DALLAS POLICE & FIRE PENSION

THE PLAN

Guiding Principles of Save the Pension

Our goal: to provide a secure, stable retirement for all

- Encourage positive financial behavior
- Recognize that the City will have to increase its contribution
- Ensure effective checks and balances that require future plan/benefit changes to be made only after all parties have a say, including employees and taxpayers

Preserve the service retirement benefit already earned

Develop a pension plan that is market-competitive for current and future sworn employees

Redesign the features to be fair:

- Including COLA for all that addresses inflation
- Preserving DROP deposits
- Making prior DROP COLA increases and interest fair

Adjustment to Service Retirement

Service Retirement Adjustments: Going Forward

Vesting
- 5 years of service

Normal retirement age
- 55

Average salary
- Highest 5-year average

Multiplier
- Based on age, ranging from 2.5% at age 55 to 3% at age 60

Replacement rate
- 90% of pre-retirement income

Modified Multiplier Impact Varies for Tiers 1 & 2

Sample effective multipliers at retirement:

Age at Amendment	Years of Service at current 3% multiplier	Years of Service at proposed Age Determined Multiplier	Age at Commencement	Proposed Plan - Applicable Age Determined Multiplier	Proposed Plan – Effective Multiplier
40	15	15	55	2.5%	2.75%
45	20	11	56	2.6%	2.86%
50	22	7	57	2.7%	2.93%
53	20	5	58	2.8%	2.96%
55	25	4	59	2.9%	2.99%
50	20	10	60	3.0%	3.00%

Better Pension for Recently Hired Sworn Staff

Affects 1,200 current employees hired since March 2011 and all new recruits (Tier 3)

Vesting

- Will be lowered to 5 yrs from 10

Cost of Living Adjustments (COLAs)

- Will provide COLA tied to Consumer Price Index (CPI)
- Current plan only provides an ad-hoc COLA for members hired on or after January 1, 2007

Multiplier

- Age-based
- Applied to all years of service
- Immediately raises multiplier to 2.5% at normal retirement age, and, depending on age at commencement of retirement, could be as high as 3%
- Current plan, 2% on first 20 years of service

