

AGENDA



Date: August 7, 2020

A meeting of the Supplemental Police and Fire Pension Fund Board of Trustees will be held at **8:30 a.m. on Thursday, August 13, 2020, 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/87426172854?pwd=OW5oMWdiNzFsajE2S0tsWG9LbGtEUT09> Passcode: 409446.** Items of the following agenda will be presented to the Board:

A. CONSENT AGENDA

Approval of Minutes

Regular meeting of July 9, 2020

B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Quarterly Financial Reports

2. 2020 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 9, 2020
8:30 a.m.
Via telephone conference.**

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

ROLL CALL

Board Members

Present at 8:31 a.m. William F. Quinn, Nicholas A. Merrick, Joseph P. Schutz, Susan M. Byrne, Robert B. French, Steve Idoux, Gilbert A. Garcia, Mark Malveaux, Armando Garza, Allen R. Vaught, Tina Hernandez Patterson

Absent: None

Staff

Kelly Gottschalk, Josh Mond, Kent Custer, Brenda Barnes, John Holt, Cynthia Thomas, Ryan Wagner, Greg Irlbeck, Michael Yan, Milissa Romero

Others

Leandro Festino, Aaron Lally, Sidney Kawanguzi

* * * * *

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

The meeting was reconvened at 11:13 a.m.

* * * * *

A. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of June 11, 2020

2. Approval of Service Retirements

After discussion, Mr. Quinn made a motion to approve the minutes of the meeting of June 11, 2020. Mr. Garcia seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Quinn made a motion to approve the remaining items on the Consent Agenda, subject to the final approval of the staff. Mr. Garcia seconded the motion, which was unanimously approved by the Board.

* * * * *

**Supplemental Board Meeting
Thursday, July 9, 2020**

Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Quinn and a second by Mr. Garcia, the meeting was adjourned at 11:14 a.m.

William F. Quinn
Chairman

ATTEST:

