

Pension Update

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A Publication of the Dallas Police and Fire Pension System

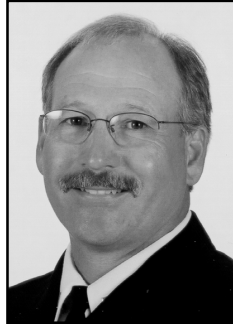


DALLAS
POLICE & FIRE
PENSION SYSTEM



2002-2003 Annual Budget Proposed

It is time for the Pension System's annual budget process to begin for a new fiscal year. The proposed budget was presented to the Board of Trustees at the June Board meeting.



*Lieutenant Gerald Brown,
Fire Department,
Chairman of the
Board of Trustees*

The first reading is scheduled for the July 11th meeting. The second and final reading with approval is scheduled for the August 8th meeting. The proposed budget may be amended or changed at either meeting.

There will be some additions to the budget this year. The 2003 budget

will include funds for Board elections and possible runoffs.

The Board also is adding another PREP session this year because of demand. Also this year, there will be two financial planning sessions and two sessions for Pensioners. These will be monitored to see if they should become annual events.

The Board urges everyone to read the budget, which is in this newsletter. If you have any questions or comments, please call the Pension System office at 214.638.6803, or call any one of the Trustees.

*—Gerald Brown,
Chairman of the Board*

Pension System Budget for Fiscal Year 2002-2003 — Public Hearing July 11

As Lieutenant Brown states in the article above, the first reading of the budget for Pension System Members will be on July 11. The second and final reading will be August 8. The proposed budget may be changed or amended at either the July or August meetings. These meetings are opportunities for you to provide input to the Board. The meetings will be held at 10 a.m. at the Pension System office, 2301 N. Akard Street, Suite 100.

If you have questions or comments about the proposed budget, you may call the Pension System office at

214.638.3863, call your Board Members, see our Web site at www.dpfp.org, or attend the July and August Board meetings. This article contains details of the proposed budget.

Overview

The Police and Fire Pension System had \$1.897 billion in assets as of April 30, 2002. In 2001, the Pension System received \$91.736 million in contributions and paid out \$84.427 million in benefits and refunds. The proposed Administrative Budget is

continued on page 2

2002–2003 Budget, continued from page 1

\$2.39 million, and the proposed Professional Services and Investment Management Budgets total \$13.59 million. The proposed budget represents an overall increase of 1.1% from the previous year. Explanations and details follow.

Administrative Budget

The proposed Administrative Budget for fiscal year 2002–2003 includes an increase of \$216,198 or 9.9% from the budget for fiscal year 2001–2002.

The increase results primarily from an expanded educational program, adding a social worker position, and implementing a business continuity plan.

Some line items in the budget are reduced from the current year amounts resulting from the reduced need for some services and changes in providers.

For details, see the “Administrative Budget” table below.

Administrative Budget	
Salaries and benefits:	
Salary	1,300,670
Overtime	2,000
SIP	22,063
Employer pension contributions	145,721
Insurance	153,510
Medicare	14,592
Unemployment	4,500
Workers comp.	3,550
Other benefits	801
Sub-total, Salaries and benefits	1,647,407
Supplies and materials:	
Office supplies	57,500
Postage	78,173
Educational supplies	28,000
Service pins	19
Sub-total, Supplies and materials	163,692
Services:	
Printing	106,470
Medical	4,200
Communications	51,960
Repairs and maintenance	17,500
Copy machine	22,507
Office insurance	2,715
Errors and omissions ins	4,500
Memberships	19,000
Subscriptions	3,250
Continuing education	90,000
Mileage reimbursement	2,000
Staff development	30,000
Data services *	15,744
Indirect costs *	26,870
Business continuity	45,000
Contingency reserve	50,000
Employment expenses	5,020
Sub-total, Services	496,736
Fixed assets—general	120,470
Revenue from supplemental	37,670
Total =====>	2,390,635
* City of Dallas services	

