

**DALLAS POLICE AND FIRE PENSION SYSTEM
BUDGET SUMMARY
FOR THE YEAR 2020
APPROVED AT THE DECEMBER 12, 2019 BOARD MEETING**

Expense Type	2019 Budget	2019 Projected Actual	2020 Proposed Budget	Variances		Variances	
				2020 Prop.	2019	2020 Prop.	2019
				Bud. vs	Budget	Bud. vs	Proj. Act.
				\$	%	\$	%
Administrative Expenses	5,814,377	5,080,180	5,713,266	(101,111)	(1.7%)	633,086	12.5%
Investment Expenses	16,851,000	16,321,090	16,285,551	(565,449)	(3.4%)	(35,539)	(0.2%)
Professional Expenses	2,189,975	1,517,027	1,581,120	(608,855)	(27.8%)	64,093	4.2%
Total	\$ 24,855,352	\$ 22,918,297	\$ 23,579,937	\$ (1,275,415)	(5.1%)	\$ 661,640	2.9%

**Dallas Police & Fire Pension System
Operating Budget
Calendar Year 2020**

Description	2019 Budget	2019 Projected Actual*	2020 Proposed Budget	\$ Change 2020 Prop. Bud. vs. 2019 Bud.	% Change 2020 Prop. Bud. vs. 2019 Bud.	\$ Change 2020 Prop. Bud. vs. 2019 Proj. Actual	% Change 2020 Prop. Bud. vs. 2019 Proj. Actual
Administrative Expenses							
1 Salaries and benefits	3,831,889	3,407,653	3,653,766	(178,123)	(4.6%)	246,113	7.2%
2 Employment Expense	52,275	1,734	15,000	(37,275)	(71.3%)	13,266	765.1%
3 Memberships and dues	19,182	20,663	19,706	524	2.7%	(957)	(4.6%)
4 Staff meetings	1,000	123	1,000	-	0.0%	877	713.0%
5 Employee service recognition	5,000	2,436	5,000	-	0.0%	2,564	105.3%
6 Member educational programs	2,500	1,500	2,750	250	10.0%	1,250	83.3%
7 Board meetings	7,600	4,872	6,420	(1,180)	(15.5%)	1,548	31.8%
8 Conference registration/materials - Board	14,900	2,565	11,650	(3,250)	(21.8%)	9,085	354.2%
9 Travel - Board	32,620	3,993	21,500	(11,120)	(34.1%)	17,507	438.4%
10 Conference/training registration/materials - Staff	37,500	5,207	34,800	(2,700)	(7.2%)	29,593	568.3%
11 Travel - Staff	37,500	15,689	44,500	7,000	18.7%	28,811	183.6%
12 Liability insurance	604,553	515,940	640,571	36,018	6.0%	124,631	24.2%
13 Communications (phone/internet)	55,600	68,243	56,300	700	1.3%	(11,943)	(17.5%)
14 Information technology projects	70,000	82,397	140,000	70,000	100.0%	57,603	69.9%
15 IT subscriptions/services/licenses	147,840	125,623	143,500	(4,340)	(2.9%)	17,877	14.2%
16 IT software/hardware	17,000	14,978	19,500	2,500	14.7%	4,522	30.2%
17 Building expenses	365,339	400,688	405,467	40,128	11.0%	4,779	1.2%
18 Repairs and maintenance	108,249	92,360	97,414	(10,835)	(10.0%)	5,054	5.5%
19 Office supplies	33,100	23,768	29,350	(3,750)	(11.3%)	5,582	23.5%
20 Leased equipment	23,900	22,914	24,000	100	0.4%	1,086	4.7%
21 Postage	27,000	25,628	28,200	1,200	4.4%	2,572	10.0%
22 Printing	5,110	1,761	14,000	8,890	174.0%	12,239	695.0%
23 Subscriptions	2,140	698	2,125	(15)	(0.7%)	1,427	204.4%
24 Records storage	1,320	1,392	1,400	80	6.1%	8	0.6%
25 Administrative contingency reserve	12,000	519	12,000	-	0.0%	11,481	2212.1%
26 Depreciation Expense	248,260	233,603	240,947	(7,313)	(2.9%)	7,344	3.1%
27 Bank fees	3,000	3,233	3,400	400	13.3%	167	5.2%
Investment Expenses							
28 Investment management fees	14,490,000	14,729,000	14,178,000	(312,000)	(2.2%)	(551,000)	(3.7%)
29 Investment consultant and reporting	430,000	327,605	365,000	(65,000)	(15.1%)	37,395	11.4%
30 Bank custodian services	237,000	221,343	222,000	(15,000)	(6.3%)	657	0.3%
31 Other portfolio operating expenses (legal, valuation, tax)	1,694,000	1,043,142	1,520,551	(173,449)	(10.2%)	477,409	45.8%
32 Investment due diligence	48,000	-	39,000	(9,000)	(18.8%)	39,000	100.0%
Professional Services Expenses							
33 Actuarial services	120,000	182,924	240,000	120,000	100.0%	57,076	31.2%
34 Accounting services	59,000	59,000	60,770	1,770	3.0%	1,770	3.0%
35 Independent audit	180,000	165,000	165,000	(15,000)	(8.3%)	-	0.0%
36 Legal fees	1,300,000	619,295	550,000	(750,000)	(57.7%)	(69,295)	(11.2%)

