DALLAS POLICE & FIRE PENSION SYSTEM

MINUTES SUMMARY
Board Meeting
Thursday, May 14, 2015

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees was held at 8:30 a.m. on Thursday, May 14, 2015, in the Second Floor Board Room at 4100 Harry Hines Blvd., Dallas, Texas. Items of the following agenda were presented to the Board:

The meeting was called to order at 8:30 a.m.

A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of members and pensioners who recently passed away.

B. WELCOME NEW EXECUTIVE DIRECTOR

The Board welcomed Kelly Gottschalk, Executive Director. Ms. Gottschalk joined DPFP on April 15, 2015.

C. CONSENT AGENDA

Approved as amended, subject to the final review of the staff.

D. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Extended from January 1, 2015 to April 1, 2015, the date by which Members who had entered DROP could elect the undo provision, because of the DROP suspension and grace period for enrolling in DROP. Permitted deferred vested Members who retired and enrolled in DROP during the grace period to elect the undo provision. Approved the revised DROP Policy, subject to final review of the Executive Director and legal counsel.

2. Authorized the Executive Director to meet with the Nasher and Museum Tower homeowners and negotiate an agreement to be brought back to the Board in 90 days.

3. Received and filed the Pharos Capital Group presentation.

MINUTES SUMMARY
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4. Certified the results of the 2015 Trustee Run-off Election.

- For the Police Trustee Place #P-3 position, Officer Tho Tang Ho received a majority of the votes cast and is elected for the term of office from June 1, 2015 through June 1, 2019.
- For the Fire Trustee Place #F-2 position, Driver Engineer Brian Hass received a majority of the votes cast and is elected for the term of office from June 1, 2015 through June 1, 2019.
- For the Fire Trustee Place #F-3 position, Captain Clint Conway received a majority of the votes cast and is elected for the term of office from June 1, 2015 through June 1, 2019.

5. Provided direction to The Townsend Group, DPFP's real asset consultant, on how to proceed with open-ended commingled real estate funds.

6. Postponed discussion of RiverView, a real estate investment, to the June regular Board meeting.

7. Provided direction to NEPC, DPFP's general consultant, on how to proceed with the secondary fund search.

8. Received and filed the Buck Consultants, Inc. report on the 2014 actuarial valuation.

9. A motion was made and seconded to terminate the agreement with outside legal counsel. The motion failed.

10. Received and filed the monthly investment and financial reports.

11. Received and filed reports by Board and staff members on due diligence meetings, seminars and/or conferences attended.

12. Regarding pension-related legislative matters, voted to support Texas House Bill 3310 as written.

13. Received and filed the update on legal issues.

14. Received and filed the update on the search for the Chief Investment Officer.

MINUTES SUMMARY
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E. BRIEFING ITEMS

1. Received and filed comments from a member during the open forum.

2. Received and filed the Executive Director's report.

The meeting was adjourned at 3:18 p.m.

SUPPLEMENTAL POLICE AND FIRE PENSION BOARD MEETING

The meeting was called to order and recessed at 8:30 a.m.

The meeting was reconvened at 3:18 p.m.

A. CONSENT AGENDA

Approved, subject to the final review of the staff.

B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Received and filed the monthly investment and financial reports.

2. Received and filed the Buck Consultants, Inc. report on the 2014 actuarial valuation.

The Supplemental Board meeting was adjourned at 3:19 p.m.

In previous months, the Asset Distribution by Advisor Report was attached to the Minutes Summary. DPFP has discontinued use of this report in its previous form and is therefore no longer including it as an attachment to the Minutes Summary; however, the asset distribution by advisor information is presented to and discussed with the Board monthly. In addition, the Annual Report will continue to disclose net asset values by asset class in the footnotes to the audited financial statements.