Professional Services Budget & Investment Management Budget	
Professional Services:	
Accounting software	20,000
Audit of actuarial assumptions	100,000
Buck Consultants, Inc., actuarial	150,000
City Attorney, legal	170,000
Custodial services	300,269
FCS, financial monitoring	42,000
First VPN, network security review	15,000
Frank Russell Company, transition management services	100,000
Hill Co. Partners, legislative consultant	60,000
Independent audit	8,000
Investment research expense *	125,000
Lawson, Fields, McCue, Lee & Campbell, P.C., legal	315,000
Levi, Ray & Shoup, Inc., enhancements and maintenance	202,000
Locke, Liddell and Sapp LLP, legislative consultant	56,450
Management consulting	45,000
Misc. professional services *	7,000
Office computer upgrade	13,000
Research Institute of America, legal data services	5,100
Safesite/Inwood Security, records management	14,645
Silver Communications, benefits survey	35,000
The Townsend Group, real estate consulting *	132,000
Voice Retrieval, election telephone voting	15,000
Wilshire Associates, investment consultant	225,000
Winstar, Internet services	25,000
Sub-total, Professional services	2,180,464
Investment Management:	
Investment managers, avg. 55 basis points	11,410,881
Total =====>	13,591,345
* Line items include adjustments as presented	

Professional Services Budget

The Professional Services Budget lists professional services provided by outside organizations, including consultants that monitor investment performance and assist the Board in developing and implementing investment strategies. These strategies assure the Pension System's financial health and its ability to pay benefits. As part of the Professional Services Budget, the Pension System retains the services of an actuarial consultant to advise on the actuarial soundness of the plan, outside legal advisors to augment legal advice provided by the City Attorney's Office, and a custodial bank to track the Pension System's assets and hold the investment securities. In addition, the Board retains a financial control firm to audit all investment transactions. The Board enters into other contracts as necessary to assist the Board and staff in carrying out the functions of administering the Pension System.

The Professional Services portion of the budget reflects a decrease of 0.3% compared to the budget for fiscal year 2001–2002. The details for contracted and expected Professional Services are in the table on the right on page 2.

Investment Management Budget

The Investment Management Budget includes fees for investment advisors that manage and invest the Pension System's assets. The Board has hired approximately 24 investment managers to invest the Pension System's assets. In addition to the fees paid for these services, the Pension System also pays performance fees to some of its active investment managers. This means that the fee will be higher if our account performs better than its assigned benchmark. Investment management fees for other managers vary according to the market value of the invested assets. Therefore, if the market value increases, so will the fees. The total in-



vestment management fees are estimated at \$11.4 million depending on the managers' performance. The expected cost for Investment Management services is at the bottom of the table on the right on page 2.

Summary

Budgets and operating costs for defined benefit plans, such as the Dallas Police and Fire Pension System, are measured as a percent of the market value of the assets. The goal of pension systems like ours is to operate at 1.0% or less. The projected total of all costs (administrative, professional services, and investment management services) is approximately \$15.9 million, depending upon the fees paid to the investment managers. The total costs of operating the Pension System will be approximately 0.84% of the System's approximate market value (\$1.897 billion).

Questions

If you have any questions about the proposed budget or if you would like to see the complete budget packet as presented to the Board at the June 13 Board meeting, please check our Web site at www.dpfp.org, or call the Pension System office at 214.638.3863 and ask for Richard Tettamant or Don Rohan.

July Calendar



- **July 4**—*Independence Day—Pension System office closed*
- **July 11**—*Board of Trustees meeting—First reading of the budget for fiscal 2002–2003*



D A L L A S
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 PENSION SYSTEM



2301 North Akard Street, Suite 200
 Dallas, Texas 75201



FIRST CLASS MAIL

"Serving Those Who Protect the Dallas Community"

**First Public
 Reading of
 the 2002-2003
 Budget**

*Thursday, July 11
 10 a.m.
 Dallas Police & Fire
 Pension System
 2301 North Akard Street
 Suite 200
 Dallas, Texas*

**Look Who Retired This Month...
 Congratulations Retirees!**



Fire Department

*B. M. Bardwell
 Jesse L. Bean
 Elmer J. Davis
 Curtis R. Good
 Glenn R. Robbins*



Police Department

*Samuel G. Breitling
 Daniel H. Davis
 Dennis G. Duesman
 Jerry L. Hoffpauir
 Mickey F. McFerrin
 Zane R. Newsom*



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