Kelly Gottschalk
Secretary

DRAFT



DISCUSSION SHEET

Supplemental

ITEM #B1

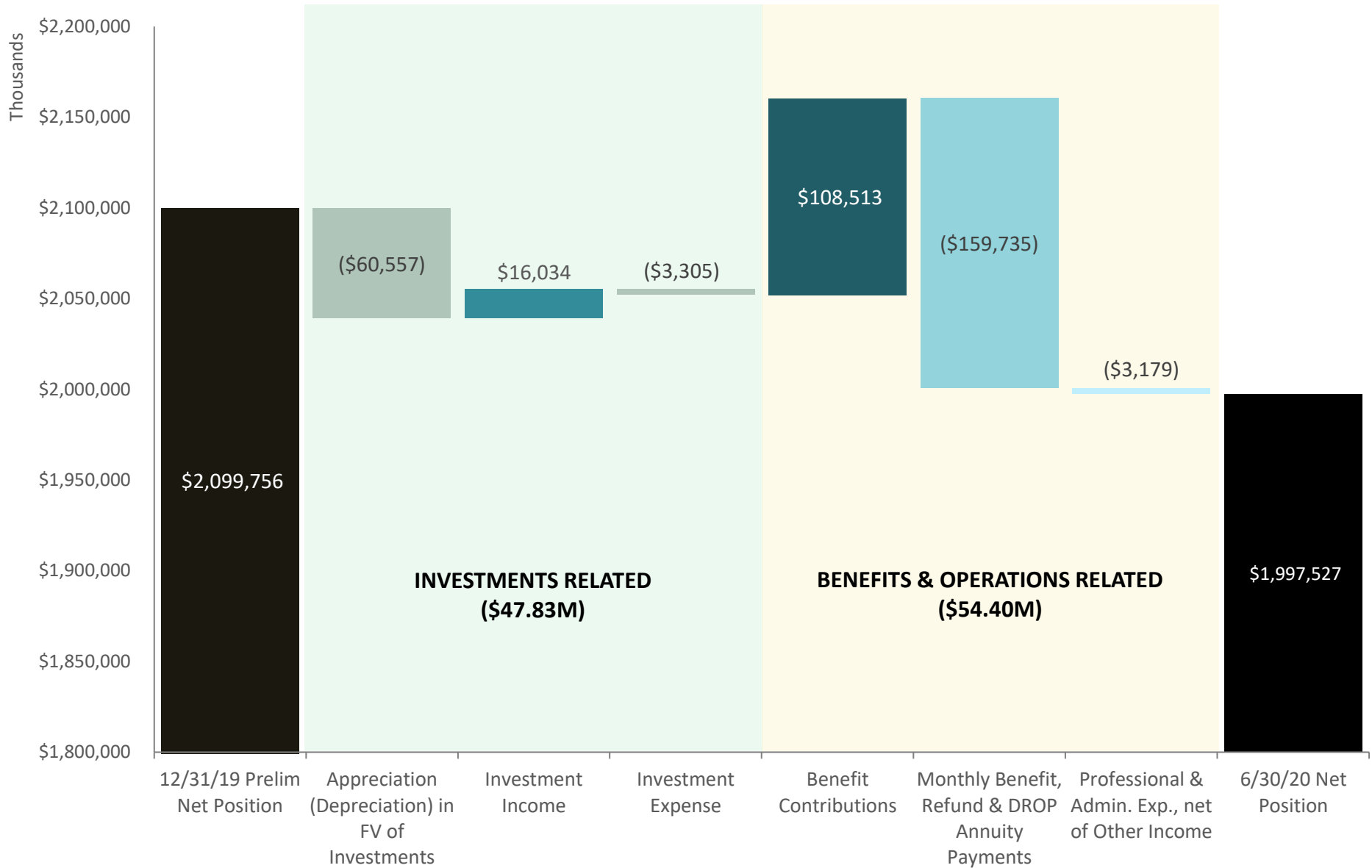
Topic: Quarterly Financial Reports

Discussion: The Chief Financial Officer will present the second quarter 2020 financial statements.

Supplemental Board Meeting – Thursday, August 13, 2020

Change in Net Fiduciary Position

PRELIMINARY - December 31, 2019 – June 30, 2020



Components may not sum exactly due to rounding.

