

AGENDA



Date: August 3, 2018

A meeting of the Supplemental Police and Fire Pension Fund Board of Trustees will be held at **8:30 a.m. on Thursday, August 9, 2018, in the Second Floor Board Room at 4100 Harry Hines Boulevard, Dallas, Texas.** Items of the following agenda will be presented to the Board:

A. CONSENT AGENDA

Approval of Minutes

Regular meeting of July 12, 2018

B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

2018 Supplemental Plan Mid-Year Budget Review

The term "possible action" in the wording of any Agenda item contained herein serves as notice that the Board may, as permitted by Texas Government Code, Section 551, in its discretion, dispose of any item by any action in the following non-exclusive list: approval, disapproval, deferral, table, take no action, and receive and file. At the discretion of the Board, items on this agenda may be considered at times other than in the order indicated in this agenda.

At any point during the consideration of the above items, the Board may go into Closed Executive Session as per Texas Government Code, Section 551.071 for consultation with attorneys, Section 551.072 for real estate matters, Section 551.074 for personnel matters, and Section 551.078 for review of medical records.

**Dallas Police and Fire Pension System
Thursday, July 12, 2018
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX**

Supplemental meeting, William F. Quinn, Chairman, presiding:

ROLL CALL

Board Members

Present at 8:30 a.m. William F. Quinn, Nicholas A. Merrick, Samuel L. Friar, Blaine Dickens (by phone), Ray Nixon, Gilbert A. Garcia, Frederick E. Rowe, Tina Hernandez Patterson, Robert C. Walters, Joseph P. Schutz, Kneeland Youngblood

Absent: None

Staff

Kelly Gottschalk, Josh Mond, Kent F. Custer, John Holt, Damion Hervey, Cynthia Thomas, Ryan Wagner, Milissa Romero, Greg Irlbeck, Linda Rickley

Others

Chuck Campbell, Janis Elliston, David Elliston, Rick Salinas, Darryl Wachsman

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The meeting was called to order and recessed at 8:30 a.m.

The meeting was reconvened at 12:25 p.m.

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Messrs. Dickens, Garcia, and Rowe were not present when the meeting was reconvened.

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CONSENT AGENDA

Approval of Minutes

Regular meeting of June 14, 2018

**Supplemental Board Meeting
Thursday, July 12, 2018**

Approval of Minutes (continued)

Mr. Merrick made a motion to approve the minutes of June 14, 2018, subject to the final approval of the staff. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

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Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Ms. Hernandez Patterson and a second by Mr. Merrick, the meeting was adjourned at 12:25 p.m.

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William F. Quinn
Chairman

ATTEST:

Kelly Gottschalk
Secretary



DISCUSSION SHEET

Supplemental

ITEM #B

Topic: 2018 Supplemental Plan Mid-Year Budget Review

Discussion: Attached is a review of the 2018 Operating Expense Budget detailing expenses for the first six months of the calendar year.

Expense items which are greater than the prorated budget by more than 5% and \$10,000 as of June 30, 2018 are discussed in the attached review.

Supplemental Plan expenses are deducted from total expenses in arriving at total Regular Plan expenses. Expenses are allocated to the two plans on a pro-rata basis, according to the ratio of each plan's assets to the total Group Trust assets. The ratio is derived from the Unitization Report prepared by JPMorgan as of June 30, 2018. The ratio is 99.2% Regular Plan to .8% Supplemental Plan.

