## **AGENDA**



Date: November 7, 2025

The supplemental meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at 8:30 a.m. on Thursday, November 13, 2025, in the Second Floor Board Room at 4100 Harry Hines Boulevard, Dallas, Texas and via telephone conference for audio at 214-271-5080 access code 588694 or Toll-Free (US & CAN): 1-800-201-5203 and Zoom meeting for visual <a href="https://us02web.zoom.us/j/83364156526?pwd=OG5CbEFhajN5V0hWaUFJMlhYcHQ2Zz09">https://us02web.zoom.us/j/83364156526?pwd=OG5CbEFhajN5V0hWaUFJMlhYcHQ2Zz09</a> Passcode: 923237. Items of the following agenda will be presented to the Board:

#### A. APPROVAL OF MINUTES

Regular meeting of October 9, 2025

# B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

- 1. 2024 Financial Audit
- 2. 2024 Annual Comprehensive Financial Report
- 3. Second Reading and Discussion of the 2026 Budget

1 of 2

## C. BRIEFING ITEMS

**Public Comment** 

The term "possible action" in the wording of any Agenda item contained herein serves as notice that the Board may, as permitted by the Texas Government Code, Section 551, in its discretion, dispose of any item by any action in the following non-exclusive list: approval, disapproval, deferral, table, take no action, and receive and file. At the discretion of the Board, items on this agenda may be considered at times other than in the order indicated in this agenda.

At any point during the consideration of the above items, the Board may go into Closed Executive Session as per Texas Government Code, Section 551.071 for consultation with attorneys, Section 551.072 for real estate matters, Section 551.074 for personnel matters, Section 551.076 for deliberation regarding security devices or security audits, and Section 551.078 for review of medical records.

2 of 2

# Dallas Police and Fire Pension System Thursday, October 9, 2025 8:30 a.m. 4100 Harry Hines Blvd., Suite 100 Second Floor Board Room Dallas, TX

Supplemental meeting, Michael Taglienti, Chairman, presiding:

#### **ROLL CALL**

#### **Board Members**

Present at 8:34 a.m. Michael Taglienti, Tom Tull, Matthew Shomer, Joe Colonnetta, Anthony

Scavuzzo, David Kelly, Tina Hernandez Patterson, Scott Letier, Yvette

Duenas, Robert Walters

Absent Steve Idoux

Staff Kelly Gottschalk, Josh Mond, Brenda Barnes, Ryan Wagner, Kyle

Schmit, Luis Solorzano Trejo, John Holt, Nien Nguyen, Milissa Romero,

Cynthia J. Thomas (by telephone)

Others Ben Mesches, Jeff Patterson, Rick Salinas, Kurtis Allen, James Morin,

Suzanne Zieman, Chad Anderson

Phone Chuck Campbell, Aaron Lally, Ken Shoji

\* \* \* \* \* \* \* \*

The Supplemental meeting was called to order and recessed at 8:32 a.m.

The Supplemental meeting was reconvened at 11:38 a.m.

\* \* \* \* \* \* \* \*

#### A. APPROVAL OF MINUTES

Regular meeting of September 11, 2025

After discussion, Mr. Shomer made a motion to approve the minutes of the meeting of September 11, 2025. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

Mr. Walters left the meeting at 11:40 a.m. and was not present for the vote.

\* \* \* \* \* \* \* \*

### Supplemental Board Meeting Thursday, October 9, 2025

# B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

Initial Reading and discussion of the 2026 Budget

The Chief Financial Officer presented the initial reading of the 2026 budget, prepared in total for both the Combined Pension Plan and the Supplemental Plan.

After discussion, Ms. Hernandez Patterson to direct staff to revise the proposed budget based on the direction of the Board raising the Texas Municipal Retirement System (TMRS) employee contributions to 8% and bring the revised proposed budget to the Board at the November 2025 Board meeting for consideration for adoption and to authorize forwarding the 2026 proposed budget to the City of Dallas for comment and the posting of the proposed budget to www.dpfp.org for member review prior to the November meeting. Mr. Tull seconded the motion, which was unanimously approved by the Board.

\* \* \* \* \* \* \*

#### C. BRIEFING ITEMS

Secretary

**Public Comment** 

Prior to commencing items for Board discussion and deliberation, the Board received public comments during the open forum.

\* \* \* \* \* \* \*

Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Tull and a second by Mr. Shomer, the meeting was adjourned at 11:44 a.m.

