

## AGENDA



**Date:** August 4, 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, August 10, 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/81579077794?pwd=Zy90N29XcFBZb1phTzBBQlBScXVXZz09> Passcode: 910136.** Items of the following agenda will be presented to the Board:

### **A. CONSENT AGENDA**

#### **1. Approval of Minutes**

Regular meeting of July 13, 2023

#### **2. Approval of Service Retirements**

#### **3. Approval of Estate Settlements**

#### **4. Approval of Survivor Benefits**

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

- 1. Quarterly Financial Reports**
- 2. 2023 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 13, 2023  
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 8:33 a.m. Nicholas A. Merrick, William F. Quinn, Armando Garza, Michael Brown, Kenneth Haben, Steve Idoux (by telephone), Mark Malveaux (by telephone), Tina Hernandez Patterson (by telephone), Nancy Rocha, Anthony Scavuzzo, Marcus Smith

Absent: None

**Staff**

Kelly Gottschalk, Josh Mond, Ryan Wagner, Brenda Barnes, Akshay Patel, John Holt, Nien Nguyen, Carol Huffman, Nagjeevan (Jenny) Singh, Kaitlyn Gensler, Cynthia J. Thomas

**Others**

Aaron Lally (by telephone), Tom Tull

\* \* \* \* \*

The Supplemental meeting was called to order and recessed at 8:33 a.m.

The Supplemental meeting was reconvened at 10:31 a.m.

\* \* \* \* \*

**CONSENT AGENDA**

**Approval of Minutes**

Regular meeting of June 8, 2023

After discussion, Mr. Scavuzzo made a motion to approve the minutes of the meeting of June 8, 2023. Mr. Haben seconded the motion, which was unanimously approved by the Board.

\* \* \* \* \*

**Supplemental Board Meeting  
Thursday, July 13, 2023**

Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Garza and a second by Mr. Quinn, the meeting was adjourned at 10:31 a.m.

\_\_\_\_\_  
Nicholas A. Merrick  
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 2023 financial statements.

*Supplemental Board Meeting – Thursday, August 10, 2023*

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

	<u>June 30, 2023</u>	<u>PRELIMINARY December 31, 2022</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Assets</b>				
<b>Investments, at fair value</b>				
Short-term investments	\$ 23,928,266	\$ 14,890,840	\$ 9,037,426	61%
Fixed income securities	343,215,623	321,493,344	21,722,279	7%
Equity securities	975,906,078	826,996,060	148,910,018	18%
Real assets	303,724,868	347,647,569	(43,922,701)	-13%
Private equity	236,350,784	237,391,484	(1,040,700)	0%
Forward currency contracts	-	(970)	970	-100%
<b>Total investments</b>	<u>1,883,125,619</u>	<u>1,748,418,327</u>	<u>134,707,292</u>	<u>8%</u>
<b>Receivables</b>				
City	4,701,386	5,140,928	(439,542)	-9%
Members	1,707,663	1,819,338	(111,675)	-6%
Interest and dividends	3,964,651	3,788,204	176,447	5%
Investment sales proceeds	1,536,581	1,152,406	384,175	33%
Other receivables	33,166	49,887	(16,721)	-34%
<b>Total receivables</b>	<u>11,943,447</u>	<u>11,950,763</u>	<u>(7,316)</u>	<u>0%</u>
Cash and cash equivalents	61,516,327	75,285,576	(13,769,249)	-18%
Prepaid expenses	816,433	403,166	413,267	103%
Capital assets, net	11,485,459	11,605,932	(120,473)	-1%
<b>Total assets</b>	<u>\$ 1,968,887,285</u>	<u>\$ 1,847,663,764</u>	<u>\$ 121,223,521</u>	<u>7%</u>
<b>Liabilities</b>				
<b>Payables</b>				
Securities purchased	5,867,069	1,138,945	4,728,124	415%
Accounts payable and other accrued liabilities	4,495,556	5,210,268	(714,712)	-14%
<b>Total liabilities</b>	<u>10,362,625</u>	<u>6,349,213</u>	<u>4,013,412</u>	<u>63%</u>
<b>Net position restricted for pension benefits</b>	<u>\$ 1,958,524,660</u>	<u>\$ 1,841,314,551</u> *	<u>\$ 117,210,109</u>	<u>6%</u>

