

# Pension Update

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A Publication of the Dallas Police and Fire Pension System

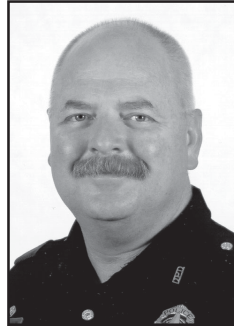


D A L L A S  
POLICE & FIRE  
PENSION SYSTEM



## Highlights From the Annual Report

In September, condensed annual reports will be mailed to all Members, Pensioners, and beneficiaries. The staff has done an excellent job making the report understandable, and it will answer most any



*Rector McCollum,  
Police Department  
Board of Trustees  
Member*

question a Member may have regarding the state of the Pension System. Instead of just reams and reams of confusing numbers and percentages, the condensed annual reports have easy-to-understand graphs and charts on fund growth, performance, investment policy, and market values.

### **Funding the Pension System**

One topic Trustees and staff are often asked about is the “funding of the System.” Roughly defined, “funding” refers to the assets, or “funds,” available to pay future benefits. When a pension system has enough money to pay earned benefits to current and retired members for the rest of their lives, it is 100% funded, or fully funded.

How does the System determine its funding levels? Generally, the funding level is the value of the System’s assets compared against our projected liability using actuarial assumptions about factors such as life expectancies, retirements, deaths, salary changes, and investment performance. Several factors change the level of funding from year to year. For

instance, market performance changes the value of Pension System assets, and therefore alters the level of funding.

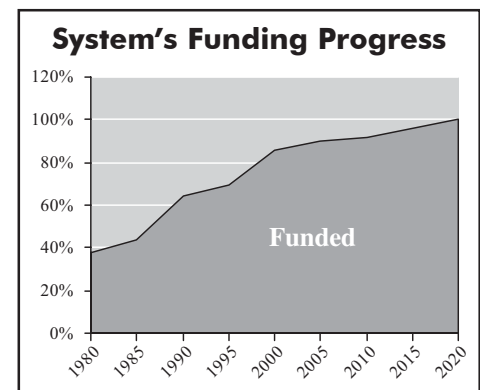
Buck Consultants is the Pension System’s actuary. Buck provides the System with assumptions and projections that give the Board and staff direction in making sound financial decisions. Actuarial projections help the System stay on track toward a realistic time line to funding.

### **City Contributions**

An editorial in the Saturday, August 3rd, *Dallas Morning News* suggested that the City of Dallas was overfunding our Pension System with its 27.5% contribution. The article suggests reducing the City’s contribution as a way of helping relieve the \$83 million shortfall reported by City Manager Benavides.

At this point, the City has not proposed a reduction in funding of our Pension System. However, reducing the funding would push back the System’s target year to become fully

*continued on page 2*



*The System remains on track toward full funding.*

# Board Member Profile—George Tomasovic

Fire Trustee George Tomasovic was elected in 1999. George has a Bachelor of Science-Finance from Pennsylvania State University and a Master of Science-Accounting from the University of Texas at Dallas. He is a member of TEXPERS (Texas Association of Public Employees Retirement Systems).



*George Tomasovic,  
Fire Department  
Trustee*

George is Chairman of the Administrative Advisory Committee. The committee reviews the budget, policies, and procedures and conducts the System Administrator's annual performance review.

George has served as a Firefighter for 18 years and recently became a Captain at Station 22 on "C" shift. Station 22 is located at Coit Road and LBJ Freeway, where they spend a great deal of time responding to car accidents on I-75 and LBJ.

George is also a Certified Public Accountant. On his days off from the Fire Station 22, he works in

his own accounting office. He specializes in tax accounting, and many of his clients are Police Officers and Firefighters.

As a Trustee, George responds to all Member's questions and concerns. If he does not know the answer, he will find it or direct Members to someone who can help. George also brings Members' ideas to the Board meetings. Some of these suggestions have been placed on the amendment election ballot and implemented into the Pension System's Plan Document.

In addition, George feels he has a responsibility to educate himself about investments and portfolio management so that he can make informed decisions when deciding where to invest the System's assets. His financial background has provided a sound base for learning about the System's investments.

When asked about the role of the Board, George said that the Board's goals are to address the concerns of the Members, to ensure that the Pension System remains financially sound, and at the same time provide great pension benefits to Firefighters, Police Officers, and their families.

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## *Annual Report, continued from page 1*

funded. At the City's current 27.5% contribution rate, the Pension System is expected to attain 100% funding in 19 years (see chart on page 1). If the City were to reduce its contribution to, say 25%, then full funding would take a projected 29 years to complete.

### ***Strong Funding Means Financial Security***

What is the point of tracking our funding level? As of January 1, 2002, the System was funded at 84.5% on a market value of assets at about \$1.9 billion. Our current funding level of 84% with only 19 years before we are 100% funded reflects how financially sound and healthy the Pension System is. Under GASB (Government Accounting Standards Board) guidelines and federal law, the estimated time for the Pension System to be 100% funded cannot be more than 30 years.