**Dallas Police & Fire Pension System
Operating Budget
Calendar Year 2020**

Description	2019 Budget	2019 Projected Actual*	2020 Proposed Budget	\$ Change 2020 Prop. Bud. vs. 2019 Bud.	% Change 2020 Prop. Bud. vs. 2019 Bud.	\$ Change 2020 Prop. Bud. vs. 2019 Proj. Actual	% Change 2020 Prop. Bud. vs. 2019 Proj. Actual
37 Legislative consultants	159,000	157,210	126,000	(33,000)	(20.8%)	(31,210)	(19.9%)
38 Public relations	-	-	-	-	100.0%	-	100.0%
39 Pension administration software & WMS	273,000	264,977	283,000	10,000	3.7%	18,023	6.8%
40 Business continuity	15,500	17,909	26,600	11,100	71.6%	8,691	48.5%
41 Network security review	15,000	17,018	10,000	(5,000)	(33.3%)	(7,018)	(41.2%)
42 Network security monitoring	-	-	75,000	75,000	100.0%	75,000	100.0%
43 Disability medical evaluations	29,000	2,500	9,500	(19,500)	(67.2%)	7,000	280.0%
44 Elections	15,000	16,452	15,000	-	0.0%	(1,452)	(8.8%)
45 Miscellaneous professional services	24,475	14,742	20,250	(4,225)	(17.3%)	5,508	37.4%
Total Budget	24,855,352	22,918,297	23,579,937	(1,275,415)	(5.1%)	661,640	2.9%
Less: Investment management fees	14,490,000	14,729,000	14,178,000	(312,000)	(2.2%)	(551,000)	(3.7%)
Adjusted Budget Total	10,365,352	8,189,297	9,401,937	(963,415)	(9.3%)	1,212,640	14.8%

SUPPLEMENTAL BUDGET

Total Budget (from above)	24,855,352	22,918,297	23,579,937	(1,275,415)	(5.1%)	661,640	2.9%
Less: Allocation to Supplemental Plan Budget*	193,872	201,681	207,503	13,631	7.0%	5,822	2.9%
Total Combined Pension Plan Budget	24,661,480	22,716,616	23,372,434	(1,289,046)	(5.2%)	655,818	2.9%

* Projected based on preliminary 8/31/19 YTD annualized

** Allocation to Supplemental is based on JPM allocation between accounts as of 8/31/19 of .0088%

0.88% per JPM Unitization report as of 8/31/19

Significant Budget Changes - 2020
Budget Changes (>5% and \$10K)
SORTED BY THE \$ CHANGE FROM 2019 BUDGET TO 2020 BUDGET