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

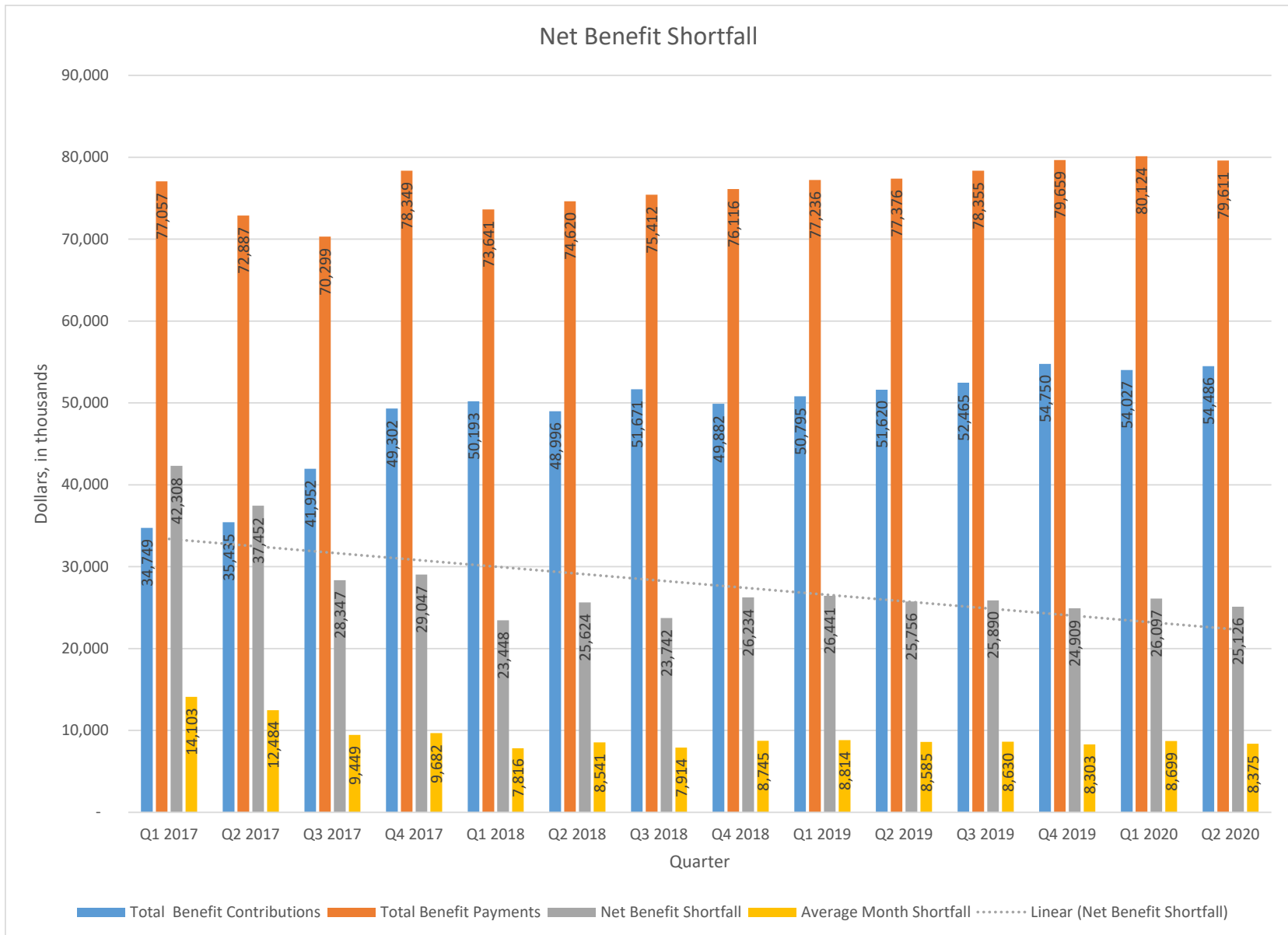
	June 30, 2020	PRELIMINARY December 31, 2019 (unaudited)	\$ Change	% Change
Assets				
Investments, at fair value (NOTE)				
Short-term investments	\$ 21,963,470	\$ 25,311,029	\$ (3,347,559)	-13%
Fixed income securities	512,264,330	555,384,168	(43,119,838)	-8%
Equity securities	558,433,728	555,230,590	3,203,138	1%
Real assets	535,092,321	567,186,915	(32,094,594)	-6%
Private equity	291,189,189	292,167,281	(978,092)	0%
Forward currency contracts	351,633.00	652,498	(300,865)	-46%
Total investments (NOTE)	1,919,294,671	1,995,932,481	(76,637,810)	-4%
Invested securities lending collateral	13,494,049	13,025,117	468,932	4%
Receivables				
City	3,112,000	3,035,500	76,500	3%
Members	1,099,623	1,055,869	43,754	4%
Interest and dividends	4,360,442	4,459,663	(99,221)	-2%
Investment sales proceeds	87,142,045	52,570,414	34,571,631	66%
Other receivables	169,756	186,104	(16,348)	-9%
Total receivables	95,883,866	61,307,550	34,576,316	56%
Cash and cash equivalents	62,252,732	89,461,720	(27,208,988)	-30%
Prepaid expenses	800,551	402,596	397,955	99%
Capital assets, net	12,208,300	12,328,774	(120,474)	-1%
Total assets	\$ 2,103,934,169	\$ 2,172,458,238	\$ (68,524,069)	-3%
Liabilities				
Payables				
Securities lending obligations	13,494,049	13,025,117	468,932	4%
Securities purchased	88,450,896	54,957,185	33,493,711	61%
Accounts payable and other accrued liabilities	4,462,486	4,720,285	(257,799)	-5%
Total liabilities	106,407,431	72,702,587	33,704,844	46%
Net position				
Net investment in capital assets	12,208,300	12,328,774	(120,474)	-1%
Unrestricted	1,985,318,438	2,087,426,877	(102,108,439)	-5%
Net position held in trust - restricted for pension benefits	\$ 1,997,526,738	\$ 2,099,755,651	\$ (102,228,913)	-5%

(NOTE) Private asset values have not yet been reported for Q4 19. Values will be updated as final reporting is received.

