

**DALLAS POLICE AND FIRE PENSION SYSTEM
BUDGET SUMMARY
FOR THE YEAR 2019
INITIAL READING AT THE OCTOBER 10, 2018 BOARD MEETING**

Expense Type	2019 Budget	2018 Budget	2018 Proj. Actual	Variances 2019 vs 2018 Budget		Variances 2019 Budget vs 2018 Proj. Actual	
				\$	%	\$	%
Administrative Expenses	5,766,377	5,367,639	4,745,347	398,738	7.4%	1,021,030	21.5%
Investment Expenses	16,854,000	19,147,000	17,048,934	(2,293,000)	-12.0%	(194,934)	-1.1%
Professional Expenses	2,189,975	3,038,300	1,230,909	(848,325)	-27.9%	959,066	77.9%
Total	<u>\$ 24,810,352</u>	<u>\$ 27,552,939</u>	<u>\$ 23,025,190</u>	<u>\$ (2,742,587)</u>	<u>-10.0%</u>	<u>\$ 1,785,162</u>	<u>7.8%</u>

**Dallas Police & Fire Pension System
Operating Budget
Calendar Year 2019**

Description	2018 Budget	2018 Projected Actual*	2019 Budget	\$ Change vs. PY Budget	% Change vs. PY Budget	\$ Change 2019 Budget vs. 2018 Proj. Actual	% Change 2019 Budget vs. 2018 Proj. Actual
Administrative Expenses							
1 Salaries and benefits	3,722,945	3,024,636	3,831,889	108,944	2.9%	807,253	26.7%
2 Employment expenses	151,125	148,563	52,275	(98,850)	(65.4%)	(96,288)	(64.8%)
3 Memberships and dues	17,040	23,699	19,182	2,142	12.6%	(4,517)	(19.1%)
4 Staff meetings	1,000	845	1,000	-	0.0%	155	18.3%
5 Employee service recognition	-	599	5,000	5,000	100.0%	4,401	734.7%
6 Member educational programs	2,500	-	2,500	-	0.0%	2,500	100.0%
7 Board meetings	10,100	3,351	7,600	(2,500)	(24.8%)	4,249	126.8%
8 Conference registration/materials - Board	14,900	2,910	14,900	-	0.0%	11,990	412.0%
9 Travel - Board	32,600	-	32,620	20	0.1%	32,620	100.0%
10 Conference/training registration/materials - Staff	27,050	3,176	37,500	10,450	38.6%	34,324	1080.7%
11 Travel - Staff	47,000	12,444	37,500	(9,500)	(20.2%)	25,056	201.4%
12 Liability insurance	510,000	527,256	604,553	94,553	18.5%	77,297	14.7%
13 Communications (phone/internet)	49,100	54,441	55,600	6,500	13.2%	1,159	2.1%
14 Information technology projects	75,000	110,376	70,000	(5,000)	(6.7%)	(40,376)	(36.6%)
15 IT subscriptions/services/licenses	147,100	101,138	147,840	740	0.5%	46,702	46.2%
16 IT software/hardware	17,000	10,884	17,000	-	0.0%	6,116	56.2%
17 Building expenses	342,337	337,420	320,339	(21,998)	(6.4%)	(17,081)	(5.1%)
18 Repairs and maintenance	110,092	80,375	108,249	(1,843)	(1.7%)	27,874	34.7%
19 Office supplies	30,500	31,034	33,100	2,600	8.5%	2,066	6.7%
20 Leased equipment	24,500	23,820	23,900	(600)	(2.4%)	80	0.3%
21 Postage	25,800	15,537	27,000	1,200	4.7%	11,463	73.8%
22 Printing	6,370	2,147	5,110	(1,260)	(19.8%)	2,963	138.0%
23 Subscriptions	2,020	521	2,140	120	5.9%	1,619	310.7%
24 Records storage	1,560	1,307	1,320	(240)	(15.4%)	13	1.0%
25 Administrative contingency reserve	-	1,242	12,000	12,000	100.0%	10,758	866.2%
26 Depreciation Expense	-	227,626	248,260	248,260	100.0%	20,634	9.1%
Investment Expenses							
27 Investment management fees	17,522,000	15,684,258	14,490,000	(3,032,000)	(17.3%)	(1,194,258)	(7.6%)
28 Investment consultant and reporting	505,000	282,515	430,000	(75,000)	(14.9%)	147,485	52.2%
29 Bank/security custodian services	260,000	172,841	240,000	(20,000)	(7.7%)	67,159	38.9%
30 Other portfolio operating expenses (legal, valuation, tax)	860,000	909,320	1,694,000	834,000	97.0%	784,680	86.3%
31 Investment Due Diligence	-	-	48,000	48,000	100.0%	48,000	100.0%
Professional Services Expenses							
32 Actuarial services	150,000	132,027	120,000	(30,000)	(20.0%)	(12,027)	(9.1%)

