

AGENDA



Date: November 3, 2023

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 9, 2023, 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 October 12, 2023

B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

- 1. Quarterly Financial Reports**
- 2. Second Reading and Discussion of the 2024 Budget**

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, October 12, 2023
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room Dallas, TX**

Supplemental meeting, Kelly Gottschalk presiding:

ROLL CALL

Board Members

Present at 8:30 a.m. Michael Brown, Tina Hernandez Patterson (by telephone), Steve Idoux, Mark Malveaux (by telephone), Matthew Shomer, Marcus Smith, Michael Taglienti, Tom Tull

Absent: Nicholas Merrick, Nancy Rocha, Anthony Scavuzzo

Staff

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

Others

Leandro Festino (by telephone), Aaron Lally (by telephone), Ken Haben (by telephone), Kevin Middleton, Cara Mendelsohn

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The Supplemental meeting was called to order and recessed at 8:30 a.m.

The Supplemental meeting was reconvened at 11:17 a.m.

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A. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of September 14, 2023

2. Approval of Service Retirements

3. Spouse Wed After Retirement (SWAR)

**Supplemental Board Meeting
Thursday, October 12, 2023**

A. CONSENT AGENDA (continued)

After discussion, Mr. Shomer made a motion to approve the minutes of the meeting of September 14, 2023. Mr. Smith seconded the motion, which was unanimously approved by the Board.

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

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B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

Initial Reading and discussion of the 2024 Budget

The Chief Financial Officer presented the initial reading of the 2024 budget, prepared in total for both the Combined Pension Plan and the Supplement Plan.

After discussion, Mr. Tull made a motion to (i) 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 2023 Board meeting for consideration for adoption. (ii) Authorize forwarding the 2024 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. Mr. Shomer seconded the motion, which was unanimously approved by the Board.

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C. BRIEFING ITEMS

Public Comment

Prior to commencing items for Board discussion and deliberation, the Board received public comments during the open forum.

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**Supplemental Board Meeting
Thursday, October 12, 2023**

Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Taglienti and a second by Mr. Smith, the meeting was adjourned at 11:18 a.m.

Kelly Gottschalk
Presiding

ATTEST:

Joshua Mond
Acting Secretary

DRAFT



DISCUSSION SHEET

Supplemental

ITEM #B1

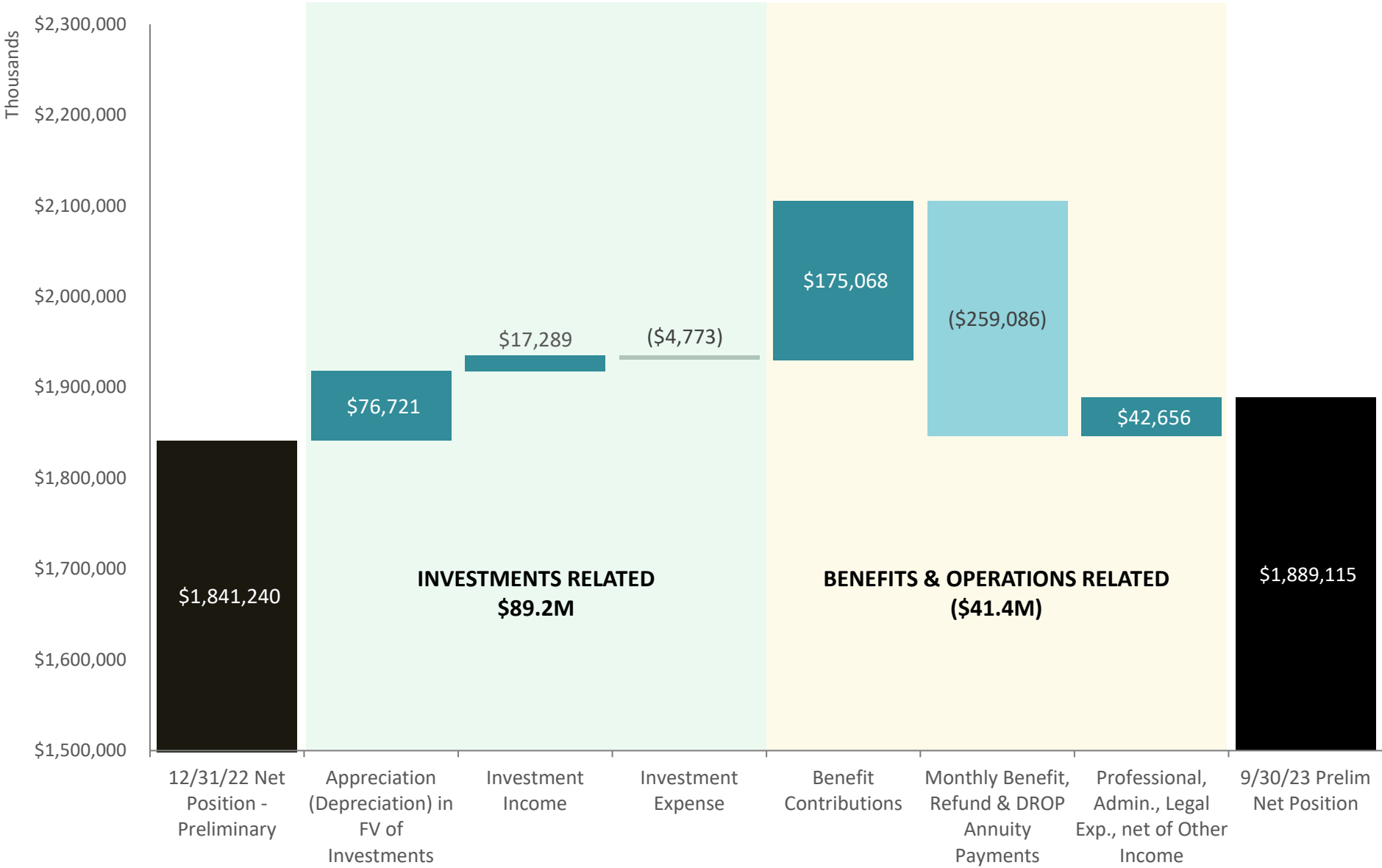
Topic: **Quarterly Financial Reports**

Discussion: The Chief Financial Officer will present the third quarter 2023 financial statements.

Supplemental Board Meeting – Thursday, November 9, 2023

Change in Net Fiduciary Position

PRELIMINARY - December 31, 2022 – September 30, 2023



Components may not sum exactly due to rounding.

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

	September 30, 2023	PRELIMINARY December 31, 2022	\$ Change	% Change
Assets				
Investments, at fair value				
Short-term investments	\$ 17,496,421	\$ 14,890,840	\$ 2,605,581	17%
Fixed income securities	343,518,249	321,363,734	22,154,515	7%
Equity securities	940,079,347	826,996,060	113,083,287	14%
Real assets	301,221,979	347,647,569	(46,425,590)	-13%
Private equity	236,292,473	237,488,864	(1,196,391)	-1%
Forward currency contracts	(32)	(970)	938	-97%
Total investments	<u>1,838,608,437</u>	<u>1,748,386,097</u>	<u>90,222,340</u>	<u>5%</u>
Receivables				
City	1,881,885	5,140,929	(3,259,044)	-63%
Members	688,382	1,819,338	(1,130,956)	-62%
Interest and dividends	4,225,454	3,788,204	437,250	12%
Investment sales proceeds	2,799,386	1,152,406	1,646,980	143%
Other receivables	57,681	49,887	7,794	16%
Total receivables	<u>9,652,788</u>	<u>11,950,764</u>	<u>(2,297,976)</u>	<u>-19%</u>
Cash and cash equivalents	38,311,629	75,285,576	(36,973,947)	-49%
Prepaid expenses	576,685	403,166	173,519	43%
Capital assets, net	11,436,602	11,605,932	(169,330)	-1%
Total assets	<u>\$ 1,898,586,141</u>	<u>\$ 1,847,631,535</u>	<u>\$ 50,954,606</u>	<u>3%</u>
Liabilities				
Payables				
Securities purchased	5,355,526	1,138,945	4,216,581	370%
Accounts payable and other accrued liabilities	4,115,313	5,252,748	(1,137,435)	-22%
Total liabilities	<u>9,470,839</u>	<u>6,391,693</u>	<u>3,079,146</u>	<u>48%</u>
Net position restricted for pension benefits	<u>\$ 1,889,115,302</u>	<u>\$ 1,841,239,842</u> *	<u>\$ 47,875,460</u>	<u>3%</u>

*The ending period amounts are preliminary and may change as the 2022 results are finalized.