	Michael Taglienti, Chairman
ATTEST:	
Kelly Gottschalk,	



## **Supplemental**

## ITEM #B1

**Topic:** 2024 Financial Audit

**Attendees:** Karolyn Ladas, BDO, Assurance Principal

Matt Liu, BDO, Audit Senior Manager

**Discussion:** Representatives from BDO, DPFP's independent audit firm, will be present to

discuss the results of their audit for the year ended December 31, 2024.

Staff

**Recommendation:** Approve issuance of the 2024 audit report.

Supplemental Board Meeting- Thursday, November 13, 2025



BDO USA, P.C. 600 N Pearl St #1700

Dallas, TX, 75201 Tel.: (214) 969-7007 www.bdo.com

## Welcome

November 13, 2025

Board of Trustees and Audit Committee Dallas Police & Fire Pension System

We look forward to discussing with you the current year audit results for Dallas Police & Fire Pension System. On April 10, 2025 we presented an overview of our plan for the audit of the financial statements of Dallas Police & Fire Pension System (the System) as of and for the year ended December 31, 2024.

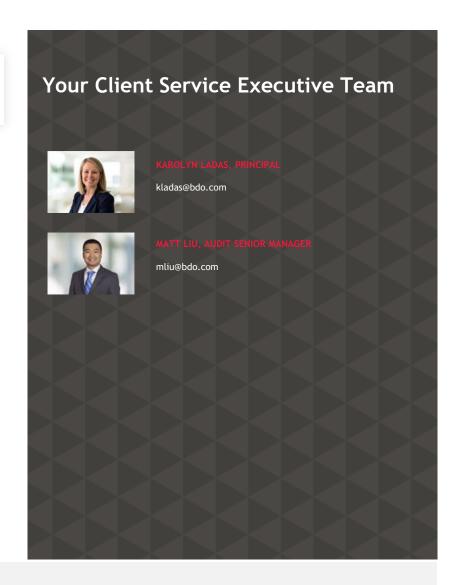
This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the System's accounting practices and policies, management's judgments and estimates, financial statement disclosures, and other required matters to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the System is responsible.

We are pleased to be of service to the System and look forward to meeting with you to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

/s/ BDO, USA, P.C.

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The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., Board of Directors) and, if appropriate, management of the System, and is not intended and should not be used by anyone other than these specified parties.



# **Executive Summary**

#### **Results of Our Audit**

- Overview and Status We have substantially completed our audit of the financial statements, including procedures applied to the supplemental schedule, of Dallas Police and Fire Pension System (the System) as of and for the year ended December 31, 2024.
- · Quality of the System's Financial Reporting
- Significant Risk Overview & Discussion
- Corrected and Uncorrected Misstatements
- · Internal Control Over Financial Reporting

**Required Communications** 

**Open Discussion and Questions** 

Year End Inquiries of Those Charged With Governance (see page 23).





## Overview & Status of Our Audit

We have substantially completed our audit of the financial statements as of and for the year ended December 31, 2024. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

- ▶ The objective of our audit was to obtain reasonable not absolute assurance about whether the financial statements are free from material misstatements.
- ▶ The scope of the work performed was substantially the same as that described to you in our earlier Audit Plan communications.
- ▶ We expect to issue an unmodified opinion on the financial statements.
- ▶ We expect to issue our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- ▶ Our responsibility for other information in documents containing the System's audited financial statements (e.g., the annual comprehensive financial report) does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we will read the information included by the System and consider whether such information, or the manner of its presentation, is materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.
- ▶ All records and information requested by BDO were freely available for our inspection.



# Quality of the System's Financial Reporting

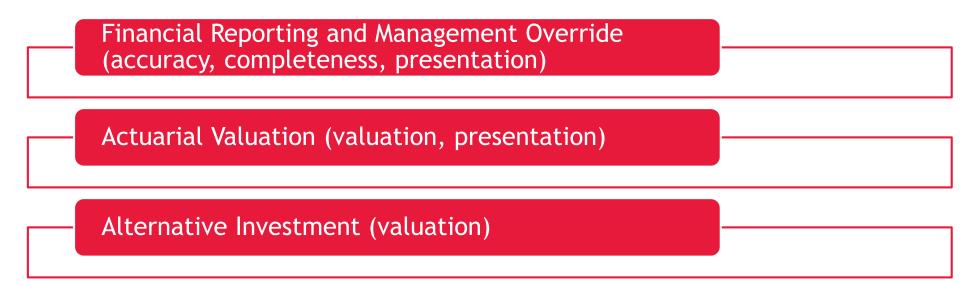
A discussion was held regarding the quality of the System's financial reporting, which included the following:

- ▶ Qualitative aspects of significant accounting policies and practices
- ▶ Our assessment of critical accounting estimates, accounting policies and practices
- ► Significant unusual transactions
- ► Financial statement presentation
- ▶ New accounting pronouncements
- ▶ Alternative accounting treatments



# Areas of Significant Risk

Our areas of significant risk, which are risks with both a higher likelihood of occurrence and a higher magnitude of effect that require special audit considerations, are as follows. Our audit procedures for these risks are detailed starting on page 14.