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Dallas Police and Fire Pension System
Thursday, May 14, 2015
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

Regular meeting, George Tomasovic, Chairman, presiding:

ROLL CALL

Board Members

Present: Gerald D. Brown, Samuel L. Friar, Kenneth S. Haben, Philip T. Kingston, Lee M. Kleinman, John M. Mays, Richard A. Salinas, Joseph P. Schutz, George J. Tomasovic, Daniel W. Wojcik

Absent: Tennell Atkins, Scott Griggs

Staff Kelly Gottschalk, Joshua Mond, Summer Loveland, John Holt, Jerry Chandler, Corina Terrazas, Carlos Ortiz, Pat McGennis, Ryan Wagner, Milissa Schmidt, Christina Wu, Greg Irlbeck, Linda Rickley, Kevin Killingsworth

Others Gary Lawson, Robbie Briggs, Ilene Christ, Rob Witte, Clay Weaver, Andy Scott, Dr. Kneeland Youngblood, Bob Crants, Richard Brown (by telephone), Keith Stronkowsky (by telephone), David Driscoll, David Kent, Janie Shaw, Tho Ho, Brian Hass, Ken Sprecher, Jerry M. Rhodes, Keith Allen, Richard Todd, Clint Conway, Salvador Morales, Margaret Morales, Jim Aulbaugh, Jason Trahan, Michael Botsford

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The meeting was called to order at 8:30 a.m.

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A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officers Bobby J. Dale, James W. Owens and Floyd D. Simpson, and retired firefighters C. G. Contreras, Rayford L. Searcy, B. L. Simmons, B. G. Yarbrough, and active firefighter Joseph C. Tips, who recently passed away.

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B. WELCOME NEW EXECUTIVE DIRECTOR

The Board welcomed Kelly Gottschalk, Executive Director. Ms. Gottschalk joined DPFP on April 15, 2015.

C. CONSENT AGENDA

1. **Approval of Minutes**

   a. Regular meeting of April 9, 2015
   b. Special meeting of April 16, 2015

2. **Approval of Refunds of Contributions for the Month of April 2015**

3. **Approval of Activity in the Deferred Retirement Option Plan (DROP) for May 2015**

4. **Approval of Estate Settlements**

5. **Approval of Survivor Benefits**

6. **Approval of Service Retirements**

7. **Approval of Alternate Payee Benefits**

After discussion, Mr. Brown made a motion to approve the items on the Consent Agenda, as amended, subject to the final review of the staff. Mr. Friar seconded the motion, which was unanimously approved by the Board.

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D. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. **2014 Plan amendment election changes**

   Ms. Gottschalk stated that the membership voted to approve Plan changes in an election completed in November 2014. The changes generally were to become effective January 1, 2015. Because the Dallas District Court originally ruled the election null and void, leaving DPFP without a viable solution to DROP funding issues, the Board voted at its January meeting to suspend new enrollment in DROP

1. 2014 Plan amendment election changes (continued)

pending the final outcome of the litigation regarding the election. This decision provided a grace period to allow Members an opportunity through March 31, 2015 to enroll in DROP before implementation of the suspension. When the court reconsidered its decision and found in favor of DPFP, the Board voted at a special meeting on April 16, 2015 to implement the Plan changes and to remove the suspension on DROP enrollment.

There were three issues for the board to consider in the implementation of the Plan changes:

(a) Included in the Plan changes was a provision permitting Members in Active DROP to revoke their prior election to enroll in DROP. This opportunity, as provided in the Plan changes, was effective January 1, 2015 and expires June 30, 2015. The grace period giving Members not already in DROP the opportunity to enroll before DROP enrollment was suspended was intended to include them in the DROP changes, including the undo. It was considered that many Members might enroll in DROP during the grace period against their financial well being only because of the possibility that they might otherwise be denied the opportunity to enroll in DROP later.

