

# Memorandum



CITY OF DALLAS

DATE December 31, 2020

TO Honorable Mayor and Members of the City Council

SUBJECT **Dallas Police and Fire Pension System FY21 Budget**

On November 12, 2020, the Dallas Police and Fire Pension System (DPFP) adopted the attached 2021 budget at their board meeting. HB 3158 Section 1.11 (d) stipulates that the DPFP annual budget shall be presented to the city manager for comment. The city manager may request the DPFP board reconsider the appropriation for any expenditure at a board meeting, but the board shall make the final determination concerning any appropriation.

We reviewed the preliminary budget and provided comments to DPFP. DPFP provided explanations of significant changes in the attachment. Below is a summary of the DPFP budget. This summary is intended to present the numbers factually, and not intended to indicate we agree or disagree with the budgeted amounts. DPFP provided explanations of significant changes in the attachment, and we recommend you review those explanations to obtain a fuller understanding of the budget.

The DPFP budget is composed of three expense categories: administrative, investment, and professional. Key details of the 2021 budget compared to the 2020 budget and 2020 projected actual expenses are summarized below:

- In total, the 2021 budget of \$23,619,538 is an increase of \$39,601 or 0.2 percent over the 2020 budget
- When compared to DPFP's 2020 projected actual expenses, the 2021 budget is an increase of \$1,159,882, or 5.2 percent, driven primarily by increases of 7.8 percent in administrative expenses, 3.8 percent in investment expenses and 9.2 percent in professional expenses

The largest increases between projected actual 2020 expenditures and the 2021 budget are:

- Administrative: In dollars, the largest increases are \$118,206 for liability insurance, and \$79,272 for information technology projects
- Investment: In dollars, the largest increase is \$709,670 for investment management fees
- Professional: In dollars, the largest increases are \$57,964 for network security monitoring, and \$38,384 for pension administration software

DATE December 31, 2020  
SUBJECT **Dallas Police and Fire Pension System FY21 Budget**

If you have any comments or questions, please contact my office by email or at (214) 670-3390.

*Sheri P. Kowalski*

*for* M. Elizabeth Reich  
Chief Financial Officer

Attachment

c: T.C. Broadnax, City Manager  
Chris Caso, City Attorney  
Mark Swann, City Auditor  
Billerae Johnson, City Secretary  
Preston Robinson, Administrative Judge  
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager

Majed A. Al-Ghafry, Assistant City Manager  
Jon Fortune, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Dr. Eric A. Johnson, Chief of Economic Development and Neighborhood Services  
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion  
Directors and Assistant Directors

**DALLAS POLICE AND FIRE PENSION SYSTEM  
OPERATING BUDGET SUMMARY  
FOR THE YEAR 2021**

Expense Type	2020 Budget	2020 Projected Actual	2021 Budget	Variances		Variances	
				2021	2020	2021	2020
				Budget vs	Budget	Budget vs	Proj. Act.
				\$	%	\$	%
Administrative Expenses	5,797,866	5,541,519	5,973,808	175,942	3.0%	432,289	7.8%
Investment Expenses	16,285,551	15,445,222	16,036,610	(248,941)	-1.5%	591,388	3.8%
Professional Expenses	1,496,520	1,472,915	1,609,120	112,600	7.5%	136,205	9.2%
<b>Total</b>	<b>\$ 23,579,937</b>	<b>\$ 22,459,656</b>	<b>\$ 23,619,538</b>	<b>\$ 39,601</b>	<b>0.2%</b>	<b>\$ 1,159,882</b>	<b>5.2%</b>

