

AGENDA



Date: November 5, 2021

The supplemental meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, November 11, 2021, 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/82993252006?pwd=TUVLM0xsOW1oVUZPUWhiR0s4N09YUT09> Passcode: 905992.** Items of the following agenda will be presented to the Board:

A. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of October 15, 2021

2. Approval of Service Retirements

B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. January 1, 2021 Actuarial Valuation

1 of 2

- 2. Second Reading and discussion of the 2022 Budget**
- 3. Quarterly Financial Reports**

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
Friday, October 15, 2021
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 (by telephone), Kenneth Haben (by telephone), Tina Hernandez Patterson, Steve Idoux (by telephone)

Present at 8:45 a.m. Gilbert A. Garcia (by telephone)

Absent: Robert B. French, Mark Malveaux

Staff

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

Others

None

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

The meeting was reconvened at 11:43 a.m.

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A. CONSENT AGENDA

Approval of Minutes

Regular meeting of September 9, 2021

After discussion, Ms. Hernandez Patterson made a motion to approve the minutes of the meeting of September 9, 2021. Mr. Quinn seconded the motion, which was unanimously approved by the Board.

**Supplemental Board Meeting
Friday, October 15, 2021**

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

1. Financial Audit Status

The Chief Financial Officer provided a status update on the annual financial audit.

No motion was made.

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2. Initial Reading and Discussion of the 2022 Budget

The Chief Financial Officer presented the initial reading of the 2022 budget, prepared in total for both the Combined Pension Plan and the Supplement Plan.

After discussion, Mr. Quinn made a motion to direct staff to revise the proposed budget based on the direction of the Board and bring the revised proposed budget to the Board at the November 11, 2021 Board meeting for consideration for adoption and to authorize forwarding the 2022 proposed budget to the City of Dallas for comment and the posting of the proposed budget to www.dfp.org for member review prior to the November meeting. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

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3. Budget Adjustment – Legal

The Board went into closed executive session at 11:08 a.m.

The meeting was reopened at 11:41 a.m.

Staff briefed the Board on changes to anticipated expenditures for legal services, as compared to budgeted amounts.

After discussion, Mr. Quinn made a motion to approve a \$2 million increase in the legal budget for 2021 to be allocated proportionately to both the Combined Pension Plan and the Supplemental Plan based upon the Group Trust allocation. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

**Supplemental Board Meeting
Friday, October 15, 2021**

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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. Merrick, the meeting was adjourned at 11:47 a.m.

Nicholas A. Merrick
Chairman

ATTEST:

Kelly Gottschalk
Secretary

DRAFT



DISCUSSION SHEET

Supplemental

ITEM #B1

Topic: **January 1, 2021 Actuarial Valuation**

Attendees: Jeff Williams, Vice President and Consulting Actuary, Segal Consulting
Caitlin Grice, Consulting Actuary, Segal Consulting (on phone)

Discussion: Jeff Williams and Caitlin Grice of Segal Consulting, DFPF's actuarial firm, will discuss results of the January 1, 2021 actuarial valuation report, including the GASB No. 67 actuarial valuation.

Staff

Recommendation: **Approve** issuance of the January 1, 2021 actuarial valuation report, subject to final review by the auditors (BDO) and review and approval by the Executive Director.

Supplemental Board Meeting – Thursday, November 11, 2021



DISCUSSION SHEET

Supplemental

ITEM #B2

Topic: **Second reading and discussion of the 2022 Budget**

Discussion: Attached is the budget proposal for Calendar Year 2022.

The budget has been prepared in total for both the Combined Pension Plan and the Supplemental Plan. Total expenses are then allocated to the Supplemental Plan based upon the Group Trust allocation reported by JPMorgan.

Significant changes from the prior year budget and/or projected 2021 actual expenses are explained in the comments accompanying the proposed budget.

The first reading of the proposed budget was at the October 15, 2021 Board meeting. The proposed budget was posted on the DFPF website on October 18, 2021 and submitted to the City of Dallas for comment.

The Chief Financial Officer will review the changes to the proposed budget from the first reading.

Staff

Recommendation: **Approve** the proposed 2022 budget.

