capital market assumption changes to the various asset classes reflect evolving economic and market conditions, as well as expectations for how those conditions may develop over time. A key shift that began in 2022 continued into 2025, as the Federal Open Market Committee transitioned from a prolonged period of restrictive policy toward gradual easing. After holding rates steady through much of 2024, the Fed implemented modest rate cuts in 2025 while maintaining a cautious stance amid still-elevated inflation, leaving short-term rates lower but still above the post-GFC averages. Further out on the Treasury curve, the bellwether 10-year Treasury experienced continued volatility before ending the year at 4.2%. The yield curve progressed out of inversion, with spreads between longer- and shorter-term rates turning positive as short-term yields declined and longer-term yields remained elevated. Economic growth moderated relative to 2024 but remained resilient, supported primarily by consumer spending, with business investment and government spending contributing more modestly. Inflation remained persistent, complicating the pace of monetary easing. From an expected return perspective, elevated valuations and a higher-for-longer rate environment continued to weigh on equity return expectations, while fixed income asset classes benefited from higher starting yields and improved income potential.

Equity markets continue to benefit from resilient earnings and AI-driven productivity trends, although elevated expectations, expanding capex demands, and growing macro uncertainty create a higher bar for performance and underscore the importance of maintaining a balanced risk posture. The FT Wilshire 5000 Index was up 17.1% during 2025, where the two largest sectors, digital information and services (20.9%), and technology (19.0%), were up by 19.9% and 31.7%, respectively, for the year. The annual return was less than the 2024 return, but the five-year return still has a strong gain of 13.4%, annualized. Both developed international and emerging markets delivered exceptionally strong returns in 2025, with the MSCI EAFE Index gaining approximately 31.2% and the MSCI Emerging Markets Index rising about 33.6%, as emerging markets outperformed on the back of cyclical recovery and a weaker U.S. dollar, while EAFE gains were driven largely by financials and value stocks. Meanwhile, Europe's largest economies — Germany, the United Kingdom, and France — grew modestly in 2025, held back by weak consumer demand and slow business activity. Fixed income investments had a strong year as yields moved lower, with the Bloomberg U.S. Aggregate Index returning about 7.3%. Credit sectors also contributed as spreads tightened, with U.S. high yield bonds (Bloomberg High Yield Index) returning 8.6%, outpacing investment-grade bonds and helping the overall portfolio.

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\* All portfolios are valued at the end of each month. Wilshire calculates performance in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Wilshire measures investment managers' performance using the Modified Dietz method, which is the GIPS recommended approximation of the time-weighted rate of return daily valuation method.

The approved allocations as of the end of 2025 were:

<u>Asset Class</u>	<u>Allocation</u>
Domestic Equity	12.0%
International Equity	11.5%
Global Equity	5.0%
Global Low Volatility Equity	10.0%
Investment Grade Fixed Income	17.5%
High Yield	10.0%
Credit Opportunities	4.0%
Global Public Infrastructure	1.25%
REIT	2.5%
Private Real Estate – Core	5.0%
Private Real Estate – Value Add	2.5%
Private Equity	10.0%
Private Credit	2.5%
Marketable Alternatives	2.5%
MLP	3.75%

Through 2025, the Employees' Retirement Fund of the City of Dallas undertook a comprehensive review and update of its asset allocation strategy. Recognizing that asset allocation is the primary driver of portfolio return variability, ERF engaged in a rigorous, multi-stage process to ensure the Fund's long-term sustainability and alignment with its mission to fund promised benefits for participants. ERF's portfolio seeks to take prudent risks during these times of heightened economic and policy uncertainty, because the Fund recognizes that uncertainty is often met with opportunity. ERF also seeks to benefit from idiosyncratic opportunities presented to active managers in this market environment, while continuing to adapt the portfolio to evolving conditions, and maintaining effective diversification to manage portfolio volatility through this phase of the market cycle. The 2025 asset allocation review reflects ERF's commitment to disciplined governance, rigorous analysis, and long-term stewardship of plan assets. The new target asset allocation will be implemented in a thoughtful and prudent manner moving forward.

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Wilshire annually publishes a research paper detailing our long-term nominal return forecast for the next ten years. Our geometric return forecasts are shown below for the major asset classes. Changes in equity valuations, inflation expectations, and rising bond yields were drivers of year-over-year changes to our forward-looking assumptions:

Investment Categories	Total Return			Risk		
	Dec-24	Dec-25	Change	Dec-24	Dec-25	Change
U.S. Stock	4.35 %	<b>4.45 %</b>	0.10 %	17.00 %	<b>17.00 %</b>	0.00 %
Dev Ex-U.S. Stock (USD)	5.35	<b>5.45</b>	0.10	18.00	<b>18.00</b>	0.00
Emerging Market Stock	5.60	<b>5.70</b>	0.10	26.00	<b>26.00</b>	0.00
Global Stock	4.90	<b>5.05</b>	0.15	17.00	<b>17.05</b>	0.05
U.S. Buyouts	5.35	<b>5.45</b>	0.10	30.00	<b>30.00</b>	0.00
Cash Equivalents	3.60	<b>3.25</b>	-0.35	0.75	<b>0.75</b>	0.00
Core Bond	5.20	<b>4.90</b>	-0.30	4.75	<b>4.75</b>	0.00
LT Core Bond	5.35	<b>5.15</b>	-0.20	9.90	<b>9.95</b>	0.05
U.S. TIPS	4.70	<b>4.45</b>	-0.25	6.00	<b>6.00</b>	0.00
High Yield Bond	6.35	<b>6.05</b>	-0.30	10.00	<b>10.00</b>	0.00
Direct Lending	8.15	<b>7.80</b>	-0.35	10.00	<b>10.00</b>	0.00
Non-U.S. Bond (HDG)	3.00	<b>3.25</b>	0.25	4.00	<b>4.00</b>	0.00
U.S. RE Securities	5.70	<b>5.80</b>	0.10	17.50	<b>17.50</b>	0.00
Core Prvt Real Estate	5.80	<b>6.00</b>	0.20	12.00	<b>12.00</b>	0.00
Commodities	4.85	<b>4.80</b>	-0.05	16.00	<b>16.00</b>	0.00
Inflation	2.35	<b>2.30</b>	-0.05	1.75	<b>1.75</b>	0.00
<b>Total Returns Minus Inflation</b>						
U.S. Stocks	2.00	<b>2.15</b>	0.15			
U.S. Bonds	2.85	<b>2.60</b>	-0.25			
Cash Equivalents	1.25	<b>0.95</b>	-0.30			
<b>Stocks Minus Bonds</b>	-0.85	<b>-0.45</b>	0.40			
<b>Bonds Minus Cash</b>	1.60	<b>1.65</b>	0.05			

As always, we thank you for the opportunity to be of service to the Employees' Retirement Fund of the City of Dallas.

