

**DALLAS POLICE AND FIRE PENSION SYSTEM
OPERATING BUDGET SUMMARY
FOR THE YEAR 2022**

Expense Type	2021 Budget	2021 Projected Actual	2022 Proposed Budget	Variances		Variances	
				2022	2021	2022	2021
				Budget	vs	Budget	vs
				\$	%	\$	Proj. Act.
Administrative Expenses	6,110,808	5,415,380	6,143,401	32,593	0.5%	728,021	13.4%
Investment Expenses	18,001,610	17,829,956	14,044,000	(3,957,610)	(22.0%)	(3,785,956)	(21.2%)
Professional Expenses	1,507,120	814,914	1,533,477	26,357	1.7%	718,563	88.2%
Total	\$ 25,619,538	\$ 24,060,250	\$ 21,720,878	\$ (3,898,660)	(15.2%)	\$ (2,339,372)	(9.7%)

**Dallas Police & Fire Pension System
Operating Budget
Calendar Year 2022**

Description	2021 Budget	2021 Projected Actual*	2022 Proposed Budget	\$ Change 2022 Prop. Bud. vs. 2021 Bud.	% Change 2022 Prop. Bud. vs. 2021 Bud.	\$ Change 2022 Prop. Bud. vs. 2021 Proj. Actual	% Change 2022 Prop. Bud. vs. 2021 Proj. Actual
Administrative Expenses							
1 Salaries and benefits	3,775,241	3,499,618	3,919,613	144,372	3.8%	419,995	12.0%
2 Employment Expense	25,110	7,049	25,610	500	2.0%	18,561	263.3%
3 Memberships and dues	19,917	18,599	19,487	(430)	(2.2%)	888	4.8%
4 Staff meetings	1,000	-	50,000	(500)	(50.0%)	500	100.0%
5 Employee service recognition	5,030	138	50,800	50	1.0%	4,942	3581.2%
6 Member educational programs	3,250	700	27,500	(500)	(15.4%)	2,050	292.9%
7 Board meetings	6,420	1,267	6,420	-	0.0%	5,153	406.7%
8 Conference registration/materials - Board	11,650	257	11,650	-	0.0%	11,393	4433.1%
9 Travel - Board	21,500	2,671	21,500	-	0.0%	18,829	704.9%
10 Conference/training registration/materials - Staff	36,300	5,577	37,750	1,450	4.0%	32,173	576.9%
11 Travel - Staff	43,200	3,638	42,950	(250)	(0.6%)	39,312	1080.6%
12 Liability insurance	727,147	608,213	664,899	(62,248)	(8.6%)	56,686	9.3%
13 Communications (phone/internet)	70,800	82,515	29,835	(40,965)	(57.9%)	(52,680)	(63.8%)
14 Information technology projects	190,000	87,817	250,000	60,000	31.6%	162,183	184.7%
15 IT subscriptions/services/licenses	182,715	186,343	212,300	29,585	16.2%	25,957	13.9%
16 IT software/hardware	17,000	32,328	25,000	8,000	47.1%	(7,328)	(22.7%)
17 Building expenses	401,482	387,063	420,413	18,931	4.7%	33,350	8.6%
18 Repairs and maintenance	84,424	67,649	88,576	4,152	4.9%	20,927	30.9%
19 Office supplies	24,850	9,642	24,475	(375)	(1.5%)	14,833	153.8%
20 Leased equipment	24,000	22,112	24,000	-	0.0%	1,888	8.5%
21 Postage	21,700	13,883	29,650	7,950	36.6%	15,767	113.6%
22 Printing	14,000	2,098	4,100	(9,900)	(70.7%)	2,002	95.4%
23 Subscriptions	2,125	895	2,396	271	12.8%	1,501	167.7%
24 Records storage	1,400	1,392	1,500	100	7.1%	108	7.8%
25 Administrative contingency reserve	12,000	206	12,000	-	0.0%	11,794	5725.2%
26 COVID 19 Expense	7,500	-	-	(7,500)	(100.0%)	-	100.0%
27 Depreciation Expense	240,947	240,946	240,947	-	0.0%	1	0.0%
28 Bank fees	3,100	20,007	20,000	16,900	545.2%	(7)	(0.0%)
Investment Expenses							
29 Investment management fees	14,664,000	13,500,000	12,440,000	(2,224,000)	(15.2%)	(1,060,000)	(7.9%)
30 Investment consultant and reporting	340,000	337,380	345,000	5,000	1.5%	7,620	2.3%
31 Bank custodian services	220,000	232,407	235,000	15,000	6.8%	2,593	1.1%
32 Other portfolio operating expenses (legal, valuation, tax)	2,777,610	3,760,169	981,500	(1,796,110)	(64.7%)	(2,778,669)	(73.9%)
33 Investment due diligence	35,000	35,001	42,500	7,500	21.4%	7,499	21.4%
Professional Services Expenses							
34 Actuarial services	190,500	118,250	158,250	(32,250)	(16.9%)	40,000	33.8%
35 Accounting services	60,770	59,001	60,770	-	0.0%	1,769	3.0%