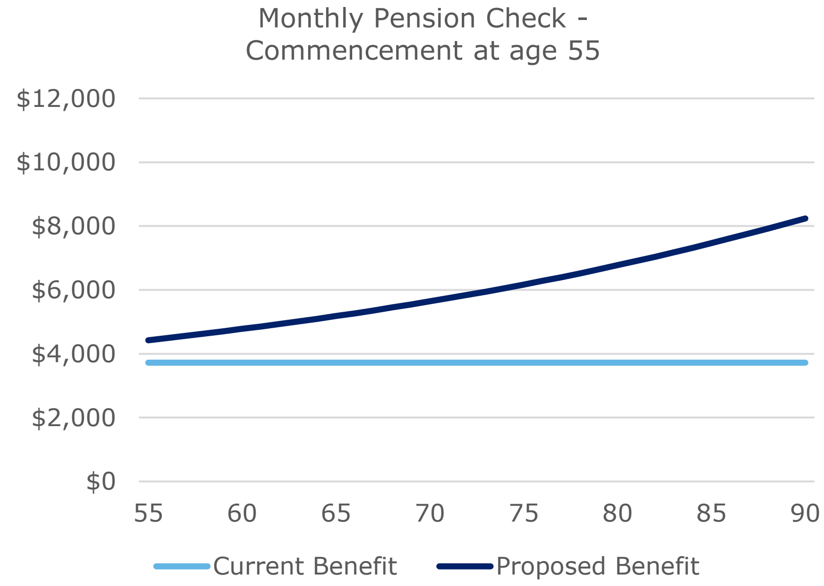
Replacement rate

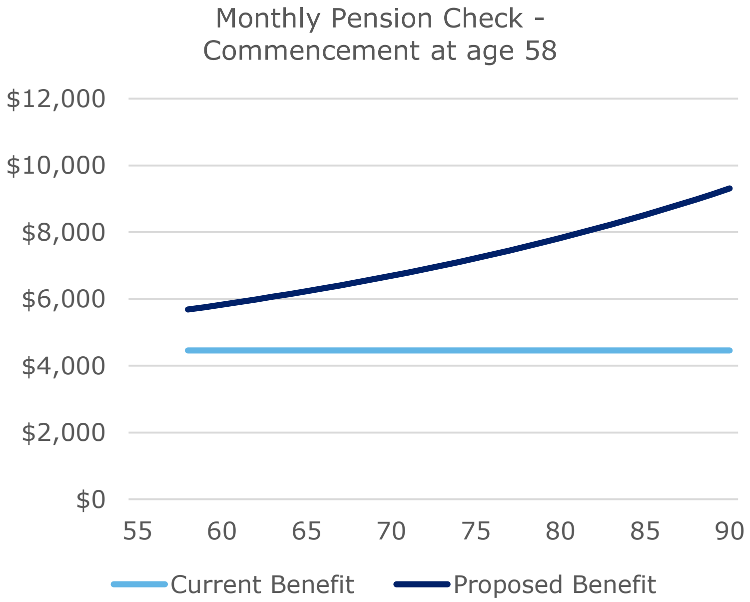
- 90% of pre-retirement income
- No change

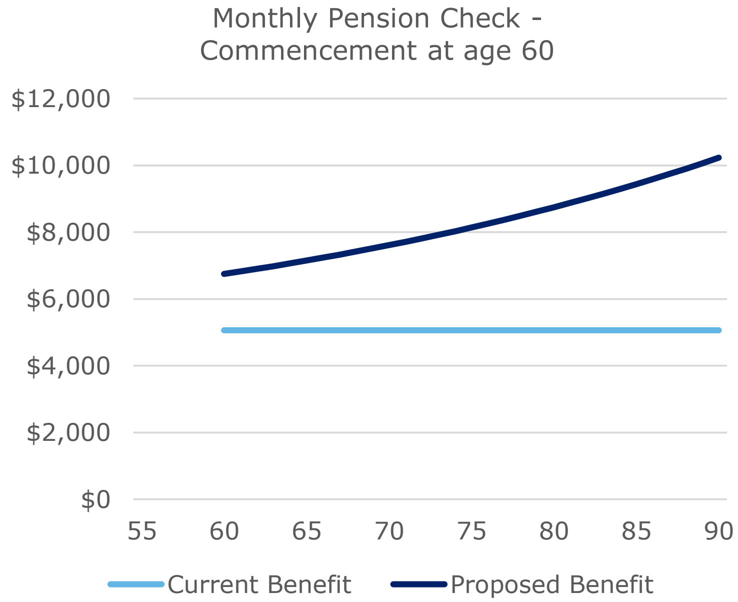
Tier 3 Active Participants' Retirement Enhanced

Age at Commencement	Years of Service at Commencement	Final Average Salary	Current Plan - Applicable Benefit Multiplier	Proposed Plan - Applicable Benefit Multiplier	Current Plan - Normal Retirement Benefit	Proposed Plan - Normal Retirement Benefit
55	25	$85,000	2.0% for 20 years 2.5% for 5 years	2.5%	$3,719	$4,427
58	28	$87,000	2.0% for 20 years 2.5% for 5 years 3.0% for 3 years	2.8%	$4,459	$5,684
60	30	$90,000	2.0% for 20 years 2.5% for 5 years 3.0% for 5 years	3.0%	$5,063	$6,750

Cost-of-Living-Adjustment







Adjustment to Feature: Supplement

Adjustments to the Features

Medical supplement will be discontinued

The focus of restoring pension plan to financial health should be on providing retirement benefits

Adjustment to Feature:
Cost of Living Adjustment
(COLA)

Adjustments to the Features

COLA provides an increase to retirees' monthly checks from the pension system to reflect increases in the cost of living