Supplemental Board Meeting – Thursday, November 11, 2021

**DALLAS POLICE AND FIRE PENSION SYSTEM
OPERATING BUDGET SUMMARY
FOR THE YEAR 2022**

| Expense Type | 2021 Budget | 2021 Projected Actual | 2022 Budget | Variances | | Variances | |
|-------------------------|----------------------|-----------------------------|----------------------|-----------------------|---------------|-----------------------|---------------|
| | | | | 2022 | 2021 | 2022 | 2021 |
| | | | | Budget vs | Budget | Budget vs | Proj. Act. |
| | | | | \$ | % | \$ | % |
| Administrative Expenses | 6,110,808 | 5,415,380 | 6,159,334 | 48,526 | 0.8% | 743,954 | 13.7% |
| Investment Expenses | 18,001,610 | 17,829,956 | 14,044,000 | (3,957,610) | -22.0% | (3,785,956) | -21.2% |
| Professional Expenses | 1,507,120 | 897,655 | 1,533,477 | 26,357 | 1.7% | 635,822 | 70.8% |
| Total | \$ 25,619,538 | \$ 24,142,991 | \$ 21,736,811 | \$ (3,882,727) | -15.2% | \$ (2,406,180) | -10.0% |
| Less: Legal Expenses | 2,762,500 | 2,667,348 | 1,035,000 | (1,727,500) | -62.5% | (1,632,348) | -61.2% |
| Adjusted Total | \$ 22,857,038 | \$ 21,475,643 | \$ 20,701,811 | \$ (2,155,227) | -9.4% | \$ (773,832) | -3.6% |

| Dallas Police & Fire Pension System Operating Budget Calendar Year 2022 | | | | | | | |
|---|-------------|------------------------|----------------------|---|--|---|--|
| Description | 2021 Budget | 2021 Projected Actual* | 2022 Proposed Budget | \$ Change 2022 Prop. Bud. vs. 2021 Bud. | % Change 2022 Prop. Bud. vs. 2021 Bud. | \$ Change 2022 Prop. Bud. vs. 2021 Proj. Actual | % Change 2022 Prop. Bud. vs. 2021 Proj. Actual |
| Administrative Expenses | | | | | | | |
| 1 Salaries and benefits | 3,775,241 | 3,499,618 | 3,935,546 | 160,305 | 4.2% | 435,928 | 12.5% |
| 2 Employment Expense | 25,110 | 7,049 | 25,610 | 500 | 2.0% | 18,561 | 263.3% |
| 3 Memberships and dues | 19,917 | 18,599 | 19,487 | (430) | (2.2%) | 888 | 4.8% |
| 4 Staff meetings | 1,000 | - | 500 | (500) | (50.0%) | 500 | 100.0% |
| 5 Employee service recognition | 5,030 | 138 | 5,080 | 50 | 1.0% | 4,942 | 3581.2% |
| 6 Member educational programs | 3,250 | 700 | 2,750 | (500) | (15.4%) | 2,050 | 292.9% |
| 7 Board meetings | 6,420 | 1,267 | 6,420 | - | 0.0% | 5,153 | 406.7% |
| 8 Conference registration/materials - Board | 11,650 | 257 | 11,650 | - | 0.0% | 11,393 | 4433.1% |
| 9 Travel - Board | 21,500 | 2,671 | 21,500 | - | 0.0% | 18,829 | 704.9% |
| 10 Conference/training registration/materials - Staff | 36,300 | 5,577 | 37,750 | 1,450 | 4.0% | 32,173 | 576.9% |
| 11 Travel - Staff | 43,200 | 3,638 | 42,950 | (250) | (0.6%) | 39,312 | 1080.6% |
| 12 Liability insurance | 727,147 | 608,213 | 664,899 | (62,248) | (8.6%) | 56,686 | 9.3% |
| 13 Communications (phone/internet) | 70,800 | 82,515 | 29,835 | (40,965) | (57.9%) | (52,680) | (63.8%) |
| 14 Information technology projects | 190,000 | 87,817 | 250,000 | 60,000 | 31.6% | 162,183 | 184.7% |
| 15 IT subscriptions/services/licenses | 182,715 | 186,343 | 212,300 | 29,585 | 16.2% | 25,957 | 13.9% |
| 16 IT software/hardware | 17,000 | 32,328 | 25,000 | 8,000 | 47.1% | (7,328) | (22.7%) |
| 17 Building expenses | 401,482 | 387,063 | 420,413 | 18,931 | 4.7% | 33,350 | 8.6% |
| 18 Repairs and maintenance | 84,424 | 67,649 | 88,576 | 4,152 | 4.9% | 20,927 | 30.9% |
| 19 Office supplies | 24,850 | 9,642 | 24,475 | (375) | (1.5%) | 14,833 | 153.8% |
| 20 Leased equipment | 24,000 | 22,112 | 24,000 | - | 0.0% | 1,888 | 8.5% |
| 21 Postage | 21,700 | 13,883 | 29,650 | 7,950 | 36.6% | 15,767 | 113.6% |
| 22 Printing | 14,000 | 2,098 | 4,100 | (9,900) | (70.7%) | 2,002 | 95.4% |
| 23 Subscriptions | 2,125 | 895 | 2,396 | 271 | 12.8% | 1,501 | 167.7% |
| 24 Records storage | 1,400 | 1,392 | 1,500 | 100 | 7.1% | 108 | 7.8% |
| 25 Administrative contingency reserve | 12,000 | 206 | 12,000 | - | 0.0% | 11,794 | 5725.2% |
| 26 COVID 19 Expense | 7,500 | - | - | (7,500) | (100.0%) | - | 100.0% |
| 27 Depreciation Expense | 240,947 | 240,946 | 240,947 | - | 0.0% | 1 | 0.0% |
| 28 Bank fees | 3,100 | 20,007 | 20,000 | 16,900 | 545.2% | (7) | (0.0%) |
| Investment Expenses | | | | | | | |
| 29 Investment management fees | 14,664,000 | 13,500,000 | 12,440,000 | (2,224,000) | (15.2%) | (1,060,000) | (7.9%) |
| 30 Investment consultant and reporting | 340,000 | 337,380 | 345,000 | 5,000 | 1.5% | 7,620 | 2.3% |
| 31 Bank custodian services | 220,000 | 232,407 | 235,000 | 15,000 | 6.8% | 2,593 | 1.1% |
| 32 Other portfolio operating expenses (legal, valuation, tax) | 2,777,610 | 3,760,169 | 981,500 | (1,796,110) | (64.7%) | (2,778,669) | (73.9%) |
| 33 Investment due diligence | 35,000 | 35,001 | 42,500 | 7,500 | 21.4% | 7,499 | 21.4% |
| Professional Services Expenses | | | | | | | |
| 34 Actuarial services | 190,500 | 118,250 | 158,250 | (32,250) | (16.9%) | 40,000 | 33.8% |
| 35 Accounting services | 60,770 | 59,001 | 60,770 | - | 0.0% | 1,769 | 3.0% |