Sincerely,

Thomas Toth, CFA  
 Managing Director  
 TToth@wilshire.com

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## INVESTMENT POLICIES SUMMARY

### Statement of Goals

The general investment goals are broad in nature to encompass the purpose of the Employees' Retirement Fund of the City of Dallas ("ERF" or the "Fund") and its investments. The goals articulate the philosophy by which the ERF Board of Trustees ("Board") will manage the Fund's assets within the applicable regulatory constraints.

1. The overall goal of the Fund is to provide benefits, as anticipated under the Plan document, Dallas City Code Chapter 40A, to its participants and their beneficiaries through a carefully planned and executed investment program.
2. The Fund seeks to produce the highest return on investments which is consistent with sufficient liquidity and investment risk that are prudent and reasonable, given prevailing capital market conditions. While the importance of the preservation of capital is recognized, the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with compensating returns is also recognized. Consequently, prudent risk taking is reasonable and necessary.
3. The Fund investment program shall at all times comply with existing and applicable local, state and federal regulations.

### Investment Philosophy

The Fund is long term in nature, and the selection of investments is regulated by: the investment time horizon; the limits of acceptable risk; and the objective of optimizing the total rate of return. Each investment manager is authorized to execute investment transactions on behalf of the Board.

Investment decisions are made under the framework of the goal established for the rate of return, limits of acceptable risk, and Fund objectives. The goal is to optimize the return of the portfolio, as opposed to maximizing the rate of return.

The optimal portfolio mix is one that carefully equates expected rate of return with expected risk of all investment categories utilized in the portfolio. In setting the optimal mix of assets for the portfolio, the Board has developed a strategic asset allocation policy which incorporates a diversified asset mix. The strategic asset allocation is designed to provide an optimal diversification to reduce risk and maximize total rate of return relative to risk and the existing and projected liability structure.

The Board bases its investment strategy and goals on advice obtained from the investment consultant, the staff, and the external investment managers. The Board uses the annual external audit and annual actuarial valuation in its evaluation of the Fund's performance each year.

Article XVI, Section 67 of the Texas Constitution and Chapter 40A of the Dallas City Code give complete responsibility for the management and investment actions of the Employees' Retirement Fund to the Board of Trustees. The Board is held to the standard of conduct of fiduciaries in discharging their responsibilities. According to Chapter 40A the Trustees, as fiduciaries, must carry out their functions solely in the interest of the members and beneficiaries.

### Corporate Governance

The Board considers the active voting of proxies an integral part of the investment process. Proxy voting may be delegated to the discretion of investment managers retained by the Board. The managers shall be required to establish a proxy voting policy and maintain records of proxy votes and shall make these records available quarterly to the Board or its designee. The Board may at its discretion establish an overall policy of voting proxies in which case the managers' proxy voting policy shall be in accordance with that of the Board's. The Board recognizes that in certain non-U.S. markets, investment managers may, balancing the costs and benefits, not exercise proxy voting.

## INVESTMENT RESULTS

The investment managers and the returns by investment category are shown in the following tables.  
Time-weighted rate of return based on fair value.

Investment Category	2025 Rate of Return
Cash Equivalents	4.66%
Credit Opportunities	9.80%
Domestic Equities	15.53%
Global Equities	21.76%
Global Fixed Income	7.63%
Global Low Volatility	12.51%
High Yield Bonds	8.65%
International Equities	32.65%
Private Equity	2.91%
Global Listed Infrastructure	7.67%
Real Estate	1.70%
Marketable Alternatives	9.20%
Private Credit	15.44%
<b>Total Portfolio</b>	<b>11.77%</b>

## INVESTMENT MANAGERS

### Domestic Equities, REITs, Global Listed Infrastructure, & Commingled Index Funds

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Adelante Capital Management, LLC	Northern Trust S&P 500
Atlantic Trust	Systematic Financial Management, LLP
CenterSquare	T. Rowe Price Associates, Inc.
Channing Capital Management, LLC	
Cohen & Steers	
Harvest Fund Advisors	

### International Equities

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Acadian Asset Management, LLC	Baillie Gifford
AQR Capital Management, LLC	Earnest Partners
Ativo Capital Management, LLC	

### Global Equity

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Acadian Global Low Volatility	Northern Trust Asset Management
Ariel Investments	Wellington Management Company, LLP
BlackRock, Inc.	

### Marketable Alternatives

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Davidson Kempner Capital Management	Hudson Bay Capital
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### Fixed Income

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BlackRock -HY	Oaktree Capital Management, LLC
Garcia Hamilton & Associates, L.P.	Neuberger Berman
MGG Structured Solutions	NTAM AGG Bond Index Fund
Silver Point - DOIP II	Wellington - Core Bond
Vista Credit Partners FUND IV	

### Cash Equivalents

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The Northern Trust Company
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### Private Equity

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Fairview Capital Partners	Hamilton Lane
Grosvenor Capital Management	

### Real Estate

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AEW Partners	Invesco Real Estate
Brasa Capital Management	Long Wharf Capital
Heitman Real Estate Investment Management	Virtus Real Estate Cap

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## TOTAL PLAN RESULTS

The Employees' Retirement Fund of the City of Dallas ("ERF", the "Fund") investment portfolio generated a 11.77% return, net of fees, for calendar year 2025. ERF's 5-year return was 7.36%, slightly below its policy index return of 7.69%.

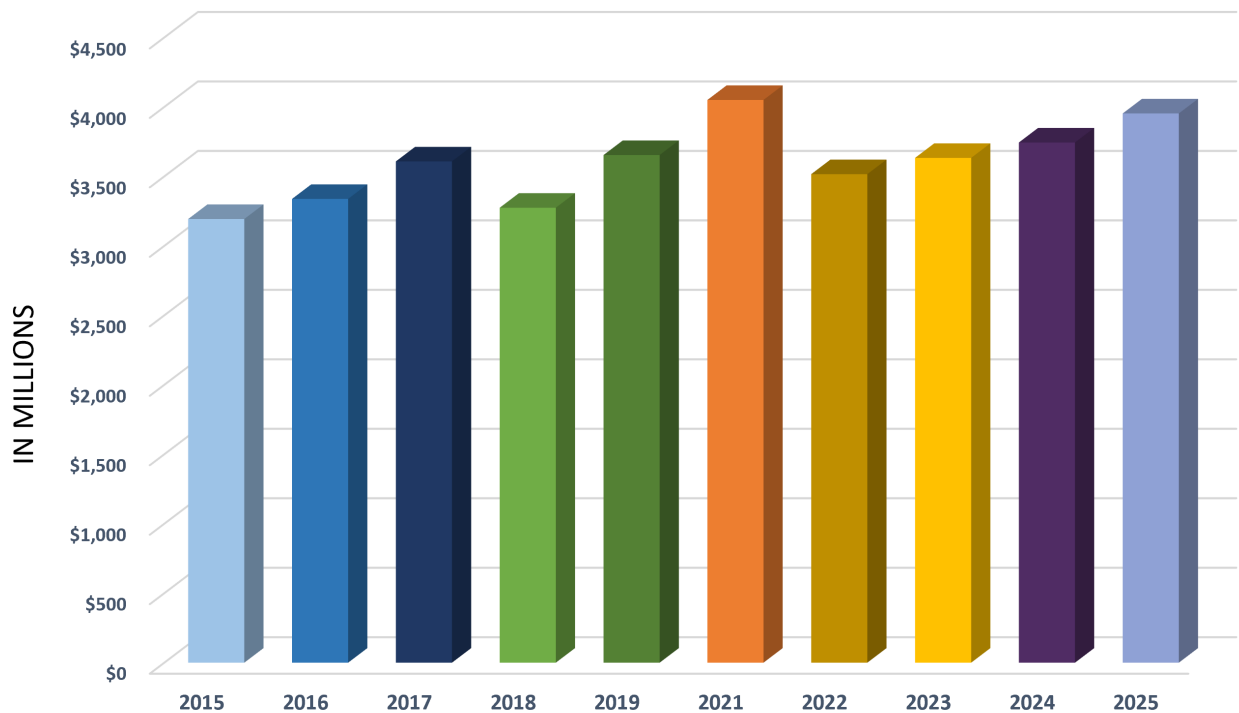
ERF maintains a globally diversified and conservative investment program. The best-performing asset class in 2025 was the International Equity Composite, which returned 32.65%. This investment recorded a 3-year return of 18.55% and a 5-year return of 8.59%.