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

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	\$ Change	% Change
Contributions				
City	\$ 128,268,252	\$ 127,060,334	\$ 1,207,918	1%
Members	46,799,948	44,652,558	2,147,390	5%
Total Contributions	175,068,200	171,712,892	3,355,308	2%
Investment income				
Net appreciation (depreciation) in fair value of investments	76,721,262	(339,528,202)	416,249,464	123%
Interest and dividends	17,288,663	16,441,751	846,912	5%
Total gross investment income	94,009,925	(323,086,451)	417,096,376	129%
less: investment expense	(4,772,719)	(6,642,412)	1,869,693	28%
Net investment income	89,237,206	(329,728,863)	418,966,069	127%
Other income	47,625,801	2,259,735	45,366,066	2008%
Total additions	311,931,207	(155,756,236)	467,687,443	300%
Deductions				
Benefits paid to members	255,233,628	248,469,394	6,764,234	3%
Refunds to members	3,852,709	2,892,205	960,504	33%
Legal expense	157,675	266,133	(108,458)	-41%
Legal expense reimbursement	-	-	-	0%
Legal expense, net of reimbursement	157,675	266,133	(108,458)	-41%
Staff Salaries and Benefits	2,651,001	2,574,994	76,007	3%
Professional and administrative expenses	2,160,734	1,983,122	177,612	9%
Total deductions	264,055,747	256,185,848	7,869,899	3%
Net increase (decrease) in net position	47,875,460	(411,942,084)		
Beginning of period	1,841,239,842	2,176,501,141		
End of period	\$ 1,889,115,302	\$ 1,764,559,057		



DISCUSSION SHEET

Supplemental

ITEM #B2

Topic: **Second Reading and Discussion of the 2024 Budget**

Discussion: Attached is the budget proposal for Calendar Year 2024.

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's budget and/or projected 2023 actual expenses are explained in the comments accompanying the proposed budget.

The first reading of the proposed budget was at the October 12, 2023, Board meeting. The proposed budget was posted on the DPPFP website on October 17, 2023, and submitted to the City of Dallas for comment.

The following two changes have been made to the 2024 proposed budget since the first reading.

- Added \$550,000 for the IT project discussed at the October board meeting
- Added \$75,000 for a custodian search consultant

Staff

Recommendation: **Approve** the proposed 2024 budget.

Supplemental Board Meeting – Thursday, November 9, 2023

**DALLAS POLICE AND FIRE PENSION SYSTEM
OPERATING BUDGET SUMMARY
FOR THE YEAR 2024**

Expense Type	2023 Budget	2023 Projected Actual	2024 Budget	Variances		Variances	
				2024	2023	2024	2023
				Budget vs	Budget	Budget vs	Proj. Act.
				\$	%	\$	%
Administrative Expenses	6,190,265	5,508,986	6,166,096	(24,169)	(0.4%)	657,110	11.9%
Investment Expenses	10,770,886	9,618,661	9,647,817	(1,123,069)	(10.4%)	29,156	0.3%
Professional Expenses	1,277,050	1,226,853	1,600,950	323,900	25.4%	374,097	30.5%
Total	\$ 18,238,201	\$ 16,354,500	\$ 17,414,863	\$ (823,338)	(4.5%)	\$ 1,060,363	6.5%