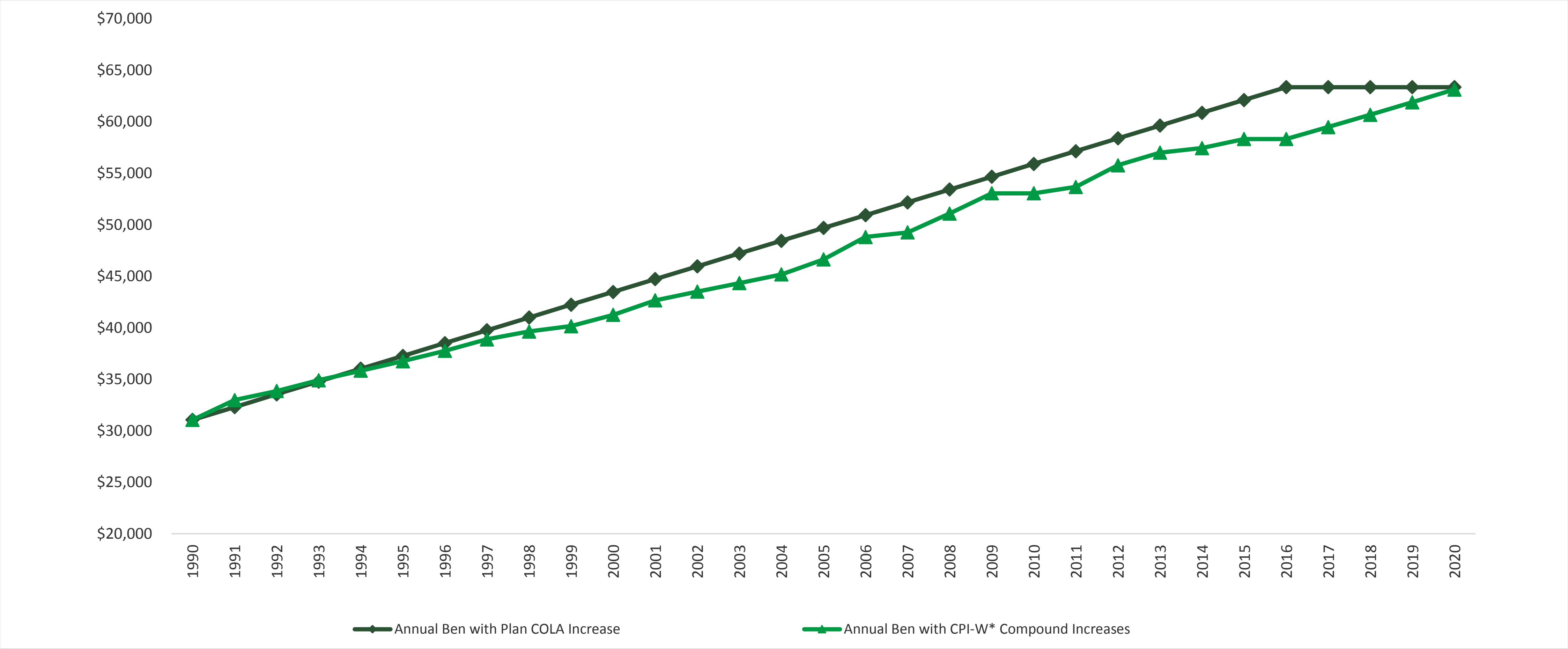
Will be available to all retirees

COLA calculated at CPI up to 2%

COLA will be frozen until it catches up to the index

Sample COLA True-Up

Participant who retired in 1990



*Assumed annual future CPI-W of 2.0%

Adjustment to Feature:
Deferred Retirement Option Plan (DROP)

Active DROP

Maintain the Active DROP optional feature:

- Uniform employees will still be able to participate
- Employees will make a contribution to the pension
- No interest
- No COLA
- Fort Worth, San Antonio and El Paso offer no interest on DROP
    - Austin and Houston do not offer interest on DROP for Police
- No peer group cities offer guaranteed COLA in DROP

Retiree DROP

Deposits to the DROP optional feature will end at retirement

Retirees must choose from recurring payment plan offered by the Pension at market rates

Equity Adjustments to DROP Accounts

- The equity adjustment:
  - Does not affect the CPB
  - Provides protection of principal deposits
  - COLA while in DROP - credited at CPI up to 2%
  - DROP interest - none
  - Healthcare supplement - not affected
- About 3,800 current employees do not have a DROP account, so this will not affect them
- For the 3,000 people who do have a DROP account, the effect will vary
- A significant portion of the liability exposure is in this feature

