

# PENSION UPDATE



Volume 2004.09, September 2004  
Dallas Police & Fire Pension System



## Introducing the 2005 Budget

If you have been wondering why there has not been any news out yet about the Pension System's proposed budget for 2005, we have a good reason. This is the first year we have based our budget on the calendar year (January through December) instead of the old fiscal year (October through September). As a result, we now start the process in August.



*George J. Tomasovic,  
Fire-Rescue Trustee*

The System's staff put a lot of hard work into this endeavor and presented a first draft to the Board's Administrative Advisory Committee at the August 12<sup>th</sup> Board meeting. The revised budget was presented to the full Board at the September 9<sup>th</sup> meeting.

One notable item in the proposed budget is the addition of three more Financial Planning sessions for our Members. These seminars have been wildly popular, and I feel that the money for this training is well spent. Funds also are being appropriated to hold a Trustee election and possible run-off election next spring.

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### **Pension System's Budget**

#### ***First Public Hearing October 14***

As Trustee George Tomasovic states in his article on this page, the first reading of the budget for Pension System Members will be at the October 14<sup>th</sup> Board meeting. The second and final reading will be at the November 11<sup>th</sup> Board meeting. The proposed budget may be changed or amended at either the October or November 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 \$2.22 billion in assets at market value as of June 30, 2004. In 2003, the System received \$94.6 million in contributions and \$112.8 million in investment income and paid out \$96.8 million in benefits and refunds.

The proposed budget covers the period from January 1, 2005, through December 31, 2005. The proposed Administrative

*continued on page 3*

*Tomasovic Introduces Budget, continued from page 1*

We encourage all Members to attend the first reading of the budget at the October 14<sup>th</sup> Board meeting or the final reading and approval at the November 11<sup>th</sup> Board meeting. We always welcome and appreciate your input to the budget process. Please call the Pension System office or any Trustee if you have questions.



—George J. Tomasovic  
Fire-Rescue Trustee and Chairman  
of the Administrative Advisory Committee



### 2005 Professional Services Budget

**Noninvestment Manager Fees:**

Election Telephone Voting	\$15,000
Financial Control System - Financial Monitoring	42,000
Hillco Partners LLC - Legislative Consultant	57,000
Investment Research Expense	135,500
Iron Mountain/Safe Site - Records Management	16,891
JPMorgan-Chase - Custodial Services	300,000
Lawson, Fields, & Calhoun, P.C. - Legal	340,000
Legislative Conferences and Meetings	40,000
Levi, Ray & Shoup, Inc. - Enhancements & Maintenance	172,000
Locke Liddell & Sapp LLP - Legislative Consultant	104,450
Mellon Consultants, Inc. - Actuarial	155,000
Mir Fox Rodriguez, P.C. - Independent Audit	24,000
Misc. Professional Services	4,000
Network Security	26,125
Real Estate Consulting	142,000
Research Institute of America - Legal Data Services	4,000
Wilshire Associates - Investment Consultant	245,000
<b>All Noninvestment Manager Fees</b>	<b>\$1,822,966</b>

**Investment Manager Fees:**

All Investment Managers - Average 60 basis points	\$14,951,569
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**Total =====> \$16,774,535**

### 2005 Administrative Budget

**Salaries & Benefits:**

Bus Pass	\$180
Employer Pension Contributions	183,567
Insurance	162,255
Longevity Pay	13,968
Medicare	19,383
Overtime	4,000
Salary	1,654,823
Sick Leave	64,406
Unemployment	4,000
Workers Comp.	8,500
<b>Sub-Total Salaries &amp; Benefits</b>	<b>\$2,115,082</b>

**Supplies & Materials:**

Educational Supplies	\$40,205
Office Supplies	58,290
Postage	73,435
<b>Sub-Total Supplies &amp; Materials</b>	<b>\$171,930</b>

**Services:**

Business Continuity	\$36,600
Communications	57,080
Contingency Reserve	50,000
Continuing Education	102,500
Copy Machine	14,400
Employment Expenses	5,020
Medical	6,800
Memberships	16,970
Mileage Reimbursement	5,500
Office Insurance *	18,500
Printing	89,250
Repairs & Maintenance	17,500
Staff Development	37,725
Subscriptions	2,850
<b>Sub-Total Services</b>	<b>\$460,695</b>

Fixed Assets-General \$72,000

Revenue From Supplemental (\$51,223)

**Total =====> \$2,768,484**

\* Included City Service Expense

*Pension System's Budget, continued from page 1*

Budget is \$2.8 million, and the proposed Professional Services Budget, before Investment Manager Fees, is \$1.8 million. Investment Manager Fees are estimated at \$14.9 million.

**Administrative Budget**

The Administrative Budget includes the expenses necessary to the everyday operations of the System. The proposed Administrative Budget increased 6.4% compared to the 2003–2004 budget, primarily to provide additional funding for Financial Planning sessions for active and retired Members, Board and staff education, and salaries (tied to a proposed City increase). The budget reduces expenses for copying, business continuity, and City services.

**Professional Services Budget**

**Noninvestment Manager Fees**

This section of the budget funds expenses for professional services provided by outside vendors, including consultants that monitor and advise the Board regarding investment performance. The Board enters into contracts as necessary to assist the System in carrying out the functions of administering the System.

The noninvestment manager fees portion of the budget reflects an increase of 1.8% compared to the 2003–2004 budget. A noteworthy addition to this portion of the proposed budget is funding to monitor state and federal legislative activities.

**Investment Manager Fees**

This section of the budget includes fees for the more than 20 investment professionals hired by the Board to manage and invest the System's assets. Fees paid to investment managers are based on a percentage of the market value of the assets invested. As the market value increases, so do the fees.

System assets increased by more than 30% during 2003. Investment Manager fees are projected to increase accordingly.

**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 \$19.44 million. The total costs of operating the Pension System will be approximately 0.87% of the System's approximate market value (\$2.224 billion). The total budget for 2005 is \$19.54 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](http://www.dpfp.org), or attend the October and November Board meetings. If you would like to see the complete budget packet as presented to the Board at the October Board meeting, call the Pension System office, and ask for Richard Tettamant or Don Rohan.



**Congratulations Retirees!**



**Police Department**

*Lee A. Bush*

*Thomas A. Hall*

*Kim E. Hammond*

*Douglas A. Kowalski*

*Margaret J. McGee*

*James R. Vineyard*

*Larry A. Wesson*

**September 2004**

- **Introducing the 2005 Budget**
- **New Retirees**

***Pension System Calendar***

- **October 14**—Board meeting; First public reading of Pension System's 2005 budget
- **October 18–21**—Board meeting
- **November 11**—Board meeting; Second public reading of Pension System's 2005 budget
- **November 25–26**—Thanksgiving Holiday, Pension System office closed
- **December 9**—Board meeting

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**Donald C. Rohan,  
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