Global Low Volatility Equity returned 12.51%, outperforming the MSCI ACWI Minimum Volatility Index return of 10.65%. The Fund's Real Estate portfolio returned 1.70% for the year, consisting of publicly traded Real Estate Investment Trusts (REITs) and private core and value-add real estate funds.

Fixed Income comprises 34% of the ERF investment portfolio. The Global Fixed Income allocation returned 7.63%. The High Yield portfolio returned 8.65%, while the Opportunistic Credit portfolio returned 9.80%.

As of December 31, 2025, the Fund's total assets increased to \$3.952 billion, up from \$3.744 billion in 2024. This represents a \$208 million increase from last year. The "Fair Value of Assets" graph below provides a visual summary of the Fund's 10-year growth trajectory.

### FAIR VALUE OF ASSETS



## ASSET ALLOCATION

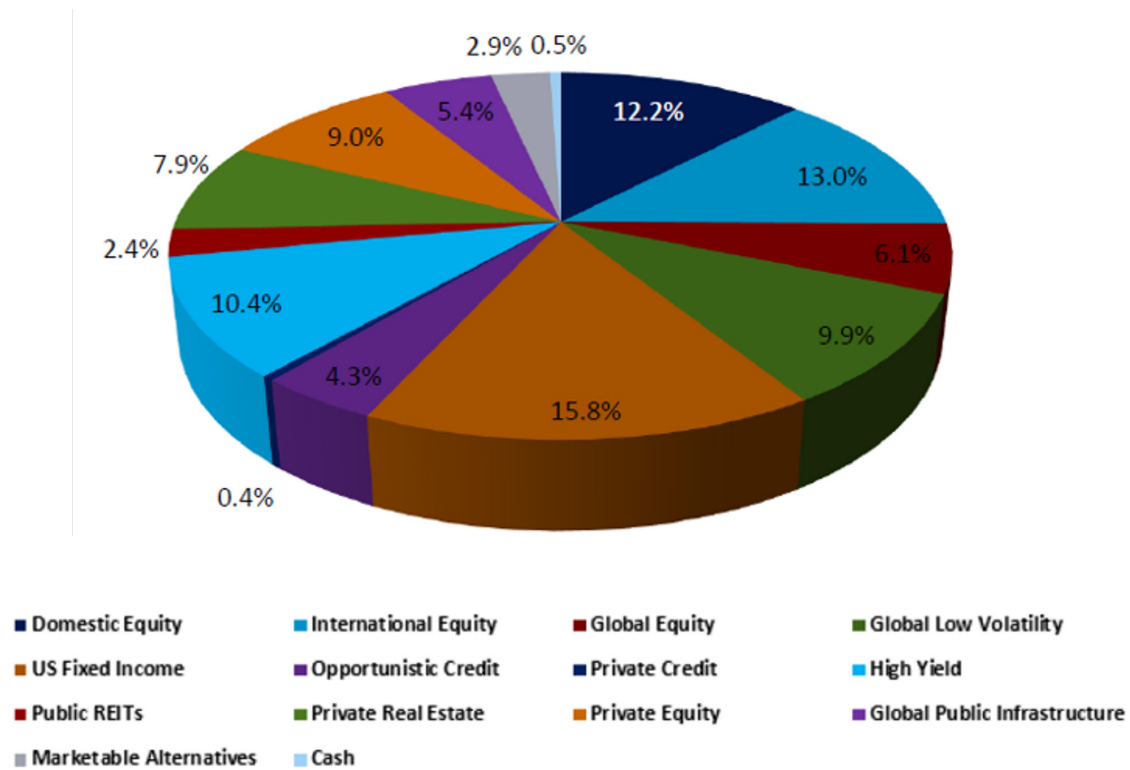
The Fund's long-term strategic asset allocation policy sets the following targets: 66% in equity and 34% in fixed income. Although no specific allocation to cash and equivalents is targeted, cash must be available for the payment of benefits and other expenses of the Plan. To accommodate constantly changing fair values, the Board has approved ranges for each of the asset classes.

## ASSET ALLOCATION POLICY TARGETS

Investment Category	% of Total Fund
<b>Equity</b>	
Domestic Equity	12.00%
International Equity	11.50%
Global Equity	5.00%
Global Low Volatility	10.00%
Private Equity	10.00%
<b>Total Equity</b>	<b>48.50%</b>
<b>Fixed Income</b>	
Core Fixed Income	17.50%
High Yield	10.00%
Credit Opportunities	4.00%
Private Credit	2.50%
<b>Total Fixed Income</b>	<b>34.00%</b>
<b>Real Assets</b>	
Real Estate Investment Trusts	2.50%
Global Listed infrastructure	5.00%
Private Real Estate	7.50%
<b>Total Real Assets</b>	<b>15.00%</b>
<b>Diversifying Strategies</b>	
Marketable Alternatives	2.50%
<b>Total Diversifying Strategies</b>	<b>2.50%</b>
<b>Total Portfolio</b>	<b>100.00%</b>

## EQUITY, FIXED INCOME, REAL ESTATE & DIVERSIFYING STRATEGIES

### ACTUAL ASSET ALLOCATION



### EQUITY (Target: 48.50%)

- **Domestic Equity (12.00%)**

The Domestic Equity portfolio seeks long-term capital appreciation through diversified exposure to U.S. large-, mid-, and small-cap stocks. In 2025, Domestic Equity returned 15.53%, trailing its custom benchmark return of 17.13%. Strategies are implemented through a mix of active and passive mandates, maintaining style balance and liquidity.