		2019	2019	2020	\$ Change	% Change	\$ Change	% Change	
	Item	Budget	Projected Actual**	Proposed Budget	2020 Prop. Bud. vs. 2019 Bud.	2020 Prop. Bud. vs. 2019 Bud.	2020 Prop. Bud. vs. 2019 Proj. Act.	2020 Prop. Bud. vs. 2019 Proj. Act.	Explanation
	INCREASES:								
1	Actuarial services	120,000	182,924	240,000	120,000	100.0%	57,076	31.2%	Increase primarily related to the 5 year experience study to be completed in 2020 (\$70k) along with supplemental and specialized work.
2	Network security monitoring	-	-	75,000	75,000	100.0%	75,000	100.0%	New service to detect, analyze and respond to security events 24x7x365 using advanced security events filtration, de-duplication and correlation technologies. Cost will decrease to \$50k beginning in the second year.
3	Information technology projects	70,000	82,397	140,000	70,000	100.0%	57,603	69.9%	Four projects planned for the year including firewall and phone system replacement and domain upgrade. All projects under the \$50k capitalization level.
4	Building expenses	365,339	400,688	405,467	40,128	11.0%	4,779	1.2%	Increased property taxes for the 3rd and 4th floor expected in 2020. HVAC and leasing expenses not budgeted in 2019, approx. \$30k.
5	Liability insurance	604,553	515,940	640,571	36,018	6.0%	124,631	24.2%	Initial renewal inquiries point to an increase in premiums on all policies. The 2019 actual projection vs. 2020 proposed budget variance is related to a one time change in the premium year resulting in only 11 months of expense in 2019. Additionally, 2019 premiums were lower than initially quoted renewals.
6	Business continuity	15,500	17,909	26,600	11,100	71.6%	8,691	48.5%	Includes new item of server replication replacing VMware subscription service - \$9,600.
	REDUCTIONS:								
7	Legal fees	1,300,000	619,295	550,000	(750,000)	(57.7%)	(69,295)	(11.2%)	Significant decrease in budget from 2019. Continued expenses from the Degan and Actuary cases along with new potential case filings in 2020.
8	Other portfolio operating expenses (legal, valuation, tax)	1,694,000	1,043,142	1,520,551	(173,449)	(10.2%)	477,409	45.8%	Some tail end expenses forecast in 2019 were not incurred. 2020 expense forecast increased over actual as more tail end services are expected during the year.
9	Investment consultant and reporting	430,000	327,605	365,000	(65,000)	(15.1%)	37,395	11.4%	HB322 legislature requires an independent investment review in 2020. The initial quote for this review in \$30k.
10	Employment Expense	52,275	1,734	15,000	(37,275)	(71.3%)	13,266	765.1%	Expenses reduced in 2019 because only one position was filled. Only one position forecast for 2020.
11	Legislative consultants	159,000	157,210	126,000	(33,000)	(20.8%)	(31,210)	(19.9%)	Legislature not planned to be in session 2020. Cost is lower when legislature is not in session.
12	Disability medical evaluations	29,000	2,500	9,500	(19,500)	(67.2%)	7,000	280.0%	2019 forecast was for 7 new disabilities, 2 special needs children and 3 recalls. One new disability evaluation so far for 2019. Three disability and one child evaluation forecast for 2020.
13	Bank custodian services	237,000	221,343	222,000	(15,000)	(6.3%)	657	0.3%	Fewer investment accounts than projected for JPM to manage in 2019 resulted in reduced fees. No significant change for 2020.
14	Independent audit	180,000	165,000	165,000	(15,000)	(8.3%)	-	0.0%	Reduced 2020 forecast as current budget has been sufficient to cover the audit, and reviews for appraisals and tail end funds.
15	Travel - Board	32,620	3,993	21,500	(11,120)	(34.1%)	17,507	438.4%	Less board travel than expected in 2019. Expected travel in 2020 is projected to be less than in prior years.
16	Repairs and maintenance	108,249	92,360	97,414	(10,835)	(10.0%)	5,054	5.5%	Less equipment (Phone, AV, printers, etc.) repairs than forecast in 2019. Slight Increase in 2020 forecast over 2019 projected expenses as more building repairs are expected.