Dallas Police & Fire Pension System Operating Budget Calendar Year 2024							
Description	2023 Budget	2023 Projected Actual*	2024 Proposed Budget	\$ Change 2024 Prop. Bud. vs. 2023 Bud.	% Change 2024 Prop. Bud. vs. 2023 Bud.	\$ Change 2024 Prop. Bud. vs. 2023 Proj. Actual	% Change 2024 Prop. Bud. vs. 2023 Proj. Actual
Administrative Expenses							
1 Salaries and benefits	3,709,489	3,569,370	3,674,704	(34,785)	(0.9%)	105,334	3.0%
2 Employment Expense	46,350	78,136	26,350	(20,000)	(43.1%)	(51,786)	(66.3%)
3 Memberships and dues	20,201	19,867	20,276	75	0.4%	409	2.1%
4 Staff meetings	500	-	500	-	0.0%	500	100.0%
5 Employee service recognition	5,000	3,188	4,000	(1,000)	(20.0%)	812	25.5%
6 Member educational programs	3,350	-	3,350	-	0.0%	3,350	100.0%
7 Board meetings	4,420	1,644	2,700	(1,720)	(38.9%)	1,056	64.2%
8 Conference registration/materials - Board	12,000	5,000	12,000	-	0.0%	7,000	140.0%
9 Travel - Board	22,000	4,719	22,000	-	0.0%	17,281	366.2%
10 Conference/training registration/materials - Staff	33,200	15,376	31,000	(2,200)	(6.6%)	15,624	101.6%
11 Travel - Staff	44,700	33,076	43,300	(1,400)	(3.1%)	10,224	30.9%
12 Liability insurance	888,533	573,072	558,990	(329,543)	(37.1%)	(14,082)	(2.5%)
13 Communications (phone/internet)	21,180	18,861	30,528	9,348	44.1%	11,667	61.9%
14 Information technology projects	190,000	159,107	635,000	445,000	234.2%	475,893	299.1%
15 IT subscriptions/services/licenses	239,860	137,681	194,615	(45,245)	(18.9%)	56,934	41.4%
16 IT software/hardware	25,000	9,040	25,000	-	0.0%	15,960	176.5%
17 Building expenses	459,697	473,460	464,120	4,423	1.0%	(9,340)	(2.0%)
18 Repairs and maintenance	94,582	92,676	108,709	14,127	14.9%	16,033	17.3%
19 Office supplies	28,475	21,639	29,025	550	1.9%	7,386	34.1%
20 Leased equipment	25,000	21,857	25,000	-	0.0%	3,143	14.4%
21 Postage	29,746	16,510	20,700	(9,046)	(30.4%)	4,190	25.4%
22 Printing	4,350	4,884	5,100	750	17.2%	216	4.4%
23 Subscriptions	2,506	2,752	2,881	375	15.0%	129	4.7%
24 Records storage	2,179	2,863	3,000	821	37.7%	137	4.8%
25 Administrative contingency reserve	12,000	173	12,000	-	0.0%	11,827	6836.4%
27 Depreciation Expense	240,947	236,325	201,248	(39,699)	(16.5%)	(35,077)	(14.8%)
28 Bank fees	25,000	7,710	10,000	(15,000)	(60.0%)	2,290	29.7%
Investment Expenses							
29 Investment management fees	9,375,000	8,527,423	8,292,000	(1,083,000)	(11.6%)	(235,423)	(2.8%)
30 Investment consultant and reporting	455,000	396,429	553,000	98,000	21.5%	156,571	39.5%
31 Bank custodian services	235,000	218,009	235,000	-	0.0%	16,991	7.8%
32 Other portfolio operating expenses (legal, valuation, tax)	644,500	430,590	512,000	(132,500)	(20.6%)	81,410	18.9%
33 Investment due diligence	61,386	46,210	55,817	(5,569)	(9.1%)	9,607	20.8%
Professional Services Expenses							
34 Actuarial services	159,500	159,500	397,750	238,250	149.4%	238,250	149.4%
35 Accounting services	61,950	59,000	61,950	-	0.0%	2,950	5.0%
36 Independent audit	115,000	130,000	143,300	28,300	24.6%	13,300	10.2%

