City of Dallas Employees' Retirement Fund

December 31, 2015
Preliminary Valuation Results

GRS
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Key Issues and Changes

- ERF fell short of the investment target of 8.0% on both a market value and actuarial value basis in 2015
  - Return on market value was -1.83%
  - Actuarial loss on assets of $31 million
- ERF had mixed liability experience in 2015
  - Lower than expected cost of living adjustment (no COLA)
  - Fewer retirements than expected
  - Larger salary increases than expected
- Large increase in covered payroll helped reduce the calculated contribution rate as a percentage of pay
  - Also reduced the Pension Obligation Bond Credit
- Current Total Obligation Rate continues to exceed 36% of pay cap
  - CATOR is 36.00%
  - City contribution rate is 22.68%
  - Member rate is 13.32%

Membership

- The number of active members increased from 7,180 to 7,477, a 4.1% increase
- Payroll for active members increased from $ $363.1 million to $393.2 million, an 8.3% increase
- The number of members in payment status increased by a net 150, from 6,598 to 6,756, a 2.4% increase
- There are 1.1 active members for each retiree compared to 1.5 in 2008

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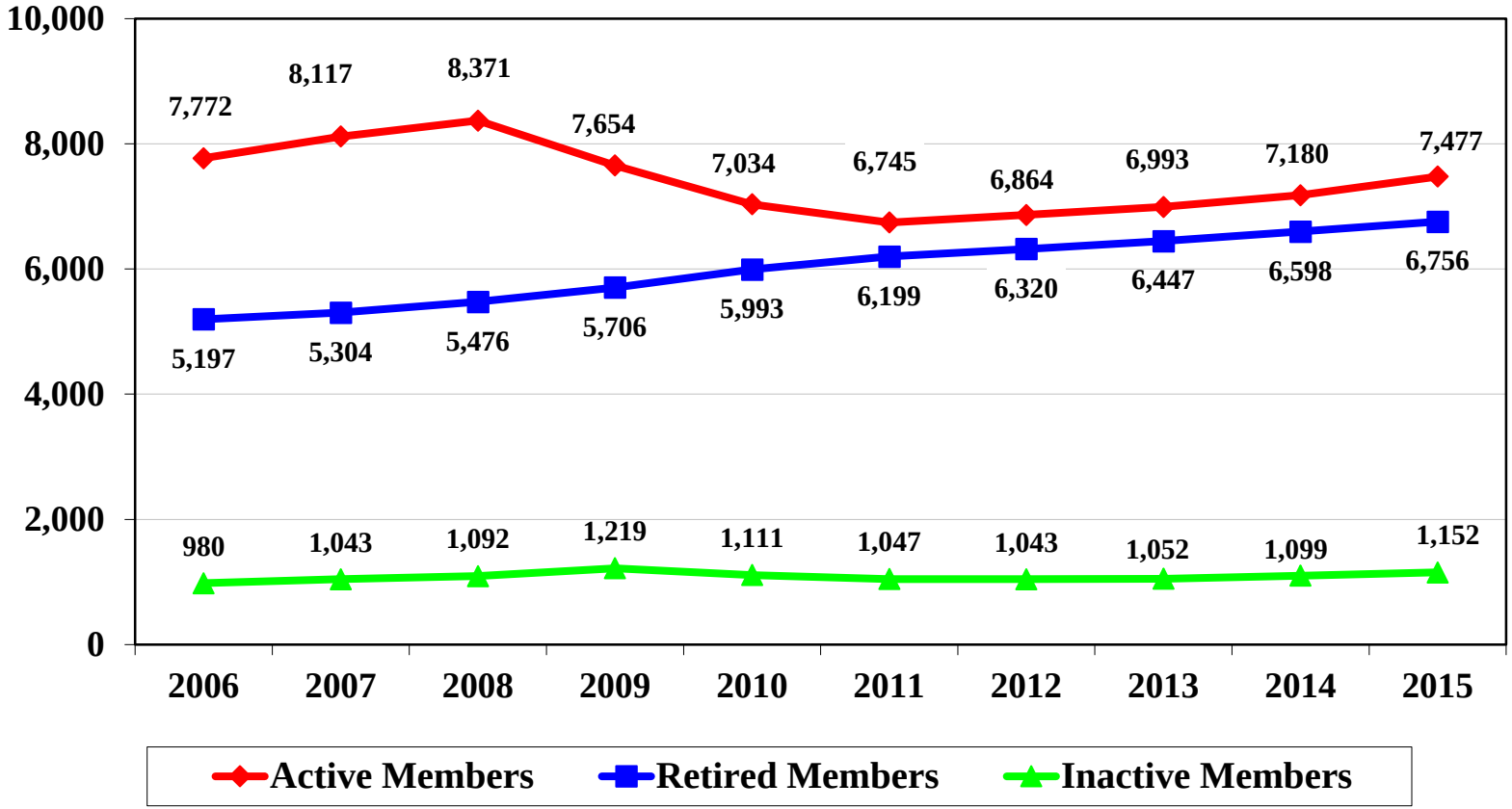
Active Members and Retired Members



