

AGENDA



Date: August 2, 2024

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 8, 2024, 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/83364156526?pwd=OG5CbEFhajN5V0hWaUFJMIhYcHQ2Zz09> Passcode: 923237. Items of the following agenda will be presented to the Board:

A. APPROVAL OF MINUTES

Regular meeting of July 11, 2024

B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

- 1. Quarterly Financial Reports**
- 2. 2024 Mid-Year Budget Review**

C. BRIEFING ITEMS

Public Comment

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 11, 2024
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 8:32 a.m. Nicholas Merrick, Tina Hernandez Patterson, Michael Taglienti, Anthony Scavuzzo, Tom Tull, Matthew Shomer, Marcus Smith

By telephone Michael Brown, Mark Malveaux

Absent Steve Idoux, Nancy Rocha

Staff

Kelly Gottschalk, Josh Mond, Brenda Barnes, Ryan Wagner, Christina Wu, Akshay Patel, Kyle Schmit, John Holt, Nien Nguyen, Milissa Romero, Cynthia J. Thomas

Others

David Elliston, Robert Gasset, Jose Rivas, Farrah Ali

By telephone Aaron Lally, Leandro Festino, Ken Haben

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The Supplemental meeting was called to order and recessed at 8:32 a.m.

The Supplemental meeting was reconvened at 10:54 a.m.

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A. APPROVAL OF MINUTES

Regular meeting of June 13, 2024

After discussion, Mr. Scavuzzo made a motion to approve the minutes of the meeting of June 13, 2024. Mr. Taglienti seconded the motion, which was unanimously approved by the Board.

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**Supplemental Board Meeting
Thursday, July 11, 2024**

B. BRIEFING ITEMS

Public Comment

Prior to commencing items for Board discussion and deliberation, the Chairman extended an opportunity for public comment. No one requested to speak to 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. Taglienti and a second by Ms. Hernandez Patterson, the meeting was adjourned at 10:35 a.m.

Nicholas A. Merrick,
Chairman

ATTEST:

Kelly Gottschalk
Secretary



DISCUSSION SHEET

Supplemental

ITEM #B1

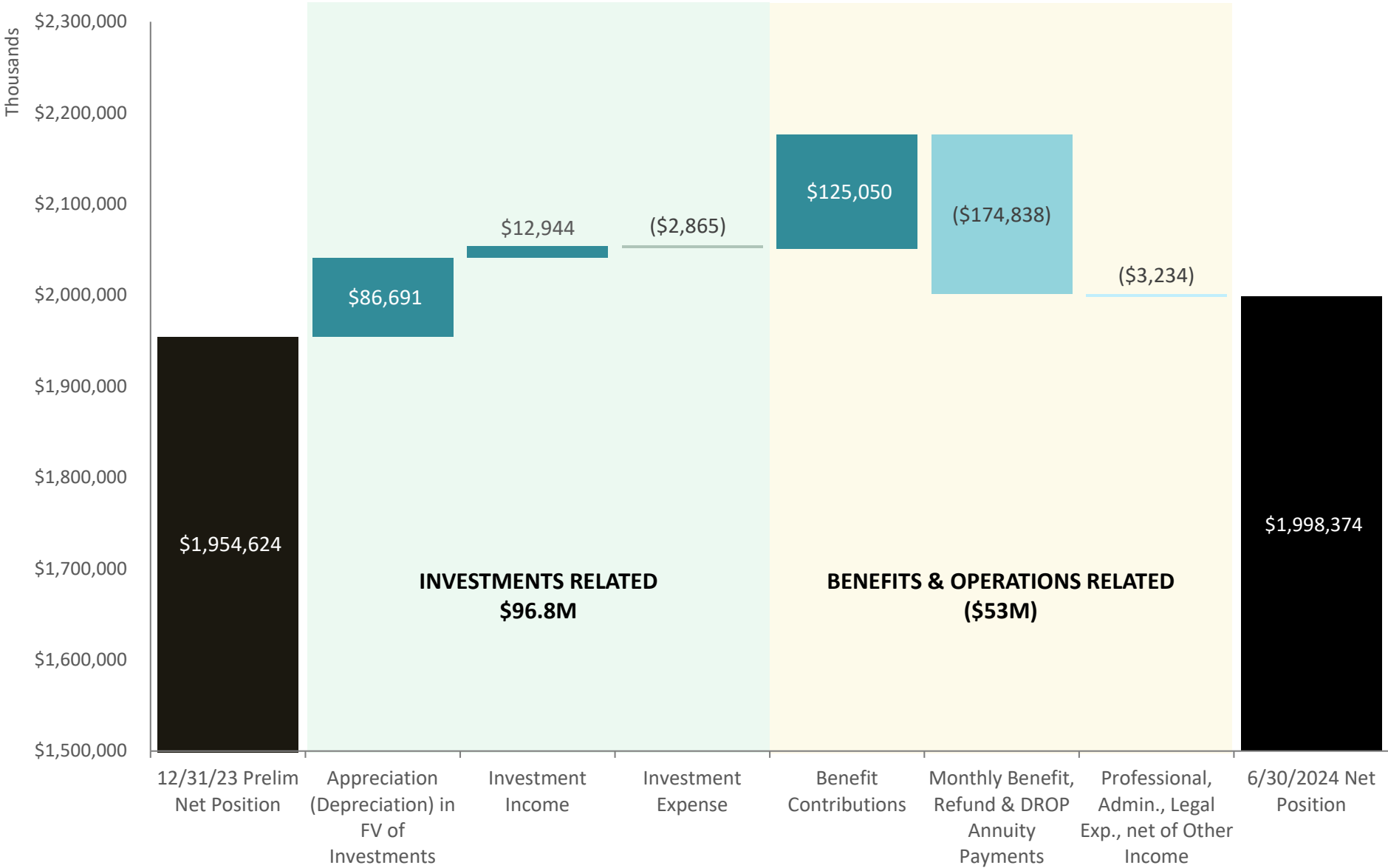
Topic: **Quarterly Financial Reports**

Discussion: The Chief Financial Officer will present the second quarter 2024 financial statements.

Supplemental Board Meeting – Thursday, August 8, 2024

Change in Net Fiduciary Position

December 31, 2023 – June 30, 2024



Components may not sum exactly due to rounding.

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

	<u>June 30, 2024</u>	<u>PRELIMINARY December 31, 2023</u>	<u>\$ Change</u>	<u>% Change</u>
Assets				
Investments, at fair value				
Short-term investments	\$ 15,478,014	\$ 16,982,561	\$ (1,504,547)	-9%
Fixed income securities	372,267,285	365,809,375	6,457,910	2%
Equity securities	1,057,396,743	995,629,628	61,767,115	6%
Real assets	277,885,160	278,554,675	(669,515)	0%
Private equity	209,838,392	218,856,730	(9,018,338)	-4%
Forward currency contracts	(55)	-	(55)	0%
Total investments	<u>1,932,865,539</u>	<u>1,875,832,969</u>	<u>57,032,570</u>	<u>3%</u>
Receivables				
City	6,063,061	5,728,687	334,374	6%
Members	2,215,352	2,083,312	132,040	6%
Interest and dividends	4,401,604	4,668,499	(266,895)	-6%
Investment sales proceeds	1,234,279	1,963	1,232,316	62777%
Lease Receivable	2,269,523	2,269,523	-	0%
Other receivables	81,300	596,578	(515,278)	-86%
Total receivables	<u>16,265,119</u>	<u>15,348,562</u>	<u>916,557</u>	<u>6%</u>
Cash and cash equivalents	46,920,691	62,346,331	(15,425,640)	-25%
Prepaid expenses	966,563	561,465	405,098	72%
Capital assets, net	11,596,031	11,455,745	140,286	1%
Total assets	<u>\$ 2,008,613,943</u>	<u>\$ 1,965,545,072</u>	<u>\$ 43,068,871</u>	<u>2%</u>
Liabilities				
Payables				
Securities purchased	4,293,297	4,476,298	(183,001)	-4%
Deferred Inflow of Resources	2,137,972	2,137,972		
Accounts payable and other accrued liabilities	3,808,877	4,306,413	(497,536)	-12%
Total liabilities	<u>10,240,146</u>	<u>10,920,683</u>	<u>(680,537)</u>	<u>-6%</u>
Net position restricted for pension benefits	<u>\$ 1,998,373,797</u>	<u>\$ 1,954,624,389</u>	<u>\$ 43,749,408</u>	<u>2%</u>

*The ending period amounts are preliminary and may change as the 2023 results are finalized.