The Pension System's current financial position also makes it one of the most attractive pension systems in the United States to both Members and

investment offerings. The size of the System's assets allows the System to choose from more investment options, some of which have a high rate of return, such as real estate and distressed debt. Most other pension systems follow the bond market or fixed income only, making their investment performance lower than our System's. Many other public pension systems were down 12%–13% in the calendar year 2001. Our Pension System performed much better (-6%) because of the options the Trustees have and because of their investment strategy, which is conservative, yet aggressive.

If you have any questions about the Pension System, please call me at 214.671.0161.

A handwritten signature in black ink that reads "Rector C. McCollum".

*—Rector McCollum,  
Police Department Trustee*

# Your Long-Term Financial Security

One of the topics in our PREP (Pre-Retirement Education Program) sessions is the discussion of 401(k) savings plans offered by Fidelity. Another vehicle for retirement savings is a 457 account, which we will discuss in a future issue of the *Pension Update* newsletter.

In a 401(k) plan, you choose the amount of pre-tax contributions you make. For calendar year 2002, the maximum annual contribution is \$11,000. Under certain “catch-up” circumstances, you can contribute up to \$22,000 to your retirement savings. The amount you can contribute depends on how close you are to retirement.

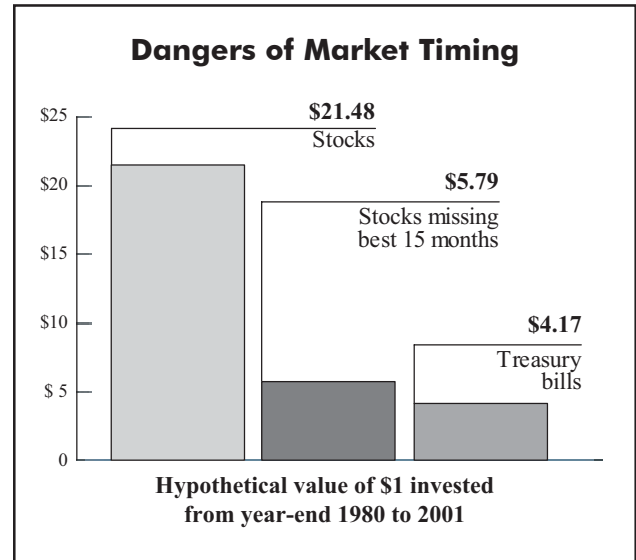
The benefits of saving in your 401(k) plan include the following:

- Automatic payroll deduction
- The potential for tax-deferred growth
- An immediate savings on your current income taxes

Though the financial markets have been down recently, most analysts are confident that long-range prospects are good for retirement savings. Beware of trying to time the market. As can be seen in the chart “Dangers of Market Timing,” missing crucial periods can severely diminish your investment performance.

Many people only look two to three years ahead financially. To decide how much you need to save,

you need to look ahead five to 10 years or more. Fidelity has handy tools and calculators on their Web site at [www.fidelity.com/atwork](http://www.fidelity.com/atwork) that you can use to help plan for your retirement. For more information, see the Fidelity Web site or call Fidelity at 1.800.343.0860.



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*Over time, investments in the market have strong growth potential (\$1 grew to \$21.48 from 1980 to 2001). If you try to time your market purchases or move in and out of the market and miss the big growth spurts, your overall return could be much lower (\$5.79).*

## System's Domestic Equity Investments Perform Well

The investment performance of the Dallas Police and Fire Pension System in the domestic equity class for the last five years outperformed all of the other approximately 300 pension systems included in the Wilshire Associates Inc. data base. Wilshire Associates Inc. is the System's investment management consultant. Currently, the target allocation of the System's assets to domestic equity is 34%.

<b>Domestic Equity Composite Versus S&amp;P 500 Index</b>	
(Annualized Returns)	
<i>for the periods ending December 31, 2001</i>	
	<u>Five Years</u>
DPFP System	14.19%
Standard & Poor's 500 Index	<u>10.70%</u>
Excess returns over S&P 500 Index	+ 3.49%



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**Budget Passed**

*At the Board meeting on August 8, the Board approved the budget for fiscal year 2002–2003.*

*You can read the minutes from the meeting on our Web site at [www.dpfp.org](http://www.dpfp.org).*

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



**Fire Department**

*David M. Ward*



**Police Department**

*Roger L. Easley*

*James C. Foster*

*R.D. Lewis, III*



**Board of Trustees**

*Gerald Brown, Chairman*

*Gary W. Edge*

*Donald W. Hill*

*John Mays*

*Rector C. McCollum*

*Steve Shaw*

*Maxine Thornton-Reese*

*George Tomasovic*

*Steve Umlor*

*Richard Wachsmann*



**Pension System  
 Calendar**

- **September 2**—Labor Day, Pension System office closed
- **September 12**—Board of Trustees meeting