

AGENDA



Date: August 5, 2022

The supplemental meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, August 11, 2022, in the Second Floor Board Room at 4100 Harry Hines Boulevard, Dallas, Texas and via telephone conference for audio at 214-271-5080 access code 588694 or Toll-Free (US & CAN): 1-800-201-5203 and Zoom meeting for visual <https://us02web.zoom.us/j/82574554632?pwd=dk1KVVdwWmYzRjQyT3dZRTdlT05qZz09> Passcode: 472056.** Items of the following agenda will be presented to the Board:

A. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of July 14, 2022

2. Approval of Service Retirements

B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Quarterly Financial Reports

2. 2022 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 14, 2022
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room Dallas, TX**

Supplemental meeting, Nicholas A. Merrick, Chairman, presiding:

ROLL CALL

Board Members

Present at 8:31 a.m. Nicholas A. Merrick, William F. Quinn, Armando Garza (by telephone), Michael Brown, Robert B. French, Kenneth Haben (by telephone), Tina Hernandez Patterson, Mark Malveaux

Present at 8:34 a.m. Gilbert A. Garcia

Absent: Steve Idoux

Staff

Kelly Gottschalk, Josh Mond, Brenda Barnes, Ryan Wagner, John Holt, Greg Irlbeck, Michael Yan, Akshay Patel, Milissa Romero
Cynthia Thomas (by telephone)

Others

Jeff Williams (by telephone), Leandro Festino, Aaron Lally (by telephone), Colin Kowalski (by telephone), Tom Tull (by telephone), Stuart Pattillo, Mitchell Zaniboni, Greg Taylor, Mark Sales, Nancy Rocha, Joseph Thompson

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The Supplemental meeting was called to order and recessed at 8:31 a.m.

The Supplemental meeting was reconvened at 12:06 p.m. Mr. Haben was not present when the meeting was reconvened.

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A. CONSENT AGENDA

Approval of Minutes

Regular meeting of June 2, 2022

After discussion, Mr. Garcia made a motion to approve the minutes of the meeting of June 2, 2022. Mr. Quinn seconded the motion, which was unanimously approved by the Board.

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**Supplemental Board Meeting
Thursday, July 14, 2022**

**B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR
INDIVIDUAL CONSIDERATION**

January 1, 2022 Actuarial Valuation Assumptions

Jeff Williams, Vice President and Actuary of Segal Consulting, reviewed the assumptions used for January 1, 2021, Actuarial Valuation and believes they remain appropriate and has recommended only minor changes to the assumptions for the January 1, 2022 Actuarial Valuation for the Regular Plan (Combined Plan) and the Supplemental Plan.

After discussion, Mr. Quinn made a motion to direct Segal to use its recommended assumptions in preparing the January 1, 2022 Actuarial Valuation for the Regular Plan (Combined Plan) and the Supplemental Plan. Mr. Garcia 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 Mr. Garcia and a second by Ms. Hernandez Patterson, the meeting was adjourned at 12:07 p.m.

Nicholas A. Merrick
Chairman

ATTEST:

Kelly Gottschalk
Secretary



DISCUSSION SHEET

Supplemental

ITEM #B1

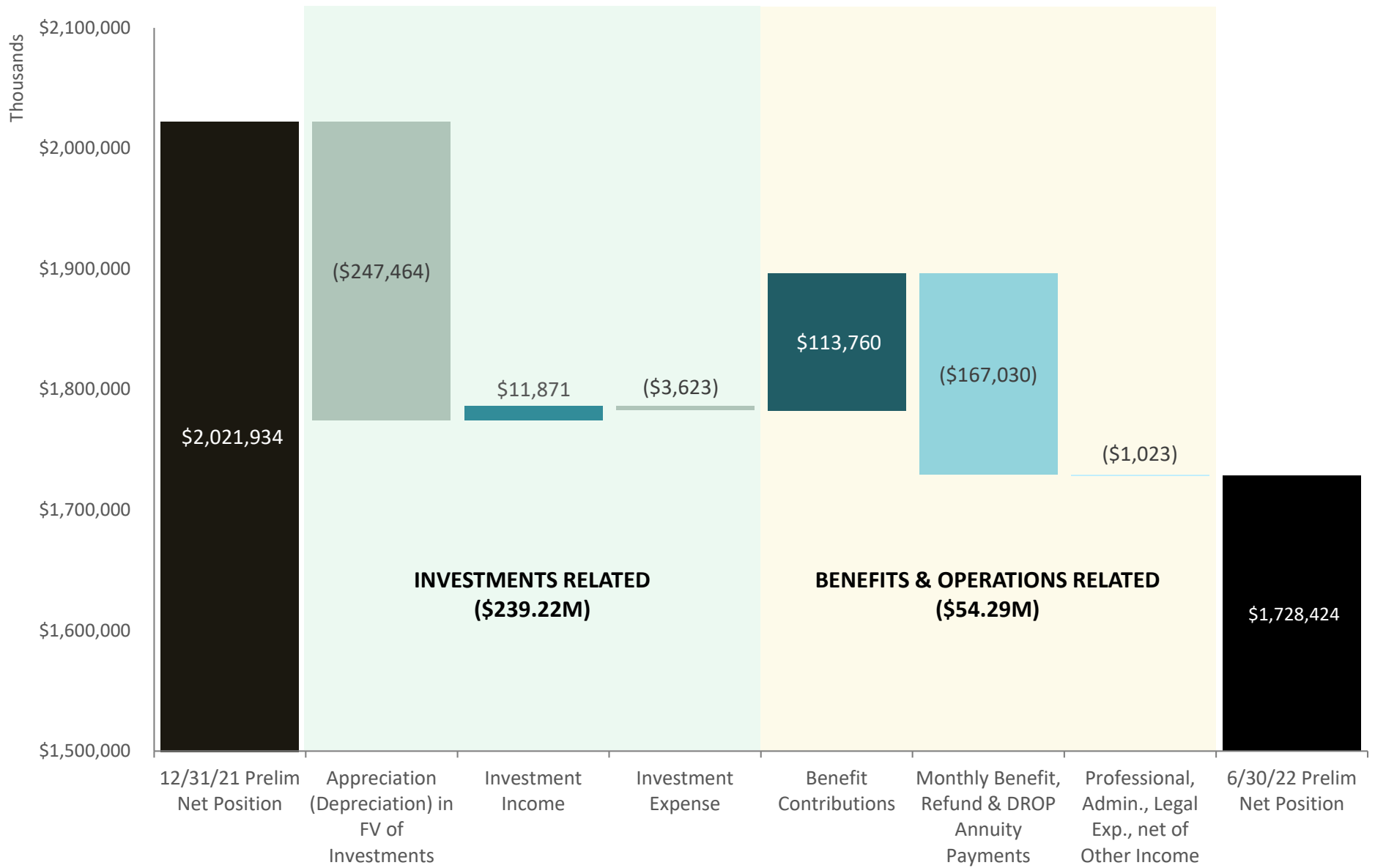
Topic: **Quarterly Financial Reports**

Discussion: The Chief Financial Officer will present the second quarter 2022 financial statements.

Supplemental Board Meeting – Thursday, August 11, 2022

Change in Net Fiduciary Position

PRELIMINARY - December 31, 2021 – June 30, 2022



Components may not sum exactly due to rounding.

DALLAS POLICE & FIRE PENSION SYSTEM
Combined Statements of Fiduciary Net Position

	June 30, 2022	PRELIMINARY December 31, 2021 (unaudited)	\$ Change	% Change
Assets				
Investments, at fair value (NOTE)				
Short-term investments	\$ 16,032,665	\$ 12,939,975	\$ 3,092,690	24%
Fixed income securities	345,776,678	420,098,166	(74,321,488)	-18%
Equity securities	770,041,758	968,323,984	(198,282,226)	-20%
Real assets	390,646,637	409,453,397	(18,806,760)	-5%
Private equity	135,531,510	134,728,635	802,875	1%
Forward currency contracts	(214)	(46)	(168)	-365%
Total investments (NOTE)	1,658,029,034	1,945,544,111	(287,515,077)	-15%
Receivables				
City	4,206,214	4,558,572	(352,358)	-8%
Members	1,468,643	1,613,390	(144,747)	-9%
Interest and dividends	3,645,803	3,444,616	201,187	6%
Investment sales proceeds	356,090	223,273	132,817	59%
Other receivables	422,744	124,614	298,130	239%
Total receivables	10,099,494	9,964,465	135,029	1%
Cash and cash equivalents	56,296,224	60,032,434	(3,736,210)	-6%
Prepaid expenses	902,074	411,295	490,779	119%
Capital assets, net	11,726,406	11,846,879	(120,473)	-1%
Total assets	\$ 1,737,053,232	\$ 2,027,799,184	\$ (290,745,952)	-14%
Liabilities				
Payables				
Securities purchased	3,684,281	358,266	3,326,015	928%
Accounts payable and other accrued liabilities	4,944,655	5,506,622	(561,967)	-10%
Total liabilities	8,628,936	5,864,888	2,764,048	47%
Net position restricted for pension benefits	\$ 1,728,424,296	\$ 2,021,934,296	\$ (293,510,000)	-15%

(NOTE) Private asset values have not yet been reported for Q4 21. Values will be updated as final reporting is received.

