

# AGENDA



**Date:** August 6, 2008

A meeting of the Dallas Police and Fire Pension System Administrative and Audit Advisory Committee will be held at **8:30 a.m. on Thursday, August 14, 2008 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 July 10, 2008

## **B. DISCUSSION OF ITEMS FOR INDIVIDUAL CONSIDERATION**

- 1. Administrative and Professional Services Budgets review for the first six months of Calendar Year 2008**
- 2. Presentation and discussion of the 2009 Administrative and Professional Services Budgets**
- 3. Presentation and discussion of the 2009 Supplemental Fund Budget**
- 4. Dallas Police and Fire Pension Fund City department budget for Fiscal Year 2008-2009**
- 5. 2007 audit**
- 6. City of Dallas actuarial audit**

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 14, 2008**  
**8:30 a.m.**  
**First Floor Conference Room**  
**2301 North Akard Street**  
**Dallas, Texas**

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

**ROLL CALL**

**Board Members**

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

Absent: None

**Staff**

Richard Tettamant, Brian Blake, Don Rohan, Everard Davenport, Brad Goodsell Mike Taylor, Pat McGennis, John Holt, Jerry Chandler, Talal Ellass, Greg Irlbeck, Christina Wu, and Linda Rickley

**Others**

Gary Lawson, Josh Mond, and Dave Cook

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

The meeting was reconvened at 10:02 a.m.

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**A. CONSENT AGENDA**

**Approval of Minutes**

Regular meeting of July 10, 2008

After discussion, Mr. Wachsman made a motion to approve the minutes of the regular meeting of July 10, 2008, subject to the final approval of the Administrator. Mr. Edge seconded the motion, which was unanimously approved by the Committee.

**Administrative and Audit Advisory Committee**  
**Thursday, August 14, 2008**

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**B. DISCUSSION OF ITEMS FOR INDIVIDUAL CONSIDERATION**

**1. Administrative and Professional Services Budgets review for the first six months of Calendar Year 2008**

The staff presented a review of the Calendar Year 2008 Administrative and Professional Services Budgets detailing expenditures for the first six months of the calendar year. Actual overall expenses for both the Administrative and Professional Services budgets were under the prorated 6-month budget. Administrative expenses incurred were about 90% of prorated expenses for the first six months of the year. The non-investment management portion of the Professional Services expenses was about 80% of the 6-month prorated budget. Expense items that exceed budget by more than 5% were explained in the review.

Due to the timing of receipt of investment management expenses, those expenses were not reported for the six-month period; however, a budget adjustment for the expenses paid under the Retention Incentive Compensation program as approved by the Board was included. No other mid-year adjustments were requested.

Staff also reported that expenses were allocated to the Supplemental Plan on a pro rata basis on the ratio of Supplemental Plan assets to the total assets of the Group Trust. Expenses were approximately 16.4% less than projected for the first six months of the year.

After discussion, Mr. Wachsman made a motion to recommend the Board of Trustees receive and file the CY 2008 six-month budget review and approve the requested adjustment to the 2008 budget. Mr. Edge seconded the motion, which was unanimously approved by the Committee.

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**2. Presentation and discussion of the 2009 Administrative and Professional Services Budgets**

Staff presented the initial budget proposal for Calendar Year 2009 as required by the System's budget preparation procedures. The total administrative and professional services budget, excluding investment management expenses, represents approximately 21 basis points on the estimated mid-year 2009 System assets.

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**2. Presentation and discussion of the 2009 Administrative and Professional Services Budgets (continued)**

**Administrative Budget**

The proposed administrative budget totals \$4,296,074, an increase of 9.4% over the adjusted CY 2008 budget. The increase results primarily from a proposed increase of 9.7% in Salaries and Benefits, reflecting an increase in staff and proposed cost-of-living and merit increases. Other expense items with increases exceeding 5% were explained in the budget review.