- **International Equity (11.50%)**

International Equity offers exposure to non-U.S. developed and emerging markets. The composite returned 32.65% for the year, outperforming its custom benchmark return of 31.96%. The allocation is actively managed and provides diversification benefits due to its historically low correlation with U.S. equities.

- **Global Equity (5.00%)**

Global Equity includes managers investing across both U.S. and non-U.S. markets. The strategy returned 21.76% in 2025, underperforming the 22.34% benchmark. It serves as a flexible complement to standalone U.S. and international allocations, with global mandates offering dynamic capital allocation across regions.

- **Global Low Volatility Equity (10.00%)**

This segment seeks to reduce overall equity portfolio volatility through factor-based and low-beta equity strategies. The portfolio returned 12.51%, outperforming the MSCI AC World Minimum Volatility Index (Net), which returned 10.65%. These strategies tend to overweight defensive sectors such as utilities, healthcare, and consumer staples.

- **Private Equity (10.00%)**

The Private Equity program targets long-term return enhancement through commitments to buyout, growth equity, and venture capital funds. As of year-end, Private Equity represented 8.9 % of the Plan and returned 2.91% in 2025. The program is diversified by vintage year, geography, and strategy.

**FIXED INCOME (Target: 34.00%)**

- **Core Fixed Income (17.50%)**

Core Fixed Income includes investment-grade bonds managed with a global opportunity set. In 2025, the portfolio returned 7.63%, outperforming the Bloomberg Aggregate Bond Index return of 7.30%. This allocation is designed to preserve capital and provide consistent income.

- **High Yield (10.00%)**

The High Yield segment of the portfolio returned 8.65%, slightly over the FTSE High Yield Cash Pay Index return of 8.50%. High Yield enhances return and diversifies equity beta exposure within the fixed income sleeve.

- **Credit Opportunities (4.00%)**

This flexible sleeve invests opportunistically across fixed income strategies and risk spectrums. The opportunistic credit portfolio returned 9.80% in 2025.

- **Private Credit (2.50%)**

Private Credit provides customized debt solutions to borrowers. These typically include direct lending, specialty finance, and structured capital. The allocation supports yield enhancement, diversification, and downside protection with reduced correlation to public markets.

**REAL ASSETS (Target: 15.00%)**

- **Real Estate Investment Trusts (2.50%)**

Public REITs returned 2.42% in 2025, underperforming the Wilshire U.S. Real Estate Securities Index at 3.47%. This allocation provides liquid real estate exposure and supports income generation through dividends and capital appreciation.

- **Global Listed Infrastructure (5.00%)**

The Fund's Global Listed Infrastructure composite returned 7.67%, trailing its benchmark (Global Listed Infrastructure Benchmark), which returned 7.36%. These investments offer inflation sensitivity and long-duration cash flows through exposure to utilities, transportation, and energy infrastructure.

- **Private Real Estate (7.50%)**

This includes 5.00% Core Real Estate and 2.50% Value-Add Real Estate. The Core component targets stabilized, income-generating properties, while Value-Add focuses on properties undergoing repositioning, leasing, or redevelopment.

**DIVERSIFYING STRATEGIES (Target: 2.50%)**

- **Marketable Alternatives (2.50%)**

These strategies include absolute return, low-beta, and non-directional exposures, typically through hedge funds or liquid alternative structures. While performance is not broken out in the current year's reporting, the allocation seeks to reduce overall volatility and protect capital in adverse market environments. Strategies may include long/short equity, macro, relative value, and multi-strategy mandates, all designed to be uncorrelated with traditional equity and fixed income.

**ANNUALIZED RATE OF RETURN**

As of December 31, 2025

Time-weighted rate of return based on fair value

	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>
<b>Total Fund</b>	<b>11.77%</b>	<b>10.26%</b>	<b>7.36%</b>
Domestic Equity	15.53	20.02	13.16
S&P 500 Index	17.88	23.01	14.42
Wilshire 5000 Index	17.13	22.28	13.40
<b>International Equity</b>	<b>32.65</b>	<b>18.55</b>	<b>8.59</b>
MSCI ACWI x-US IMI (Net)	31.96	17.10	7.77
MSCI EAFE Index	31.22	17.22	8.92
<b>Global Equity</b>	<b>21.76</b>	<b>18.15</b>	<b>10.35</b>
MSCI AC World Index (Net)	22.34	20.65	11.19
<b>Global Low Volatility</b>	<b>12.51</b>	<b>11.98</b>	<b>8.15</b>
MSCI AC World Minimum Volatility Index (Net)	10.65	9.91	6.29
MSCI AC World Index (Net)	22.34	20.65	11.19
<b>Fixed Income Composite</b>	<b>7.63</b>	<b>4.73</b>	<b>-0.16</b>
Bloomberg Aggregate Bond Index	7.30	4.66	-0.36
<b>High Yield Fixed Income Composite</b>	<b>8.65</b>	<b>10.06</b>	<b>4.72</b>
FTSE High Yield Cash Pay	8.50	10.09	4.61
<b>Real Estate</b>	<b>1.70</b>	<b>0.96</b>	<b>5.48</b>
Wilshire U.S. Real Estate Securities Index	3.47	9.48	7.04
<b>Private Equity</b>	<b>2.91</b>	<b>2.08</b>	<b>11.03</b>
S&P 500 Index	17.88	23.01	14.42
<b>Public Real Assets</b>	<b>2.42</b>	<b>9.27</b>	<b>7.13</b>
Wilshire U.S. Real Estate Securities Index	3.47	9.48	7.04
<b>Credit Opportunities</b>	9.80	10.58	4.41
Wilshire Custom Benchmark	9.53	10.03	4.28
<b>Global Listed Infrastructure</b>	<b>7.67</b>	<b>16.98</b>	<b>20.34</b>
Wilshire Custom Benchmark	7.36	21.46	23.83
<b>Marketable Alternatives</b>	<b>9.20</b>	<b>8.30</b>	<b>0.00</b>
	0.00	0.00	0.00
<b>Private Credit Composite</b>	<b>15.44</b>	<b>0.00</b>	<b>0.00</b>
	0.00	0.00	0.00

*Source: Wilshire 2025 presentation pages*

**INVESTMENT MANAGEMENT FEES**

As of December 31, 2025

(\$ in thousands)

<b>Investment*</b>	<b>Assets Under Management</b>	<b>Fees</b>	<b>Basis Points</b>
Domestic Equity	\$483,407	\$1,399	28.9
International Equity	511,740	3,052	59.6
Global Equity	239,297	846	35.4
Global Low Volatility	390,980	761	19.5
Core Fixed Income	625,174	784	12.5
High Yield Fixed Income	407,931	1,584	38.8
Real Estate	303,400	2,377	78.3
Global listed infrastructure	212,741	1,374	64.6
Marketable Alternatives	115,331	1,755	152.2
Private Equity	364,075	3,232	88.8
Credit Opportunities	12,888	421	326.7
Private Credit Fixed Income	167,932	171	10.2
REITs	96,667	532	55.0
Cash Equivalents	21,257	195	91.7
Sanctioned Asset	20	-	0.0
<b>Total</b>	<b>\$3,952,840</b>	<b>\$18,483</b>	<b>47</b>