The Plan language written to codify the Plan changes did not contemplate the initial ruling against DPFP. The January 1, 2015 effective date provided in the Plan language revision would not permit Members who enrolled in DROP during the DROP suspension grace period (January 1, 2015 through March 31, 2015) to elect the undo provision to revoke their DROP election. In its decision to suspend implementation of the Plan changes because of the litigation and to suspend DROP enrollment, it was the Board's clear intention to extend the effective date of the undo provision.

(b) Seven Members in deferred vested status retired and enrolled in DROP during the DROP suspension grace period. The intention of the undo was to permit DROP participants to revoke Active DROP. The undo was not intended to permit a Pensioner to revoke retirement. However, five of the seven retired before attaining age 50 and may have enrolled in DROP with the same intention as Active DROP participants to revoke enrollment in the event DROP was reinstated. Because of the terms of the Plan, the only way these Members could enroll in DROP prior to its potential closing was to retire with DPFP.

1. 2014 Plan amendment election changes (continued)

(c) DPFP included on the election ballot, but separate from the Plan changes, notice of the Board's intention to make certain changes to the DPFP DROP Policy in the event that the membership approved the Plan changes. The three primary revisions to the Policy would make the following changes:

(i) Only a beneficiary who is the spouse of a deceased DROP participant would be entitled to maintain a DROP account after the DROP participant's death.

(ii) DROP participants and spouse beneficiaries would be required to take full distribution of their DROP account balances in substantially equal installments over a period of less than 10 years.

(iii) DROP participants and spouse beneficiaries would no longer be able to elect an annuity as a DROP distribution option.

After discussion, Mr. Brown made a motion to (1) Extend from January 1, 2015 through March 31, 2015, the date by which Members who had entered DROP could elect the undo provision, (2) Permit any deferred vested Member who retired and enrolled in DROP during the grace period to withdraw his/her retirement and DROP applications, and (3) Approve the revised DROP Policy, subject to final review of the Executive Director and legal counsel. Mr. Haben seconded the motion, which was unanimously approved by the Board.

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2. Museum Tower

The Board went into a closed executive session – real estate at 8:38 a.m.

The meeting was reopened at 10:31 a.m.

After discussion, Mr. Wojcik made a motion to end the contract with Hines. Mr. Salinas seconded the motion, which failed by the following vote:

For: Wojcik, Salinas, Haben, Tomasovic
Against: Brown, Friar, Kingston, Kleinman, Mays, Schutz

2. Museum Tower (continued)

Mr. Brown made a motion to authorize the Executive Director to meet with the Nasher and Museum Tower homeowners and negotiate an agreement to be brought back to the Board in 90 days. Mr. Friar seconded the motion, which passed by the following vote:

For: Brown, Friar, Haben, Kleinman, Mays, Schutz
Against: Kingston, Salinas, Tomasovic, Wojcik

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3. Pharos Capital Group

Dr. Kneeland Youngblood, Co-Founder and Managing Partner and Bob Crants, Co-Founder and Managing Partner, of Pharos Capital Group, one of DPFP's Global Private Equity managers, provided an organizational update and portfolio review to the Board.

After discussion, Mr. Kleinman made a motion to receive and file the Pharos presentation. Mr. Brown seconded the motion, which was unanimously approved by the Board.

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4. Certification of Trustee election run-off results

Ms. Gottschalk stated that at the January 8, 2015 meeting, the Board called an election to fill four Trustee positions that expire on June 1, 2015. In certifying the results of the election at the April 9 meeting, the Board determined that no candidate received a majority of the votes cast for the Police Place P-3 and Fire Places F2 and F-3; therefore, the Board called for a run-off election between the two candidates receiving the most votes for each of the three Trustee Places. The run-off election began on April 28 and concluded on May 8.

The notarized results of the 2015 Trustee Run-off Election, as reported by Voice Retrieval and Information Services, Inc. and the Pension System Interim Administrator, are shown in Minute Book Number 43, pages 227-229.

