

AGENDA



Date: July 30, 2009

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 6, 2009 in the Second Floor Board Room at 4100 Harry Hines Boulevard, Dallas, Texas.** Items of the following agenda will be presented to the Committee:

A. CONSENT AGENDA

Approval of Minutes

Regular meeting of May 14, 2009

B. DISCUSSION OF ITEMS FOR INDIVIDUAL CONSIDERATION

- 1. Presentation and discussion of the 2010 Administrative and Professional Services Budgets**
- 2. Presentation and discussion of the 2010 Supplemental Fund Budget**
- 3. Dallas Police and Fire Pension Fund City department budget for Fiscal Year 2009-2010**
- 4. Quarterly report on continuing education and investment research expenses**
- 5. Administrative and Professional Services Budgets review for the first six months of Calendar Year 2009**

The term "possible action" in the wording of any Agenda item contained herein serves as notice that the Committee 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 Committee 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 Committee on any briefing item or item discussed in executive session.

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

Dallas Police and Fire Pension System
Thursday, August 6, 2009
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, Texas

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

ROLL CALL

Board Members

Present: Jerry R. Allen, Gerald Brown, John M. Mays, Rector C. McCollum, David A. Neumann, Richard A. Salinas, Steven G. Shaw, George Tomasovic, Steven H. Umlor, and Richard H. Wachsman

Absent: None

Staff Richard Tettamant, Don Rohan, Brian Blake, Everard Davenport, Joshua Mond, Mike Taylor, John Holt, Talal Ellass, Larry Landfried, Greg Irlbeck, Christina Wu, and Linda Rickley

Others None

* * * * *

The meeting was called to order and recessed at 8:31 a.m.

The meeting was reconvened at 9:37 a.m.

* * * * *

A. CONSENT AGENDA

Approval of Minutes

Regular meeting of May 14, 2009

After discussion, Mr. Shaw made a motion to approve the minutes of the regular meeting of May 14, 2009, subject to the final approval of the Administrator. Mr. Brown seconded the motion, which was unanimously approved by the Committee.

Administrative and Audit Advisory Committee
Thursday, August 6, 2009

* * * * *

B. DISCUSSION OF ITEMS FOR INDIVIDUAL CONSIDERATION

1. Presentation and discussion of the 2010 Administrative and Professional Services Budgets

The initial budget proposal for Calendar Year 2010 as required by the System's budget preparation procedures was presented. The total budget for administrative and professional services, excluding investment management expenses, is projected at \$8.25 million, an increase of 4.6% over the 2009 budget. Details follow:

Administrative Budget

The proposed administrative budget totals \$4,606,590, an increase of 7.2% over the adjusted CY 2009 budget. No change to the System's organizational structure was proposed. The current Organizational Chart was provided. Expense items with increases exceeding 5% were explained on page 3 of the budget review.

Professional Services Budget

The Non-Investment Management expense portion of the budget for professional services is proposed at \$3,588,945, a 1.3% increase over the 2009 budgeted amount of \$3,542,926. Page 5 of the budget presentation explained line items with increases exceeding 5%.

Investment Management Expenses

The unprecedented nature of the economy over the last year or so makes projection of investment fees problematic. Though actual fees were significantly less than budgeted for 2008 and thus far in 2009, analysts predicted a recovery in the market in the remainder of 2009 and 2010. As a reflection of the expected growth of System assets and the complexity of investments as the System moves further into a global investment environment, expected Investment Management Expenses are estimated to total \$33,000,000, based on an expense average of 100 basis points.

The Retention Incentive Program is included in the investment management expense portion of the budget. Total expense for the program is projected at \$280,000.

Administrative and Audit Advisory Committee
Thursday, August 6, 2009

1. Presentation and discussion of the 2010 Administrative and Professional Services Budgets (continued)

After discussion, Mr. Brown made a motion to present the 2010 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.