# **Corrected and Uncorrected Misstatements**

#### CORRECTED AND UNCORRECTED MISSTATEMENTS

- ▶ There were no corrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we brought to the attention of management.
- ▶ There were no uncorrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we presented to management.



# Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control.

Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the System's internal control over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Control Deficiency	A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
Significant Deficiency	A deficiency or combination of deficiencies in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
Material Weakness	A deficiency or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented or detected and corrected on a timely basis.

In conjunction with our audit of the financial statements, we noted no material weaknesses.



## Financial Reporting and Management Override

#### SUMMARY OF AREA OF SIGNIFICANT RISK

- System management controls in place are not designed and operated in a manner to maintain compliance with applicable rules and regulations and provisions of the Plan Document and Amendments.
- ► The System does not have sufficient controls to monitor the activities of the outside service providers.
- Significant changes to personnel and internal control processes increase the risk that an internal control failure will occur due to either the design or operation of a particular control.
- Entity level controls are not designed sufficiently to identify instances where management, due to the presence of fraud risk factors, may override the established controls and procedures to materially misstate the financial statements.

#### SUMMARY OF AUDIT PROCEDURES

To address this significant risk, we performed the following procedures:

- Reviewed internal controls in place over financial reporting, distributions, payroll data, investments, system expenses, and system obligations.
- Obtained and reviewed the Service Organization Controls reports for JPMorgan, the System's Custodian, and STP Investment Services, LLP, the system's investment accounting service provider.
- ▶ Performed interviews with a sample of members of Management, and other individuals and considered responses received in determining necessary audit procedures.
- ▶ The nature, timing and extent of our procedures across areas of the audit were also varied, mainly by auditing items that would be considered below our normal vouching scope.
- Performed detailed journal entry testing to review for any potential unusual or fraudulent transactions or instances of management override.

Changed since Planning Communication?	I	1
Specialized Skill or Knowledge Involved	[	1
Misstatement Identified	[	1

## **Actuarial Valuation**

#### SUMMARY OF AREA OF SIGNIFICANT RISK

- Management lacks significant judgement and expertise that is required in developing assumptions and performing evaluations.
- ▶ Actuarial valuation data is inaccurate or inconsistent.
- ▶ The effects of amendments, terminations, curtailments and other System events have not been reflected in the calculation.
- The actuarial calculation does not appropriately apply current standards.
- Actuarial provisions and assumptions are outside reasonable parameters.
- Disclosures over actuarial assumptions and funding issues are omitted or inaccurate.

#### SUMMARY OF AUDIT PROCEDURES

To address this significant risk, we performed the following procedures:

- ▶ Obtained actuarial reports and related requested data directly from the actuary.
- Ensured the census information provided was complete, accurate, and as of benefit information date.
- ▶ Tested census information in correlation with eligibility testing.
- Considered cash flow projections and determination of GASB 67 discount rates.
- ▶ Reviewed the actuarial valuation reports and utilized BDO's Actuarial Managing Director to perform an independent review of the reports and assumptions used. Primary areas of focus included demographic assumptions (mortality, termination prior to retirement, retirement and DROP participation eligibility which affect DROP utilization and retirement rates, disability) and economic assumptions (discount rate, inflation rate, investment rate of return, salary scale, administrative expenses, interest on DROP accounts) as well as the actuarial methods used (asset smoothing, actuarial cost method, amortization of unfunded actuarial accrued liability).
- Reviewed actuarial disclosures for completeness and accuracy during the review of the financial statements.

Changed since Planning Communication?	[ ]
Specialized Skill or Knowledge Involved	[ ]
Misstatement Identified	[ ]

## Alternative Investments

#### SUMMARY OF AREA OF SIGNIFICANT RISK

- Investments are improperly valued or classified in conformity with accounting principles generally accepted in the U.S.
- ► Investment transactions are not recorded in conformity with accounting principles generally accepted in the U.S.
- ▶ Management bias over the valuation of investments.

