



Date: August 5, 2004

A meeting of the Dallas Police and Fire Pension System Administrative Advisory Committee will be held at **8:30 a.m. on Thursday, August 12, 2004 in the First Floor Conference Room at 2301 North Akard Street, Dallas, Texas.** Items of the following agenda will be presented to the Committee:

A. CONSENT AGENDA

Approval of Minutes

Regular meeting of December 11, 2003

B. DISCUSSION OF ITEMS FOR INDIVIDUAL CONSIDERATION

- 1. Discussion of the Fiscal Year 2003-2004 Administrative and Professional Services Budgets review for the first nine months of the extended fiscal year**
- 2. Discussion of the Fiscal Year 2003-2004 Supplemental Fund Budget review for the first nine months of the extended fiscal year**
- 3. Presentation and discussion of the 2005 Administrative and Professional Services Budgets**
- 4. Presentation and discussion of the 2005 Supplemental Fund Budget**
- 5. Dallas Police and Fire Pension Fund City department budget for Fiscal Year 2004-2005**

The term "possible action" in the wording of any Agenda item contained herein serves as notice that the Board may, 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 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. An expression of preference or a preliminary vote may be taken by the Board on any briefing item or item discussed in executive session.

At the discretion of the Board, items on this agenda may be considered at times other than those indicated above.

Dallas Police and Fire Pension System
Thursday, August 12, 2004
8:30 a.m.
2301 N. Akard
First Floor Conference Room
Dallas, Texas

Administrative Advisory Committee meeting, George Tomasovic, Chairman, presiding:

ROLL CALL

Committee Members

Present: George Tomasovic, Gerald Brown, Gary W. Edge, John M. Mays, Rector C. McCollum, Steven G. Shaw, Steven H. Umlor, and Richard H. Wachsman

Absent: None

Staff Richard Tettamant, Don Rohan, Brian Blake, Everard Davenport, Jack Liewehr, Jay Jackson, John Holt, and Linda Rickley

Others None

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The meeting was called to order at 8:57 a.m.

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A. CONSENT AGENDA

Approval of Minutes

Regular meeting of December 11, 2003

After discussion, Mr. Brown made a motion to approve the minutes of the meeting of December 11, 2003, subject to the final editorial review by the Administrator. Mr. Shaw seconded the motion, which was unanimously approved by the Committee.

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B. DISCUSSION OF ITEMS FOR INDIVIDUAL CONSIDERATION

1. Discussion of the Fiscal Year 2003-2004 Administrative and Professional Services Budgets review for the first nine months of the extended fiscal year

Mr. Tettamant stated that at its November 14, 2002, meeting, the Board authorized a change in the accounting fiscal year to a calendar-year basis for budget purposes beginning January 1, 2005. The Board authorized a 15-month transition period from October 1, 2003 through December 31, 2004 for the 2003-2004 budget. The Administrator reviewed the Fiscal Year 2003-2004 Administrative and Professional Services Budgets as adjusted, detailing expenditures for the first nine months of the extended fiscal year through June 30, 2004.

Overall administrative expenses were within budget. The budget summary showed System administrative expenditures through June 30, 2004, at 54.6 % of the total FY 2003-2004 budget (after adjustment). A prorated percentage of the budget through June was 60%. Itemized expenses that exceeded the prorated budget amount for the first nine months occurred in the following line items: Medical, Copy Machine, Office Insurance, Continuing Education and Fixed Assets. Variances exceeding 5% over the prorated amounts were detailed on page 4 of the presentation. A prorated reimbursement to the System from the Supplemental Plan had not been applied at that time.

Overall expenses for professional services also were within budget. As of June 30, 2004, expenditures were 43.8% of the FY 2003-2004 budget, as adjusted. Variances exceeding 5% over the prorated amounts were detailed on page 7 of the presentation.

After discussion, Mr. Wachsman made a motion that the Committee recommend that the Board receive and file the nine-month budget review. Mr. Mays seconded the motion, which was unanimously approved by the Committee.

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2. Discussion of the Fiscal Year 2003-2004 Supplemental Fund Budget review for the first nine months of the extended fiscal year

Mr. Tettamant reported that Supplemental Fund expenditures fiscal year-to-date included the following:

Administrative expenses	\$26,611
Legal Fees	\$ 9,213
Audit	<u> 0</u>
Total	\$35,824

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2. Discussion of the Fiscal Year 2003-2004 Supplemental Fund Budget review for the first nine months of the extended fiscal year (continued)

The administrative expense was a prorated amount through June 30, 2004. Because of the extended budget period, the standard formula used for the calculation did not apply. No legal fees specific to the Supplemental Fund had been identified to date. Audit fees were as incurred for the 2002 audit because of the delay in completion of the audit by KPMG. Fees for the 2003 audit had not yet been charged.