| Dallas Police & Fire Pension System Operating Budget Calendar Year 2022 | | | | | | | |
|---|-------------------|------------------------------|----------------------------|---|--|---|--|
| Description | 2021 Budget | 2021 Projected Actual* | 2022 Proposed Budget | \$ Change 2022 Prop. Bud. vs. 2021 Bud. | % Change 2022 Prop. Bud. vs. 2021 Bud. | \$ Change 2022 Prop. Bud. vs. 2021 Proj. Actual | % Change 2022 Prop. Bud. vs. 2021 Proj. Actual |
| 36 Independent audit | 166,000 | 100,000 | 103,000 | (63,000) | (38.0%) | 3,000 | 3.0% |
| 37 Legal fees | 562,500 | 100,000 | 515,000 | (47,500) | (8.4%) | 415,000 | 415.0% |
| 38 Legislative consultants | 159,000 | 180,074 | 126,000 | (33,000) | (20.8%) | (54,074) | (30.0%) |
| 39 Public relations | - | 25,000 | 100,000 | 100,000 | 100.0% | 75,000 | 300.0% |
| 40 Pension administration software & WMS | 302,000 | 267,681 | 292,000 | (10,000) | (3.3%) | 24,319 | 9.1% |
| 41 Business continuity | 18,300 | 20,219 | 18,000 | (300) | (1.6%) | (2,219) | (11.0%) |
| 42 Network security review | 10,000 | - | 10,000 | - | 0.0% | 10,000 | 100.0% |
| 43 Network security monitoring | 102,000 | 77,756 | 100,000 | (2,000) | (2.0%) | 22,244 | 28.6% |
| 44 Disability medical evaluations | 16,500 | 3,000 | 12,000 | (4,500) | (27.3%) | 9,000 | 300.0% |
| 45 Elections | - | - | 20,000 | 20,000 | 100.0% | 20,000 | 100.0% |
| 46 Miscellaneous professional services | 21,550 | 24,430 | 18,457 | (3,093) | (14.4%) | (5,973) | (24.4%) |
| Total Budget | 25,619,538 | 24,142,991 | 21,736,811 | (3,882,727) | (15.2%) | (2,406,180) | (10.0%) |
| Less: Investment management fees | 14,664,000 | 13,500,000 | 12,440,000 | (2,224,000) | (15.2%) | (1,060,000) | (7.9%) |
| Adjusted Budget Total | 10,955,538 | 10,642,991 | 9,296,811 | (1,658,727) | (15.1%) | (1,346,180) | (12.6%) |

SUPPLEMENTAL BUDGET

| | | | | | | | |
|--|-------------------|-------------------|-------------------|--------------------|----------------|--------------------|----------------|
| Total Budget (from above) | 25,619,538 | 24,142,991 | 21,736,811 | (3,882,727) | -15.2% | (2,406,180) | -10.0% |
| Less: Allocation to Supplemental Plan Budget** | 228,014 | 204,008 | 183,676 | (44,338) | (19.4%) | (20,332) | (10.0%) |
| Total Combined Pension Plan Budget | 25,391,524 | 23,938,983 | 21,553,135 | (3,838,389) | (15.1%) | (2,385,848) | (10.0%) |

