

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



Pension System's Budget

Public Hearing for Fiscal Year 2003–2004 Budget on August 14

The second and final reading for Pension System Members of the proposed budget will be at the Board meeting on August 14. The proposed budget may be changed or amended at the August meeting. This meeting is an opportunity for you to provide input to the Board. The meeting will be held at 10 a.m. on the first floor of the Pension System office at 2301 N. Akard Street.

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.

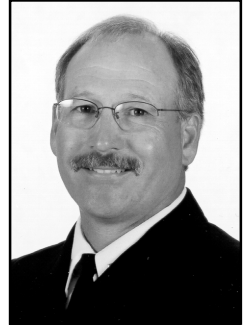
The Pension System is transitioning to a calendar-year budget. Therefore, the proposed budget covers a 15-month period from October 1, 2003, through December 31, 2004.

The proposed 15-month 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.

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Legislative Update

I have good news to report this month. The Texas state Legislature passed the constitutional amendment concerning protection of public employees' pensions. This is the state-wide benefits protection bill for which everyone worked so diligently.

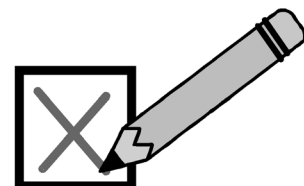


*Gerald Brown,
Chairman and Fire-Rescue Member of
the Board of Trustees*

What does this mean? This means that the voters of Texas will have the opportunity to approve this constitutional amendment in the general election on September 13, 2003. Then it will become law. Notice that I have written "September," not "November."

In this election, the problem is not our amendment (Proposition 15), but Proposition 12, which is tort reform. Many voters will be against the passage of Proposition 12, which limits damages against health care providers. The legislature did not want the "No" voters out voting against

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**VOTE FOR PROPOSITION 15
SEPTEMBER 13**

Chairman Gerald Brown's Legislative Update, continued from page 1



amendments during local elections in November, such as the Houston mayor's race. We expect that trial lawyers will spend a great deal of money to defeat tort reform. Because so many voters will be voting "No" for Proposition 12, we will require a great many voters to show up at the poles and vote "Yes" for our proposition, Proposition 15.

Our amendment, Proposition 15, (HJR 54) would prohibit a local retirement system and the political subdivision that finances the retirement system from reducing or otherwise impairing certain accrued benefits under the local retirement system.

We do not have very long to mount a campaign going forward, so we must get out the vote. We will

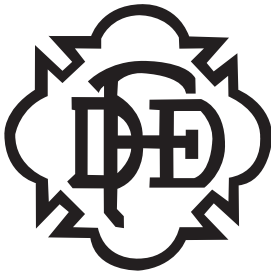
need to make sure that all of our relatives, friends, and neighbors vote for this amendment. If we all work hard, we can pass this amendment. Texas' upcoming Constitutional Amendment General Election is September 13, 2003. Voter registration deadline is August 14, 2003. Early voting is August 27 through September 9.

This bill (Proposition 15) was named "Lazarus" in Austin because it rose from the dead several times. We were successful because so many of you called your legislators and sent your donations to help. Those of you who helped cannot be thanked enough, and we will have to continue to work hard to convince voters across the state to support this legislation.

Again, we thank everyone for all the hard work in passing this bill.

—Gerald Brown, Chairman and Fire Trustee

From the 2003 Fire-Rescue Awards Banquet



Jaime Luevanos and his wife, Emily, pick up benefit information from Benefits Counselor Zahidé Torresdey.



Captain Samuel Mobly, who received the Dallas Fire-Rescue Department Service Award, standing in front of the new equipment for Fire Station No. 8. He retires this month with more than 40 years of service.



Out sincerest thanks to Stuart Grant, who found the Pension System's camera at the Fire Awards Banquet and returned it to us! Thanks so much, Stuart!

How to Keep Your Health Costs Low

A Note on Health From Pensioner Fire Trustee Richard H. Wachsman

One cost in retirement that is very difficult to estimate is how much you will spend on your health each year. As an active member in NCPERS (National Conference on Public Employee Retirement Systems) for more than 20 years, I have received quite an education from NCPERS' research on retirement issues, including health care. In this article, I will share some of that information with you.



*Richard H. Wachsman,
Pensioner Fire Trustee*

The cost for insurance premiums is high for Pensioners, and we expect it to go even higher. As insurance premiums continue to increase around the country, fewer employers will offer coverage and fewer employees and retirees will enroll in the plans available to them. In fact, premiums are increasing more than the trends in the underlying costs.