#### **SUMMARY OF AUDIT PROCEDURES**

To address this significant risk, we performed the following procedures:

- Obtained confirmations from investment managers and reviewed audited financial statements for investments selected. Reviewed confirmations for unusual items and misclassifications. Additionally, performed recalculations based on the unit values in the audited financials.
- Reviewed all complex investment valuation techniques and utilized BDO Valuation experts where necessary.
- Reviewed Management's valuation memos in obtaining an understanding of the supporting process for establishing fair value.
- ▶ Reconciled unit information recorded by the System to JPMorgan and to the fund's financial statements.
- Selected a sample of transactions for investment transaction testing and agreed the purchase/sales price to approved pricing sources.
- ▶ Reviewed Management's fair value considerations and fair value hierarchy by investment in correlation with GASB No. 72.

Changed since Planning Communication?	[ ]
Specialized Skill or Knowledge Involved	[ ]
Misstatement Identified	[ ]



# Significant Accounting Practices (including Policies, Estimates and Disclosures)

#### ACCOUNTING PRACTICES, POLICIES, ESTIMATES, AND DISCLOSURES

The following summarizes the more significant required communications related to our audit concerning the System's accounting practices, policies, and estimates:

The System's significant accounting practices and policies are those included in the notes to the financial statements. These accounting practices and policies are appropriate, comply with the applicable financial reporting framework and industry practice, were consistently applied, and are adequately described within the notes to the financial statements.

▶ There were no changes in significant accounting policies and practices during 2024.

Critical accounting estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The System's critical accounting estimates, including a description of management's processes and significant assumptions used in development of the estimates, are disclosed in the notes to the financial statements.

#### **Critical Accounting Estimates**

Valuation of the co-mingled investments (pooled, alternative, fixed income, & equity, but specifically those which are not publicly traded) and related net appreciation/depreciation and underlying disclosures.

Total and net pension liability and related disclosures and underlying assumptions (i.e. expected rate of return, inflation rates, and retirement rates)

▶ Management did not make any significant changes to the processes or significant assumptions used to develop the critical accounting estimates in 2024.



# **Other Required Communications**

Following is a summary of other required items, along with specific discussion points as they pertain to the System:

Requirement	Discussion Point
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our Audit Plan communications.
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the System's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
Alternative accounting treatment	No alternative accounting treatments permissible under the applicable financial reporting framework for policies and practices related to material items were identified and discussed with management.
Significant unusual transactions	During the year ended December 31,2024, we were not aware of any significant unusual transactions.
Consultations with other accountants	We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of requirements of an applicable financial reporting framework.
Significant findings and issues arising during the audit in connection with the System's related parties	We have evaluated whether the identified related party relationships and transactions have been appropriately identified, accounted for, and disclosed and whether the effects of the related party relationships and transactions, based on the audit evidence obtained, prevent the financial statements from achieving fair presentation.
Significant findings or issues arising during the audit that were discussed, or were the subject of correspondence, with management	There were no significant findings or issues arising during the audit that were discussed, or were the subject of correspondence, with management.

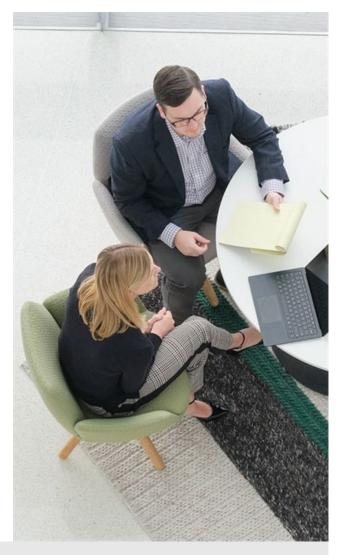
# Other Required Communications (cont.)

Following is a summary of other required items, along with specific discussion points as they pertain to the System:

Requirement	Discussion Point
Other matters significant to the oversight of the System's financial reporting process, including complaints or concerns regarding accounting or auditing matters	There are no other matters that we consider significant to the oversight of the System's financial reporting process that have not been previously communicated.
Representations requested from management	Please refer to the management representation letter that will be provided upon receipt.
Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the System's financial statements or to our auditor's report.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit.
Matters that are difficult or contentious for which the auditor consulted outside the engagement team	There were no difficult or contentious matters that we consulted with others outside the engagement team that we reasonably determined to be relevant to those charged with governance regarding their oversight of the financial reporting process.

# Independence

Our engagement letter to you dated February 25, 2025, describes our responsibilities in accordance with professional standards and certain regulatory authorities and Government Auditing Standards regarding independence and the performance of our services. This letter also stipulates the responsibilities of the System with respect to independence as agreed to by the System. Please refer to that letter for further information.