**OTHER INVESTMENT SERVICES**

As Of December 31, 2025

(\$ in thousands)

Investment Consultant	\$725
Investment Management Fees	18,483
Custodian Fees	110
Securities Lending Fees**	342
<b>Total Investment Expenses</b>	<b>\$19,660</b>

## TEN LARGEST HOLDINGS - EQUITY

As of December 31, 2025

(\$ in thousands)

Equity	Shares	Fair Value
MFB NTGI-QM COLTV DAILY S&P 500	7,313	\$195,758,297
CF BLACKROCK MSCI ACWI MINIMUM	7,349,907	192,153,758
1900 MCKINNEY HARWOOD LLC	47,853,648	74,075,865
CF HEITMAN AMERICA REAL ESTATE	54,327	67,382,165
GCM GROSVENOR - DALLAS ERF PAR	37,037,685	60,583,082
DAVIDSON KEMPNER INSTITUTIONAL	45,000,000	58,527,296
HUDSON BAY FUND LP	45,000,000	56,241,804
VIRTUS REAL ESTATE CAPITAL III	40,609,299	52,534,260
FAIRVIEW LONE STAR FUND L.P.	27,995,718	46,398,551
HAMILTON LANE SECONDARY FUND V	33,896,247	42,955,689

*A complete list of investments is available by contacting the Employees' Retirement Fund of the City of Dallas at 1920 McKinney Avenue, 10th Floor, Dallas, Texas 75201*

## TEN LARGEST HOLDINGS - FIXED INCOME

As of December 31, 2025

(\$ in thousands)

Fixed Income	Par Value	Fair Value
MFB NT COLLECTIVE AGG TIER H - 0.000 % due 12/31/2049	\$337,823	\$208,828,449
NORTHERN TRUST COLLECTIVE ALL - 0.000 % due 12/31/2024	198,372	65,268,913
MFO NEUBERGER BERMAN - 0.000 % due 12/31/2049	6,085,074	56,773,737
CF WTC CIF II CORE BND MB - 0.000 % due 12/31/2049	4,647,079	54,882,004
UNITED STATES TREAS NTS - 3.500 % due 02/15/2033	26,705,000	25,994,647
UNITED STATES OF AMER TREAS NO - 4.000 % due 02/15/2034	19,745,000	19,719,529
U.S.A TREASURY NTS - 3.750 % due 08/15/2041	21,480,000	19,426,727
UNITED STATES TREAS NTS - 1.875 % due 12/15/2032	19,365,000	17,294,688
U.S.A. TREASURY BD - 2.500% due 02/15/2045	16,550,000	11,769,202
FEDERAL HOME LN MTG CORP POOL - 3.000% due 04/01/2052	12,415,599	11,025,301

*A complete list of investments is available by contacting the Employees' Retirement Fund of the City of Dallas at 1920 McKinney Avenue, 10th Floor, Dallas, Texas 75201*

## INVESTMENT HOLDINGS SUMMARY

As of December 31, 2025

(\$ in thousands)

	Fair Value	Percentage of Fair Value
<b>Fixed Income</b>		
Government Bonds	\$278,739	7.05%
Corporate Bonds	948,664	24.00%
Total Fixed Income	<u>1,227,403</u>	<u>31.05%</u>
<b>Equity</b>		
Common Stock	1,769,066	44.75%
Index & Commingled	227,777	5.76%
Total Equity	<u>1,996,843</u>	<u>50.52%</u>
<b>Real Estate</b>		
Real Estate	303,400	7.68%
Total Real Estate	<u>303,400</u>	<u>7.68%</u>
<b>Alternative Investments</b>		
Private Equity	364,075	9.21%
Total Alternative Investments	<u>364,075</u>	<u>9.21%</u>
<b>Total Cash and Cash Equivalents</b>	<u>61,119</u>	<u>1.55%</u>
<b>Total Fund</b>	<u><u>\$3,952,840</u></u>	<u><u>100.00%</u></u>

2025

**ACTUARIAL  
SECTION**



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The Report of the  
December 31, 2025 Actuarial Valuation  
of the Employees' Retirement Fund  
of the City of Dallas

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June 5, 2026

Board of Trustees  
Employees' Retirement Fund of the City of Dallas 1920 McKinney Avenue  
10<sup>th</sup> 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.

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Board of Trustees  
June 5, 2026  
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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.

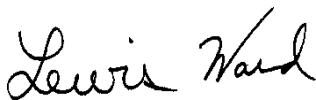
This valuation is based on the provisions of ERF in effect as of the valuation date, data on the ERF membership and information on the asset values of the Fund as of December 31, 2025. The member, annuitant and asset data used in the valuation were all prepared and furnished by ERF staff. While certain 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.

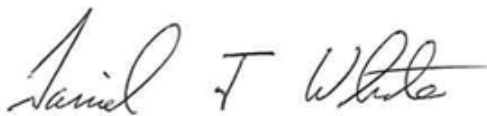
The following schedules in the actuarial section of the ERF Annual Comprehensive Financial Report were prepared by GRS: Executive Summary, Report Highlights, Summary of Actuarial Values, Demonstration of Actuarially Determined Contribution Rate, Information for City Ordinance 32801, Net Assets Available 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 <sup>1</sup>	1,154	1,178
- Other terminated <sup>1</sup>	895	900
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
Fair Value of assets	\$ 3,757,482	\$ 3,970,633
Unfunded actuarial accrued liability (UAAL)	\$ 1,856,999	\$ 1,851,794
Estimated yield on assets (fair 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	66.90%	67.40%
- Based on fair value of assets	66.90%	69.80%

<sup>1</sup> 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.

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## 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
<b>Contribution Rates (% of Payroll)<sup>1</sup></b>		
Normal Cost (including administrative expense)	20.05%	19.82%
Current Total Obligation Rate <sup>2</sup>	41.87%	41.01%
Current Adjusted Total Obligation Rate	38.22%	39.45%
Total Projected Contributions <sup>3</sup>	\$217,505,606	\$232,239,091
<b>Funded Status (on AVA basis)</b>		
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%

<sup>1</sup>For Fiscal Year beginning on next October 1st after valuation date

<sup>2</sup>The 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

## 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 Tier A members and 13.32% of pay for Tier 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.

<u>Fiscal Year</u>	<u>Maximum Total Rate</u>
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 fair 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.

## 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 fair 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 fair 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):

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
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 fair 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 fair 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 fair 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.

## 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 FAIR 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 fair 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.

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.