Note: active membership increased 4.1% over last year

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Assets

- Fair market value decreased from $ 3.391 billion to $3.195 billion
- Return on market value of assets was approximately -1.83% in 2015
- Actuarial value is now $3.320 billion, compared to $3.241 billion last year
- Actuarial rate of return was 7.02% in 2015
  - Less than 8.00% assumed rate of return
- Actuarial value is 103.9% of fair market value
- Net deferred investment losses of $126 million still to be recognized in actuarial value of assets

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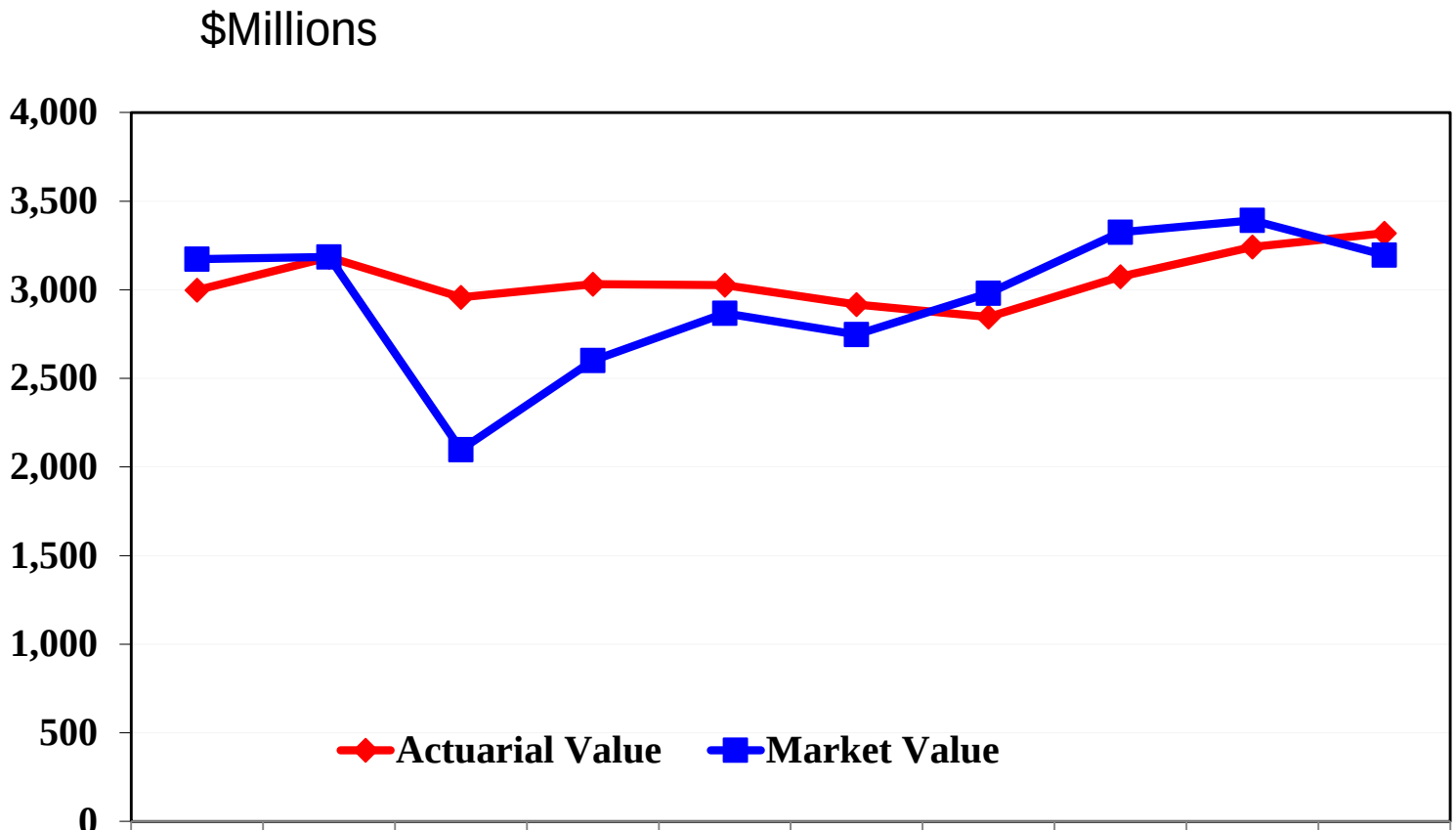
Historical Asset Values