For the Police Trustee Place #P-3 position, Officer Tho Tang Ho received a majority of the votes cast and is elected for the term of office from June 1, 2015 through May 31, 2019.

4. Certification of Trustee election run-off results (continued)

For the Fire Trustee Place #F-2 position, Driver Engineer Brian Hass received a majority of the votes cast and is elected for the term of office from June 1, 2015 through May 31, 2019.

For the Fire Trustee Place #F-3 position, Captain Clint Conway received a majority of the votes cast and is elected for the term of office from June 1, 2015 through May 31, 2019.

After discussion, Mr. Brown made a motion to certify the run-off election results. Mr. Salinas seconded the motion, which was unanimously approved by the Board.

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5. The Townsend Group: update on Open-Ended Real Estate Funds

Ms. Wu stated that at the June 19, 2014 Investment Advisory Committee (IAC) meeting, The Townsend Group provided a presentation on open-ended real estate funds. Prologis, Clarion Partners, and JP Morgan presented their real estate funds to the IAC at the same meeting.

At the January 8, 2015 meeting, the Board approved the Strategic Real Estate Allocation Plan which was presented by Townsend. The plan addressed the strategic objectives, risk controls, potential real estate investment policy guidelines and implementation of the strategy.

Richard Brown, of The Townsend Group, DPFP's real asset consultant, participated in the discussion by telephone. The Board directed The Townsend Group to bring options for potential managers to the Board in June.

No motion was made.

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6. RiverView sale

No discussion was held. No motion was made. The item was postponed to the June regular Board meeting.

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Election Services
www.VRelectionservices.com

May 8, 2015

Dallas Police & Fire Pension System
4100 Harry Hines Blvd Ste. 100
Dallas, Texas 75219

The following are the results for the 2015 Run-off voting term:

Police P-3

Candidates	Total	% Total	Telephone	Internet
Tho Tang Ho	596	57.58%	345	251
Dan Wojcik (Incumbent)	439	42.42%	282	157
Total	1,035	100.00%	627	408

Total Eligible Voters	3,534
Total Voters	1,035
Voter Turnout	29.29%

If you have questions, please call (800) 955-4156

Sworn to and subscribed before me this 8th day of May, 2015.

Melissa Christina Guevara
Notary Public, State of Texas

My commission expires 4/13/16

Dallas Corporate Office • 3222 Skylane Dr., Bldg 100, Carrollton, TX 75006 • (800) 955-4156

Election Services
www.VRelectionservices.com

May 8, 2015

Dallas Police & Fire Pension System
4100 Harry Hines Blvd Ste. 100
Dallas, Texas 75219

The following are the results for the 2015 Run-off voting term:

Fire F-2

Candidates	Total	% Total	Telephone	Internet
Brian Hass	474	53.74%	269	205
David M. Waks	408	46.26%	231	177
Total	882	100.00%	500	382

Total Eligible Voters	1,955
Total Voters	882
Voter Turnout	45.12%

If you have questions, please call (800) 955-4156

Sworn to and subscribed before me this 8th day of May, 2015.

Melissa Christina Duevara
Notary Public, State of Texas

My commission expires 4/13/16

Dallas Corporate Office • 3222 Skylane Dr., Bldg 100, Carrollton, TX 75006 • (800) 955-4156

Election Services
www.VRelectionservices.com

May 8, 2015

Dallas Police & Fire Pension System
4100 Harry Hines Blvd Ste. 100
Dallas, Texas 75219

The following are the results for the 2015 Run-off voting term:

Fire F-3

Candidates	Total	% Total	Telephone	Internet
Ryan Aylward	378	42.95%	211	167
Clint Conway	502	57.05%	289	213
Total	880	100.00%	500	380

Total Eligible Voters	1,955
Total Voters	880
Voter Turnout	45.01%

If you have questions, please call (800) 955-4156

Sworn to and subscribed before me this 8th day of May, 2015.