** Projected based on 8/31/19 Prelim YTD annualized

Significant Budget Changes - 2020
Budget Changes (>5% and \$10K)
SORTED BY THE \$ CHANGE FROM 2019 PROJECTED ACTUAL TO 2020 BUDGET

	2019	2019	2020	\$ Change	% Change	\$ Change	% Change		
Item	Budget	Projected Actual**	Proposed Budget	2020 Prop. Bud. vs. 2019 Bud.	2020 Prop. Bud. vs. 2019 Bud.	2020 Prop. Bud. vs. 2019 Proj. Act.	2020 Prop. Bud. vs. 2019 Proj. Act.	Explanation	
INCREASES:									
1	Other portfolio operating expenses (legal, valuation, tax)	1,694,000	1,043,142	1,520,551	(173,449)	(10.2%)	477,409	45.8%	Some tail end expenses forecast in 2019 were not incurred. 2020 expense forecast increased over actual as more tail end services are expected during the year.
2	Salaries and benefits	3,831,889	3,407,653	3,653,766	(178,123)	(4.6%)	246,113	7.2%	Four positions forecasted for 2019 were not filled. One position is being forecasted for 2020 along with the 2019 position addition for a full year.
3	Liability insurance	604,553	515,940	640,571	36,018	6.0%	124,631	24.2%	Initial renewal inquiries point to an increase in premiums on all policies. The 2019 actual projection vs. 2020 proposed budget variance is related to a one time change in the premium year resulting in only 11 months of expense in 2019. Additionally, 2019 premiums were lower than initially quoted renewals.
4	Network security monitoring	-	-	75,000	75,000	100.0%	75,000	100.0%	New service to detect, analyze and respond to security events 24x7x365 using advanced security events filtration, de-duplication and correlation technologies. Cost will decrease to \$50k beginning in the second year.
5	Information technology projects	70,000	82,397	140,000	70,000	100.0%	57,603	69.9%	Four projects planned for the year including firewall and phone system replacement and domain upgrade. All projects under the \$50k capitalization level.
6	Actuarial services	120,000	182,924	240,000	120,000	100.0%	57,076	31.2%	Increase primarily related to the 5 year experience study to be completed in 2020 (\$70k) along with supplemental and specialized work.
7	Investment due diligence	48,000	-	39,000	(9,000)	(18.8%)	39,000	100.0%	Forecast for software Evestment and due diligence travel.
8	Investment consultant and reporting	430,000	327,605	365,000	(65,000)	(15.1%)	37,395	11.4%	SB322 legislature requires an independent investment review in 2020. The initial quote for this review in \$30k.
9	Conference/training registration/material	37,500	5,207	34,800	(2,700)	(7.2%)	29,593	568.3%	Returning to a more normal staff training schedule in 2020 along with some additional cross training planned.
10	Travel - Staff	37,500	15,689	44,500	7,000	18.7%	28,811	183.6%	Returning to a more normal staff training schedule in 2020 which will require some travel. Additionally, some planned cross training will require some travel.
11	Pension administration software & WVM	273,000	264,977	283,000	10,000	3.7%	18,023	6.8%	Increased maintenance cost for Pension Gold and Web Member Services portal.
12	IT subscriptions/services/licenses	147,840	125,623	143,500	(4,340)	(2.9%)	17,877	14.2%	YOY budget down slightly. Network security monitoring initiative will require some additional software - \$15K. Desktop outsourcing and other subscriptions less than forecast in 2019.
13	Travel - Board	32,620	3,993	21,500	(11,120)	(34.1%)	17,507	438.4%	Less board travel than expected in 2019. Expected travel in 2020 is projected to be less than in prior years.
14	Employment Expense	52,275	1,734	15,000	(37,275)	(71.3%)	13,266	765.1%	Expenses reduced in 2019 because only one position was filled. Only one position forecast for 2020.
15	Printing	5,110	1,761	14,000	8,890	174.0%	12,239	695.0%	Approximately 2,500 updated member handbooks are forecast for printing in 2020.
16	Administrative contingency reserve	12,000	519	12,000	-	0.0%	11,481	2212.1%	Contingency reserve.
REDUCTIONS:									
17	Legal fees	1,300,000	619,295	550,000	(750,000)	(57.7%)	(69,295)	(11.2%)	Significant decrease in budget from 2019. Continued expenses from the Degan and Actuary cases along with new potential case filings in 2020.
18	Legislative consultants	159,000	157,210	126,000	(33,000)	(20.8%)	(31,210)	(19.9%)	Legislature not planned to be in session 2020. Cost is lower when legislature is not in session.
19	Communications (phone/internet)	55,600	68,243	56,300	700	1.3%	(11,943)	(17.5%)	LD contract expired in 2019 which resulted in increased costs. New contract signed and 2020 costs are expected to be lower.

** Projected based on 8/31/19 Prelim YTD annualized