* * * * *

2. Presentation and discussion of the 2010 Supplemental Fund Budget

Staff presented a draft of the initial budget proposal for Supplemental Plan for Calendar Year 2010, 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 2010 are projected to be \$287,938, an overall 6.1% decrease from 2009. Details are as follows:

Administrative Expenses	\$32,180
Professional Services Expenses	
Non-Investment Management Fees	\$25,055
Investment Management Fees	<u>\$230,724</u>
Total Supplemental Plan Expenses	\$287,938

After discussion, Mr. Brown made a motion to present the 2010 Supplemental Fund Budget to the Board at the September Board meeting. Mr. Shaw seconded the motion, which was unanimously approved by the Committee.

* * * * *

3. Dallas Police and Fire Pension Fund City department budget for Fiscal Year 2009-2010

Mr. Tettamant stated that the System is required to submit a budget to the City for City expenditures reimbursed by the System. The expenses include the salaries and benefits of City employees of the System and property and liability insurance. Though these items are included in the System's 2009 and 2010 budgets, they are separated for reporting to the City on the City's fiscal year cycle (October 1, 2009 through September 30, 2010).

Administrative and Audit Advisory Committee
Thursday, August 6, 2009

3. Dallas Police and Fire Pension Fund City department budget for Fiscal Year 2009-2010 (continued)

After discussion, Mr. Brown made a motion to recommend that the Board approve the Dallas Police and Fire Pension Fund City department budget for Fiscal Year 2009-2010. Mr. McCollum seconded the motion, which was unanimously approved by the Committee.

* * * * *

4. Quarterly report on continuing education and investment research expenses

At the March 12, 2009 meeting, the Board directed staff to provide a quarterly report on continuing education and investment research expenses. Continuing education expenses consist primarily of ongoing education efforts of staff and Trustees at conferences. Investment research expense consists chiefly of the due diligence efforts of the Board and Staff on System investments.

Often individual expense transactions include multiple purposes involving both continuing education and due diligence. Staff provided a preliminary analysis of expenses through June 30, 2009. Some expenses may be recategorized on final analysis of expenses at year end, to assure expenses are appropriately assigned between expense categories.

Combined continuing education and investment research expenses for the first six months of CY 2009 (through June 30, 2009) totaled \$184,642, exceeding the prorated budgeted amount by \$17,142, or 10.2%. More than \$150,000 remains in these budget categories for the remainder of the year.

Continuing education expenses totaled \$61,487, \$8,513 less than the budgeted amount for the period. Expenses for Investment Research were \$123,155, exceeding the budgeted amount by \$25,655.

In reviewing these numbers, Trustees should consider that expenses are not incurred on a level basis over the budget year. For example, a disproportionate amount of the investment research budget was expended early in the year for the international education and due diligence.

After discussion, Mr. Shaw made a motion to receive and file the quarterly report on continuing education and investment research expenses. Mr. Brown seconded the motion, which was unanimously approved by the Committee.

* * * * *

Administrative and Audit Advisory Committee
Thursday, August 6, 2009

5. Administrative and Professional Services Budgets review for the first six months of Calendar Year 2009

Staff provided a review of the Calendar Year 2009 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 are under the prorated six-month budgets. Expenses for the combined budgets for the six months totaled \$3,378,142, about 86% of the projected amount of \$3,946,686.

Administrative expenses of \$1,950,843 were incurred during the period, about 90% of prorated expenses of \$2,162,936. The non-investment management portion of the Professional Services budget totaled \$1,427,299, about 80% of the six-month prorated budget of \$1,783,750. Expense items that exceed budget by more than 5% were explained in the review.

Due to the timing of receipt of investment management expenses, these expenses were not reported for the six-month period. No mid-year adjustments were requested.

After discussion, Mr. Wachsman made a motion to receive and file the Administrative and Professional Services Budgets review for the first six months of Calendar Year 2009. Mr. Brown seconded the motion, which was unanimously approved by the Committee.

* * * * *

The Administrator stated that there was no further business to come before the Committee. On a motion by Mr. Umlor and a second by Mr. Brown, the meeting was adjourned at 10:08 a.m.

[signature]

George Tomasovic
Chairman

ATTEST:

[signature]

Richard L. Tettamant
Secretary