**Dallas Police & Fire Pension System
Operating Budget
Calendar Year 2019**

Description	2018 Budget	2018 Projected Actual*	2019 Budget	\$ Change 2019 Budget vs. PY Budget	% Change 2019 Budget vs. PY Budget	\$ Change 2019 Budget vs. 2018 Proj. Actual	% Change 2019 Budget vs. 2018 Proj. Actual
33 Accounting services	59,000	59,000	59,000	-	0.0%	-	0.0%
34 Independent audit	152,500	150,000	180,000	27,500	18.0%	30,000	20.0%
35 Legal fees	2,000,000	414,839	1,300,000	(700,000)	(35.0%)	885,161	213.4%
36 Legislative consultants	291,000	126,750	159,000	(132,000)	(45.4%)	32,250	25.4%
37 Public relations	-	-	-	-	100.0%	-	100.0%
38 Pension administration software & WMS	291,000	297,725	273,000	(18,000)	(6.2%)	(24,725)	(8.3%)
39 Business continuity	13,500	12,593	15,500	2,000	14.8%	2,907	23.1%
40 Network security	33,000	7,872	15,000	(18,000)	(54.5%)	7,128	90.5%
41 Disability medical evaluations	30,000	7,583	29,000	(1,000)	(3.3%)	21,417	282.4%
42 Elections	-	-	15,000	15,000	100.0%	15,000	100.0%
43 Miscellaneous professional services	18,300	22,520	24,475	6,175	33.7%	1,955	8.7%
Total Budget	27,552,939	23,025,190	24,810,352	(2,742,587)	(10.0%)	1,785,162	7.8%
Less: Investment management fees	17,522,000	15,684,258	14,490,000	(3,032,000)	(17.3%)	(1,194,258)	(7.6%)
Adjusted Budget Total	10,030,939	7,340,932	10,320,352	289,413	2.9%	2,979,420	40.6%

SUPPLEMENTAL BUDGET

Total Budget (from above)	27,552,939	23,025,190	24,810,352	(2,742,587)	-10.0%	1,785,162	7.8%
Less: Allocation to Supplemental Plan Budget*	236,894	179,596	193,521	(43,373)	(18.3%)	13,924	7.8%
Total Combined Pension Plan Budget	27,316,045	22,845,594	24,616,831	(2,699,214)	(9.9%)	1,771,238	7.8%