**Dallas Police & Fire Pension System
Operating Budget
Calendar Year 2022**

Description	2021 Budget	2021 Projected Actual*	2022 Proposed Budget	\$ Change 2022 Prop. Bud. vs. 2021 Bud.	% Change 2022 Prop. Bud. vs. 2021 Bud.	\$ Change 2022 Prop. Bud. vs. 2021 Proj. Actual	% Change 2022 Prop. Bud. vs. 2021 Proj. Actual
36 Independent audit	166,000	100,000	103,000	(63,000)	(38.0%)	3,000	3.0%
37 Legal fees	562,500	17,259	515,000	(47,500)	(8.4%)	497,741	2884.0%
38 Legislative consultants	159,000	180,074	126,000	(33,000)	(20.8%)	(54,074)	(30.0%)
39 Public relations	-	25,000	100,000	100,000	100.0%	75,000	300.0%
40 Pension administration software & WMS	302,000	267,681	292,000	(10,000)	(3.3%)	24,319	9.1%
41 Business continuity	18,300	20,219	18,000	(300)	(1.6%)	(2,219)	(11.0%)
42 Network security review	10,000	-	10,000	-	0.0%	10,000	100.0%
43 Network security monitoring	102,000	77,756	100,000	(2,000)	(2.0%)	22,244	28.6%
44 Disability medical evaluations	16,500	3,000	12,000	(4,500)	(27.3%)	9,000	300.0%
45 Elections	-	-	20,000	20,000	100.0%	20,000	100.0%
46 Miscellaneous professional services	21,550	24,430	18,457	(3,093)	(14.4%)	(5,973)	(24.4%)
Total Budget	25,619,538	24,060,250	21,720,878	(3,898,660)	(15.2%)	(2,339,372)	(9.7%)
Less: Investment management fees	14,664,000	13,500,000	12,440,000	(2,224,000)	(15.2%)	(1,060,000)	(7.9%)
Adjusted Budget Total	10,955,538	10,560,250	9,280,878	(1,674,660)	(15.3%)	(1,279,372)	(12.1%)

SUPPLEMENTAL BUDGET

Total Budget (from above)	25,619,538	24,060,250	21,720,878	(3,898,660)	-15.2%	(2,339,372)	-9.7%
Less: Allocation to Supplemental Plan Budget**	228,014	203,309	183,541	(44,473)	(19.5%)	(19,768)	(9.7%)
Total Combined Pension Plan Budget	25,391,524	23,856,941	21,537,337	(3,854,187)	(15.2%)	(2,319,604)	(9.7%)

* Projected based on 7/31/21 YTD annualized or estimated

** Allocation to Supplemental is based on JPM allocation between accounts as of 7/31/21 of .0085%

_____ 0.85% per JPM Unitization report as of 7/31/21

Significant Budget Changes - 2022
Budget Changes (>5% and \$10K)
SORTED BY THE \$ CHANGE FROM 2021 BUDGET TO 2022 BUDGET