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

** Allocation to Supplemental is based on JPM allocation between accounts as of 7/31/21 of .0085%

0.85% per JPM Unitization report as of 7/31/21

Significant Budget Changes - 2022
Budget Changes (>5% and \$10K)
SORTED BY THE \$ CHANGE FROM 2021 BUDGET TO 2022 BUDGET

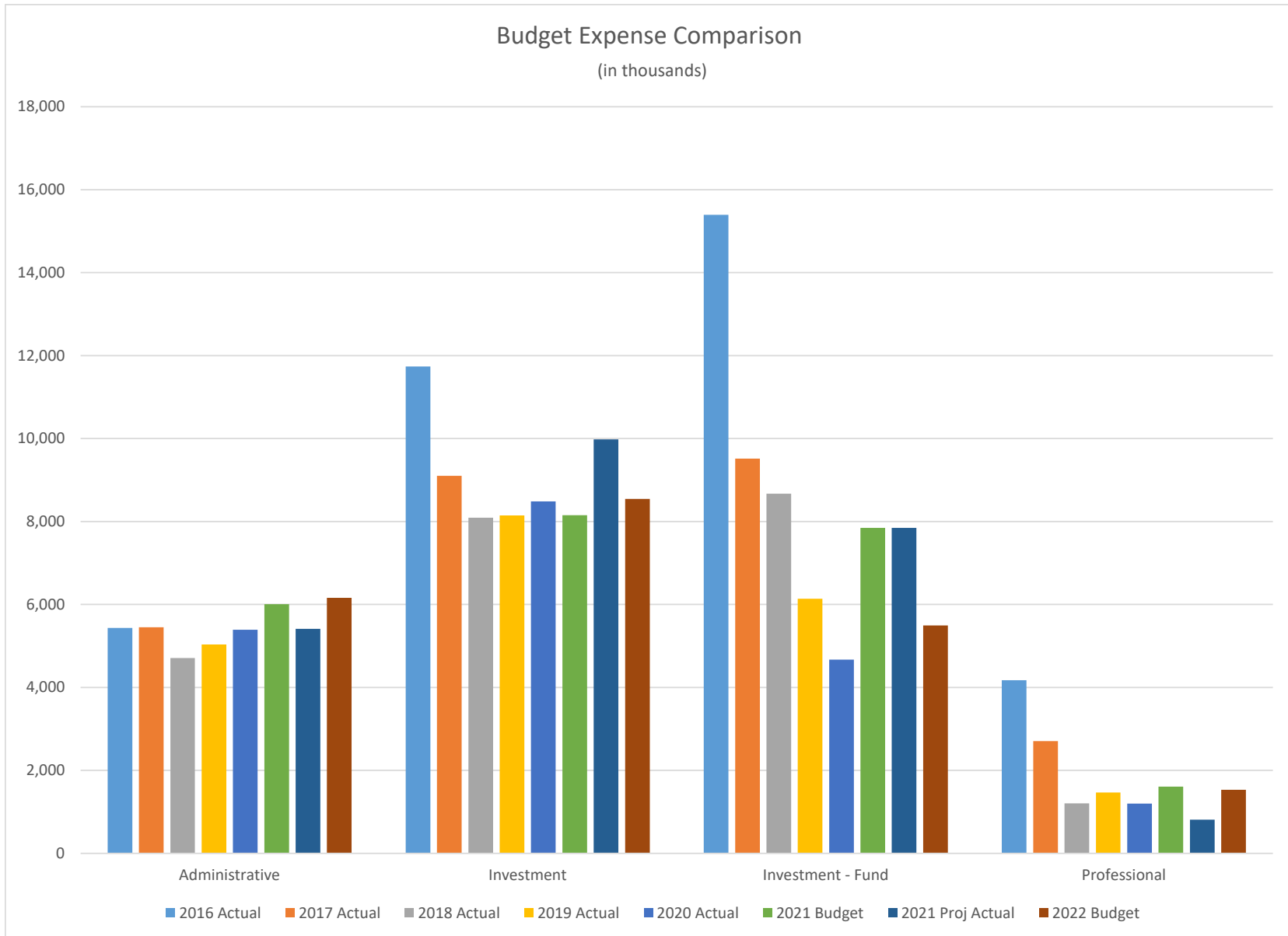
| | | 2021 | 2021 | 2022 | \$ Change | % Change | \$ Change | % Change | |
|----|--|------------|--------------------|------------|---------------------------|---------------------------|---------------------------------|---------------------------------|---|
| | Item | Budget | Projected Actual** | Budget | 2022 Budget vs. 2021 Bud. | 2022 Budget vs. 2021 Bud. | 2022 Budget vs. 2021 Proj. Act. | 2022 Budget vs. 2021 Proj. Act. | Explanation |
| | INCREASES: | | | | | | | | |
| 1 | Public relations | - | 25,000 | 100,000 | 100,000 | 100.0% | 75,000 | 300.0% | Possible communications project with FH |
| 2 | Information technology projects | 190,000 | 87,817 | 250,000 | 60,000 | 31.6% | 162,183 | 184.7% | Increased costs for projects like on premises dual authentication and 10G switch |
| 3 | IT subscriptions/services/licenses | 182,715 | 186,343 | 212,300 | 29,585 | 16.2% | 25,957 | 13.9% | Additional licenses and devices to be covered along with projected increases for renewals and potential new programs like Security Awareness. |
| 4 | Elections | - | - | 20,000 | 20,000 | 100.0% | 20,000 | 100.0% | Non-Member Trustee election in 2022 |
| 5 | Bank fees | 3,100 | 20,007 | 20,000 | 16,900 | 545.2% | (7) | 0.0% | Lower Federal Reserve rate resulted in lower Earnings Credit Rate which did not offset fees as it has in the past. |