Some facts about our aging population:

- Life expectancy in this country increased to 77 years in 2000, and the Pension System's actuary estimates life expectancy for a 60-year old to be 81.8 years.
- People in America age 65 and older reached nearly 35 million in 1996. By 2030, the number will have doubled to 70 million.
- With age comes a significant increase in health care usage. Older Americans (age 65 and older) generate one-third of U.S. health care costs.
- Medical expenditures were \$1.4 trillion in 2000, and are expected to reach \$2 trillion in 2010. Health care costs to businesses increased by double digits in 2000 and 2001.

- An aging, less healthy population guarantees that health care costs will increase in the coming years, unless we focus more attention on wellness.



We often think of our medical costs as our health insurance premiums and doctor's bills. We might also include the cost of a health club membership, personal fitness equipment, recreational sports, and a healthy diet.

Investing your time and money in wellness activities can help reduce the cost, frequency, and severity of illnesses. As Americans, our health problems often stem from issues of individual choice. For instance, smokers generate 31% higher claim costs than nonsmokers. Quitting smoking can prolong your life and reduce your medical bills. In addition, 65% of Americans are overweight or obese. These two conditions often lead to numerous health care challenges that range from hypertension to strokes and heart problems. Exercising and maintaining a healthy weight will help you to live longer and with fewer problems.



Below are six aspects of wellness, which address most of the major illnesses in this country:

- Stress management
- Weight management
- Physical fitness
- Nutrition
- Medical self-care
- Smoking cessation

While you are planning your budget for each year of your retirement, plan to spend time and money on your good health, good diet, and healthy activities. These items will be like a savings account for you and your health as you age.

A handwritten signature in black ink that reads "R. H. Wachsman".

—Richard H. Wachsman, Pensioner Fire Trustee

Information above is taken from NCPERS.

Budget, continued from page 1

Administrative Budget

The first 12 months of the proposed Administrative Budget include an increase of \$107,121 or 4.4% from the budget for fiscal year 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 reflects reductions in office supplies, printing, postage, memberships, subscriptions, and fixed assets. For details of the 15-month budget, see the “Administrative Budget” table below.

Professional Services Budget

Noninvestment Manager Fees

This section lists professional services provided by out-

side organizations, including consultants that monitor investment performance and assist the Board in developing and implementing investment strategies. The Board enters into other contracts as neces-

sary 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% for the first 12 months compared to the budget for fiscal year 2002–2003. For details, see the “Professional Services Budget” table below.

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



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

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
Legal Data Services	4,000
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
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

Budget, continued from page 4

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 on page 4.

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 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.dpfp.org, or attend the August Board meeting. If you would like to see the complete budget packet as presented to the Board, call the Pension System office, and ask for Richard Tettamant or Don Rohan.

Pension System Calendar

- **August 14**—Board of Trustees meeting—second and final reading of the budget for fiscal 2003–2004



- **September 1**—Labor Day, Pension System office closed
- **September 11**—Board of Trustees meeting

Look Who Retired This Month... Congratulations!

Fire Department



- Richard Hernandez*
- Volly J. Ivy*
- Edward F. Luig, Jr.*
- Samuel E. Mobly*
- John B. Wood*



Police Department



- Andrea P. Perez*
- Richard A. Wilson, Jr.*



News Briefs

■ **Benefits Counseling Services**—If you are considering retiring or joining DROP (Deferred Retirement Option Plan) this year, schedule your counseling session at least 60 days before your planned retirement or DROP date. Please call the Pension System office two weeks in advance of when you would like your session so we can prepare your personalized pension information. For your counseling session, you will need the following items:

- Birth certificates for you, your Spouse, and Children
- Marriage certificate
- Social Security numbers for your Spouse and Children

Completing the move to DROP or retirement takes 30 days to six weeks after your counseling session.

- **Keep Your Address Current**—To update your address, contact your Department Payroll office and the City of Dallas. The City sends addresses to the Pension System through the payroll reporting process every two weeks.
- **Pension Questions?**—If you have a question about your Pension, see our Web site at www.dpfp.org, or call us at 214.638.3863.



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July 2003

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Military Buy-Back



**We are so very proud of
our Members who serve
in our country's military.**

*Please contact
the Pension System Office
about your Military Leave
Buyback Option
214.638.3863 or 1.800.638.3861*

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