		2021	2021	2022	\$ Change	% Change	\$ Change	% Change	
	Item	Budget	Projected Actual**	Budget	2022 Budget vs. 2021 Bud.	2022 Budget vs. 2021 Bud.	2022 Budget vs. 2021 Proj. Act.	2022 Budget vs. 2021 Proj. Act.	Explanation
	INCREASES:								
1	Public relations	-	25,000	100,000	100,000	100.0%	75,000	300.0%	Possible communications project with FH
2	Information technology projects	190,000	87,817	250,000	60,000	31.6%	162,183	184.7%	Increased costs for projects like on premises dual authentication and 10G switch
3	IT subscriptions/services/licenses	182,715	186,343	212,300	29,585	16.2%	25,957	13.9%	Additional licenses and devices to be covered along with projected increases for renewals and potential new programs like Security Awareness.
4	Elections	-	-	20,000	20,000	100.0%	20,000	100.0%	Non-Member Trustee election in 2022
5	Bank fees	3,100	20,007	20,000	16,900	545.2%	(7)	(0.0%)	Lower Federal Reserve rate resulted in lower Earnings Credit Rate which did not offset fees as it has in the past.
6	Bank custodian services	220,000	232,407	235,000	15,000	6.8%	2,593	1.1%	Increased number of accounts managed.
	REDUCTIONS:								
7	Investment management fees	14,664,000	13,500,000	12,440,000	(2,224,000)	(15.2%)	(1,060,000)	(7.9%)	Declines in fee rates and the decrease in market value of the portfolio are driving the decrease in management fees.
8	Other portfolio operating expenses (legal, valuation, tax)	2,777,610	3,760,169	981,500	(1,796,110)	(64.7%)	(2,778,669)	(73.9%)	2022 budget only includes base fees for appraisal, audit, registrations for investments. Additional legal expenses could be incurred if investment cases go to trial.
9	Independent audit	166,000	100,000	103,000	(63,000)	(38.0%)	3,000	3.0%	New reduced contract rate
10	Liability insurance	727,147	608,213	664,899	(62,248)	(8.6%)	56,686	9.3%	Actual 2021 renewal was less than projected due to policy changes, but it is partially offset by a projected 10% increase in the 2022 renewal rates.
11	Legal fees	562,500	17,259	515,000	(47,500)	(8.4%)	497,741	2884.0%	Legal expense in 2022 is projected to be primarily driven by litigation with the prior actuary and the COLA case.
12	Communications (phone/internet)	70,800	82,515	29,835	(40,965)	(57.9%)	(52,680)	(63.8%)	Several analog lines, primarily related to the building, are being deactivated or ported to new services.
13	Legislative consultants	159,000	180,074	126,000	(33,000)	(20.8%)	(54,074)	(30.0%)	Legislature not in session in 2022 resulting in lower fees.
14	Actuarial services	190,500	118,250	158,250	(32,250)	(16.9%)	40,000	33.8%	Projecting less specialized work from Segal in 2022.

** Projected based on 7/31/21 YTD annualized or estimated

Significant Budget Changes - 2022
Budget Changes (>5% and \$10K)
SORTED BY THE \$ CHANGE FROM 2021 PROJECTED ACTUAL TO 2022 BUDGET