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

	<u>6 Months Ended 6/30/2020</u>	<u>6 Months Ended 6/30/2019</u>	<u>\$ Change</u>	<u>% Change</u>
Contributions				
City	\$ 80,477,658	\$ 76,939,630	\$ 3,538,028	5%
Members	28,034,934	25,475,275	2,559,659	10%
Total Contributions	<u>108,512,592</u>	<u>102,414,905</u>	6,097,687	6%
Investment income				
Net appreciation (depreciation) in fair value of investments	(60,556,545)	83,251,808	(143,808,353)	-173%
Interest and dividends	16,011,371	18,394,328	(2,382,957)	-13%
Total gross investment income	(44,545,174)	101,646,136	(146,191,310)	-144%
less: investment expense	(3,304,793)	(3,741,280)	436,487	12%
Net investment income	<u>(47,849,967)</u>	<u>97,904,856</u>	(145,754,823)	-149%
Securities lending income				
Securities lending income	71,583	521,546	(449,963)	-86%
Securities lending expense	(49,000)	(451,762)	402,762	-89%
Net securities lending income	<u>22,583</u>	<u>69,784</u>	(47,201)	-68%
Other income	176,129	180,220	(4,091)	-2%
Total additions	<u>60,861,337</u>	<u>200,569,765</u>	(139,708,428)	-70%
Deductions				
Benefits paid to members	158,712,088	153,394,262	5,317,826	3%
Refunds to members	1,023,376	1,218,475	(195,099)	-16%
Legal expense	138,876	273,994	(135,118)	-49%
Legal expense reimbursement	-	-	-	0%
Legal expense, net of reimbursement	<u>138,876</u>	<u>273,994</u>	(135,118)	-49%
Staff Salaries and Benefits	1,865,962	1,677,534	188,428	11%
Professional and administrative expenses	1,349,948	1,238,442	111,506	9%
Total deductions	<u>163,090,250</u>	<u>157,802,707</u>	5,287,543	3%
Net increase (decrease) in net position	<u>(102,228,913)</u>	<u>42,767,058</u>		
Beginning of period	2,099,755,651 *	2,060,232,023		
End of period	<u>\$ 1,997,526,738 *</u>	<u>\$ 2,102,999,081</u>		

* The beginning and ending period amounts are preliminary and will change as the 2019 results are finalized.





DISCUSSION SHEET

Supplemental

ITEM #B2

Topic: 2020 Mid-Year Budget Review

Discussion: Attached is a review of the 2020 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, 2020 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, 2020. The ratio is 99.21% Regular Plan to .79% Supplemental Plan.

Supplemental Board Meeting – Thursday, August 13, 2020

**BUDGET REVIEW
2020 MID -YEAR REVIEW**

Description	2020 6 months Actual	2020 6 months Budget	2019 6 months Actual	Budget vs Actual Variance \$ Over/(Under)	Budget vs Actual Variance % Over/(Under)
1 Independent audit	127,977	82,500	100,000	45,477	55.1%
2 Salaries and benefits	1,865,962	1,826,883	1,677,534	39,079	2.1%
3 COVID-19 expense	19,367	-	-	19,367	100.0%
4 Employment expenses	16,665	7,500	729	9,165	122.2%
5 Communications (phone/internet)	33,908	28,150	33,663	5,758	20.5%
6 IT software/hardware	11,929	9,750	7,934	2,179	22.3%
7 Miscellaneous professional services	12,126	10,125	8,365	2,001	19.8%
8 Postage	14,314	14,100	12,483	214	1.5%
9 Depreciation exp - IT hardware	7,343	7,343	-	-	0.0%
10 Legislative consultants	63,000	63,000	94,252	-	0.0%
11 Records storage	696	700	696	(4)	-0.6%
12 Leased equipment	11,843	12,000	11,240	(157)	-1.3%
13 Bank Fees	1,528	1,700	1,272	(172)	-10.1%
14 Staff meetings	-	500	-	(500)	-100.0%
15 Subscriptions	509	1,062	384	(553)	-52.1%
16 Accounting services	29,500	30,385	29,500	(885)	-2.9%
17 Memberships and dues	8,620	9,853	12,478	(1,233)	-12.5%
18 Member educational programs	-	1,375	-	(1,375)	-100.0%
19 Board meetings	1,296	3,210	2,211	(1,914)	-59.6%
20 Disability medical evaluations	2,770	4,750	-	(1,980)	-41.7%
21 Employee service recognition	144	2,500	957	(2,356)	-94.2%
22 Network security review	-	5,000	8,791	(5,000)	-100.0%
23 Business continuity	8,112	13,300	9,354	(5,188)	-39.0%
24 Miscellaneous expense	430	6,000	182	(5,570)	-92.8%
25 Conference registration/materials - board	-	5,825	1,710	(5,825)	-100.0%
26 IT subscriptions/services/licenses	65,272	71,750	50,601	(6,478)	-9.0%
27 Actuarial services	113,140	120,000	62,703	(6,860)	-5.7%
28 Printing	-	7,000	1,174	(7,000)	-100.0%
29 Elections	-	7,500	600	(7,500)	-100.0%
30 Office supplies	7,058	14,675	12,167	(7,617)	-51.9%
31 Pension administration software & WMS	131,808	141,500	139,614	(9,692)	-6.8%
32 Travel - board	-	10,750	2,538	(10,750)	-100.0%
33 Building expenses, incl depreciation	304,714	315,864	295,580	(11,150)	-3.5%
34 Conference/training registration/materials - staff	3,055	17,400	2,921	(14,345)	-82.4%
35 Liability insurance	300,350	320,286	233,998	(19,936)	-6.2%
36 Travel - staff	1,758	22,250	9,068	(20,492)	-92.1%
37 Network security monitoring	8,518	37,500	-	(28,982)	-77.3%
38 Repairs and maintenance	11,834	48,707	46,132	(36,873)	-75.7%
39 Information technology projects	30,364	70,000	45,144	(39,636)	-56.6%
40 Legal fees, net of insurance reimbursements	138,876	275,000	273,994	(136,124)	-49.5%
Legal fee insurance reimbursements	-	-	-	-	100.0%
Legal fees, excluding insurance reimbursements	138,876	275,000	273,994	(136,124)	-49.5%
Gross Total	3,354,786	3,627,693	3,189,970	(272,907)	-7.5%
Less: Allocation to Supplemental Plan Budget*	26,502	31,924	25,761	(5,422)	-17.0%
Total Regular Plan Budget	\$ 3,328,284	\$ 3,595,769	\$ 3,164,209	\$ (267,485)	-7.4%