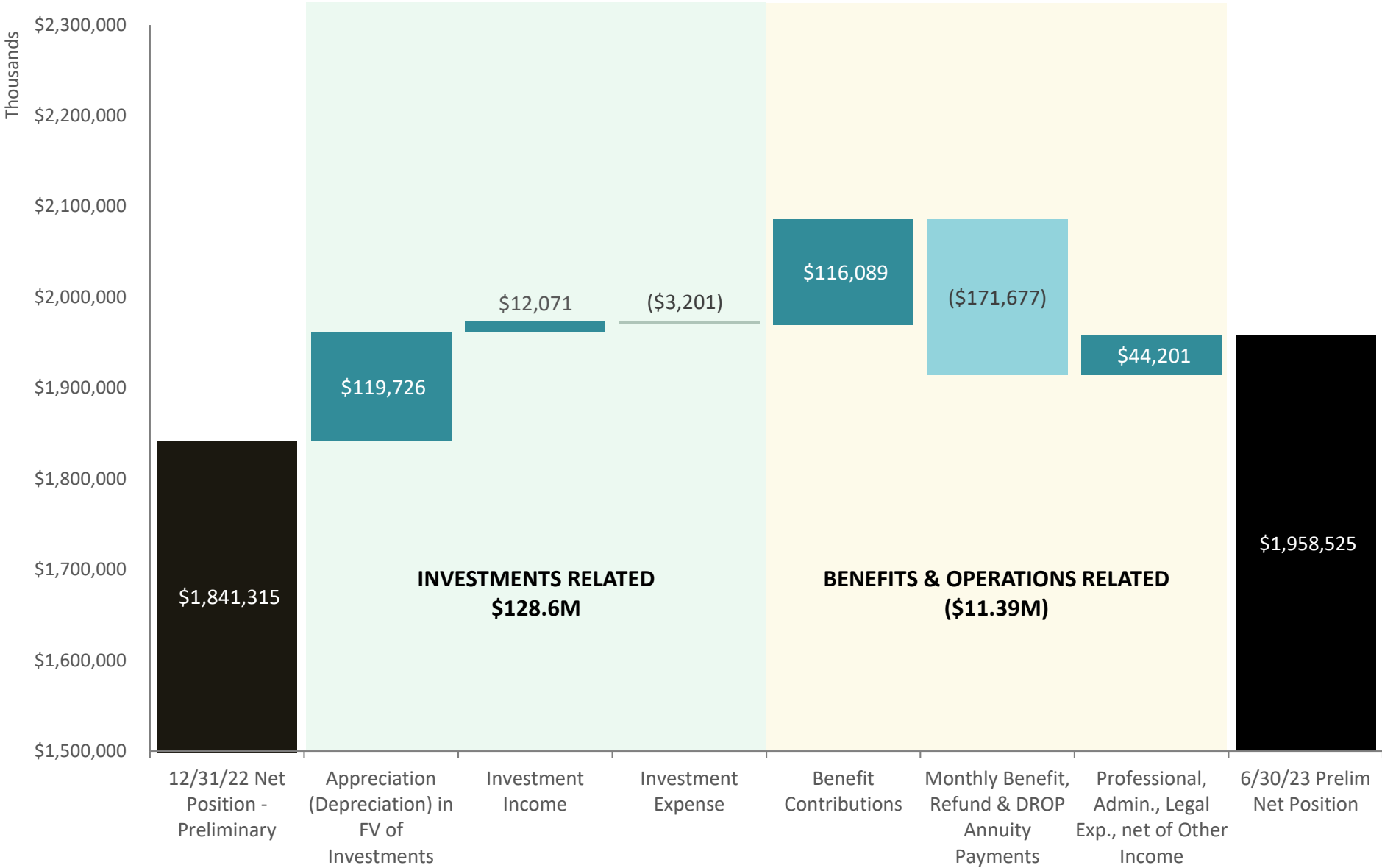
\*The ending period amounts are preliminary and may change as the 2022 results are finalized.