Supplemental Board Meeting – Thursday, August 9, 2018

**BUDGET
CALENDAR YEAR 2018**

Description	2017 6 mos Actual	2018 6 mos Budget	2018 6 mos Actual	YTD Variance \$ Over/(Under)	YTD Variance % Over/(Under)
1 Building expenses, incl depreciation	359,941	171,168	281,842	110,673	64.7%
2 Information technology projects	8,643	37,500	65,232	27,732	74.0%
3 Independent audit	120,000	76,250	100,000	23,750	31.1%
4 Employment expenses	298	75,563	93,236	17,673	23.4%
5 Pension administration software & WMS	112,061	145,500	158,992	13,492	9.3%
6 Liability insurance	217,367	255,000	260,957	5,957	2.3%
7 Communications (phone/internet)	27,990	24,550	27,380	2,830	11.5%
8 Memberships and dues	13,250	8,520	11,190	2,670	31.3%
9 Miscellaneous Expense	44	-	920	920	100.0%
10 Miscellaneous professional services	11,630	9,150	9,709	559	6.1%
11 Employee service recognition	208	-	399	399	100.0%
12 Business continuity	6,877	6,750	7,046	296	4.4%
13 Elections	8,089	-	-	-	0.0%
14 Accounting services	29,500	29,500	29,500	-	0.0%
15 Public relations	230,004	-	-	-	0.0%
16 Records storage	567	780	639	(141)	-18.1%
17 Bad Debt Expense - Members	(200)	-	(175)	(175)	100.0%
18 Leased equipment	12,026	12,250	12,025	(225)	-1.8%
19 Staff meetings	-	500	176	(324)	-64.7%
20 Subscriptions	817	1,010	297	(713)	-70.6%
21 Member educational programs	65	1,250	-	(1,250)	-100.0%
22 Printing	2,868	3,185	1,193	(1,992)	-62.6%
23 Bank/security custodian services	2,577	2,500	395	(2,105)	-84.2%
24 IT software/hardware	7,357	8,500	6,271	(2,229)	-26.2%
25 Mileage - Board	1,835	2,500	-	(2,500)	-100.0%
26 Office supplies	15,183	15,250	12,686	(2,564)	-16.8%
27 Board meetings	3,763	5,050	1,299	(3,751)	-74.3%
28 Conference registration/materials - Board	3,910	7,450	1,940	(5,510)	-74.0%
29 Postage	20,196	12,900	5,745	(7,155)	-55.5%
30 Actuarial services	328,565	75,000	67,006	(7,994)	-10.7%
31 Repairs and maintenance	48,127	55,046	43,725	(11,321)	-20.6%
32 Conference/training registration/materials - Staff	4,513	13,525	2,117	(11,408)	-84.3%
33 Travel - Board	11,848	13,800	-	(13,800)	-100.0%
34 Disability medical evaluations	635	15,000	-	(15,000)	-100.0%
35 Network security	8,109	16,500	1,205	(15,295)	-92.7%
36 Travel - Staff	20,500	23,500	6,682	(16,818)	-71.6%
37 IT subscriptions/services/licenses	28,223	73,550	53,319	(20,231)	-27.5%
38 Legislative consultants	175,085	145,500	63,000	(82,500)	-56.7%
39 Salaries and benefits	1,755,698	1,861,472	1,414,855	(446,617)	-24.0%
40 Legal fees	1,543,490	1,000,000	217,201	(782,799)	-78.3%
Gross Total	\$ 5,141,658	\$ 4,205,469	\$ 2,958,005	\$ (1,247,464)	-24.3%
Less: Allocation to Supplemental Plan Budget*	41,042	27,756	23,612	(4,145)	-14.9%
Total Regular Plan Budget	\$ 5,100,616	\$ 4,177,713	\$ 2,934,393	\$ (1,243,320)	-24.4%

* Unitization split to Supplemental is based on unitization

Budget Changes (>5% and \$10K)

Item	2018 6 mos Budget	2018 6 mos Actual	\$ Variance Over/(Under)	% Variance Over/(Under)	Explanation
INCREASES:					
1 Building expenses, incl depreciation	171,168	281,842	110,673	64.7%	Variance due to building depreciation of \$113k not budgeted. Historically, only cash items have been budgeted.
2 Information technology projects	37,500	65,232	27,732	74.0%	Variance related to the timing of projects - several projects (hard drive array and new server) were completed during the second quarter of the year . We currently expect to be within budget for the year barring any unforeseen breakdowns.
3 Independent audit	76,250	100,000	23,750	31.1%	Variance due to budget /actual timing differences. Historically, \$100k in BDO fees have been paid in the first half of the year, while the budget is straight lined over the entire year. However, actual audit fees are expected to exceed the budgeted amount due to additional audit work required because of the LSIA valuation.
4 Employment expenses	75,563	93,236	17,673	23.4%	Expense is for search firms, advertising, relocation expenses, background checks and other employment related expenses. Variance due to budget /actual timing differences. The budget is straight lined over the entire year and the new employee search activity was primarily in the first half of the year.
5 Pension administration software & WMS	145,500	158,992	13,492	9.3%	Modifications to the software required from HB 3158 were completed during the first half of the year.
REDUCTIONS:					
6 Legal fees	1,000,000	217,201	(782,799)	-78.3%	Actual legal fees were expected to decline in 2018, but so far have come in even lower than expected. However, new and ongoing litigation will result in higher fees in the second half of the year.
7 Salaries and benefits	1,861,472	1,414,855	(446,617)	-24.0%	Lower than forecasted expenses due to vacant staff positions.
8 Legislative consultants	145,500	63,000	(82,500)	-56.7%	Actual expenses are less than forecasted due to the elimination of one legislative consulting firm.
9 IT subscriptions/services/licenses	73,550	53,319	(20,231)	-27.5%	Actual costs for some forecasted services and licensing fees (3T Pro and Diligent) were less than budgeted.
10 Travel - Staff	23,500	6,682	(16,818)	-71.6%	No due diligence travel and less other required staff travel than anticipated.
11 Network security	16,500	1,205	(15,295)	-92.7%	Variance related to timing of security related audits and services. Best practice review of firewall completed in July.
12 Disability medical evaluations	15,000	-	(15,000)	-100.0%	No completed disability evaluations in the first half of the year.
13 Travel - Board	13,800	-	(13,800)	-100.0%	No board travel year to date
14 Conference/training registration/materials - Staff	13,525	2,117	(11,408)	-84.3%	Limited staff training year to date.
15 Repairs and maintenance	55,046	43,725	(11,321)	-20.6%	Actual expenses were less than budget primarily due to the timing of billed services.