Dallas Police & Fire Pension System Operating Budget Calendar Year 2024							
Description	2023 Budget	2023 Projected Actual*	2024 Proposed Budget	\$ Change 2024 Prop. Bud. vs. 2023 Bud.	% Change 2024 Prop. Bud. vs. 2023 Bud.	\$ Change 2024 Prop. Bud. vs. 2023 Proj. Actual	% Change 2024 Prop. Bud. vs. 2023 Proj. Actual
37 Legal fees	180,000	165,636	200,000	20,000	11.1%	34,364	20.7%
38 Legislative consultants	159,000	159,000	168,000	9,000	5.7%	9,000	5.7%
39 Public relations	-	-	-	-	100.0%	-	100.0%
40 Pension administration software & WMS	292,000	293,052	309,000	17,000	5.8%	15,948	5.4%
41 Business continuity	14,000	13,700	38,000	24,000	171.4%	24,300	177.4%
42 Network security monitoring	180,000	217,591	225,000	45,000	25.0%	7,409	3.4%
43 Disability medical evaluations	16,250	1,000	7,000	(9,250)	(56.9%)	6,000	600.0%
44 Elections	15,250	11,863	-	(15,250)	(100.0%)	(11,863)	(100.0%)
45 Miscellaneous professional services	84,100	16,511	50,950	(33,150)	(39.4%)	34,439	208.6%
Total Budget	18,238,201	16,354,500	17,414,863	(823,338)	(4.5%)	1,060,363	6.5%
Less: Investment management fees	9,375,000	8,527,423	8,292,000	(1,083,000)	(11.6%)	(235,423)	(2.8%)
Adjusted Budget Total	8,863,201	7,827,077	9,122,863	259,662	2.9%	1,295,786	16.6%

SUPPLEMENTAL BUDGET

Total Budget (from above)	18,238,201	16,354,500	17,414,863	(823,338)	(4.5%)	1,060,363	6.5%
Less: Allocation to Supplemental Plan Budget**	155,207	141,630	150,813	(4,394)	(2.8%)	9,183	6.5%
Total Combined Pension Plan Budget	18,082,994	16,212,870	17,264,050	(818,944)	(4.5%)	1,051,180	6.5%