DALLAS POLICE & FIRE PENSION SYSTEM
Combined Statements of Changes in Fiduciary Net Position

	<u>Six Months Ended June 30, 2022</u>	<u>Six Months Ended June 30, 2021</u>	<u>\$ Change</u>	<u>% Change</u>
Contributions				
City	\$ 84,231,674	\$ 82,067,414	\$ 2,164,260	3%
Members	29,528,378	29,014,008	514,370	2%
Total Contributions	<u>113,760,052</u>	<u>111,081,422</u>	2,678,630	2%
Investment income				
Net appreciation (depreciation) in fair value of investments (NOTE)	(247,464,039)	89,635,773	(337,099,812)	-376%
Interest and dividends	11,870,831	15,631,613	(3,760,782)	-24%
Total gross investment income	(235,593,208)	105,267,386	(340,860,594)	-324%
less: investment expense	(3,623,234)	(5,527,859)	1,904,625	34%
Net investment income	<u>(239,216,442)</u>	<u>99,739,527</u>	(338,955,969)	-340%
Other income	2,202,788	174,336	2,028,452	1164%
Total additions	<u>(123,253,602)</u>	<u>210,995,285</u>	(334,248,887)	-158%
Deductions				
Benefits paid to members	165,366,930	161,045,128	4,321,802	3%
Refunds to members	1,663,520	1,238,041	425,479	34%
Legal expense	259,412	10,068	249,344	2477%
Legal expense reimbursement	-	-	-	0%
Legal expense, net of reimbursement	<u>259,412</u>	<u>10,068</u>	249,344	2477%
Staff Salaries and Benefits	1,700,970	1,785,053	(84,083)	-5%
Professional and administrative expenses	1,265,566	1,314,322	(48,756)	-4%
Total deductions	<u>170,256,398</u>	<u>165,392,612</u>	4,863,786	3%
Net increase (decrease) in net position	<u>(293,510,000)</u>	<u>45,602,673</u>		
Beginning of period	2,021,934,296	1,960,074,777		
End of period	<u>\$ 1,728,424,296</u>	<u>\$ 2,005,677,450</u>		

(NOTE) Private asset values have not yet been reported for Q4 21. Values will be updated as final reporting is received.



DISCUSSION SHEET

Supplemental

ITEM #B2

Topic: **2022 Mid-Year Budget Review**

Discussion: Attached is a review of the 2022 Operating Expense Budget detailing expenses for the first six months of the calendar year.

Expense items with variances to the prorated budget by more than 5% and \$10,000 as of June 30, 2022 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, 2022. The ratio is 99.19% Regular Plan to .81% Supplemental Plan.

Supplemental Board Meeting – Thursday, August 11, 2022

**BUDGET REVIEW
2022 MID -YEAR REVIEW**

Description	2022 6 months Actual	2022 6 months Budget	2021 6 months Actual	Budget vs Actual Variance \$ Over/(Under)	Budget vs Actual Variance % Over/(Under)
1 Liability insurance	365,664	332,450	304,420	33,214	10.0%
2 Legal fees, no insurance reimb for any category	259,412	257,500	10,068	1,912	0.7%
3 Bank Fees	11,671	10,000	9,839	1,671	16.7%
4 Miscellaneous professional services	9,551	9,229	19,260	322	3.5%
5 Printing	2,207	2,050	932	157	7.7%
6 Records storage	759	750	696	9	1.2%
7 Legislative consultants	63,000	63,000	94,543	-	0.0%
8 Depreciation exp - IT hardware	7,343	7,343	7,343	-	0.0%
9 Business continuity	8,804	9,000	11,831	(196)	-2.2%
10 Staff meetings	-	250	-	(250)	-100.0%
11 Subscriptions	487	1,198	448	(711)	-59.3%
12 Accounting services	29,500	30,385	29,500	(885)	-2.9%
13 Memberships and dues	8,754	9,743	8,975	(989)	-10.2%
14 Postage	13,830	14,825	4,890	(995)	-6.7%
15 Leased equipment	10,908	12,000	11,116	(1,092)	-9.1%
16 Member educational programs	250	1,375	-	(1,125)	-81.8%
17 Office supplies	11,109	12,237	4,931	(1,128)	-9.2%
18 Board meetings	1,524	3,210	499	(1,686)	-52.5%
19 Elections	7,938	10,000	-	(2,062)	-20.6%
20 Employee service recognition	-	2,540	-	(2,540)	-100.0%
21 IT software/hardware	9,667	12,500	15,630	(2,833)	-22.7%
22 Employment expenses	9,740	12,805	4,061	(3,065)	-23.9%
23 Network security review	-	5,000	-	(5,000)	-100.0%
24 Communications (phone/internet)	9,537	14,917	46,570	(5,380)	-36.1%
25 Building expenses, incl depreciation	317,719	323,337	298,416	(5,618)	-1.7%
26 Conference registration/materials - board	75	5,825	150	(5,750)	-98.7%
27 Miscellaneous expense	21	6,000	-	(5,979)	-99.7%
28 Disability medical evaluations	-	6,000	-	(6,000)	-100.0%
29 Repairs and maintenance	35,682	44,288	39,850	(8,606)	-19.4%
30 Travel - board	848	10,750	1,558	(9,902)	-92.1%
31 IT subscriptions/services/licenses	95,909	106,150	92,273	(10,241)	-9.6%
32 Travel - staff	4,487	21,475	2,082	(16,988)	-79.1%
33 Conference/training registration/materials - staff	1,418	18,875	1,732	(17,457)	-92.5%
34 Pension administration software & WMS	122,705	146,000	137,071	(23,295)	-16.0%
35 Actuarial services	49,192	79,125	41,000	(29,933)	-37.8%
36 Public Relations Expense	17,499	50,000	2,152	(32,501)	-65.0%
37 Network security monitoring	6,171	50,000	39,451	(43,829)	-87.7%
38 Independent audit	-	51,500	65,000	(51,500)	-100.0%
39 Information technology projects	31,597	125,000	18,103	(93,403)	-74.7%
40 Salaries and benefits	1,700,970	1,967,773	1,785,053	(266,803)	-13.6%
Gross Total	3,225,948	3,846,405	3,109,443	(620,457)	-16.1%
Less: Allocation to Supplemental Plan Budget*	26,225	32,502	24,704	(6,277)	-19.3%
Total Regular Plan Budget	\$ 3,199,723	\$ 3,813,903	\$ 3,084,739	\$ (614,180)	-16.1%