| 6 | Bank custodian services | 220,000 | 232,407 | 235,000 | 15,000 | 6.8% | 2,593 | 1.1% | Increased number of accounts managed. |
| | REDUCTIONS: | | | | | | | | |
| 7 | Investment management fees | 14,664,000 | 13,500,000 | 12,440,000 | (2,224,000) | -15.2% | (1,060,000) | -7.9% | Declines in fee rates and the decrease in market value of the portfolio are driving the decrease in management fees. |
| 8 | Other portfolio operating expenses (legal, valuation, tax) | 2,777,610 | 3,760,169 | 981,500 | (1,796,110) | -64.7% | (2,778,669) | -73.9% | 2022 budget only includes base fees for appraisal, audit, registrations for investments. Additional legal expenses could be incurred as investment cases go to trial. |
| 9 | Independent audit | 166,000 | 100,000 | 103,000 | (63,000) | -38.0% | 3,000 | 3.0% | New reduced contract rate |
| 10 | Liability insurance | 727,147 | 608,213 | 664,899 | (62,248) | -8.6% | 56,686 | 9.3% | Actual 2021 renewal was less than projected due to policy changes, but it is partially offset by a projected 10% increase in the 2022 renewal rates. |
| 11 | Legal fees | 562,500 | 100,000 | 515,000 | (47,500) | -8.4% | 415,000 | 415.0% | Legal expense in 2022 is projected to be primarily driven by litigation with the prior actuary and the COLA case. |
| 12 | Communications (phone/internet) | 70,800 | 82,515 | 29,835 | (40,965) | -57.9% | (52,680) | -63.8% | Several analog lines, primarily related to the building, are being deactivated or ported to new services. |
| 13 | Legislative consultants | 159,000 | 180,074 | 126,000 | (33,000) | -20.8% | (54,074) | -30.0% | Legislature not in session in 2022 resulting in lower fees. |
| 14 | Actuarial services | 190,500 | 118,250 | 158,250 | (32,250) | -16.9% | 40,000 | 33.8% | Projecting less specialized work from Segal in 2022. |