## ASSESSMENT AND DISCLOSURE OF RISK ASSOCIATED WITH MEASURING PENSION OBLIGATIONS AND DETERMINING PENSION PLAN CONTRIBUTIONS (CONTINUED)

### 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 FAIR 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.

	<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>
Ratio of the fair 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 fair 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) <sup>1</sup>	48.62%	41.01%	34.83%
Funded Ratio	60.6%	67.4%	74.5%
Funding Period	29 years	29 years	29 years

<sup>1</sup>The 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 (LDROM) 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 LDROM 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 LDROM) 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	LDROM
\$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 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**
<b>1 Active Members</b>				
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%
<b>Total</b>	<b>\$ 2,384,285</b>	<b>\$ 1,609,451</b>	<b>\$ 102,446</b>	<b>18.08%</b>
<b>2 Benefit Recipients</b>	3,908,652	3,908,652		
<b>3 Other Inactive</b>	168,166	168,166		
<b>4 Total Actuarial Values of Benefits</b>	<b>\$ 6,461,103</b>	<b>\$ 5,686,269</b>	<b>\$ 102,446</b>	<b>18.08%</b>
<b>5 Actuarial Value of Assets</b>		\$ 3,834,475		
<b>6 Unfunded Actuarial Accrued Liability (4 - 5)</b>		\$ 1,851,794		
<b>7 Funding Ratio</b>				67.43%
<b>8 Fair Value Measurements</b>				
UAAL on fair value				\$ 1,715,636
Funded Ratio on fair 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 <sup>1</sup>	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
<sup>1</sup> 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**

<b>1 Current Adjusted Total Obligation Rate for FY 2027</b>		39.45%
<b>2 Projected Contributions for FY2027</b>		
a Projected Payroll for FY 2027	\$	588,692,245
b Total Projected Contributions for FY 2027 (1 x 2a)		232,239,091
<b>3 Projected Member Contributions for FY2027</b>		
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
<b>4 Pension Obligation Bonds</b>		
a Scheduled Debt Service Payment for FY 2027	\$	47,631,383
b Pension Obligation Bond Credit Rate (4a / 2a)		8.09%
<b>5 City Contributions</b>		
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%
<b>6 Total City Contributions as % of Projected Pay (4b + 5b)<sup>1</sup></b>		25.87%

**Net Assets Available for Benefits**  
(\$ in 000s)

	December 31, 2024	December 31, 2025
<b>1 Assets</b>		
a. Cash & Short-Term	\$ 310,494	\$ 224,765
<b>2 Receivables</b>		
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
<b>3 Investments</b>		
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
<b>4 Total Assets</b>	\$ 5,117,893	\$ 5,122,270
<b>5 Liabilities</b>		
a. Accounts Payable	\$ 8,344	\$ 7,352
b. Investment Transactions	1,352,067	1,144,285
	\$ 1,360,411	\$ 1,151,637
<b>6 Net Assets Available For Benefits</b>	\$ 3,757,482	\$ 3,970,633

**Change in Assets Available for Benefits**  
**Fiscal Year Ended December 31, 2025**  
(\$ in 000s)

	<u>2024</u>	<u>2025</u>
<b>1 Assets Available at Beginning of Year</b>	\$ 3,649,102	\$ 3,757,482
Adjustment *	<u>0</u>	<u>0</u>
	\$ 3,649,102	\$ 3,757,482
<b>2 Revenues</b>		
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
<b>3 Expenses</b>		
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
<b>4 Assets Available at End of Year (1 + 2 - 3)</b>	<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 100s)**

	<b>December 31, 2025</b>
1. Fair 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 Fair Value at end of year (1+ 2 + 4)	\$ 3,800,436
6. Fair 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 End	Remaining Deferral of Excess (Shortfall) of Investment Income	Offsetting of Gains/(Losses)	Net Deferrals Remaining	Years Remaining	Recognized for this Valuation	Remaining after this Valuation
	(1)	(2)	(3) = (1) + (2)	(4)	(5) = (3) / (4)	(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	170,179	5	34,039	136,158
Total	\$ 170,197	\$ 0	\$ 170,179		\$ 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 fair 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".

Table 6

## Historical Investment Performance

### Dollar Weighted Basis Net of Investment Expenses

<u>Calendar Year</u>	<u>On Fair 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)**

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

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**Investment Experience (Gain) or Loss**  
**(\$ in 000s)**

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

**Analysis of Actuarial (Gains) and/or Losses for 2025**  
(\$ in 000s)

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

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

\* Projected to following year.

Ten-year schedule of actuarially determined and actual contributions is reported in required supplementary information on page 58

## Summary of Data Characteristics

As of December 31,	2023	2024	2025
<b>Active Members</b>			
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
<b>Benefit Recipients</b>			
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
<b>Inactive Members*</b>			
Deferred Vested	1,095	1,154	1,178
Deferred Nonvested	1,012	895	900
<b>Total</b>	<b>2,107</b>	<b>2,049</b>	<b>2,078</b>

\* 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	Totals				
Under 20	13	2										15	\$696,818
20-24	162	169										331	\$17,045,257
25-29	213	542	64	0								819	\$46,712,278
30-34	160	521	201	59								941	\$59,555,411
35-39	146	415	220	144	39							964	\$65,976,491
40-44	105	354	178	151	106	29	3					926	\$69,235,301
45-49	86	315	174	173	120	94	49	0				1,011	\$77,925,085
50-54	78	272	176	150	127	101	105	16				1,025	\$78,402,176
55-59	67	241	170	152	119	94	53	36				932	\$71,197,310
60-64	25	166	142	114	113	53	50	21				684	\$52,515,704
65&Over	19	83	99	79	65	39	44	40				468	\$36,476,306
<b>Totals</b>	<b>1,074</b>	<b>3,080</b>	<b>1,424</b>	<b>1,022</b>	<b>689</b>	<b>410</b>	<b>304</b>	<b>113</b>	<b>113</b>	<b>113</b>	<b>113</b>	<b>8,116</b>	<b>\$575,738,137</b>

Table 12

## Distribution of Benefit Recipients as of December 31, 2025

<b>Age</b>	<b>Number</b>	<b>Annual Benefit*</b>	<b>Annual Average Benefit*</b>
<b>Under 50</b>	25	\$ 483,733	\$ 19,349
<b>50-54</b>	147	7,599,897	51,700
<b>55-59</b>	453	24,508,871	54,103
<b>60-64</b>	1,227	53,682,858	43,751
<b>65-69</b>	1,642	74,169,130	45,170
<b>70-74</b>	1,720	75,128,039	43,679
<b>75-79</b>	1,524	67,930,376	44,574
<b>80-84</b>	777	28,725,794	36,970
<b>85-89</b>	381	12,632,878	33,157
<b>90 &amp; Over</b>	221	6,040,488	27,333
<b>Total</b>	<b>8,117</b>	<b>\$ 350,902,064</b>	<b>\$ 43,231</b>

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### 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				Reported Assets	Portions of Accrued Liabilities Covered by Reported Assets		
	Active and Inactive Members	Active and Inactive Members	Members Contributions	Retirees and Beneficiaries		(5)/(2)	[(5)-(2)]/3	[(5)-(2)-(3)]/(4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
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%	

Table 14c

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

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**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%
<b>70 &amp; Over</b>	11	114.00	10%
<b>Total</b>	199	334.79	59%
<b>Total Under 70</b>	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%
<b>Total</b>	199	334.79	59%
<b>Total Under 70</b>	188	220.79	85%

### Analysis of Turnover Experience

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

### Analysis of Mortality Experience

Age	2025 Deaths		
	Actual	Expected	Ratio A/E
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%
<b>Total</b>	<b>21</b>	<b>8.86</b>	<b>237%</b>

### Analysis of Disability Experience

Age	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%
<b>Total</b>	<b>1</b>	<b>6.02</b>	<b>17%</b>

### Analysis of Retiree Retiree Mortality Experience\*

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

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%.

