

Pension Update

Volume 2003.06, June 2003

A Publication of the Dallas Police and Fire Pension System

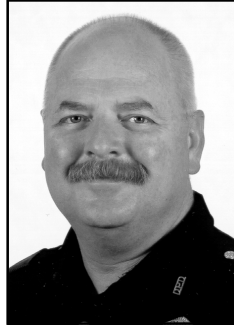


D A L L A S
POLICE & FIRE
PENSION SYSTEM



2003–2004 Budget

The annual budget grind is underway. The System's staff works very hard to make the process as painless as possible, but it's still a long and tedious thing. It is better than sitting on a cactus, but about the same as being bitten twice by a small dog.



*Rector C. McCollum,
Police Department
Member of the Board
of Trustees*

This is the threshing out of money to be spent on such things as salaries, benefits, supplies, capital expenditures, and reimbursements. Here's the short version of how it works.

- In May, the AAC (Administrative Advisory Committee), chaired by Fire Trustee George Tomasovic, meets with the Administrator and his staff to review the Administrator's proposed budget. It is then that the AAC reviews and makes changes to the budget.
- In June, the Administrator presents the proposed budget to the Board. It is then up to the Board to approve it for its first reading to the membership.
- At the July Board meeting, the Administrator will present the budget to the membership for its first reading, and receive any comments from the membership.
- August brings the final reading and Board approval. The budget will be accompanied by a letter from the System's Actuary, Buck Consultants. They provide their blessings

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Pension System's Budget

Public Hearing for Fiscal Year 2003–2004 Budget on July 10

As Trustee Rector C. McCollum states in his article on this page, the first reading of the budget for Pension System Members will be on July 10. The second and final reading will be August 14. 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 200.

Overview

The Police and Fire Pension System had \$1.823 billion in assets as of May 31, 2003. In 2002, the Pension System received \$93.359 million in contributions and paid out \$89.743 million in benefits and refunds. The Pension System is transitioning to a calendar-year budget. Therefore, the proposed budget covers a 15-month period from October 1, 2003, through December 31, 2004.

The proposed Administrative Budget is \$3.2 million, and the proposed Professional Services Budget totals \$15.8 million. The proposed budget represents an overall decrease of 4.5% from the previous year. This and the other comparisons in this article are between the first 12 months of the proposed 15-month budget and the fiscal year 2002–2003 budget. Explanations and details follow.

Administrative Budget

The proposed Administrative Budget includes an increase of \$107,121 or 4.4% from the budget for fiscal year

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Rector McCollum—Budget, continued from page 1

and state whether or not the budget will have an adverse effect on the payment of benefits per Section 4.01(a) of the plan.

When the Board is said and done with it, the budget will be submitted to the City’s Budget and Research Department. They can request that the Board reconsider any appropriation, but the Board will have the final determination.

While we are speaking of the budget, It might be the appropriate time to inform you of an improvement in the System’s overall budget process. For years, the System has operated under a fiscal year, from October 1st through September 31st for all things administrative, including accounting. They also operate under a calendar year for most things financial investment-wise because most of the investment firms we use operate that way.

Last November, the staff proposed that the System convert to a calendar year-only system. So how do you get there from here? Staff engineered a way by creating a one-time only, 15-month reporting period from October 1, 2003, through December 31, 2004. The change to a calendar year-only will be much better for financial accounting and reporting purposes.

Now, here are a couple of other things you might want to know about the budget.

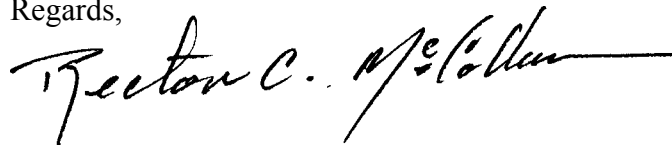
- *Pensioner Advocate*—The budget was increased to provide full-year funding for this new staff position. Gale Paul (G.P.) was hired in April after retiring from the city. She is our Pensioner Advocate, and will be in charge of all Pensioner outreach operations for the System. Gale will help any Pensioner with any problems. She is a valuable addition to the System, and we feel that she will be greatly appreciated by the Members.
- *PREP*—Due to overwhelming interest and success of the PREP classes, they have been increased from four to six classes per year.
- *Financial Planning Seminars*—A lot of people going to PREP still have many years to go before they can retire, so the staff has added an investment class specifically for Members who are not yet prepared for DROP. The first class has already come and gone. The System got excellent reviews from the participants, by the way.
- *Post-Retirement Seminars*—The System also has initiated classes for post-DROP members. It now can be said that the Pension System can help Members plan for their futures at any stage of their careers.

It would be a shame to have such options available and not take advantage of them. Think about it. Investment

advice, retirement and estate planning, and post-retirement advice and options—and at absolutely no cost to you. What else could you ask for, a free lunch? Okay, we will throw that in, too.

If you have any questions, call one of your Trustees or the Pension System office at 214.638.3863. To sign up for any of the classes, ask for Gail Borneman.