		2021	2021	2022	\$ Change	% Change	\$ Change	% Change	
	Item	Budget	Projected Actual**	Budget	2022 Budget vs. 2021 Bud.	2022 Budget vs. 2021 Bud.	2022 Budget vs. 2021 Proj. Act.	2022 Budget vs. 2021 Proj. Act.	Explanation
	INCREASES:								
1	Legal fees	562,500	17,259	515,000	(47,500)	(8.4%)	497,741	2884.0%	Expected legal costs related to the actuary case, open records and USERRA were less than budgeted.
2	Salaries and benefits	3,775,241	3,499,618	3,919,613	144,372	3.8%	419,995	12.0%	2021 Projected actual is less due to three current staff vacancies. We hope to be fully staffed again in 2022.
3	Information technology projects	190,000	87,817	250,000	60,000	31.6%	162,183	184.7%	Most 2021 projects came in under budget - total \$102k. At least one project delayed until 2022. More projects planned for 2022.
4	Public relations	-	25,000	100,000	100,000	100.0%	75,000	300.0%	Possible new contract with FH in 2022
5	Liability insurance	727,147	608,213	664,899	(62,248)	(8.6%)	56,686	9.3%	Projections of 10% across the board increase for renewal
6	Actuarial services	190,500	118,250	158,250	(32,250)	(16.9%)	40,000	33.8%	Budgeting \$75k for specialized work related to changes in the discount rate, board requests, member issues and other items.
7	Travel - Staff	43,200	3,638	42,950	(250)	(0.6%)	39,312	1080.6%	Reduced staff travel in 2021 due to COVID-19. Expect to return to more normal level in 2022.
8	Building expenses	401,482	387,063	420,413	18,931	4.7%	33,350	8.6%	Replacing freeze damaged plantings, planning additional maintenance such as indoor window washing and additional AC filter replacements.
9	Conference/training registration/materials - Staff	36,300	5,577	37,750	1,450	4.0%	32,173	576.9%	Staff conference training significantly reduced due to COVID-19. Hoping to return to more normal levels during 2022.
10	IT subscriptions/services/licenses	182,715	186,343	212,300	29,585	16.2%	25,957	13.9%	Additional licenses and devices to be covered along with projected increases for renewals and potential new programs like Security Awareness.
11	Pension administration software & WMS	302,000	267,681	292,000	(10,000)	(3.3%)	24,319	9.1%	2021 maintenance and enhancements were less than expected. Price increases were less than expected.
12	Network security monitoring	102,000	77,756	100,000	(2,000)	(2.0%)	22,244	28.6%	Actual 2021 costs were less than expected. Adding services in 2022.
13	Repairs and maintenance	84,424	67,649	88,576	4,152	4.9%	20,927	30.9%	Some projects deferred until 2022. Budgeting for painting of elevator, stairwell and other common areas. Also, budgeting for irrigation and roof repairs, if needed.
14	Elections	-	-	20,000	20,000	100.0%	20,000	100.0%	Non-Member Trustee election in 2022
15	Travel - Board	21,500	2,671	21,500	-	0.0%	18,829	704.9%	Limited Board travel in 2021 due to COVID-19.
16	Employment Expense	25,110	7,049	25,610	500	2.0%	18,561	263.3%	Primarily Agency fees for new staff
17	Postage	21,700	13,883	29,650	7,950	36.6%	15,767	113.6%	Non-Member Trustee election in 2022 and expect to return to more normal activity in this account in 2022.
18	Office supplies	24,850	9,642	24,475	(375)	(1.5%)	14,833	153.8%	Office Supplies usage down in 2021 due to remote work. Expect to return to more normal levels in 2022.
19	Administrative contingency reserve	12,000	206	12,000	-	0.0%	11,794	5725.2%	Did not need to use contingency reserve in 2021.
20	Conference registration/materials - Board	11,650	257	11,650	-	0.0%	11,393	4433.1%	Limited Board conference attendance in 2021 due to COVID-19.
21	Network security review	10,000	-	10,000	-	0.0%	10,000	100.0%	Budgeting for possible additional review in 2022.
	REDUCTIONS:								
22	Other portfolio operating expenses (legal, valuation, tax)	2,777,610	3,760,169	981,500	(1,796,110)	(64.7%)	(2,778,669)	(73.9%)	2022 budget only includes base fees for appraisal, audit, registrations for investments. Additional legal expenses could be incurred if investment cases go to trial.
23	Investment management fees	14,664,000	13,500,000	12,440,000	(2,224,000)	(15.2%)	(1,060,000)	(7.9%)	Declines in fee rates and the decrease in market value of the portfolio are driving the decrease in management fees.
24	Legislative consultants	159,000	180,074	126,000	(33,000)	(20.8%)	(54,074)	(30.0%)	Legislature is not in session in 2022. Fees are lower in non session years.

		2021	2021	2022	\$ Change	% Change	\$ Change	% Change	
	Item	Budget	Projected Actual**	Budget	2022 Budget vs. 2021 Bud.	2022 Budget vs. 2021 Bud.	2022 Budget vs. 2021 Proj. Act.	2022 Budget vs. 2021 Proj. Act.	Explanation
25	Communications (phone/internet)	70,800	82,515	29,835	(40,965)	(57.9%)	(52,680)	(63.8%)	Several analog lines primarily related to the building are being deactivated or ported to new services to reduce costs.

** Projected based on 7/31/21 YTD annualized or estimated