* Projected based on 7/31/23 YTD annualized or estimated

** Allocation to Supplemental is based on JPM allocation between accounts as of 7/31/23 of .0087%

_____ 0.87% per JPM Unitization report as of 7/31/23

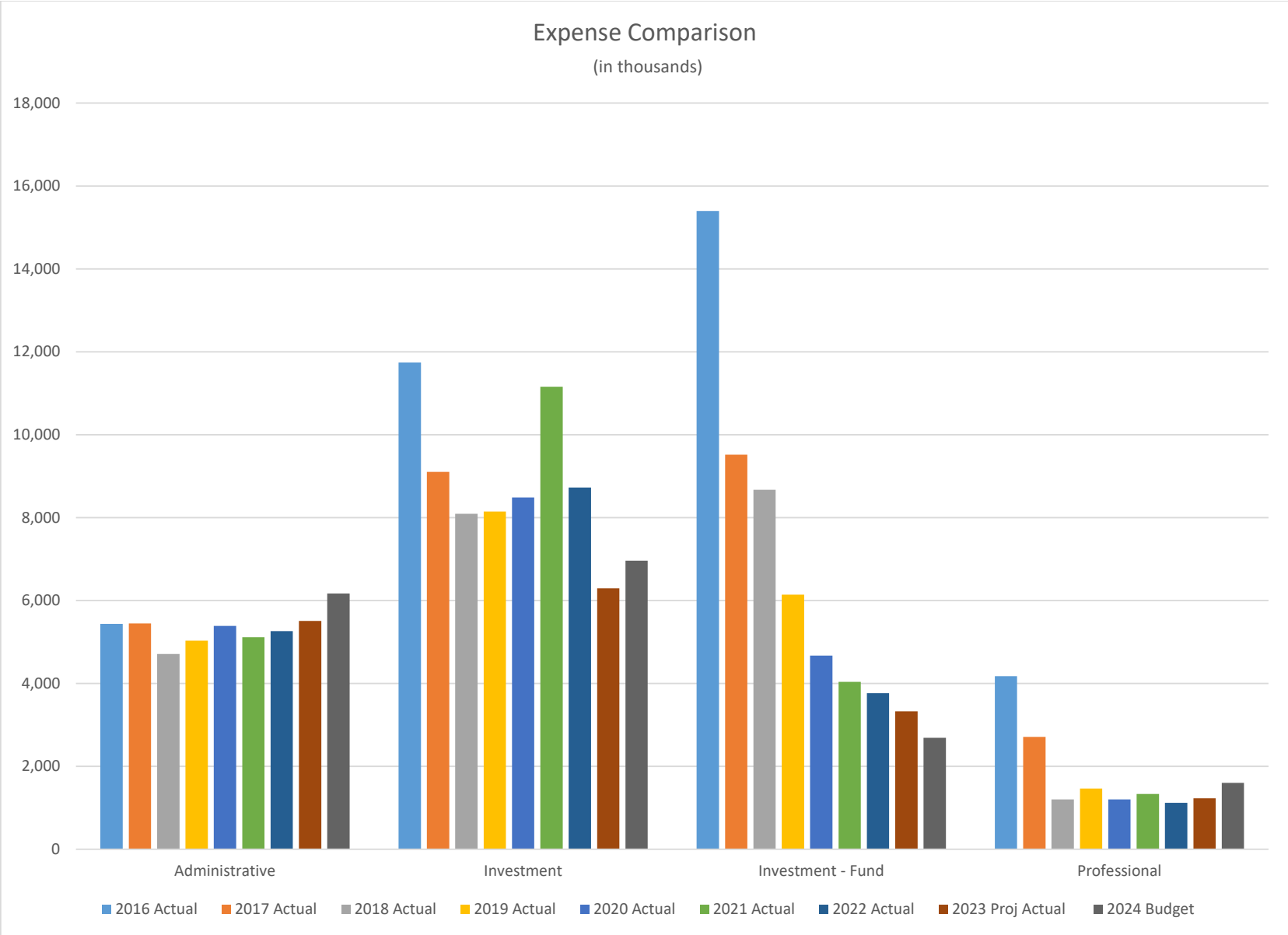
Significant Budget Changes - 2024
Budget Changes (>5% and \$25K)
SORTED BY THE \$ CHANGE FROM 2023 BUDGET TO 2024 BUDGET

		2023	2023	2024	\$ Change	% Change	\$ Change	% Change	
	Item	Budget	Projected Actual**	Budget	2024 Budget vs. 2023 Bud.	2024 Budget vs. 2023 Bud.	2024 Budget vs. 2023 Proj. Act.	2024 Budget vs. 2023 Proj. Act.	Explanation
	INCREASES:								
1	Information technology projects	190,000	159,107	635,000	445,000	234.2%	475,893	299.1%	A new digital imaging project is planned for 2024.
2	Actuarial services	159,500	159,500	397,750	238,250	149.4%	238,250	149.4%	The increase reflects the actuarial work associated with the statutorily required independent actuarial analysis and additional actuarial work anticipated in 2024 ahead of the 2025 legislative session.
3	Investment consultant and reporting	455,000	396,429	553,000	98,000	21.5%	156,571	39.5%	The increase includes custodian consultant services and increased private markets services.
4	Network security monitoring	180,000	217,591	225,000	45,000	25.0%	7,409	3.4%	Some services budgeted in 2023 under subscriptions and licenses expenses are now included with the vCISO and vSOC services in Network Security Monitoring for the 2024 budget. The change in Network Security monitoring without the reallocation would have been a decline of \$27K or 15% in this account.
5	Independent audit	115,000	130,000	143,300	28,300	24.6%	13,300	10.2%	Independent audit services RFP will be issued in 2024 for the 2023 audit. Expect increases in quoted fees.
	REDUCTIONS:								
6	Investment management fees	9,375,000	8,527,423	8,292,000	(1,083,000)	(11.6%)	(235,423)	(2.8%)	Declines in budgeted fees due to negotiated Public Equity fee reductions, a higher allocation to passive equity and projected sales of legacy real assets investments.
7	Liability insurance	888,533	573,072	558,990	(329,543)	(37.1%)	(14,082)	(2.5%)	The reduction from the prior year budget reflects the Board decision after the 2023 budget was adopted to reduce the liability insurance coverage level.
8	Other portfolio operating expenses (legal, valuation, tax)	644,500	430,590	512,000	(132,500)	(20.6%)	81,410	18.9%	Expected fees related to some private equity investments are expected to decline.
9	IT subscriptions/services/licenses	239,860	137,681	194,615	(45,245)	(18.9%)	56,934	41.4%	Some services budgeted in 2023 under subscriptions and licenses expenses are now included with the vCISO and vSOC services in Network Security Monitoring for the 2024 budget. Without the reallocation of this expense IT subscriptions would have had an increase of \$27K or 11% YOY. Product licenses for workflow (an IT project in 2023) and upgraded Office 365 licenses for enhanced security would have accounted for the increase without the reallocation.
10	Depreciation Expense	240,947	236,325	201,248	(39,699)	(16.5%)	(35,077)	(14.8%)	Some capitalized expenses became fully depreciated in 2023 or will become fully depreciated in 2024 resulting in lower depreciation expense.
11	Miscellaneous professional services	84,100	16,511	50,950	(33,150)	(39.4%)	34,439	208.6%	Decreased budget for contract Communications consultant.

