

**DALLAS POLICE AND FIRE PENSION SYSTEM
OPERATING BUDGET SUMMARY
FOR THE YEAR 2023**

Expense Type	2022 Budget	2022 Projected Actual	2023 Budget	Variances		Variances	
				2023	2022	2023	2022
				Budget vs	Budget	Budget vs	Proj. Act.
				\$	%	\$	%
Administrative Expenses	6,159,334	5,392,753	6,190,265	30,931	0.5%	797,512	14.8%
Investment Expenses	14,044,000	12,240,743	10,770,886	(3,273,114)	(23.3%)	(1,469,857)	(12.0%)
Professional Expenses	1,533,477	1,181,258	1,277,050	(256,427)	(16.7%)	95,792	8.1%
Total	\$ 21,736,811	\$ 18,814,754	\$ 18,238,201	\$ (3,498,610)	(16.1%)	\$ (576,553)	(3.1%)

**Dallas Police & Fire Pension System
Operating Budget
Calendar Year 2023**

Description	2022 Budget	2022 Projected Actual*	2023 Proposed Budget	\$ Change 2023 Prop. Bud. vs. 2022 Bud.	% Change 2023 Prop. Bud. vs. 2022 Bud.	\$ Change 2023 Prop. Bud. vs. 2022 Proj. Actual	% Change 2023 Prop. Bud. vs. 2022 Proj. Actual
Administrative Expenses							
1 Salaries and benefits	3,935,546	3,456,216	3,709,489	(226,057)	(5.7%)	253,273	7.3%
2 Employment Expense	25,610	10,892	46,350	20,740	81.0%	35,458	325.5%
3 Memberships and dues	19,487	18,095	20,201	714	3.7%	2,106	11.6%
4 Staff meetings	500	-	500	-	0.0%	500	100.0%
5 Employee service recognition	5,080	1,500	5,000	(80)	(1.6%)	3,500	233.3%
6 Member educational programs	2,750	500	3,350	600	21.8%	2,850	570.0%
7 Board meetings	6,420	2,822	4,420	(2,000)	(31.2%)	1,598	56.6%
8 Conference registration/materials - Board	11,650	129	12,000	350	3.0%	11,871	9202.3%
9 Travel - Board	21,500	1,453	22,000	500	2.3%	20,547	1414.1%
10 Conference/training registration/materials - Staff	37,750	7,567	33,200	(4,550)	(12.1%)	25,633	338.7%
11 Travel - Staff	42,950	20,547	44,700	1,750	4.1%	24,153	117.6%
12 Liability insurance	664,899	740,493	888,533	223,634	33.6%	148,040	20.0%
13 Communications (phone/internet)	29,835	18,801	21,180	(8,655)	(29.0%)	2,379	12.7%
14 Information technology projects	250,000	74,445	190,000	(60,000)	(24.0%)	115,555	155.2%
15 IT subscriptions/services/licenses	212,300	187,076	239,860	27,560	13.0%	52,784	28.2%
16 IT software/hardware	25,000	21,753	25,000	-	0.0%	3,247	14.9%
17 Building expenses	420,413	415,431	459,697	39,284	9.3%	44,266	10.7%
18 Repairs and maintenance	88,576	74,531	94,582	6,006	6.8%	20,051	26.9%
19 Office supplies	24,475	22,001	28,475	4,000	16.3%	6,474	29.4%
20 Leased equipment	24,000	21,755	25,000	1,000	4.2%	3,245	14.9%
21 Postage	29,650	26,270	29,746	96	0.3%	3,476	13.2%
22 Printing	4,100	3,712	4,350	250	6.1%	638	17.2%
23 Subscriptions	2,396	971	2,506	110	4.6%	1,535	158.1%
24 Records storage	1,500	1,518	2,179	679	45.3%	661	43.5%
25 Administrative contingency reserve	12,000	122	12,000	-	0.0%	11,878	9736.1%
27 Depreciation Expense	240,947	240,947	240,947	-	0.0%	-	0.0%
28 Bank fees	20,000	23,206	25,000	5,000	25.0%	1,794	7.7%
Investment Expenses							
29 Investment management fees	12,440,000	9,572,288	9,375,000	(3,065,000)	(24.6%)	(197,288)	(2.1%)
30 Investment consultant and reporting	345,000	342,381	455,000	110,000	31.9%	112,619	32.9%
31 Bank custodian services	235,000	220,680	235,000	-	0.0%	14,320	6.5%
32 Other portfolio operating expenses (legal, valuation, tax)	981,500	2,065,418	644,500	(337,000)	(34.3%)	(1,420,918)	(68.8%)
33 Investment due diligence	42,500	39,976	61,386	18,886	44.4%	21,410	53.6%
Professional Services Expenses							
34 Actuarial services	158,250	96,223	159,500	1,250	0.8%	63,277	65.8%
35 Accounting services	60,770	59,000	61,950	1,180	1.9%	2,950	5.0%
36 Independent audit	103,000	109,000	115,000	12,000	11.7%	6,000	5.5%