## ACTUARIAL METHODS AND ASSUMPTIONS (CONT.)

### 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
<b>Total</b>	<b>3,312</b>	<b>\$58,108</b>

### Actuarial Value of Asset Method

The method for determining the actuarial value of assets in future years is equal to the fair 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 fair value and the expected fair 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 fair 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.

**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%.

## ACTUARIAL METHODS AND ASSUMPTIONS (CONT.)

**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	%	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

Table 18

**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

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**ACTUARIAL METHODS AND ASSUMPTIONS (CONT.)*****Mortality, Continued:***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
<b>30</b>	0.4	0.1
<b>40</b>	0.7	0.3
<b>50</b>	2.6	1.1
<b>60</b>	7.1	3.5
<b>70</b>	19.3	11.0
<b>80</b>	53.8	35.2
<b>90</b>	155.9	115.5

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**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
<b>48-49</b>	100	100	100	100
<b>50</b>	450	550	450	350
<b>51</b>	450	450	350	250
<b>52</b>	450	300	350	250
<b>53</b>	450	300	350	250
<b>54</b>	350	250	330	250
<b>55</b>	350	250	330	250
<b>56</b>	350	250	330	200
<b>57</b>	350	250	330	200
<b>58-59</b>	200	250	270	200
	Service < 18 yrs.	Service 18 yrs.+	Service < 18 yrs.	Service 18 yrs. +
<b>60</b>	100	250	110	250
<b>61</b>	100	200	110	180
<b>62</b>	100	200	110	180
<b>63</b>	100	200	130	180
<b>64</b>	150	200	130	180
<b>65</b>	150	270	130	270
<b>66</b>	220	270	130	270
<b>67</b>	220	270	200	270
<b>68</b>	220	230	200	300
<b>69</b>	200	230	150	300
<b>70</b>	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).

## SUMMARY OF BENEFIT PROVISIONS, CONT.

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.

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:

<b>Age</b>	<b>Percentage</b>
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:

<b>Age</b>	<b>Percentage</b>	<b>Age</b>	<b>Percentage</b>
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

## SUMMARY OF BENEFIT PROVISIONS, CONT.

**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.

### Disability Retirement

#### Pension

Non-Service Disability:

- a. Eligibility: Five (5) years of service and totally and permanently incapacitated for duty.
- b. 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:

- a. 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.
- b. 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***

- a. The percentage of change in the price index for October of the current year over October of the previous year, up to 3%, 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 3%.



2025

**STATISTICAL  
SECTION**



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The Statistical Section provides additional historical perspective, context and detail to assist the reader using the information in the financial statements, notes to the financial statements and required supplementary information to understand the economic condition of the Plan. The schedules presented contain information on financial trends, operations, and additional analytical information on employees' membership and retirement benefits. The information in this section is obtained from Annual Comprehensive Financial Reports for relevant years, actuarial reports, and various internal sources.

**Schedule of Additions by Source:** Presents contributions, investment revenue and contributions as a percent of covered payroll for ten years.

**Schedule of Deductions by Type:** Presents benefit payments, administrative expenses and refunds for ten years.

**Schedule of Changes in Net Position:** Presents the increase or decrease in net position for ten years.

**Schedule of Benefit Expenses by Type:** Presents retiree, beneficiary, disability and supplemental benefit expenses for ten years.

**Average Benefit Payment:** Presents the average monthly benefit payment, average final salary, and number of retired members based on years of credited service for nine years. An additional year will be displayed as it becomes available.

**Retired Members by Type of Benefit:** Presents the number of retirees receiving various ranges of monthly benefit amounts. The information is further broken out by type of retirement and retirement option selected.

**Average Age and Monthly Pension at Retirement:** Presents the average age, average monthly pension, and average age at retirement based on status (members only, members and survivors, and survivors only).

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**SCHEDULE OF ADDITIONS BY SOURCE**

(\$ in thousands)

Year Ending	Member Contributions	Employer Contributions	% of Annual Covered P/R	Investment Income	Investment Professional Expenses	Other Income	Total Increases
2016	\$53,436	\$56,130	13.96	\$310,730	\$(15,812)	\$333	\$404,817
2017	55,175	58,966	14.35	430,396	(16,886)	207	527,858
2018	56,772	60,924	14.40	(150,098)	(17,685)	121	(49,966)
2019	58,314	62,177	14.34	569,071	(18,129)	301	671,734
2020	58,358	61,615	14.19	246,936	(17,915)	84	349,078
2021	59,256	63,584	14.05	599,003	(21,074)	81	700,850
2022	63,427	67,288	14.05	(349,377)	(19,621)	69	(238,214)
2023	70,025	73,939	14.21	360,517	(20,924)	285	483,842
2024	74,831	80,782	14.46	344,637	(19,965)	257	480,542
2025	77,981	86,580	14.87	454,137	(19,660)	245	599,283

**SCHEDULE OF DEDUCTIONS BY TYPE**

(\$ in thousands)

Year Ending	Benefit Payments	Administrative and Depreciation Expenses	Refunds	Total Deductions
2016	\$243,775	\$5,343	\$5,864	\$254,982
2017	253,534	5,951	8,156	267,641
2018	263,981	7,485	8,515	279,981
2019	278,007	7,513	10,436	295,956
2020	287,465	6,091	6,857	300,413
2021	296,586	7,349	10,452	314,387
2022	317,528	9,035	12,158	338,721
2023	328,296	10,024	12,700	351,020
2024	348,938	10,855	12,369	372,162
2025	359,469	10,842	15,821	386,132

**SCHEDULE OF CHANGES IN NET POSITION**

(\$ in thousands)

<b>Year Ending</b>	<b>Change in Net Position</b>
2016	\$149,835
2017	259,392
2018	(329,947)
2019	375,775
2020	48,665
2021	386,462
2022	(576,935)
2023	132,822
2024	108,380
2025	213,151

**SCHEDULE OF BENEFIT PAYMENTS BY TYPE**

(\$ in thousands)