Regards,



—Rector McCollum, Police Trustee

Administrative Budget	
15-month Fiscal 2003–2004	
Salaries & Benefits:	
Salary	\$1,873,598
Overtime	2,000
Longevity Pay	20,928
Employer Pension Contributions	206,377
Insurance	251,268
Medicare	21,132
Unemployment	3,500
Workers Comp.	7,000
Bus Pass	124
Sub-Total Salaries & Benefits	\$2,385,927
Supplies & Materials:	
Office Supplies	67,063
Postage	78,975
Educational Supplies	37,315
Sub-Total Supplies & Mat.	\$183,353
Services:	
Printing	\$100,050
Medical	5,100
Communications	64,950
Repairs & Maintenance	21,875
Copy Machine	28,134
Office Insurance	12,500
Memberships	24,197
Subscriptions	3,080
Continuing Education	116,500
Mileage Reimbursement	7,000
Staff Development	37,500
City Services	77,000
Business Continuity	56,250
Contingency Reserve	62,500
Employment Expenses	6,275
Sub-Total Services	\$622,911
Fixed Assets-General	89,500
Revenue From Supplemental	(58,601)
Total =====>	\$3,223,090

Pension System Budget, continued from page 1

2002–2003. The increase reflects an increase in salary and benefits resulting from full-year funding of the general counsel and pensioner advocate positions. The proposed budget also includes reductions in office supplies, printing, postage, memberships, subscriptions, and fixed assets. For details, see the “Administrative Budget” table.

Professional Services Budget

Noninvestment Manager Fees

This section lists professional services provided by outside organizations, including consultants that monitor investment performance and assist the Board in developing and implementing investment strategies. 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 noninvestment manager fees portion of the proposed budget reflects a decrease of 6.2% compared to the budget for fiscal year 2002–2003. For details, see the “Professional Services Budget” table.

Investment Manager Fees

This section includes fees for investment advisors that manage and invest the Pension System’s assets. The

Board has hired approximately 25 investment managers to invest the Pension System’s assets. Investment manager fees vary according to the market value of the invested assets. Therefore, if the market value increases, so will the fees. The total investment manager fees for the full 15-month budget are estimated at \$13.66 million. For details, see the “Professional Services Budget” table.

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 of assets. The projected total of all costs (administrative and professional services) is approximately \$15.3 million for the first 12 months of the 15-month budget, 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 (\$1.823 billion). The total budget for the full 15-month transitional year is \$18.98 million.

Questions

If you have questions or comments about the proposed budget, call the Pension System office at 214.638.3863, call your Board Members, see our Web site at www.dppf.org, or attend the July and August Board meetings. If you would like to see the complete budget packet as presented to the Board at the June Board meeting, call the Pension System office, and ask for Richard Tettamant or Don Rohan.

News Briefs

■ **Legislative update**—The Texas state Legislature passed the constitutional amendment concerning protection of public employees’ pensions. The next step for the amendment is approval by the state’s voters at the general election on September 13, 2003.

■ **Calendar**

- *July 4*—Independence Day, Pension System office closed
- *July 10*—Board of Trustees meeting—1st Public Reading of the Proposed 2003–2004 Pension System Budget
- *July 17*—Board of Trustees meeting
- *August 14*—Board of Trustees meeting—2nd Public Reading of the Proposed 2003–2004 Pension System Budget

Professional Services Budget	
15-month Fiscal 2003–2004	
Noninvestment Manager Fees:	
Buck Consultants, Inc., Actuarial	\$187,500
Election Telephone Voting	6,100
FCS, Financial Monitoring	52,500
Independent Audit	8,000
Internet Services	10,250
Investment Research Expense	132,500
Iron Mountain/Safe Site, Records Management	18,306
JPMorgan-Chase, Custodial Services	375,000
Lawson, Fields, McCue, Lee & Campbell, P.C., Legal	393,750
Legislative Consultant, Federal	70,563
Legislative Consultant, State	99,000
Levi, Ray & Shoup, Inc., Enhancements & Maintenance	225,500
Misc. Professional Services	5,000
Network Security Review	12,700
Office Computer Upgrade	13,000
Research Institute of America, Legal Data Services	4,000
Townsend Group, Real Estate Consulting	180,000
Wilshire Associates, Investment Consultant	308,750
Sub-total, Professional services	\$2,102,419
Investment Manager Fees:	
All Investment Managers—	
Average 60 basis points	\$13,657,548
Total =====>	\$15,759,967



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June 2003

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Look Who Retired This Month... Congratulations!



Police Department

*Joe M. Arce
 Richard N. Dunn
 Dee F. Durham
 Robert A. Greenwald
 Donald W. Knight
 Leslie A. Myers
 Johnny L. Nichols
 Edward G. Silva*



Fire Department

*Samuel F. Cochran
 Canda L. Dunn
 Eddie Z. Fuquay
 George W. Hensley
 Anthony R. Ivie
 Thomas W. Oney
 Terry L. Speulda
 James T. Stewart*

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