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

Significant Budget Changes - 2022
Budget Changes (>5% and \$10K)
SORTED BY THE \$ CHANGE FROM 2021 PROJECTED ACTUAL TO 2022 BUDGET

| | | 2021 | 2021 | 2022 | \$ Change | % Change | \$ Change | % Change | |
|----|--|------------|--------------------|------------|---------------------------|---------------------------|---------------------------------|---------------------------------|---|
| | Item | Budget | Projected Actual** | Budget | 2022 Budget vs. 2021 Bud. | 2022 Budget vs. 2021 Bud. | 2022 Budget vs. 2021 Proj. Act. | 2022 Budget vs. 2021 Proj. Act. | Explanation |
| | INCREASES: | | | | | | | | |
| 1 | Salaries and benefits | 3,775,241 | 3,499,618 | 3,935,546 | 160,305 | 4.2% | 435,928 | 12.5% | 2021 Projected actual is less due to three current staff vacancies. We hope to be fully staffed again in 2022. |
| 2 | Legal fees | 562,500 | 100,000 | 515,000 | (47,500) | -8.4% | 415,000 | 415.0% | Expected legal costs related to the actuary case, open records and USERRA were less than budgeted. |
| 3 | Information technology projects | 190,000 | 87,817 | 250,000 | 60,000 | 31.6% | 162,183 | 184.7% | Most 2021 projects came in under budget - total \$102k. At least one project delayed until 2022. More projects planned for 2022. |
| 4 | Public relations | - | 25,000 | 100,000 | 100,000 | 100.0% | 75,000 | 300.0% | Possible new contract with FH in 2022 |
| 5 | Liability insurance | 727,147 | 608,213 | 664,899 | (62,248) | -8.6% | 56,686 | 9.3% | Projections of 10% across the board increase for renewal |
| 6 | Actuarial services | 190,500 | 118,250 | 158,250 | (32,250) | -16.9% | 40,000 | 33.8% | Budgeting \$75k for specialized work related to changes in the discount rate, board requests, member issues and other items. |
| 7 | Travel - Staff | 43,200 | 3,638 | 42,950 | (250) | -0.6% | 39,312 | 1080.6% | Reduced staff travel in 2021 due to COVID-19. Expect to return to more normal level in 2022. |
| 8 | Building expenses | 401,482 | 387,063 | 420,413 | 18,931 | 4.7% | 33,350 | 8.6% | Replacing freeze damaged plantings, planning additional maintenance such as indoor window washing and additional AC filter replacements. |
| 9 | Conference/training registration/materials - Staff | 36,300 | 5,577 | 37,750 | 1,450 | 4.0% | 32,173 | 576.9% | Staff conference training significantly reduced due to COVID-19. Hoping to return to more normal levels during 2022. |
| 10 | IT subscriptions/services/licenses | 182,715 | 186,343 | 212,300 | 29,585 | 16.2% | 25,957 | 13.9% | Additional licenses and devices to be covered along with projected increases for renewals and potential new programs like Security Awareness. |
| 11 | Pension administration software & WMS | 302,000 | 267,681 | 292,000 | (10,000) | -3.3% | 24,319 | 9.1% | 2021 maintenance and enhancements were less than expected. Price increases were less than expected. |
| 12 | Network security monitoring | 102,000 | 77,756 | 100,000 | (2,000) | -2.0% | 22,244 | 28.6% | Actual 2021 costs were less than expected. Adding services in 2022. |
| 13 | Repairs and maintenance | 84,424 | 67,649 | 88,576 | 4,152 | 4.9% | 20,927 | 30.9% | Some projects deferred until 2022. Budgeting for painting of elevator, stairwell and other common areas. Also, budgeting for irrigation and roof repairs, if needed. |
| 14 | Elections | - | - | 20,000 | 20,000 | 100.0% | 20,000 | 100.0% | Non-Member Trustee election in 2022 |
| 15 | Travel - Board | 21,500 | 2,671 | 21,500 | - | 0.0% | 18,829 | 704.9% | Limited Board travel in 2021 due to COVID-19. |
| 16 | Employment Expense | 25,110 | 7,049 | 25,610 | 500 | 2.0% | 18,561 | 263.3% | Primarily Agency fees for new staff |
| 17 | Postage | 21,700 | 13,883 | 29,650 | 7,950 | 36.6% | 15,767 | 113.6% | Non-Member Trustee election in 2022 and expect to return to more normal activity in this account in 2022. |
| 18 | Office supplies | 24,850 | 9,642 | 24,475 | (375) | -1.5% | 14,833 | 153.8% | Office Supplies usage down in 2021 due to remote work. Expect to return to more normal levels in 2022. |
| 19 | Administrative contingency reserve | 12,000 | 206 | 12,000 | - | 0.0% | 11,794 | 5725.2% | Did not need to use contingency reserve in 2021. |
| 20 | Conference registration/materials - Board | 11,650 | 257 | 11,650 | - | 0.0% | 11,393 | 4433.1% | Limited Board conference attendance in 2021 due to COVID-19. |
| 21 | Network security review | 10,000 | - | 10,000 | - | 0.0% | 10,000 | 100.0% | Budgeting for possible additional review in 2022. |
| | REDUCTIONS: | | | | | | | | |
| 22 | Other portfolio operating expenses (legal, valuation, tax) | 2,777,610 | 3,760,169 | 981,500 | (1,796,110) | -64.7% | (2,778,669) | -73.9% | 2022 budget only includes base fees for appraisal, audit, registrations for investments. Additional legal expenses could be incurred as investment cases go to trial. |
| 23 | Investment management fees | 14,664,000 | 13,500,000 | 12,440,000 | (2,224,000) | -15.2% | (1,060,000) | -7.9% | Declines in fee rates and the decrease in market value of the portfolio are driving the decrease in management fees. |
| 24 | Legislative consultants | 159,000 | 180,074 | 126,000 | (33,000) | -20.8% | (54,074) | -30.0% | Legislature is not in session in 2022. Fees are lower in non session years. |

| | | 2021 | 2021 | 2022 | \$ Change | % Change | \$ Change | % Change | |
|----|---------------------------------|--------|--------------------|--------|---------------------------|---------------------------|---------------------------------|---------------------------------|---|
| | Item | Budget | Projected Actual** | Budget | 2022 Budget vs. 2021 Bud. | 2022 Budget vs. 2021 Bud. | 2022 Budget vs. 2021 Proj. Act. | 2022 Budget vs. 2021 Proj. Act. | Explanation |
| 25 | Communications (phone/internet) | 70,800 | 82,515 | 29,835 | (40,965) | -58% | (52,680) | -64% | Several analog lines primarily related to the building are being deactivated or ported to new services to reduce costs. |