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

	<u>Six Months Ended June 30, 2024</u>	<u>Six Months Ended June 30, 2023</u>	<u>\$ Change</u>	<u>% Change</u>
Contributions				
City	\$ 91,391,541	\$ 85,050,904	\$ 6,340,637	7%
Members	33,658,898	31,038,511	2,620,387	8%
Total Contributions	<u>125,050,439</u>	<u>116,089,415</u>	<u>8,961,024</u>	<u>8%</u>
Investment income				
Net appreciation (depreciation) in fair value of investments	86,691,125	119,855,945	(33,164,820)	-28%
Interest and dividends	12,944,222	12,070,564	873,658	7%
Total gross investment income	99,635,347	131,926,509	(32,291,162)	-24%
less: investment expense	(2,864,528)	(3,200,622)	336,094	11%
Net investment income	<u>96,770,819</u>	<u>128,725,887</u>	<u>(31,955,068)</u>	<u>-25%</u>
Other income	233,447	47,551,052	(47,317,605)	-100%
Total additions	<u>222,054,705</u>	<u>292,366,354</u>	<u>(70,311,649)</u>	<u>-24%</u>
Deductions				
Benefits paid to members	172,186,204	169,071,538	3,114,666	2%
Refunds to members	2,652,139	2,605,333	46,806	2%
Legal expense	159,578	150,758	8,820	6%
Legal expense reimbursement	-	-	-	0%
Legal expense, net of reimbursement	<u>159,578</u>	<u>150,758</u>	<u>8,820</u>	<u>6%</u>
Staff Salaries and Benefits	1,894,013	1,808,288	85,725	5%
Professional and administrative expenses	1,413,363	1,417,451	(4,088)	0%
Total deductions	<u>178,305,297</u>	<u>175,053,368</u>	<u>3,251,929</u>	<u>2%</u>
Net increase (decrease) in net position	<u>43,749,408</u>	<u>117,312,986</u>		
Beginning of period	1,954,624,389 *	1,823,207,743		
End of period	<u>\$ 1,998,373,797</u>	<u>\$ 1,940,520,729</u>		

*The beginning period amounts are preliminary and may change as the 2023 results are finalized.



DISCUSSION SHEET

Supplemental

ITEM #B2

Topic: **2024 Mid-Year Budget Review**

Discussion: Attached is a review of the 2024 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, 2024 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, 2024. The ratio is 99.03% Regular Plan to .97% Supplemental Plan.

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BUDGET REVIEW 2024 MID -YEAR REVIEW					
Description	2024 6 months Actual	2024 6 months Budget	2023 6 months Actual	Budget vs Actual Variance \$ Over/(Under)	Budget vs Actual Variance % Over/(Under)
1 Legal fees, no insurance reimb for any category	159,578	100,000	150,758	59,578	59.6%
2 Building expenses, incl depreciation	386,033	329,012	332,479	57,021	17.3%
3 Salaries and benefits	1,894,013	1,837,352	1,808,288	56,661	3.1%
4 Depreciation exp - IT hardware	8,622	3,673	7,343	4,949	134.7%
5 Postage	15,183	10,350	11,172	4,833	46.7%
6 Business continuity	23,249	19,000	6,850	4,249	22.4%
7 Bank Fees	5,562	5,000	3,538	562	11.2%
8 Memberships and dues	10,511	10,138	9,100	373	3.7%
9 Staff meetings	461	250	-	211	84.4%
10 Records storage	1,550	1,500	1,428	50	3.3%
11 Elections	-	-	11,862	-	100.0%
12 Board meetings	1,119	1,350	826	(231)	-17.1%
13 Printing	1,763	2,550	3,580	(787)	-30.9%
14 Employee service recognition	908	2,000	849	(1,092)	-54.6%
15 Subscriptions	284	1,440	513	(1,156)	-80.3%
16 Accounting services	29,500	30,975	29,500	(1,475)	-4.8%
17 Network security monitoring	110,901	112,500	107,818	(1,599)	-1.4%
18 Member educational programs	-	1,675	-	(1,675)	-100.0%
19 Office supplies	12,100	14,513	11,503	(2,413)	-16.6%
20 Employment expenses	10,549	13,175	1,584	(2,626)	-19.9%
21 Communications (phone/internet)	12,594	15,264	9,217	(2,670)	-17.5%
22 Leased equipment	9,804	12,500	10,968	(2,696)	-21.6%
23 IT software/hardware	9,328	12,500	3,744	(3,172)	-25.4%
24 Disability medical evaluations	-	3,500	500	(3,500)	-100.0%
25 Conference registration/materials - board	450	6,000	50	(5,550)	-92.5%
26 Miscellaneous expense	-	6,000	4	(6,000)	-100.0%
27 Travel - board	762	11,000	2,033	(10,238)	-93.1%
28 Miscellaneous professional services	14,405	25,475	5,639	(11,070)	-43.5%
29 Conference/training registration/materials - staff	3,691	15,500	5,081	(11,809)	-76.2%
30 Travel - staff	9,476	21,650	17,250	(12,174)	-56.2%
31 Pension administration software & WMS	138,821	154,500	149,156	(15,679)	-10.1%
32 Liability insurance	259,383	279,495	308,777	(20,112)	-7.2%
33 Legislative consultants	63,000	84,000	94,478	(21,000)	-25.0%
34 Actuarial services	177,215	198,875	42,250	(21,660)	-10.9%
35 IT subscriptions/services/licenses	65,605	97,307	61,801	(31,702)	-32.6%
36 Repairs and maintenance	16,488	54,354	47,999	(37,866)	-69.7%
37 Independent audit	-	71,650	66,150	(71,650)	-100.0%
38 Information technology projects	14,045	357,500	52,410	(343,455)	-96.1%
Gross Total	3,466,953	3,923,523	3,376,498	(456,570)	-11.6%
Less: Allocation to Supplemental Plan Budget*	33,634	38,064	29,099	(4,429)	-11.6%
Total Regular Plan Budget	\$ 3,433,319	\$ 3,885,459	\$ 3,347,399	\$ (452,141)	-11.6%