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Actuarial Value	2,998	3,183	2,958	3,032	3,027	2,917	2,846	3,074	3,241	3,320
Market Value	3,172	3,185	2,097	2,600	2,868	2,748	2,980	3,325	3,391	3,195

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Actuarial Results

- Actuarial Present Value (APV) of benefits is now $4.653 billion
- Unfunded Actuarial Accrued Liability (UAAL) increased from $763 million to $808 million
  - Reflects $31 million loss on actuarial value of assets
  - Reflects $33 million loss due to larger than expected salary increases
  - Reflects $50 million gain due to no cost of living adjustment for retirees

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Actuarial Results

- UAAL increased $30 million due to difference between calculated contribution rate and actual contribution rate
- Funded ratio (actuarial assets divided by actuarial accrued liability) decreased from 80.9% in 2014 to 80.4% in 2015
- Funded ratio using market value is 77.4%
  - Was 84.7% last year
- Total 30-year contribution rate is 34.18%
  - Does not include POB debt service payments
  - 34.32 % last year

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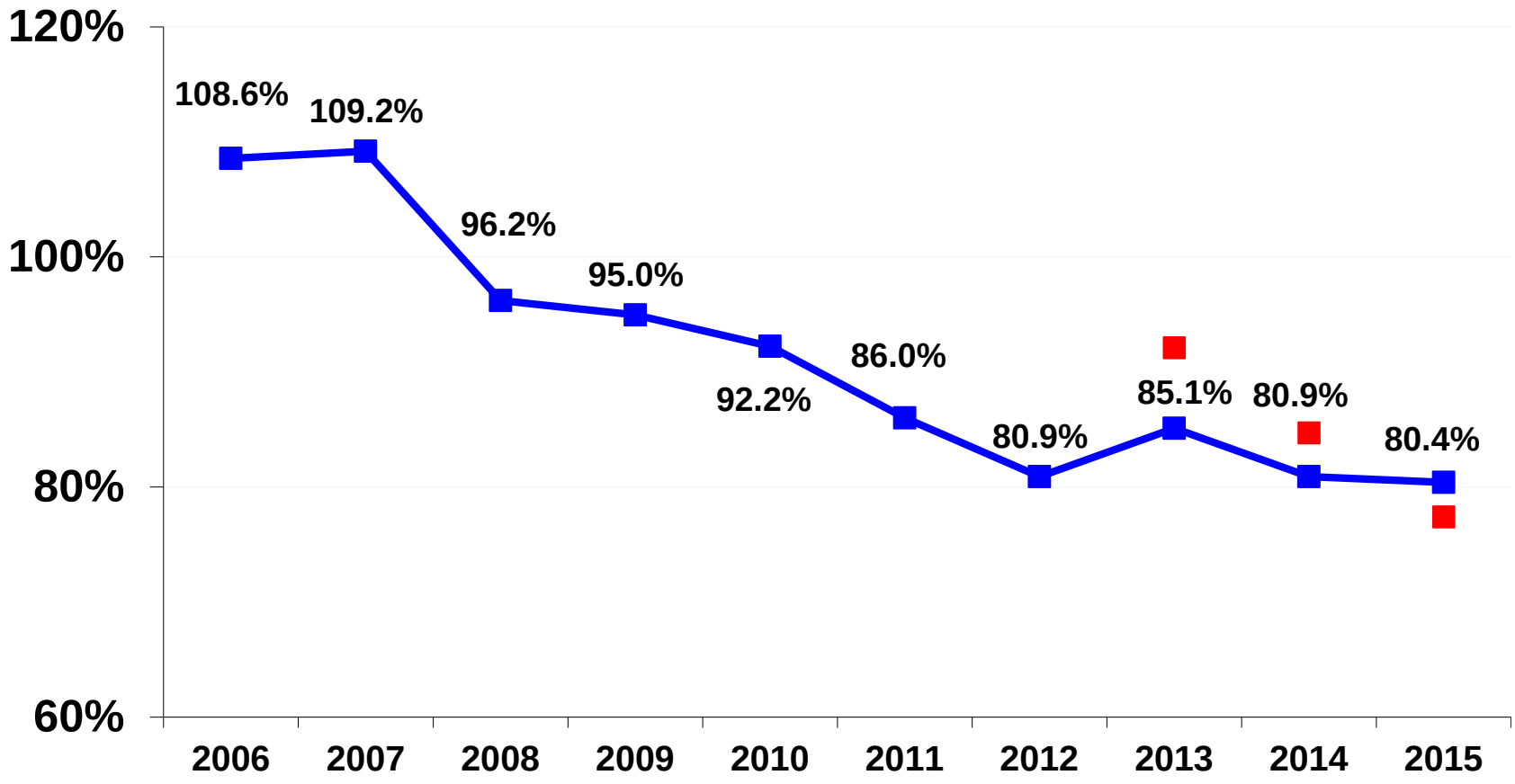
Historical Funded Ratios