**Dallas Police & Fire Pension System
Operating Budget
Calendar Year 2023**

Description	2022 Budget	2022 Projected Actual*	2023 Proposed Budget	\$ Change vs. 2022 Bud.	% Change vs. 2022 Bud.	\$ Change vs. 2022 Proj. Actual	% Change vs. 2022 Proj. Actual
37 Legal fees	515,000	444,707	180,000	(335,000)	(65.0%)	(264,707)	(59.5%)
38 Legislative consultants	126,000	126,000	159,000	33,000	26.2%	33,000	26.2%
39 Public relations	100,000	17,499	-	(100,000)	(100.0%)	(17,499)	(100.0%)
40 Pension administration software & WMS	292,000	244,204	292,000	-	0.0%	47,796	19.6%
41 Business continuity	18,000	17,608	14,000	(4,000)	(22.2%)	(3,608)	(20.5%)
42 Network security review	10,000	-	-	(10,000)	(100.0%)	-	100.0%
43 Network security monitoring	100,000	27,117	180,000	80,000	80.0%	152,883	563.8%
44 Disability medical evaluations	12,000	-	16,250	4,250	35.4%	16,250	100.0%
45 Elections	20,000	17,546	15,250	(4,750)	(23.8%)	(2,296)	(13.1%)
46 Miscellaneous professional services	18,457	22,354	84,100	65,643	355.7%	61,746	276.2%
Total Budget	21,736,811	18,814,754	18,238,201	(3,498,610)	(16.1%)	(576,553)	(3.1%)
Less: Investment management fees	12,440,000	9,572,288	9,375,000	(3,065,000)	(24.6%)	(197,288)	(2.1%)
Adjusted Budget Total	9,296,811	9,242,466	8,863,201	(433,610)	(4.7%)	(379,265)	(4.1%)

SUPPLEMENTAL BUDGET

Total Budget (from above)	21,736,811	18,814,754	18,238,201	(3,498,610)	(16.1%)	(576,553)	(3.1%)
Less: Allocation to Supplemental Plan Budget**	228,014	160,114	155,207	(72,807)	(31.9%)	(4,906)	(3.1%)
Total Combined Pension Plan Budget	21,508,797	18,654,640	18,082,994	(3,425,803)	(15.9%)	(571,647)	(3.1%)

* Projected based on 7/31/21 YTD annualized or estimated

** Allocation to Supplemental is based on JPM allocation between accounts as of 7/31/22 of .0085%

_____ **0.85%** per JPM Unitization report as of 7/31/22

Significant Budget Changes - 2023
Budget Changes (>5% and \$25K)
SORTED BY THE \$ CHANGE FROM 2022 BUDGET TO 2023 BUDGET

		2022	2022	2023	\$ Change	% Change	\$ Change	% Change	
	Item	Budget	Projected Actual**	Budget	2023 Budget vs. 2022 Bud.	2023 Budget vs. 2022 Bud.	2023 Budget vs. 2022 Proj. Act.	2023 Budget vs. 2022 Proj. Act.	Explanation
	INCREASES:								
1	Liability insurance	664,899	740,493	888,533	223,634	33.6%	148,040	20.0%	Expecting significant premium increases across all lines of insurance, specifically cyber and fiduciary. Additionally, the 2022 budget did not fully reflect the renewal premiums actually incurred in 2022.
2	Investment consultant and reporting	345,000	342,381	455,000	110,000	31.9%	112,619	32.9%	Budgeting \$75K for possible private markets services along with \$35K for SB322.
3	Network security monitoring	100,000	27,117	180,000	80,000	80.0%	152,883	563.8%	Cyber Security planning and remediation is a top focus. A vCISO has now been engaged to assist in prioritizing projects. The 2023 budget represents a full year of vCISO services.
4	Miscellaneous professional services	18,457	22,354	84,100	65,643	355.7%	61,746	276.2%	Increased budget for contract Communications consultant rather than full time staff employee.
5	Building expenses	420,413	415,431	459,697	39,284	9.3%	44,266	10.7%	Increase driven by expected increases in utilities and services (security, janitorial, HVAC, elevator, etc.)
6	Legislative consultants	126,000	126,000	159,000	33,000	26.2%	33,000	26.2%	Legislature will be in session in 2023. Fees are increased during a legislative session.
7	IT subscriptions/services/licenses	212,300	187,076	239,860	27,560	13.0%	52,784	28.2%	Adding additional and upgraded licenses for VMWare support and Network Health Monitoring.
	REDUCTIONS:								
8	Investment management fees	12,440,000	9,572,288	9,375,000	(3,065,000)	(24.6%)	(197,288)	(2.1%)	Declines in fee schedules (Private Equity), rates and the decrease in market value of the portfolio are driving the decrease in management fees.
9	Other portfolio operating expenses (legal, valuation, tax)	981,500	2,065,418	644,500	(337,000)	(34.3%)	(1,420,918)	(68.8%)	The settlement of the Lone Star case should result in lower expenses.
10	Legal fees	515,000	444,707	180,000	(335,000)	(65.0%)	(264,707)	(59.5%)	Expected expenses based on current status of cases.
11	Salaries and benefits	3,935,546	3,456,216	3,709,489	(226,057)	(5.7%)	253,273	7.3%	Reducing expected headcount by two (from 25 to 23) partially offset by budgeted salary and benefit cost increases.
12	Public relations	100,000	17,499	0	(100,000)	(100.0%)	(17,499)	(100.0%)	No public relations projects planned for 2023.
13	Information technology projects	250,000	74,445	190,000	(60,000)	(24.0%)	115,555	155.2%	Focus for 2023 continues to be on cyber security remediation for insurance requirements. Some budget dollars reallocated to Network Security Monitoring.