** Projected based on 7/31/22 YTD annualized or estimated

Significant Budget Changes - 2024
Budget Changes (>5% and \$25K)
SORTED BY THE \$ CHANGE FROM 2023 PROJECTED ACTUAL TO 2024 BUDGET

		2023	2023	2024	\$ Change	% Change	\$ Change	% Change	
	Item	Budget	Projected Actual**	Budget	2024 Budget vs. 2023 Bud.	2024 Budget vs. 2023 Bud.	2024 Budget vs. 2023 Proj. Act.	2024 Budget vs. 2023 Proj. Act.	Explanation
	INCREASES:								
1	Information technology projects	190,000	159,107	635,000	445,000	234.2%	475,893	299.1%	A new digital imaging project is planned for 2024.
2	Actuarial services	159,500	159,500	397,750	238,250	149.4%	238,250	149.4%	The increase reflects the actuarial worked associated with the statutorily required independent actuarial analysis and additional actuarial work anticipated in 2024 ahead of the 2025 legislative session.
3	Investment consultant and reporting	455,000	396,429	553,000	98,000	21.5%	156,571	39.5%	Budgeted private markets services in 2023 did not occur, but have been rebudgeted for 2024. Also, includes fees for a custodian consultant services.
4	Other portfolio operating expenses (legal, valuation, tax)	644,500	430,590	512,000	(132,500)	(20.6%)	81,410	18.9%	Fees related to some private equity investments were less than expected in 2023 but are projected to increase in 2024.
5	IT subscriptions/services/licenses	239,860	137,681	194,615	(45,245)	(18.9%)	56,934	41.4%	Product licenses for workflow (an IT project in 2023) and upgraded Office 365 licenses for enhanced security are primarily responsible for increased costs in 2024.
6	Miscellaneous professional services	84,100	16,511	50,950	(33,150)	(39.4%)	34,439	208.6%	2023 budgeted communications services were not engaged. Rebudgeted for 2024 at a reduced amount.
7	Legal fees	180,000	165,636	200,000	20,000	11.1%	34,364	20.7%	Expected expenses based on current status of cases.
	REDUCTIONS:								
8	Employment Expense	46,350	78,136	26,350	(20,000)	(43.1%)	(51,786)	(66.3%)	Fewer open employee positions requiring agency fees expected in 2024.
9	Depreciation Expense	240,947	236,325	201,248	(39,699)	(16.5%)	(35,077)	(14.8%)	Some capitalized expenses will become fully depreciated in 2024 resulting in lower depreciation expense.





DISCUSSION SHEET
Supplemental

ITEM C

Topic: **Public Comment**

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

Supplemental Board Meeting – Thursday, November 9, 2023