# Obtaining Information from Those Charged with Governance

As we complete our audit procedures, we perform final inquiries related to fraud and other matters to help inform any changes to our audit strategy and execution of our audit procedures. As part of the upcoming meeting with you, we would like to discuss the following topics with you to understand any matters of which you believe we should be aware since we last performed similar inquiries, including, but not limited to:

- ▶ Your views about the risk of material misstatements due to fraud, including the risk of management override of controls
- ▶ How you exercise oversight over the System's assessment of fraud risks and the establishment of controls to address these risks
- ▶ Your awareness of any actual, alleged or suspected fraud or illegal acts affecting the System
- > Your awareness of tips or complaints regarding the System's financial reporting and your response to such tips and complaints
- ▶ Your awareness of other matters relevant to the audit including, but not limited to, violations or possible violations of laws or regulations
- ▶ Your awareness of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.
- ▶ Your awareness of any significant communications between the System and regulators
- ▶ Your understanding of the System's relationships and transactions with related parties that are significant to the System
- ▶ Any business relationships between a BDO firm and the System or its affiliates
- ▶ Whether the System has entered into any significant unusual transactions
- ▶ Your awareness of any other information that is important to the identification and assessment of risks of material misstatement

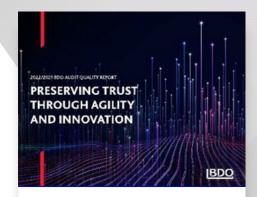


# BDO's System of Quality Management

An effective quality management system in an audit firm is crucial for supporting the consistent performance of high-quality audits and reviews of financial statements, or other assurance or related services engagements under professional standards, and applicable legal and regulatory requirements.

Accordingly, BDO has implemented a system of quality management designed to provide reasonable assurance that its professionals fulfill their responsibilities and conduct engagements in accordance with those professional standards, and legal and regulatory requirements. The firm's system of quality management supports the consistent performance of quality audits through many ongoing activities including, at least annually, certification by leaders with responsibility for key controls and related processes. Our Assurance Quality Management team performs regular reviews and testing of key controls and processes throughout the system of quality management and identifies and communicates areas for improvement. In addition, our Audit Quality Advisory Council supports our system of quality management by providing guidance and input on audit quality initiatives.

As required by International Standard on Quality Management 1 (ISQM 1) under the International Auditing and Assurance Standards Board (IAASB), BDO has conducted an evaluation of the effectiveness of its system of quality management and concluded, as of July 31, 2023, that, except for certain deficiencies related to the execution of its issuer audits, that system provides the reasonable assurance that our professionals will perform audits and reviews of financial statements or related assurance services engagements in accordance with professional standards, and applicable legal and regulatory requirements. BDO has either implemented or is designing remedial actions to address those deficiencies prior to our next evaluation.



We will continue to provide you with updates on our progress. Currently, you may find discussion of BDO's system of quality management within our annual <u>Audit Quality Reports</u>, the most recent of which is accessible <u>here</u>.

CLICK HERE TO ACCESS IAASB ISOM-1 IN ITS ENTIRETY >

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## **Supplemental**

## ITEM #B2

**Topic:** 2024 Annual Comprehensive Financial Report

**Discussion:** Staff will present the 2024 Annual Comprehensive Financial Report.

Staff

**Recommendation:** Authorize the Executive Director to issue the 2024 Annual Comprehensive

Financial Report and to forward the report to the Pension Review Board, the

City of Dallas and to post it on the DPFP website.

Supplemental Board Meeting- Thursday, November 13, 2025



## **Supplemental**

### **ITEM #B3**

**Topic:** Second Reading and Discussion of the 2026 Budget

**Discussion:** Attached is the budget proposal for Calendar Year 2026.

The budget has been prepared in total for both the Combined Pension Plan and the Supplemental Plan. Total expenses are then allocated to the Supplemental

Plan based upon the Group Trust allocation reported by BNY.

The first reading of the proposed budget was at the October 9, 2025, Board meeting. The proposed budget was posted on the DPFP website and submitted

to the City of Dallas for comment.

Since the first presentation of the proposed budget, the total 2026 proposed budget has increased \$43K to incorporate the change to the contribution rate for the employee retirement plan with Texas Municipal Retirement System

(TMRS).

Staff

Recommendation: Approve the proposed 2026 budget and authorize the Board Chairman and

Executive Director to execute the TMRS resolution increasing the employee

contribution rate effective January 1, 2026.

Supplemental Board Meeting- Thursday, November 13, 2025



## **Supplemental**

## **ITEM C**

**Topic:** Public Comment

**Discussion:** Comments from the public will be received by the Board.

Supplemental Board Meeting – Thursday, November 13, 2025