**Professional Service Budget**

The proposed Non-Investment Management expense portion of the proposed budget for professional services is essentially flat compared to 2008 totaling \$3,542,926, an increase of \$547 over the 2008 budgeted amount of \$3,542,379.

**Investment Management Expenses**

As a reflection of the expected continued growth of System assets and the complexity of investments as the System moves into a global investment environment, expected Investment Management Expenses are estimated to increase to \$36,000,000, based on an expense average of 100 basis points. The Retention Incentive Program is included in the investment management expense portion of the budget.

After discussion, Mr. Edge made a motion for staff to present the 2009 Administrative and Professional Services Budgets to the Board at the September Board meeting. Mr. Shaw seconded the motion, which was unanimously approved by the Committee.

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**3. Presentation and discussion of the 2009 Supplemental Fund Budget**

Staff presented a draft of the initial budget proposal for Calendar Year 2009 as required by the System's budget preparation procedures. Though Supplemental Plan assets are co-invested with Combined Plan assets under unitization, a separate budget is maintained to track expenses. Through unitization, expenses are allocated to the Supplemental Plan as incurred based on the ratio of Supplemental Plan assets to total System assets. On this basis, expenses to be allocated to the Supplemental Fund for 2009 are projected to be \$306,639, apportioned as follows:

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**3. Presentation and discussion of the 2009 Supplemental Fund Budget (continued)**

Administrative Expenses	\$ 29,798
Professional Services Expenses	
Non-Investment Management Fees	\$ 24,574
Investment Management Fees	<u>\$252,267</u>
Total Supplemental Plan Expenses	\$306,639

After discussion, Mr. Wachsman made a motion for staff to present the 2009 Supplemental Fund Budget to the Board at the September Board meeting. Mr. Umlor seconded the motion, which was unanimously approved by the Committee.

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**4. Dallas Police and Fire Pension Fund City department budget for Fiscal Year 2008-2009**

Mr. Tettamant explained 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 and property and liability insurance. There is only one remaining City employee. Though these items are included in the System's 2008 and 2009 budgets, they are separated for reporting to the City on the City's fiscal year cycle (October 1, 2008 through September 30, 2009).

After discussion, Mr. Edge made a motion to recommend Board approval of the budget for submission to the City. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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**5. 2007 audit**

Mr. Tettamant, Administrator, and Mike Taylor, Chief Financial Officer, discussed the audit with the Committee.

After discussion, Mr. Edge made a motion to receive and file the report on the 2007 audit. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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**6. City of Dallas actuarial audit**

Mr. Tettamant explained that House Bill 2664 enacted in 2007 requires the City of Dallas to engage an independent actuary to audit the actuarial valuations of its pension systems. The work must comply with Texas Government Code Section 802.1012. The audit shall include a review of the valuations, in light of Actuarial Standard Operating Practices (ASOP) Nos. 27 and 35, for reasonableness, consistency and completeness at the time the valuations were completed.

Not later than 30 days after completing the audit, the independent actuary must submit to the funds' Boards, for purposes of discussion and clarification, a preliminary draft of the audit report that is substantially complete. The City engaged Deloitte & Touche, LLP, to conduct the actuarial Audit.

On or before the 30<sup>th</sup> day after the date of receiving the preliminary draft, the Board may submit to the independent actuary any response that the Board may want to accompany the final audit report.

Deloitte plans to submit to the City the final audit report that includes the audit results and any response received from the Board in time for the September meeting of the City Council.

After discussion, Mr. Shaw made a motion to receive and file the staff update on the City of Dallas actuarial audit draft report. Mr. McCollum seconded the motion, which was unanimously approved by the Committee.

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The Administrator stated that there was no further business to come before the Committee. On a motion by Mr. Shaw and a second by Mr. McCollum, the meeting was adjourned at 10:33 a.m.

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George Tomasovic  
Chairman

**ATTEST:**

*[signature]*

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Richard L. Tettamant  
Secretary