** Projected based on 7/31/22 YTD annualized or estimated

Significant Budget Changes - 2023
Budget Changes (>5% and \$25K)
SORTED BY THE \$ CHANGE FROM 2022 PROJECTED ACTUAL TO 2023 BUDGET

		2022	2022	2023	\$ Change	% Change	\$ Change	% Change	
	Item	Budget	Projected Actual**	Budget	2023 Budget vs. 2022 Bud.	2023 Budget vs. 2022 Bud.	2023 Budget vs. 2022 Proj. Act.	2023 Budget vs. 2022 Proj. Act.	Explanation
	INCREASES:								
1	Salaries and benefits	3,935,546	3,456,216	3,709,489	(226,057)	(5.7%)	253,273	7.3%	2022 Projected actual is less due to staff vacancies. We hope to be fully staffed again in 2023.
2	Network security monitoring	100,000	27,117	180,000	80,000	80.0%	152,883	563.8%	Cyber Security planning and remediation is a top focus. A vCISO has now been engaged to assist in prioritizing projects. The 2023 budget represents a full year of vCISO services.
3	Liability insurance	664,899	740,493	888,533	223,634	33.6%	148,040	20.0%	Expecting significant premium increases across all lines of insurance, specifically cyber and fiduciary.
4	Information technology projects	250,000	74,445	190,000	(60,000)	(24.0%)	115,555	155.2%	Projects originally planned for 2022 were deferred to focus on cyber security remediation for insurance requirements. 2023 projects will be focused on cyber security.
5	Investment consultant and reporting	345,000	342,381	455,000	110,000	31.9%	112,619	32.9%	2023 Budget includes \$75K for possible private markets services along with \$35K for SB322.
6	Actuarial services	158,250	96,223	159,500	1,250	0.8%	63,277	65.8%	Budgeting additional \$75k for specialized work related to board requests, member issues and other items.
7	Miscellaneous professional services	18,457	22,354	84,100	65,643	355.7%	61,746	276.2%	Budgeting for contract Communications consultant rather than full time staff.
8	IT subscriptions/services/licenses	212,300	187,076	239,860	27,560	13.0%	52,784	28.2%	Additional and upgraded licenses for VMWare support and Network Health Monitoring.
9	Pension administration software & WMS	292,000	244,204	292,000	0	0.0%	47,796	19.6%	Budgeting for possible PG and WMS enhancements, as well as price increases - 4%.
10	Building expenses	420,413	415,431	459,697	39,284	9.3%	44,266	10.7%	Increase driven by expected increases in utilities and services (security, janitorial, HVAC, elevator, etc.)
11	Travel - Staff	42,950	20,547	44,700	1,750	4.1%	24,153	117.6%	Limited staff travel in 2022. Expecting a return to a more normal level in 2023.
12	Employment Expense	25,610	10,892	46,350	20,740	81.0%	35,458	325.5%	Agency fees for potential new hires.
13	Legislative consultants	126,000	126,000	159,000	33,000	26.2%	33,000	26.2%	Legislature will be in session in 2023. Fees are increased during a legislative session.
14	Conference/training registration/materials - Staff	37,750	7,567	33,200	(4,550)	(12.1%)	25,633	338.7%	Limited staff conference attendance in 2022. Expect increased attendance to return to a more normal level in 2023.
	REDUCTIONS:								
15	Other portfolio operating expenses (legal, valuation, tax)	981,500	2,065,418	644,500	(337,000)	(34.3%)	(1,420,918)	(68.8%)	The settlement of the Lone Star case should result in lower expenses.
16	Legal fees	515,000	444,707	180,000	(335,000)	(65.0%)	(264,707)	(59.5%)	Actual costs of some open cases have been less than expected.