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

	<u>Six Months Ended June 30, 2023</u>	<u>Six Months Ended June 30, 2022</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Contributions</b>				
City	\$ 85,050,904	\$ 84,231,674	\$ 819,230	1%
Members	31,038,511	29,528,378	1,510,133	5%
<b>Total Contributions</b>	<u>116,089,415</u>	<u>113,760,052</u>	<u>2,329,363</u>	<u>2%</u>
<b>Investment income</b>				
Net appreciation (depreciation) in fair value of investments	119,726,334	(247,464,629)	367,190,963	148%
Interest and dividends	12,070,564	11,870,831	199,733	2%
Total gross investment income	<u>131,796,898</u>	<u>(235,593,798)</u>	<u>367,390,696</u>	<u>156%</u>
less: investment expense	(3,200,621)	(3,623,234)	422,613	12%
<b>Net investment income</b>	<u>128,596,277</u>	<u>(239,217,032)</u>	<u>367,813,309</u>	<u>154%</u>
Other income	47,536,113	2,202,788	45,333,325	2058%
<b>Total additions</b>	<u>292,221,805</u>	<u>(123,254,192)</u>	<u>415,475,997</u>	<u>337%</u>
<b>Deductions</b>				
Benefits paid to members	169,071,538	165,366,930	3,704,608	2%
Refunds to members	2,605,333	1,663,521	941,812	57%
Legal expense	147,449	259,412	(111,963)	-43%
Legal expense reimbursement	-	-	-	0%
Legal expense, net of reimbursement	<u>147,449</u>	<u>259,412</u>	<u>(111,963)</u>	<u>-43%</u>
Staff Salaries and Benefits	1,808,288	1,700,970	107,318	6%
Professional and administrative expenses	<u>1,379,088</u>	<u>1,265,528</u>	<u>113,560</u>	<u>9%</u>
<b>Total deductions</b>	<u>175,011,696</u>	<u>170,256,361</u>	<u>4,755,335</u>	<u>3%</u>
<b>Net increase (decrease) in net position</b>	<u>117,210,109</u>	<u>(293,510,553)</u>		
Beginning of period	1,841,314,551	2,176,501,141		
End of period	<u>\$ 1,958,524,660</u>	<u>\$ 1,882,990,588</u>		

# Change in Net Fiduciary Position

PRELIMINARY - December 31, 2022 – June 30, 2023



Components may not sum exactly due to rounding.





## **DISCUSSION SHEET**

### **Supplemental**

### **ITEM #B2**

**Topic:** **2023 Mid-Year Budget Review**

**Discussion:** Attached is a review of the 2023 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, 2023 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, 2023. The ratio is 99.13% Regular Plan to .87% Supplemental Plan.

*Supplemental Board Meeting – Thursday, August 10, 2023*

<b>BUDGET REVIEW 2023 MID -YEAR REVIEW</b>					
<b>Description</b>	<b>2023 6 months Actual</b>	<b>2023 6 months Budget</b>	<b>2022 6 months Actual</b>	<b>Budget vs Actual Variance \$ Over/(Under)</b>	<b>Budget vs Actual Variance % Over/(Under)</b>
1 Legal fees, no insurance reimb for any category	147,449	90,000	259,412	57,449	63.8%
2 Legislative consultants	94,478	79,500	63,000	14,978	18.8%
3 Independent audit	66,150	57,500	-	8,650	15.0%
4 Elections	11,862	7,625	7,938	4,237	55.6%
5 Pension administration software & WMS	149,156	146,000	122,705	3,156	2.2%
6 Printing	3,580	2,175	2,207	1,405	64.6%
7 Repairs and maintenance	47,999	47,291	35,682	708	1.5%
8 Records storage	1,428	1,089	759	339	31.1%
9 Depreciation exp - IT hardware	7,343	7,343	7,343	-	0.0%
10 Public Relations Expense	-	-	17,499	-	0.0%
11 Business continuity	6,850	7,000	8,804	(150)	-2.1%
12 Staff meetings	-	250	-	(250)	-100.0%
13 Subscriptions	513	1,253	487	(740)	-59.1%
14 Memberships and dues	9,100	10,100	8,555	(1,000)	-9.9%
15 Communications (phone/internet)	9,217	10,590	9,537	(1,373)	-13.0%
16 Board meetings	826	2,210	1,524	(1,384)	-62.6%
17 Accounting services	29,500	30,975	29,500	(1,475)	-4.8%
18 Leased equipment	10,968	12,500	10,908	(1,532)	-12.3%
19 Employee service recognition	849	2,500	-	(1,651)	-66.0%
20 Member educational programs	-	1,675	250	(1,675)	-100.0%
21 Office supplies	11,503	14,238	11,415	(2,735)	-19.2%
22 Postage	11,172	14,873	10,824	(3,701)	-24.9%
23 Travel - staff	17,250	22,350	4,487	(5,100)	-22.8%
24 Conference registration/materials - board	50	6,000	75	(5,950)	-99.2%
25 Miscellaneous expense	4	6,000	21	(5,996)	-99.9%
26 Disability medical evaluations	500	8,125	-	(7,625)	-93.8%
27 IT software/hardware	3,744	12,500	9,667	(8,756)	-70.0%
28 Bank Fees	3,538	12,500	11,671	(8,962)	-71.7%
29 Travel - board	2,033	11,000	848	(8,967)	-81.5%
30 Building expenses, incl depreciation	332,479	342,978	317,718	(10,499)	-3.1%
31 Conference/training registration/materials - staff	5,081	16,600	1,617	(11,519)	-69.4%
32 Employment expenses	1,584	23,175	9,740	(21,591)	-93.2%
33 Information technology projects	66,589	95,000	31,597	(28,411)	-29.9%
34 Network security monitoring	56,842	90,000	6,171	(33,158)	-36.8%
35 Miscellaneous professional services	5,639	42,050	12,215	(36,411)	-86.6%
36 Actuarial services	42,250	79,750	49,192	(37,500)	-47.0%
37 Salaries and benefits	1,808,288	1,854,746	1,700,970	(46,458)	-2.5%
38 IT subscriptions/services/licenses	60,235	119,930	95,909	(59,695)	-49.8%
39 Liability insurance	308,777	444,266	365,664	(135,489)	-30.5%
<b>Gross Total</b>	<b>3,334,826</b>	<b>3,733,657</b>	<b>3,225,911</b>	<b>(398,831)</b>	<b>-10.7%</b>
Less: Allocation to Supplemental Plan Budget*	29,099	31,773	26,225	(2,674)	-8.4%
<b>Total Regular Plan Budget</b>	<b>\$ 3,305,727</b>	<b>\$ 3,701,884</b>	<b>\$ 3,199,686</b>	<b>\$ (396,157)</b>	<b>-10.7%</b>