**Dallas Police & Fire Pension System  
Operating Budget  
Calendar Year 2021**

Description	2020 Budget	2020 Projected Actual*	2021 Proposed Budget	\$ Change vs. 2020 Bud.	% Change vs. 2020 Bud.	\$ Change 2021 Prop. Bud. vs. 2020 Proj. Actual	% Change 2021 Prop. Bud. vs. 2020 Proj. Actual
<b>Administrative Expenses</b>							
1 Salaries and benefits	3,653,766	3,746,274	3,775,241	121,475	3.3%	28,967	0.8%
2 Employment Expense	15,000	17,165	25,110	10,110	67.4%	7,945	46.3%
3 Memberships and dues	19,706	17,240	19,917	211	1.1%	2,677	15.5%
4 Staff meetings	1,000	-	1,000	-	0.0%	1,000	100.0%
5 Employee service recognition	5,000	288	5,030	30	0.6%	4,742	1646.5%
6 Member educational programs	2,750	-	3,250	500	18.2%	3,250	100.0%
7 Board meetings	6,420	2,594	6,420	-	0.0%	3,826	147.5%
8 Conference registration/materials - Board	11,650	-	11,650	-	0.0%	11,650	100.0%
9 Travel - Board	21,500	-	21,500	-	0.0%	21,500	100.0%
10 Conference/training registration/materials - Staff	34,800	6,110	36,300	1,500	4.3%	30,190	494.1%
11 Travel - Staff	44,500	3,516	43,200	(1,300)	(2.9%)	39,684	1128.7%
12 Liability insurance	640,571	608,941	727,147	86,576	13.5%	118,206	19.4%
13 Communications (phone/internet)	56,300	67,816	70,800	14,500	25.8%	2,984	4.4%
14 Information technology projects	140,000	110,728	190,000	50,000	35.7%	79,272	71.6%
15 IT subscriptions/services/licenses	153,100	150,544	182,715	29,615	19.3%	32,171	21.4%
16 IT software/hardware	19,500	23,858	17,000	(2,500)	(12.8%)	(6,858)	(28.7%)
17 Building expenses	405,467	390,670	401,482	(3,985)	(1.0%)	10,812	2.8%
18 Repairs and maintenance	97,414	23,668	84,424	(12,990)	(13.3%)	60,756	256.7%
19 Office supplies	29,350	14,116	24,850	(4,500)	(15.3%)	10,734	76.0%
20 Leased equipment	24,000	23,686	24,000	-	0.0%	314	1.3%
21 Postage	28,200	23,628	21,700	(6,500)	(23.0%)	(1,928)	(8.2%)
22 Printing	14,000	-	14,000	-	0.0%	14,000	100.0%
23 Subscriptions	2,125	1,018	2,125	-	0.0%	1,107	108.7%
24 Records storage	1,400	1,392	1,400	-	0.0%	8	0.6%
25 Administrative contingency reserve	12,000	862	12,000	-	0.0%	11,138	1292.1%
26 COVID 19 Expense	-	19,367	7,500	7,500	100.0%	(11,867)	(61.3%)
27 Depreciation Expense	240,947	240,946	240,947	-	0.0%	1	0.0%
28 Bank fees	3,400	3,056	3,100	(300)	(8.8%)	44	1.4%
<b>Investment Expenses</b>							
29 Investment management fees	14,178,000	13,954,330	14,664,000	486,000	3.4%	709,670	5.1%
30 Investment consultant and reporting	365,000	362,084	340,000	(25,000)	(6.8%)	(22,084)	(6.1%)
31 Bank custodian services	222,000	216,974	220,000	(2,000)	(0.9%)	3,026	1.4%
32 Other portfolio operating expenses (legal, valuation, tax)	1,520,551	911,834	777,610	(742,941)	(48.9%)	(134,224)	(14.7%)
33 Investment due diligence	39,000	-	35,000	(4,000)	(10.3%)	35,000	100.0%
<b>Professional Services Expenses</b>							
34 Actuarial services	240,000	241,280	190,500	(49,500)	(20.6%)	(50,780)	(21.0%)

**Dallas Police & Fire Pension System  
Operating Budget  
Calendar Year 2021**

Description	2020 Budget	2020 Projected Actual*	2021 Proposed Budget	\$ Change vs. 2020 Bud.	% Change vs. 2020 Bud.	\$ Change 2021 Prop. Bud. vs. 2020 Proj. Actual	% Change 2021 Prop. Bud. vs. 2020 Proj. Actual
35 Accounting services	60,770	59,000	60,770	-	0.0%	1,770	3.0%
36 Independent audit	165,000	162,977	166,000	1,000	0.6%	3,023	1.9%
37 Legal fees	550,000	577,752	562,500	12,500	2.3%	(15,252)	(2.6%)
38 Legislative consultants	126,000	126,000	159,000	33,000	26.2%	33,000	26.2%
39 Public relations	-	-	-	-	100.0%	-	100.0%
40 Pension administration software & WMS	283,000	263,616	302,000	19,000	6.7%	38,384	14.6%
41 Business continuity	17,000	16,224	18,300	1,300	7.6%	2,076	12.8%
42 Network security review	10,000	2,400	10,000	-	0.0%	7,600	316.7%
43 Network security monitoring	75,000	44,036	102,000	27,000	36.0%	57,964	131.6%
44 Disability medical evaluations	9,500	5,540	16,500	7,000	73.7%	10,960	197.8%
45 Elections	15,000	-	-	(15,000)	(100.0%)	-	100.0%
46 Miscellaneous professional services	20,250	18,126	21,550	1,300	6.4%	3,424	18.9%
<b>Total Budget</b>	<b>23,579,937</b>	<b>22,459,656</b>	<b>23,619,538</b>	<b>39,601</b>	<b>0.2%</b>	<b>1,159,882</b>	<b>5.2%</b>
Less: Investment management fees	14,178,000	13,954,330	14,664,000	486,000	3.4%	709,670	5.1%
<b>Adjusted Budget Total</b>	<b>9,401,937</b>	<b>8,505,326</b>	<b>8,955,538</b>	<b>(446,399)</b>	<b>(4.7%)</b>	<b>450,212</b>	<b>5.3%</b>