Funded ratio using market value of assets as of December 31, 2013 is 92.1 %.
Funded ratio using market value of assets as of December 31, 2014 is 84.7%.
Funded ratio using market value of assets as of December 31, 2015 is 77.4%.

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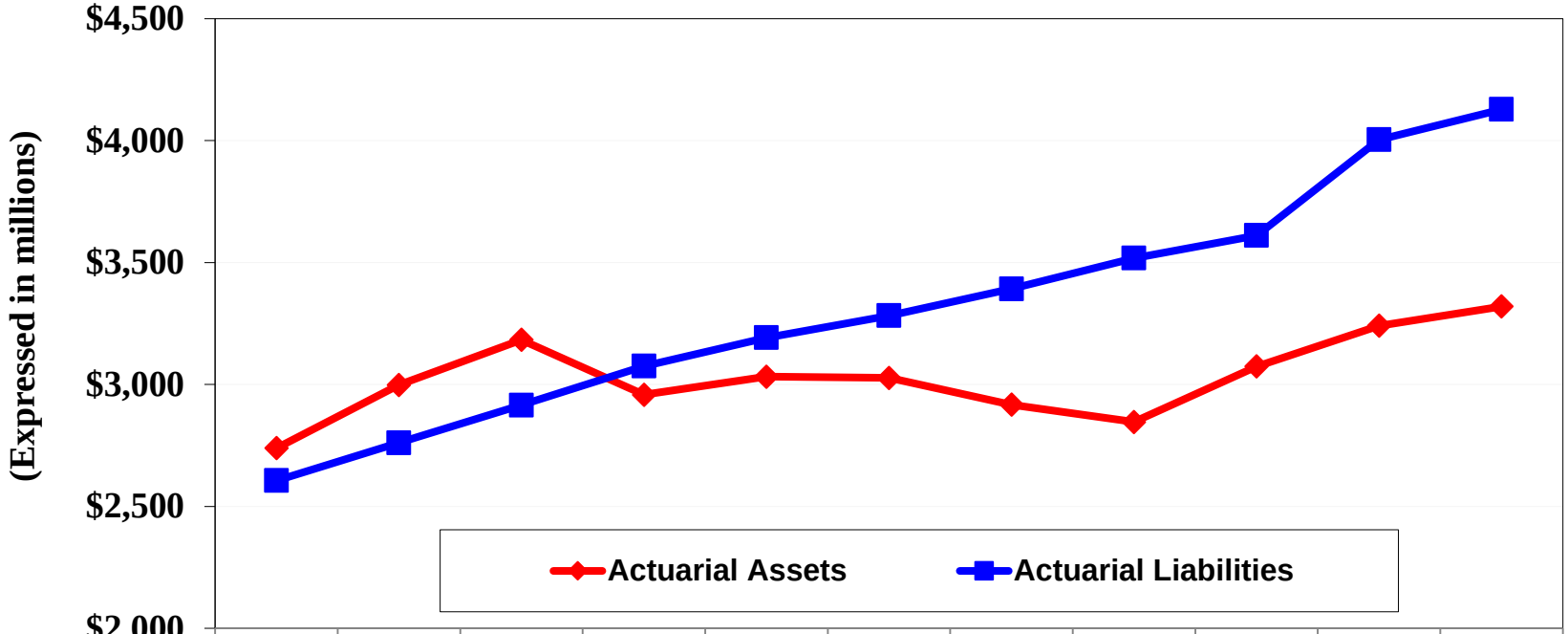
Liabilities vs. Assets