DISCUSSION SHEET

Supplemental

ITEM #B3

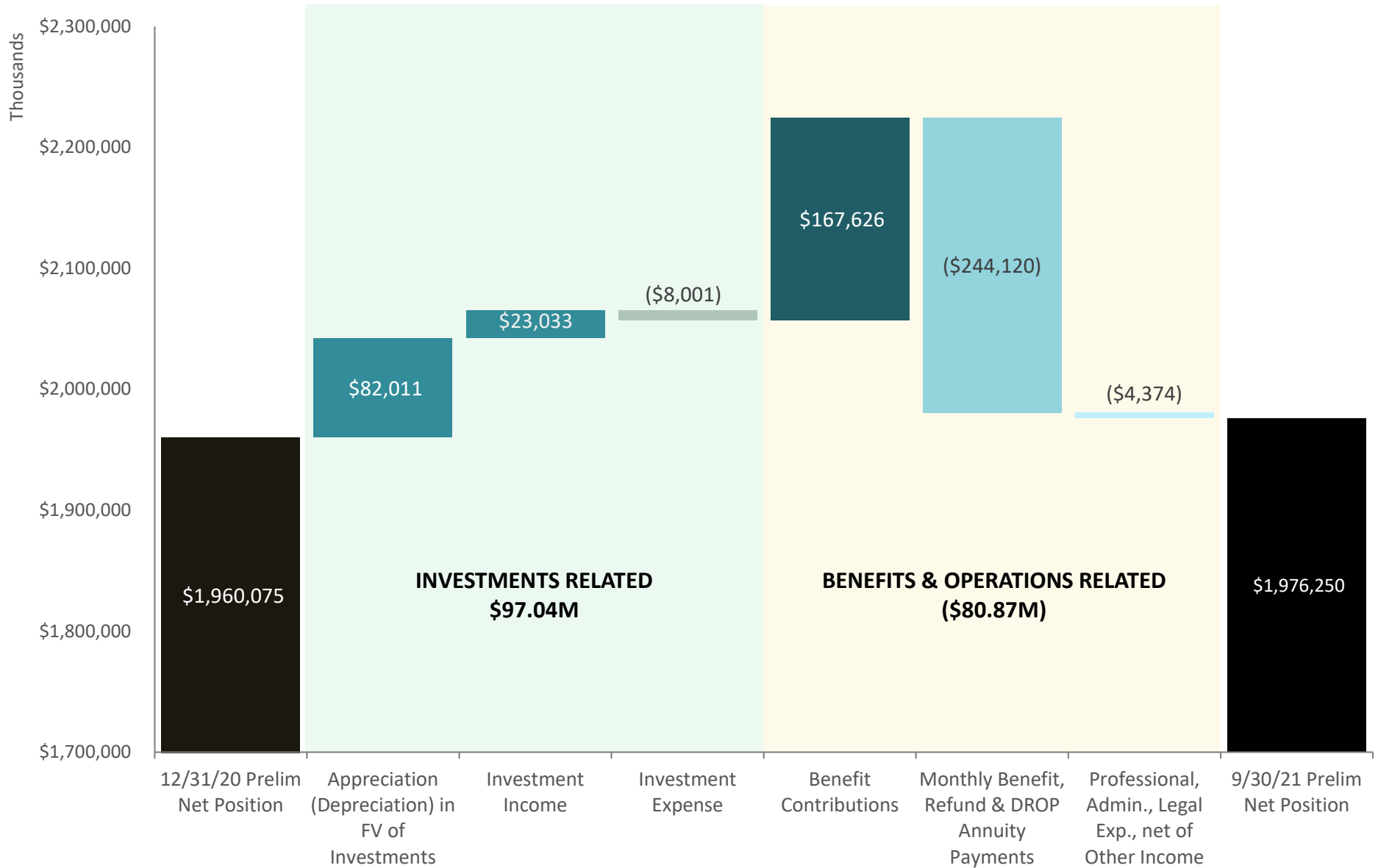
Topic: **Quarterly Financial Reports**

Discussion: The Chief Financial Officer will present the third quarter 2021 financial statements.

Supplemental Board Meeting – Thursday, November 11, 2021

Change in Net Fiduciary Position

PRELIMINARY - December 31, 2020 – September 30, 2021



Components may not sum exactly due to rounding.