* Projected based on 8/31/18 YTD annualized

** Allocation to Supplemental is based on JPM allocation between accounts as of 8/31/18 of .78%

0.78% per JPM Unitization report as of 8/31/18

Significant Budget Changes - 2019

		2018	2018	2019	\$ Change	% Change	\$ Change	% Change	
	Item	Budget	Projected Actual**	Budget	vs. PY Budget	vs. PY Budget	vs. Proj. Actual	vs. Proj. Actual	Explanation
	INCREASES:								
1	Other portfolio operating expenses (legal, valuation, tax)	860,000	909,320	1,694,000	834,000	97.0%	784,680	86.3%	Expected legal and advisory expenses for end of life fund resolution in 2019
2	Depreciation Expense	-	227,626	248,260	248,260	100.0%	20,634	9.1%	Depreciation has not previously been budgeted
3	Salaries and benefits	3,722,945	3,024,636	3,831,889	108,944	2.9%	807,253	26.7%	Fully staffed team - 5 or 6 additional employees, other staff employed for full year
4	Liability insurance	510,000	527,256	604,553	94,553	18.5%	77,297	14.7%	Increase due to market factors, as well as claims experience for fiduciary coverage.
5	Investment Due Diligence	-	-	48,000	48,000	100.0%	48,000	100.0%	Due Diligence for new investment manager searches - includes travel and database
6	Independent audit	152,500	150,000	180,000	27,500	18.0%	30,000	20.0%	Expect additional valuation review work for some funds.
7	Elections	-	-	15,000	15,000	100.0%	15,000	100.0%	Board elections due in 2019
8	Administrative contingency reserve	-	1,242	12,000	12,000	100.0%	10,758	866.2%	Contingency reserve
9	Conference/training registration/materials - Staff	27,050	3,176	37,500	10,450	38.6%	34,324	1080.7%	Returning to a more normal staff training schedule
10	Postage	25,800	15,537	27,000	1,200	4.7%	11,463	73.8%	Primarily additional postage for board elections in 2019
11	IT subscriptions/services/licenses	147,100	101,138	147,840	740	0.5%	46,702	46.2%	Additional Email Filtering and VMWare Support services expected in 2019. Also, Network Monitoring is now being included in the IT services account.
12	Travel - Board	32,600	-	32,620	20	0.1%	32,620	100.0%	Expense is flat against 2018 budget. More board travel anticipated in 2019.
13	Conference registration/materials - Board	14,900	2,910	14,900	-	0.0%	11,990	412.0%	Expense is flat against 2018 budget. More board conference attendance anticipated in 2019.
	REDUCTIONS:								
14	Investment management fees	17,522,000	15,684,258	14,490,000	(3,032,000)	-17.3%	(1,194,258)	-7.6%	Change from 2018 budget and projected actual primarily due to the liquidation of GAA and gradual liquidation of private market assets.
15	Legal fees	2,000,000	414,839	1,300,000	(700,000)	-35.0%	885,161	213.4%	Continued expected decline in legal fees as cases are resolved.
16	Legislative consultants	291,000	126,750	159,000	(132,000)	-45.4%	32,250	25.4%	One fewer consultant forecasted in 2019. However, the legislature is in session in 2019 which will result in increased fees as compared to YTD 2018 projected actual.
17	Employment expenses	151,125	148,563	52,275	(98,850)	-65.4%	(96,288)	-64.8%	Anticipate less use of search firms to fill open positions in 2019
18	Investment consultant and reporting	505,000	282,515	430,000	(75,000)	-14.9%	147,485	52.2%	New consultant firm hired in 2018 and lower fees are expected.
19	Actuarial services	150,000	132,027	120,000	(30,000)	-20.0%	(12,027)	-9.1%	Less project specific work is anticipated since HB 3158 was passed and the changes have been implemented.
20	Building expenses	342,337	337,420	320,339	(21,998)	-6.4%	(17,081)	-5.1%	Continued cost cutting measures for building should result in reduced expenses.
21	Bank/security custodian services	260,000	172,841	240,000	(20,000)	-7.7%	67,159	38.9%	Reduction vs PY budget is due to reduced number of assets and accounts. Expect some increase from YTD 20018 level as manager searches are completed.
22	Pension administration software & WMS	291,000	297,725	273,000	(18,000)	-6.2%	(24,725)	-8.3%	Less specialized software changes are anticipated since the changes by HB 3158 have been implemented.

			2018		\$ Change	% Change	\$ Change	% Change	
	Item	2018 Budget	Projected Actual**	2019 Budget	2019 Budget vs. PY Budget	2019 Budget vs. PY Budget	2019 Budget vs. Proj. Actual	2019 Budget vs. Proj. Actual	Explanation
23	Network security	33,000	7,872	15,000	(18,000)	-54.5%	7,128	90.5%	Change from 2018 budget due to Network Monitoring services now being included in the IT services account.
24	Travel - Staff	47,000	12,444	37,500	(9,500)	-20.2%	25,056	201.4%	Expense down compared to 2018 budget. Expect to return to more normal staff training / travel schedule in 2019.
25	Information technology projects	75,000	110,376	70,000	(5,000)	-6.7%	(40,376)	-36.6%	Some 2017 projects were completed in 2018. Expenses are expected to return to the budgeted level.
26	Repairs and maintenance	110,092	80,375	108,249	(1,843)	-1.7%	27,874	34.7%	To date, fewer repairs required in YTD 2018 than budgeted.
27	Disability medical evaluations	30,000	7,583	29,000	(1,000)	-3.3%	21,417	282.4%	Estimated 7 medical reviews, 3 recalls and 2 child disabilities. Number of reviews in 2018 was lower than average.

** Projected based on 8/31/18 Prelim YTD annualized

**DALLAS POLICE AND FIRE PENSION SYSTEM
CAPITAL EXPENDITURES
FOR THE YEAR 2019
INITIAL READING AT THE OCTOBER 10, 2018 BOARD MEETING**

Expenditure	Purpose	Cash Amount Expended in 2019	Expected Life in Years	Annual Depreciation
NEW EXPENDITURES				
IT Switches - Four Devices in a single stack	Improve Network Infrastructure speed for the virtualized devices	\$ 110,000	5	\$ 22,000
EXISTING ASSETS				
Building and Building Improvements				\$ 226,260
TOTALS		<u>\$ 110,000</u>		<u>\$ 248,260</u>