*Split to Supplemental is based on unitization

1 Investment due diligence	20,787	27,908	20,605	(7,121)	-25.5%
2 Custodian fees	108,129	117,500	109,004	(9,371)	-8.0%
3 Investment portfolio operating expenses	195,935	256,000	266,892	(60,065)	-23.5%
4 Investment consultant and reporting	175,000	276,500	202,500	(101,500)	-36.7%
5 Fund management fees (direct only)	2,364,677	2,802,125	2,601,620	(437,448)	-15.6%
Total Investment Expenses	\$ 2,864,528	\$ 3,480,033	\$ 3,200,621	\$ (615,505)	-17.7%

BUDGET 2024 MID-YEAR REVIEW						
Budget Changes (>5% and \$10K)						
		2024 6 months Actual	2024 6 months Budget	Budget vs Actual Variance \$ Over/(Under)	Budget vs Actual Variance % Over/(Under)	Explanation
INCREASES:						
1	Legal fees, no insurance reimb for any category	159,578	100,000	59,578	59.6%	Variance primarily due to possible settlement discussions related to current litigation
2	Building expenses, incl depreciation	386,033	329,012	57,021	17.3%	Unbudgeted large repair of second floor AC
REDUCTIONS:						
3	Information technology projects	14,045	357,500	(343,455)	-96.1%	Most planned IT projects are underway and we expect higher expenses in the second half of the year.
4	Independent audit	-	71,650	(71,650)	-100.0%	The variance relates to the timing of expenses. Should be within budget by year end.
5	Repairs and maintenance	16,488	54,354	(37,866)	-69.7%	The variance relates to both the timing of expenses and actual expenses less than budgeted.
6	IT subscriptions/services/licenses	65,605	97,307	(31,702)	-32.6%	The variance relates to the timing of some expenses, as well as actual expenses being less than budgeted.
7	Actuarial services	177,215	198,875	(21,660)	-10.9%	Variance was due in part to the timing and quantity of specialized services required.
8	Legislative consultants	63,000	84,000	(21,000)	-25.0%	Budgeted additional legislative services not yet incurred.
9	Liability insurance	259,383	279,495	(20,112)	-7.2%	Budget included expected increases in insurance that were able to be renewed at lower costs.
10	Pension administration software & WMS	138,821	154,500	(15,679)	-10.1%	Variance related to budgeted enhancements in the pension administration software and web member services that have not yet been incurred.
11	Travel - staff	9,476	21,650	(12,174)	-56.2%	Most staff travel YTD has been less than budgeted.
12	Conference/training registration/materials - staff	3,691	15,500	(11,809)	-76.2%	Most staff conference / training YTD has been less than budgeted.
13	Miscellaneous professional services	14,405	25,475	(11,070)	-43.5%	Budgeted expenses for communication services have not yet been incurred.
14	Travel - board	762	11,000	(10,238)	-93.1%	Board travel has been less than budgeted so far this year.

INVESTMENT EXPENSES						
		2023 6 months Actual	2023 6 months Budget	Budget vs Actual Variance \$ Over/(Under)	Budget vs Actual Variance % Over/(Under)	Explanation
1	Fund management fees (direct only)	2,364,677	2,802,125	(437,448)	-15.6%	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 consultant and reporting	175,000	276,500	(101,500)	-36.7%	Budgeted expenses for private markets services not yet incurred.
3	Investment portfolio operating expenses	195,935	256,000	(60,065)	-23.5%	The variance relates primarily to the timing of expenses.



DISCUSSION SHEET
Supplemental

ITEM C

Topic: **Public Comment**

Discussion: Comments from the public will be received by the Board.

Supplemental Board Meeting – Thursday, August 8, 2024