The Supplemental Fund reimburses these expenses to the Pension System.

After discussion, Mr. Wachsman made a motion that the Committee recommend that the Board receive and file the nine-month budget review of the Supplemental Fund. Mr. Mays seconded the motion, which was unanimously approved by the Committee.

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3. Presentation and discussion of the 2005 Administrative and Professional Services Budgets

Mr. Tettamant and staff members presented a draft of the initial budget proposal for Fiscal Year 2005 as required by the System's budget preparation procedures.

The proposed administrative budget showed a small decrease of \$574 from the 12-month portion of the extended FY 2003-2004 budget. Staff proposed adding three Financial Planning sessions and continuing to present the Pensioner Financial Planning sessions in offsite locations. Due primarily to the popularity of these programs and member communications, the budget proposal included increases in office supplies (\$4,640), postage (\$5,110) and educational supplies (\$7,690). Other significant increases were proposed in the Continuing Education (\$12,500) and Staff Development (\$7,725) line items. Line items that varied by more than a 5% increase from the current year (12-month) budget were detailed in the presentation.

The proposed increases were offset by decreases in expenses for Copy Machine (\$8,107) and Business Continuity (\$8,400). Reimbursements for City Services also were reduced. Several line items in the proposed budgets were reallocated to better reflect expense categories.

The All Non-Investment Manager Fees portion of the proposed budget for professional services reflected a decrease of \$7,229 from the 12-month portion of the extended FY 2003-2004 budget. Increases in the following line items were explained in the presentation: Election Telephone Voting, Investment Research Expense, Records Management, Legal, Legislative Consultant, and Network Security.

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3. Presentation and discussion of the 2005 Administrative and Professional Services Budgets (continued)

Due to the great increase in System assets in 2003, estimated Investment Manager fees increased by \$3,925,531 to \$14,951,569. The amount included in the 12-month portion of the 2003-2004 budget was \$11,026,038.

After discussion, Mr. Wachsman made a motion that the Committee present the proposed 2005 Administrative and Professional Services Budgets to the Board at the September 9, 2004 regular meeting of the Board. Mr. Edge seconded the motion, which was unanimously approved by the Committee.

After discussion, Mr. Wachsman made a motion that the staff amend the proposed 2005 Administrative and Professional Services Budgets to include a separate line item for legislative due diligence expenses. Mr. Shaw seconded the motion, which was unanimously approved by the Committee.

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4. Presentation and discussion of the 2005 Supplemental Fund Budget

Mr. Tettamant and the Committee discussed a draft of the Supplemental Fund initial budget proposal for Fiscal Year 2005 as required by the System's budget preparation procedures. Expenses to be reimbursed by the Supplemental Fund to the Pension System were projected to be \$51,223 based on the Board-approved formula.

After discussion, Mr. Wachsman made a motion that the Committee present the proposed 2005 Supplemental Fund Budget to the Board at the September 9, 2004 regular meeting of the Supplemental Fund Board. Mr. Edge seconded the motion, which was unanimously approved by the Committee.

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5. Dallas Police and Fire Pension Fund City department budget for Fiscal Year 2004-2005

Mr. Tettamant stated that the System is required to submit a budget to the City for City expenditures reimbursed by the System to the City. The expenses include the salaries and benefits of City employees of the System, property and liability insurance and data services. Though these items are included in the System's 2005 budget, they are separated for reporting to the City on the City's fiscal year cycle October 1, 2004 through September 30, 2005.

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5. Dallas Police and Fire Pension Fund City department budget for Fiscal Year 2004-2005 (continued)

The proposed budget for City reimbursements was decreased \$9,094 to \$603,944. The 12-month portion of the System's 2003-2004 budget for City Services was \$613,038. The proposed budget included an increase of \$42,340 (from \$18,374 to \$60,714) for projected sick leave payoffs in the event eligible City employees of the System retiree. The amount proposed for health insurance expense was reduced \$8,785, from \$27,793 to \$19,008, based on actual billings from the City. No rate increase was included at that time.

After discussion, Mr. Edge made a motion that the Committee recommend Board approval of the Dallas Police and Fire Pension Fund City department budget for Fiscal Year 2004-2005. Mr. Wachsman seconded the motion, which was unanimously approved by the Committee.

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Mr. Tettamant stated that there was no further business to come before the Committee. On a motion by Mr. McCollum and a second by Mr. Edge, the meeting was adjourned at 9:45 a.m.

George Tomasovic
Chairman

ATTEST:

Richard L. Tettamant
Secretary