<b>Year Ending</b>	<b>Retiree</b>	<b>Beneficiary</b>	<b>Disability</b>	<b>Supplement</b>	<b>Total</b>
2016	\$220,979	\$7,926	\$4,884	\$9,986	\$243,775
2017	229,843	8,317	5,194	10,180	253,534
2018	240,186	8,276	5,109	10,410	263,981
2019	253,635	8,640	5,046	10,686	278,007
2020	263,182	8,436	4,947	10,900	287,465
2021	271,984	8,683	4,823	11,099	296,589
2022	288,006	13,336	4,924	11,262	317,528
2023	305,307	6,632	4,901	11,456	328,296
2024	321,994	10,472	4,831	11,641	348,938
2025	333,638	9,269	4,772	11,790	359,469

## AVERAGE BENEFIT PAYMENT

As of December 31, 2025

Retirement Effective Dates	Years of Credited Service						
	0 - 5	10-May	15-Oct	15 - 20	20 - 25	25 - 30	30+
<b>Period 01/01/2024 to 12/31/2025</b>							
Average monthly benefit	\$460.69	\$1,069.94	\$1,780.58	\$2,570.75	\$4,221.53	\$4,743.81	\$5,509.72
Average final average salary	\$7,761.75	\$5,181.34	\$5,407.65	\$5,829.96	\$7,396.66	\$6,675.48	\$6,951.05
Number of retired members	6	35	44	52	53	71	28
<b>Period 01/01/2023 to 12/31/2024</b>							
Average monthly benefit	\$584.72	\$951.60	\$1,886.17	\$2,585.11	\$3,866.57	\$4,536.38	\$6,469.45
Average final average salary	\$6,742.54	\$4,476.86	\$5,679.52	\$5,348.92	\$6,300.34	\$6,343.83	\$7,327.23
Number of retired members	3	47	36	62	65	69	30
<b>Period 01/01/2022 to 12/31/2023</b>							
Average monthly benefit	\$555.95	\$1,018.13	\$1,729.63	\$2,581.71	\$3,346.25	\$4,514.87	\$7,371.77
Average final average salary	\$7,553.71	\$4,944.93	\$3,061.69	\$5,594.58	\$5,453.90	\$6,157.80	\$8,285.17
Number of retired members	2	49	46	70	65	56	38
<b>Period 01/01/2022 to 12/31/2022</b>							
Average monthly benefit	\$359.97	\$832.04	\$1,625.48	\$2,431.09	\$3,435.22	\$4,640.07	\$5,828.64
Average final average salary	\$4,544.98	\$4,522.27	\$4,660.34	\$5,260.12	\$5,611.51	\$6,754.08	\$6,455.67
Number of retired members	7	42	43	49	68	54	26
<b>Period 01/01/2021 to 12/31/2021</b>							
Average monthly benefit	\$512.73	\$883.59	\$1,662.03	\$2,390.70	\$3,315.48	\$4,346.92	\$5,826.24
Average final average salary	\$7,266.21	\$4,589.03	\$5,013.79	\$5,013.79	\$5,478.37	\$5,986.19	\$6,592.88
Number of retired members	2	48	48	41	86	61	36
<b>Period 01/01/2020 to 12/31/2020</b>							
Average monthly benefit	\$412.15	\$1,088.17	\$1,544.86	\$2,473.03	\$3,156.40	\$4,068.53	\$6,084.19
Average final average salary	\$3,980.24	\$4,261.10	\$4,162.30	\$4,874.51	\$5,077.47	\$5,615.31	\$6,554.32
Number of retired members	13	39	37	43	93	39	44
<b>Period 01/01/2019 to 12/31/2019</b>							
Average monthly benefit	\$411.49	\$868.60	\$1,559.50	\$2,554.02	\$3,007.07	\$4,360.05	\$5,478.80
Average final average salary	\$4,573.78	\$3,200.67	\$3,625.18	\$4,812.60	\$4,531.23	\$5,776.53	\$6,132.39
Number of retired members	13	50	51	56	106	68	39
<b>Period 01/01/2018 to 12/31/2018</b>							
Average monthly benefit	\$452.84	\$901.30	\$1,727.75	\$2,169.69	\$3,120.36	\$4,181.67	\$5,731.43
Average final average salary	\$2,312.10	\$2,700.97	\$4,721.44	\$3,588.84	\$5,033.05	\$5,807.68	\$6,395.12
Number of retired members	18	28	43	47	65	62	55
<b>Period 01/01/2017 to 12/31/2017</b>							
Average monthly benefit	\$395.27	\$840.28	\$1,456.48	\$2,422.33	\$3,365.92	\$4,441.36	\$5,039.49
Average final average salary	\$4,260.11	\$1,821.11	\$3,470.15	\$4,985.34	\$5,366.59	\$6,123.49	\$5,798.23
Number of retired members	12	41	51	44	53	56	37
<b>Period 01/01/2016 to 12/31/2016</b>							
Average monthly benefit	\$325.38	\$762.64	\$1,487.94	\$2,427.06	\$2,488.97	\$4,170.49	\$4,974.11
Average final average salary	\$4,289.71	\$3,561.23	\$4,840.13	\$5,273.92	\$4,942.79	\$5,650.83	\$5,719.72
Number of retired members	20	37	40	65	45	50	65

**RETIRED MEMBERS BY TYPE OF BENEFIT**

As of December 31, 2025

Amount of Monthly Benefits		Type of Retirement							Option Selected			
		1	2	3	4	5	6	7	#1	#2	#3	#4
\$1	\$250	54	0	20					17	33	19	6
\$251	\$500	142	1	95				7	29	135	58	25
\$501	\$750	225	1	82	1		4	11	31	185	85	23
\$751	\$1,000	254	4	71	5		13	9	45	209	93	23
\$1,001	\$1,250	246	5	80	1	1	7	11	55	178	96	22
\$1,251	\$1,500	237	2	85		6	9	4	65	178	78	25
\$1,501	\$1,750	243	4	70	1	4	8	4	73	155	99	15
\$1,751	\$2,000	250	6	90		4	6	5	81	157	116	13
over	\$2,000	5,057	76	533		6	33	24	1,409	2,581	1,674	31
Total		6,708	99	1,126	8	21	80	75	1,805	3,811	2,318	183

**a) Type of Retirement**

- 1) Normal retirement
- 2) Early retirement
- 3) Beneficiary payment, normal or early retirement
- 4) Beneficiary payment, service connected death
- 5) Service connected disability retirement
- 6) Non-Service connected disability retirement
- 7) Beneficiary payment, disability retirement

**b) Option Selected**

- 1) Joint & 100%- beneficiary receives 100% of member's benefit
- 2) Joint & 50%- beneficiary receives 50% of member's benefit
- 3) 10 Year Certain- beneficiary receives member's unused benefits
- 4) QDRO retirement

**AVERAGE AGE AND MONTHLY PENSION AT RETIREMENT**

As of December 31, 2025

Status	Average Age	Average Pension	Average Age at Retirement
Members Only	73	\$3,531	58
Members and Survivors	72	\$3,510	N/A
Survivors Only	71	\$3,488	N/A



**EMPLOYEES' RETIREMENT FUND  
OF THE CITY OF DALLAS**

A COMPONENT UNIT OF THE CITY OF DALLAS, TX