Equity Adjustment Options

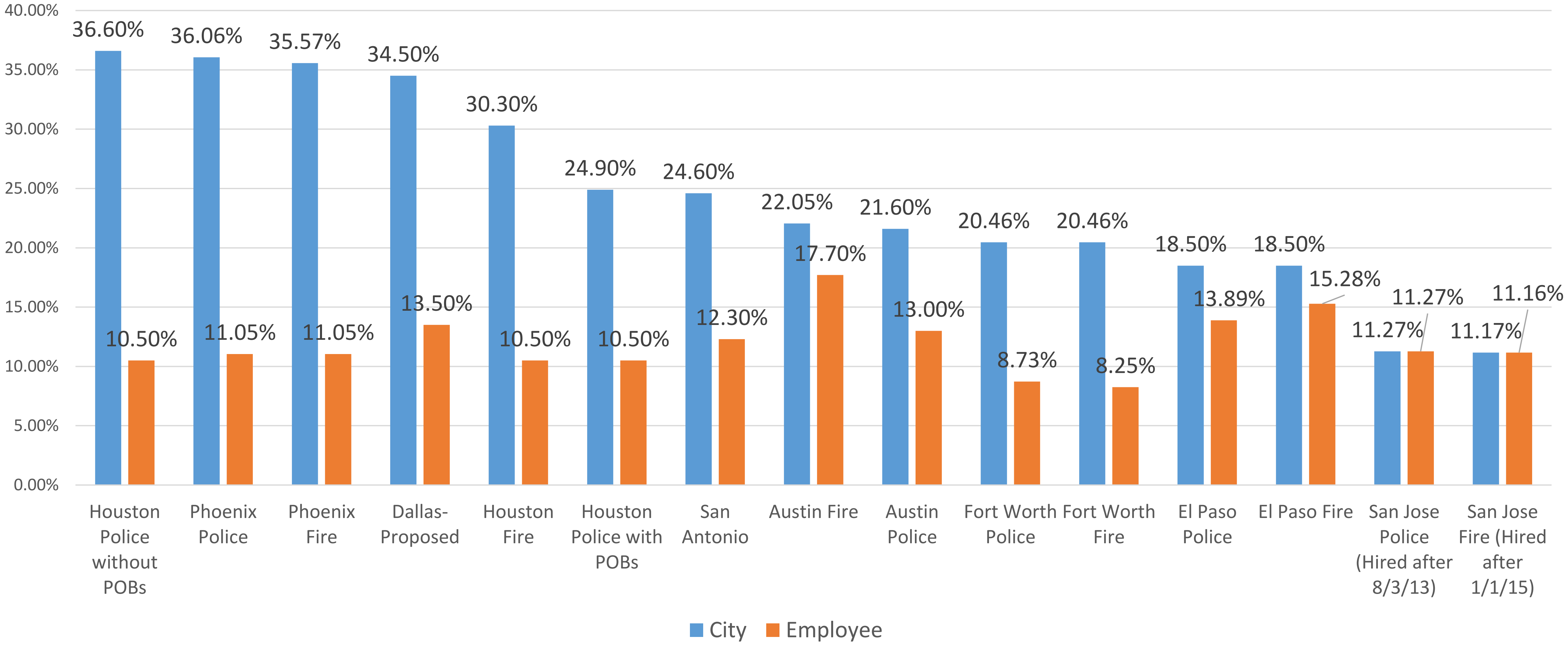
- Adjust the DROP account balance if the balance is sufficient
- Adjust future payouts
  - Protection of monthly check
- Use balance and lump sum repayment/roll-over
- Lump sum repayment incentive
  - 10% credit if Member fully repays pension within 30 days
  - Partial incentive available as well

Option for revocation of DROP

- Available for a limited period of time
- DROP account eliminated in its entirety
- All DROP money must be repaid (deposits, COLA, interest)
- Member will be credited for any contributions made during Active DROP
- Must purchase service credits for difference
- Once all that is completed, member pension will be recalculated and Member’s account will be made whole

Contribution Rates

Dallas is Among the Highest in City Contributions



Save the Pension: Summary

Benefits

- Changes to benefits will be fair and competitive among comparison cities
- Restores equity between tiers

Contributions

- City’s contribution rate increases to 34.5% of computation pay
- Total City contributions increase to $135M annually
- This is the equivalent of a one-time cash infusion of $190M
- Proposed City rate is higher than most comparison cities

Checks and Balances

- Cannot allow this to happen again
- Authority over plan must be shared with all critical stakeholders to provide a system of checks and balances between taxpayers, plan members and the City council
- Transparency, expertise and prudent management guide us

Questions