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Actuarial Assets	2,739	2,998	3,183	2,958	3,032	3,027	2,917	2,846	3,074	3,241	3,320
Actuarial Liabilities	2,606	2,761	2,915	3,075	3,192	3,282	3,392	3,518	3,611	4,004	4,128

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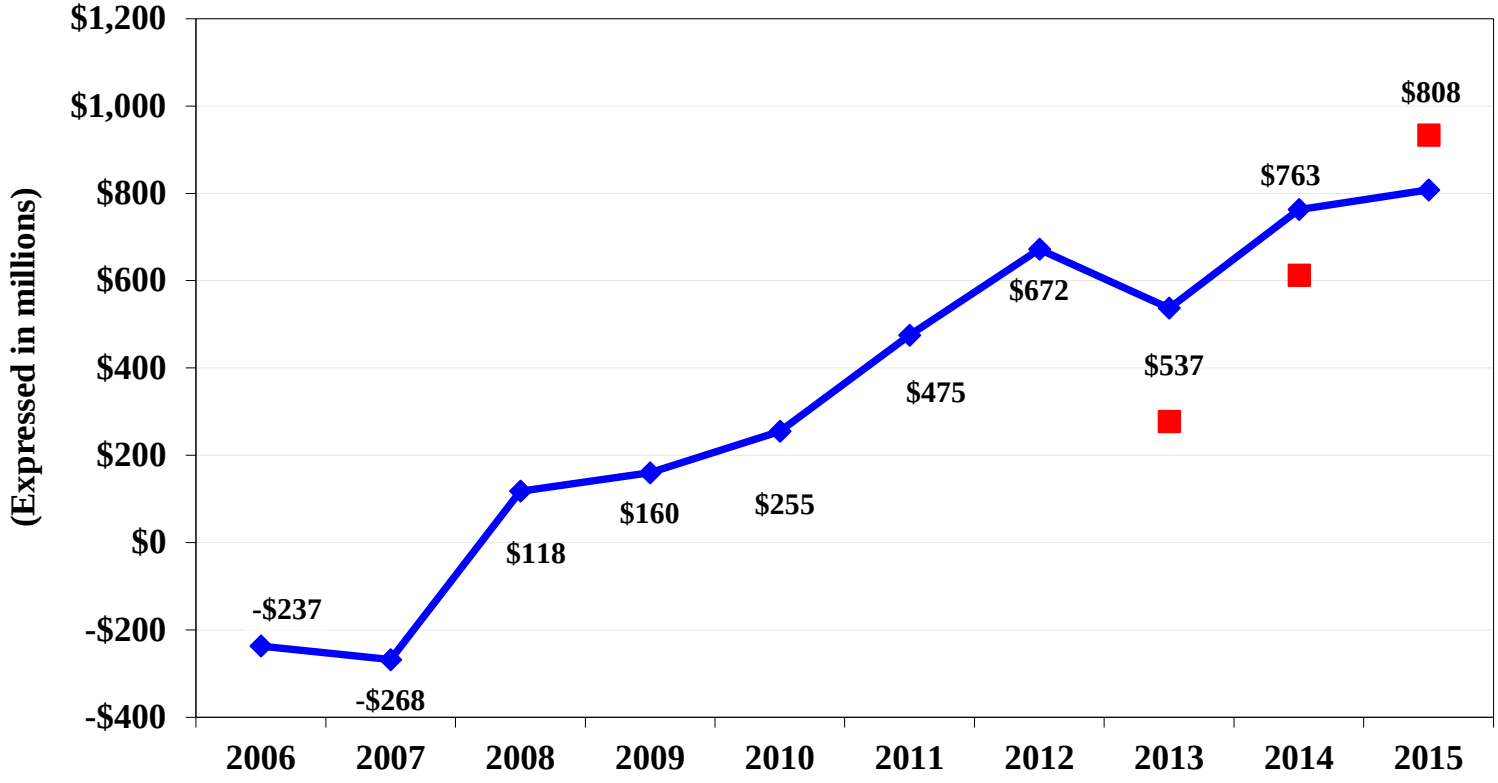
Unfunded Actuarial Accrued Liability (UAAL)