*Split to Supplemental is based on unitization

1 Investment due diligence	19,885	21,250	17,500	(1,365)	-6.4%
2 Investment consultant and reporting	171,042	172,500	168,541	(1,458)	-0.8%
3 Investment portfolio operating expenses	485,883	490,750	2,231,883	(4,867)	-1.0%
4 Custodian fees	110,340	117,500	116,204	(7,160)	-6.1%
5 Fund management fees	2,836,084	3,295,000	2,993,731	(458,916)	-13.9%
Total Investment Expenses	3,623,234	4,097,000	5,527,859	(473,766)	-11.6%

**BUDGET
2022 MID-YEAR REVIEW**

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

	Description	2022 6 months Actual	2022 6 months Budget	Budget vs Actual Variance \$ Over/(Under)	Budget vs Actual Variance % Over/(Under)	Explanation
INCREASES:						
1	Liability insurance	365,664	332,450	33,214	10.0%	Variance was driven by significant increases in cyber and fiduciary insurance at the last renewal cycle.
REDUCTIONS:						
2	Salaries and benefits	1,700,970	1,967,773	(266,803)	-13.6%	Lower than forecasted expenses due to vacant staff positions and one budgeted but unfilled position - Communications Specialist.
3	Information technology projects	31,597	125,000	(93,403)	-74.7%	Some budgeted projects may be deferred to 2023 in order to align our security posture with cyber security insurance requirements.
4	Independent audit	-	51,500	(51,500)	-100.0%	Variance was related to the timing of the billing from BDO.
5	Network security monitoring	6,171	50,000	(43,829)	-87.7%	Variance was driven by the timing of various security monitoring initiatives under way. Expect expenses to increase in the second half of 2022.
6	Public Relations Expense	17,499	50,000	(32,501)	-65.0%	Variance was related to the timing of the expenses. The budgeted project with FleishmanHillard has been deferred to the second half of the year.
7	Actuarial services	49,192	79,125	(29,933)	-37.8%	Variance was due in part to the timing and quantity of specialized services required.
8	Pension administration software & WMS	122,705	146,000	(23,295)	-16.0%	Budgeted Pension Gold and Web Members Services enhancement expenses have been less than anticipated.
9	Conference/training registration/materials - staff	1,418	18,875	(17,457)	-92.5%	Staff Conference Training attendance still significantly reduced due to possible health concerns
10	Travel - staff	4,487	21,475	(16,988)	-79.1%	While staff travel is increasing, it is still significantly reduced due to possible health concerns.
11	IT subscriptions/services/licenses	95,909	106,150	(10,241)	-9.6%	Variance was primarily related to the timing of the expenses.

INVESTMENT EXPENSES						
	Description	2021 6 months Actual	2021 6 months Budget	Budget vs Actual Variance \$ Over/(Under)	Budget vs Actual Variance % Over/(Under)	Explanation
1	Fund management fees	2,836,084	3,295,000	(458,916)	-13.9%	Budget and Actual are for direct fees only. Variance was due in part to the timing of expenses. Some performance fees are due and paid at year end.