* Unitization split to Supplemental is based on unitization

1 Custodian fees	108,487	111,000	110,671	(2,513)	-2.3%
2 Investment consultant and reporting	166,041	182,500	163,542	(16,459)	-9.0%
3 Investment due diligence	-	19,500	-	(19,500)	-100.0%
4 Investment portfolio operating expenses	363,667	760,275	469,774	(396,608)	-52.2%
5 Fund management fees	2,666,598	3,278,415	2,997,293	(611,817)	-18.7%
Total Investment Expenses	3,304,793	4,351,690	3,741,280	(1,046,897)	-24.1%

**BUDGET
2020 MID-YEAR REVIEW**

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

	Description	2020 6 months Actual	2020 6 months Budget	Budget vs Actual Variance \$ Over/(Under)	Budget vs Actual Variance % Over/(Under)	Explanation
	INCREASES:					
1	Independent audit	127,977	82,500	45,477	55.1%	Variance is related to the timing of expenses. Budget is straight lined over the year. Expect to be within budget by the end of the year.
2	COVID-19 expense	19,367	-	19,367	100.0%	New account created to track COVID-19 expenses, such as temperature scanners, acrylic guards, sanitizer, etc.
	REDUCTIONS:					
3	Legal fees, net of insurance reimbursements	138,876	275,000	(136,124)	-49.5%	Variance is related in part to the timing of expenses along with fewer case expenses than forecasted.
4	Information technology projects	30,364	70,000	(39,636)	-56.6%	Projects start dates delayed due to COVID-19. At least one project may be delayed until 2021.
5	Repairs and maintenance	11,834	48,707	(36,873)	-75.7%	Some planned maintenance is currently being deferred due to COVID-19.
6	Network security monitoring	8,518	37,500	(28,982)	-77.3%	Delay in project due to COVID-19 may result in some 2020 expenses being pushed into 2021.
7	Travel - staff	1,758	22,250	(20,492)	-92.1%	Staff travel significantly reduced due to COVID-19.
8	Liability insurance	300,350	320,286	(19,936)	-6.2%	Actual premium increases were less than budgeted resulting in a favorable variance.
9	Conference/training registration/materials - staff	3,055	17,400	(14,345)	-82.4%	Staff Conference Training attendance significantly reduced due to COVID-19.
10	Travel - board	-	10,750	(10,750)	-100.0%	The Board had no travel due to COVID-19.

INVESTMENT EXPENSES

	Description	2020 6 months Actual	2020 6 months Budget	Budget vs Actual Variance \$ Over/(Under)	Budget vs Actual Variance % Over/(Under)	Explanation
1	Fund management fees	2,666,598	3,278,415	(611,817)	-18.7%	Budget and Actual are for direct fees only. Variance is due in part to the timing of expenses. Some performance fees are due and paid at year end.
2	Investment portfolio operating expenses	363,667	760,275	(396,608)	-52.2%	Variance is related in part to the timing of expenses for audits and appraisals. Additionally, some expenses for investment contracts review, advisors and legal fees have been less than forecast.
3	Investment due diligence	-	19,500	(19,500)	-100.0%	Variance is related to the timing of expenses. Planned investment due diligence travel and the purchase of an investment software have not yet occurred.
4	Investment consultant and reporting	166,041	182,500	(16,459)	-9.0%	Variance is related to the timing of expenses. Expect to be within budget by the end of the year.