The UAAL based on the market value of assets as of December 31, 2013 is $285 million.
The UAAL based on the market value of assets as of December 31, 2014 is $613 million.
The UAAL based on the market value of assets as of December 31, 2015 is $934 million.

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Actuarial Required Contribution Rate

($ amounts in thousands)

	Dec. 31, 2014		Dec. 31, 2015	
	Dollar	% of Pay	Dollar	% of Pay
1) Amortization %[1]	$ 48,358	12.93%	$ 51,230	12.65%
2) Normal Cost	72,598	20.29%	78,818	20.36%
3) Expense	4,128	1.10%	4,735	1.17%
Total	$125,084	34.32%	$134,783	34.18%

[1]UAAL is amortized over 30 years as a level percentage of payroll

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City Ordinance 25695
Fiscal Year Beginning October 1, 2016

1.	Prior Adjusted Total Obligation Rate	36.00%
2.	Actuarially Required Contribution Rate	34.18%
3.	Debt Service	
	a. Scheduled Debt Service Payment	$ 33,803,365
	b. Projected Payroll	$404,981,377
	c. Pension Obligation Bond Credit (a/b)	8.35%
4.	Current Total Obligation Rate (2+3c)	42.53%
5.	Current Adjusted Total Obligation Rate	36.00%
6.	Allocation of Contribution Rates for Fiscal Year Beginning October 1, 2016	
	a. Employee (5 x .37)	13.32%
	b. City (5 x .63)	22.68%
7.	City Contribution to Fund (6.b. – 3.c)	14.33%

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Determination of Current Adjusted Total Obligation Rate

1. Prior Adjusted Total Obligation Rate (PATOR) 36.00%
2. Current Total Obligation Rate (CTOR) 42.53%
3. If (-3.00% < PATOR – CTOR < 3.00%) Then

   Current Adjusted Total Obligation Rate (CATOR) = PATOR (36.00%)

   Else Go to Step 4
4. CATOR = Lowest of (a), (b), & (c) where:
   a. PATOR + [0.5 * (CTOR – PATOR)] = 39.27%
   b. 110% * PATOR = 39.60%
   c. 36.00% Maximum limit = 36.00%
   d. Lowest of (a), (b), and (c) is: = 36.00%

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Closing Comments

- The Actuarially Required Contribution to the Fund decreased from 34.32% to 34.18%
  - The total contribution rate including the debt service decreased from 43.17 to 42.53%
- $126 million in deferred investment losses to be recognized
- Calculated contribution rate is expected to increase due to shortfall in contributions due to 36.00% of pay maximum contribution rate
- Actual contribution rate will remain at 36% cap for foreseeable future

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Disclaimers

- This presentation is intended to be used in conjunction with the actuarial valuation report issued on May 10, 2016. This presentation should not be relied on for any purpose other than the purpose described in the valuation report.
- Readers are cautioned to examine original source materials and to consult with subject matter experts before making decisions related to the subject matter of this presentation.