**SUPPLEMENTAL BUDGET**

<b>Total Budget ( from above)</b>	<b>23,579,937</b>	<b>22,459,656</b>	<b>23,619,538</b>	<b>39,601</b>	<b>0.2%</b>	<b>1,159,882</b>	<b>5.2%</b>
Less: Allocation to Supplemental Plan Budget*	207,503	199,891	210,214	2,711	1.3%	10,323	5.2%
<b>Total Combined Pension Plan Budget</b>	<b>23,372,434</b>	<b>22,259,765</b>	<b>23,409,324</b>	<b>36,890</b>	<b>0.2%</b>	<b>1,149,559</b>	<b>5.2%</b>

\* Projected based on 6/30/20 YTD annualized

\*\* Allocation to Supplemental is based on JPM allocation between accounts as of 6/30/20 of .0089%

0.89% per JPM Unitization report as of 6/30/20

**Significant Budget Changes - 2021**  
**Budget Changes (>5% and \$10K)**  
**SORTED BY THE \$ CHANGE FROM 2020 BUDGET TO 2021 BUDGET**

		2020	2020	2021	\$ Change	% Change	\$ Change	% Change	
	Item	Budget	Projected Actual**	Budget	2021 Budget vs. 2020 Bud.	2021 Budget vs. 2020 Bud.	2021 Budget vs. 2020 Proj. Act.	2021 Budget vs. 2020 Proj. Act.	Explanation
	<b>INCREASES:</b>								
1	Liability insurance	640,571	608,941	727,147	86,576	13.5%	118,206	19.4%	Projected renewal includes expected double digit increases across almost all lines of risk insurance. Fiduciary insurance is 80% of 2021 budget.
2	Information technology projects	140,000	110,728	190,000	50,000	35.7%	79,272	71.6%	Increase includes some projects deferred from 2020 to 2021 due to COVID-19.
3	Legislative consultants	126,000	126,000	159,000	33,000	26.2%	33,000	26.2%	Legislature is in session in 2021. Fees are higher for the periods when legislature is in session
4	IT subscriptions/services/licenses	153,100	150,544	182,715	29,615	19.3%	32,171	21.4%	Additional licenses and devices to be covered along with projected increases for renewals.
5	Network security monitoring	75,000	44,036	102,000	27,000	36.0%	57,964	131.6%	Additional items to be covered and expect full year of services in 2021.
6	Pension administration software & WMS	283,000	263,616	302,000	19,000	6.7%	38,384	14.6%	Enhancements for pension admin software and fee increases.
7	Communications (phone/internet)	56,300	67,816	70,800	14,500	25.8%	2,984	4.4%	Additional services like Zoom and Conference Calling added during COVID-19, combined with rate increases on contracts.
8	Employment Expense	15,000	17,165	25,110	10,110	67.4%	7,945	46.3%	Primarily agency fees for new staff.
	<b>REDUCTIONS:</b>								
9	Other portfolio operating expenses (legal, valuation, tax)	1,520,551	911,834	777,610	(742,941)	-48.9%	(134,224)	-14.7%	Significant reduction in legal and advisor fees for private equity investments expected in 2021.
10	Actuarial services	240,000	241,280	190,500	(49,500)	-20.6%	(50,780)	-21.0%	Experience study conducted in 2020 will not be repeated in 2021.
11	Investment consultant and reporting	365,000	362,084	340,000	(25,000)	-6.8%	(22,084)	-6.1%	HB 322 report costs of \$30k were included in the 2020 budget partially offset by contractual price increase.
12	Elections	15,000	-	-	(15,000)	-100.0%	-	100.0%	No trustee election in 2021.
13	Repairs and maintenance	97,414	23,668	84,424	(12,990)	-13.3%	60,756	256.7%	Fewer maintenance projects planned for 2021.