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

| | September 30, 2021 | PRELIMINARY December 31, 2020 (unaudited) | \$ Change | % Change |
|---|-------------------------|--|----------------------|-----------------|
| Assets | | | | |
| Investments, at fair value | | | | |
| Short-term investments | \$ 17,672,703 | \$ 20,430,187 | \$ (2,757,484) | -13% |
| Fixed income securities | 463,658,193 | 473,421,597 | (9,763,404) | -2% |
| Equity securities | 856,396,817 | 700,767,440 | 155,629,377 | 22% |
| Real assets | 404,835,953 | 525,332,602 | (120,496,649) | -23% |
| Private equity | 133,238,565 | 137,309,870 | (4,071,305) | -3% |
| Forward currency contracts | (1,674) | (296,918) | 295,244 | -99% |
| Total investments | 1,875,800,557 | 1,856,964,778 | 18,835,779 | 1% |
| Receivables | | | | |
| City | 7,284,098 | 4,032,755 | 3,251,343 | 81% |
| Members | 2,558,372 | 1,445,883 | 1,112,489 | 77% |
| Interest and dividends | 3,769,358 | 3,782,403 | (13,045) | 0% |
| Investment sales proceeds | 9,178,549 | 9,296,619 | (118,070) | -1% |
| Other receivables | 119,228 | 675,642 | (556,414) | -82% |
| Total receivables | 22,909,605 | 19,233,302 | 3,676,303 | 19% |
| Cash and cash equivalents | 81,646,509 | 88,491,051 | (6,844,542) | -8% |
| Prepaid expenses | 531,632 | 544,957 | (13,325) | -2% |
| Capital assets, net | 11,907,116 | 12,087,826 | (180,710) | -1% |
| Total assets | \$ 1,992,795,419 | \$ 1,977,321,914 | \$ 15,473,505 | 1% |
| Liabilities | | | | |
| Payables | | | | |
| Securities purchased | 12,478,511 | 11,783,719 | 694,792 | 6% |
| Accounts payable and other accrued liabilities | 4,067,148 | 5,463,419 | (1,396,271) | -26% |
| Total liabilities | 16,545,659 | 17,247,138 | (701,479) | -4% |
| Net position | | | | |
| Net investment in capital assets | 11,907,116 | 12,087,826 | (180,710) | -1% |
| Unrestricted | 1,964,342,644 | 1,947,986,950 | 16,355,694 | 1% |
| Net position held in trust - restricted for pension benefits | \$ 1,976,249,760 | \$ 1,960,074,776 | \$ 16,174,984 | 1% |

Please note that the 2020 audit has not yet been finalized.

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

| | <u>Nine Months Ended</u> <u>9/30/2021</u> | <u>Nine Months Ended</u> <u>9/30/2020</u> | <u>\$ Change</u> | <u>% Change</u> |
|--|--|--|------------------|-----------------|
| Contributions | | | | |
| City | \$ 123,794,724 | \$ 121,192,801 | \$ 2,601,923 | 2% |
| Members | 43,830,965 | 42,690,176 | 1,140,789 | 3% |
| Total Contributions | <u>167,625,689</u> | <u>163,882,977</u> | 3,742,712 | 2% |
| Investment income | | | | |
| Net appreciation (depreciation) in fair value of investments | 82,011,233 | (20,379,301) | 102,390,534 | -502% |
| Interest and dividends | 23,032,910 | 22,837,430 | 195,480 | 1% |
| Total gross investment income | 105,044,143 | 2,458,129 | 102,586,014 | 4173% |
| less: investment expense | (8,000,798) | (5,256,887) | (2,743,911) | -52% |
| Net investment income | <u>97,043,345</u> | <u>(2,798,758)</u> | 99,842,103 | -3567% |
| Securities lending income | | | | |
| Securities lending income | - | 89,356 | (89,356) | -100% |
| Securities lending expense | - | (54,330) | 54,330 | -100% |
| Net securities lending income | <u>-</u> | <u>35,026</u> | (35,026) | -100% |
| Other income | 261,394 | 258,338 | 3,056 | 1% |
| Total additions | <u>264,930,428</u> | <u>161,377,583</u> | 103,552,845 | 64% |
| Deductions | | | | |
| Benefits paid to members | 242,176,232 | 238,373,140 | 3,803,092 | 2% |
| Refunds to members | 1,943,678 | 1,448,367 | 495,311 | 34% |
| Legal expense | 91,923 | 291,568 | (199,645) | -68% |
| Legal expense reimbursement | - | - | - | 0% |
| Legal expense, net of reimbursement | <u>91,923</u> | <u>291,568</u> | (199,645) | -68% |
| Staff Salaries and Benefits | 2,577,036 | 2,760,754 | (183,718) | -7% |
| Professional and administrative expenses | 1,966,575 | 1,930,306 | 36,269 | 2% |
| Total deductions | <u>248,755,444</u> | <u>244,804,135</u> | 3,951,309 | 2% |
| Net increase (decrease) in net position | <u>16,174,984</u> | <u>(83,426,552)</u> | | |
| Beginning of period | 1,960,074,776 * | 2,075,164,750 | | |
| End of period | <u>\$ 1,976,249,760 *</u> | <u>\$ 1,991,738,198</u> | | |

*The beginning and ending period amounts are preliminary and will change as the 2020 results are finalized.