\*Split to Supplemental is based on unitization

1 Custodian fees	109,004	117,500	110,340	(8,496)	-7.2%
2 Investment due diligence	20,605	30,693	19,885	(10,088)	-32.9%
3 Investment consultant and reporting	202,500	227,500	171,042	(25,000)	-11.0%
4 Investment portfolio operating expenses	266,892	322,250	485,883	(55,358)	-17.2%
5 Fund management fees (direct only)	2,601,620	3,023,075	2,836,084	(421,455)	-13.9%
<b>Total Investment Expenses</b>	<b>3,200,621</b>	<b>3,721,018</b>	<b>3,623,234</b>	<b>(520,397)</b>	<b>-14.0%</b>

BUDGET 2023 MID-YEAR REVIEW						
Budget Changes (>5% and \$10K)						
		2023 6 months Actual	2023 6 months Budget	Budget vs Actual Variance \$ Over/(Under)	Budget vs Actual Variance % Over/(Under)	Explanation
<b>INCREASES:</b>						
1	Legal fees, no insurance reimb for any category	147,449	90,000	57,449	63.8%	Variance primarily due to the timing on insurance reimbursement.
2	Legislative consultants	94,478	79,500	14,978	18.8%	The Legislature was in session during the first half of the year resulting in higher fees per the contract.
<b>REDUCTIONS:</b>						
3	Liability insurance	308,777	444,266	(135,489)	-30.5%	Budget included expected expenses for additional layers of fiduciary insurance that was not renewed earlier this year.
4	IT subscriptions/services/licenses	60,235	119,930	(59,695)	-49.8%	The variance relates to the timing of some expenses, as well as actual expenses being less than budgeted.
5	Actuarial services	42,250	79,750	(37,500)	-47.0%	Variance was due in part to the timing and quantity of specialized services required.
6	Miscellaneous professional services	5,639	42,050	(36,411)	-86.6%	The budgeted project for communication services has been deferred to a future period
7	Network security monitoring	56,842	90,000	(33,158)	-36.8%	Actual expenses for network monitoring have been less than expected.
8	Information technology projects	66,589	95,000	(28,411)	-29.9%	Most planned IT projects are underway and we expect higher expenses in the second half of the year.
9	Employment expenses	1,584	23,175	(21,591)	-93.2%	Variance is primarily related to the timing of the actual expenses.
10	Conference/training registration/materials - staff	5,081	16,600	(11,519)	-69.4%	Conference and training expenses are expected to increase in the second half of the 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)	2,601,620	3,023,075	(421,455)	-13.9%	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.



# **DISCUSSION SHEET**

## **Supplemental**

### **ITEM C**

**Topic:**                      **Public Comment**

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

*Supplemental Board Meeting – Thursday, August 10, 2023*