\*\* Projected based on 8/31/19 Prelim YTD annualized

**Significant Budget Changes - 2021**  
**Budget Changes (>5% and \$10K)**  
**SORTED BY THE \$ CHANGE FROM 2020 PROJECTED ACTUAL TO 2021 BUDGET**

		2020	2020	2021	\$ Change	% Change	\$ Change	% Change	
	Item	Budget	Projected Actual**	Budget	2021 Budget vs. 2020 Bud.	2021 Budget vs. 2020 Bud.	2021 Budget vs. 2020 Proj. Act.	2021 Budget vs. 2020 Proj. Act.	Explanation
	<b>INCREASES:</b>								
1	Investment management fees	14,178,000	13,954,330	14,664,000	486,000	3.4%	709,670	5.1%	Increased market value in equities expected to drive higher fees, which will be partially offset by declines in fees for fixed income and real assets.
2	Liability insurance	640,571	608,941	727,147	86,576	13.5%	118,206	19.4%	Projected renewal includes expected double digit increases across almost all lines of risk insurance. Fiduciary insurance is 80% of 2021 budget.
3	Information technology projects	140,000	110,728	190,000	50,000	35.7%	79,272	71.6%	Project start dates delayed due to COVID-19. At least one project may be delayed until 2021.
4	Repairs and maintenance	97,414	23,668	84,424	(12,990)	-13.3%	60,756	256.7%	Some maintenance being delayed or deferred during COVID-19. Expect to return to more normal levels in 2021.
5	Network security monitoring	75,000	44,036	102,000	27,000	36.0%	57,964	131.6%	Project implementation delayed due to COVID-19. Expect full year of monitoring in 2021.
6	Travel - Staff	44,500	3,516	43,200	(1,300)	-2.9%	39,684	1128.7%	Reduced staff travel in 2020 due to COVID-19. Expect to return to more normal levels in 2021.
7	Pension administration software & WMS	283,000	263,616	302,000	19,000	6.7%	38,384	14.6%	Some enhancements delayed due to COVID-19.
8	Investment due diligence	39,000	-	35,000	(4,000)	-10.3%	35,000	100.0%	Purchase of investment software currently deferred. No investment due diligence travel due to COVID-19. Expect to return to more normal levels in 2021.
9	Legislative consultants	126,000	126,000	159,000	33,000	26.2%	33,000	26.2%	Legislature is in session in 2021. Fees are higher for the periods when legislature is in session
10	IT subscriptions/services/licenses	153,100	150,544	182,715	29,615	19.3%	32,171	21.4%	Additional licenses and devices to be covered along with projected increases for renewals.
11	Conference/training registration/materials - Staff	34,800	6,110	36,300	1,500	4.3%	30,190	494.1%	Staff conference training significantly reduced due to COVID-19. Expect to return to more normal levels during 2021.
12	Travel - Board	21,500	-	21,500	-	0.0%	21,500	100.0%	No board travel in 2020 due to COVID-19. Expect to return to more normal level in 2021.
13	Printing	14,000	-	14,000	-	0.0%	14,000	100.0%	Updated member handbook printing not completed due to COVID-19.
14	Conference registration/materials - Board	11,650	-	11,650	-	0.0%	11,650	100.0%	No conferences attended by board members during COVID-19.
15	Administrative contingency reserve	12,000	862	12,000	-	0.0%	11,138	1292.1%	Contingency reserve.
16	Disability medical evaluations	9,500	5,540	16,500	7,000	73.7%	10,960	197.8%	Only one disability evaluation in 2020 so far. 2020 projected actual allows for two in total and 2021 projects for five in total.
17	Office supplies	29,350	14,116	24,850	(4,500)	-15.3%	10,734	76.0%	Office supplies usage down in 2020 due to COVID-19. Expect to return to more normal level in 2021.
	<b>REDUCTIONS:</b>								
18	Other portfolio operating expenses (legal, valuation, tax)	1,520,551	911,834	777,610	(742,941)	-48.9%	(134,224)	-14.7%	Reduction in appraisal, legal and advisor fees for private equity investments expected in 2021.
19	Actuarial services	240,000	241,280	190,500	(49,500)	-20.6%	(50,780)	-21.0%	Experience study conducted in 2020 will not be repeated in 2021.
20	Investment consultant and reporting	365,000	362,084	340,000	(25,000)	-6.8%	(22,084)	-6.1%	HB 322 report costs of \$30k were incurred in 2020 budget and will not be repeated in 2021.
21	COVID 19 Expense	-	19,367	7,500	7,500	100.0%	(11,867)	-61.3%	Purchase of temperature scanners, plexiglass and other COVID-19 supplies in 2020.

\*\* Projected based on 6/30/20 Prelim YTD annualized