Melissa Christina Linares
Notary Public, State of Texas

My commission expires 4/13/16

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7. NEPC: Private equity secondary fund search

Staff stated that NEPC presented the "Private Equity Program Review and 2015 Strategic Investment Plan" at the February 19, 2015 IAC meeting. As a continuation, Keith Stronkowsky, of NEPC, DPFP's general investment consultant, participated by telephone in the discussion of the process and timing of recommending potential secondary fund investments to the Board.

The Board directed NEPC to bring managers to the Board. No motion was made.

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8. Reports and recommendations of Buck Consultants, including, but not limited to:

2014 actuarial valuation

David Driscoll, David Kent, and Janie Shaw, of Buck Consultants, LLC, the System's actuary, were present and discussed the 2014 actuarial valuation reports for DPFP as of January 1, 2015.

After discussion, Mr. Mays made a motion to receive and file the Buck Consultants, LLC report on the 2014 actuarial valuation. Mr. Salinas seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 1:54 p.m.

The meeting was reconvened at 2:05 p.m.

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9. Outside legal fees

Staff reviewed with the Board a breakdown of the fees of Strasburger & Price, LLP, DPFP's outside legal counsel.

After discussion, Mr. Kleinman made a motion to terminate the agreement with Strasburger & Price, LLP. Mr. Kingston seconded the motion, which failed by the following vote:

For: Kleinman, Kingston
Against: Brown, Friar, Haben, Mays, Salinas, Schutz, Tomasovic, Wojcik

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The meeting was recessed at 11:42 a.m.

The meeting was reconvened at 12:38 p.m.

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10. Investment and financial reports

Mr. Irlbeck reviewed the investment and financial reports with the Board.

After discussion, Mr. Salinas made a motion to receive and file the Group Trust Asset Allocation Report, Monthly NAV and DROP Balances Report, DROP as % of NAV Report, and JPMorgan DPFPS Performance - Preliminary Report Package. Mr. Haben seconded the motion, which was unanimously approved by the Board.

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11. Staff and Board Members' reports on due diligence meetings, seminars and/or conferences attended

Reports were given on the following meetings. Those who attended are listed.

a. IFEBP: Health Care Management Conference

Mr. Salinas

b. Harvard Law School: Labor and Worklife Program

Mr. Schutz

11. Staff and Board Members' reports on due diligence meetings, seminars and/or conferences attended (continued)

c. Salient MLP & Private Energy Conference

Messrs. Haben, Mays

d. NCPERS Trustee Educational Seminar (TEDS)

Messrs. Haben, Friar, Schutz, Wojcik, Ms. Gottschalk

e. NCPERS Annual Conference

Messrs. Haben, Wojcik, Brown, Schutz, Salinas, Friar, Tomasovic, Mays, Rohan, Mond, Ms. Gottschalk

f. Texans for Secure Retirement

Mr. Brown

After discussion, Mr. Salinas made a motion to receive and file the reports. Mr. Wojcik seconded the motion, which was unanimously approved by the Board.

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12. Pension-related legislative issues

a. Hillco Partners - client advisory on state and local legislative issues
b. Locke Lord LLP – client advisory on federal and state legislative issues

Mr. Mond reported to the Board on legislative issues.

After discussion, Mr. Wojcik made a motion to vote to support Texas House Bill 3310 as written. Mr. Haben seconded the motion, which was unanimously approved by the Board.

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13. Legal issues

a. Police Officer and Firefighter pay lawsuits
b. 2014 Plan amendment election and litigation

The Board went into a closed executive session – legal at 3:08 p.m.

The meeting was reopened at 3:10 p.m.

After discussion, Mr. Salinas made a motion to receive and file the update on legal issues. Mr. Friar seconded the motion, which was unanimously approved by the Board.

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14. Executive search for Chief Investment Officer position

Status update

Ms. Gottschalk and Mr. Friar, Chair of the Executive Search Committee, provided an update on the search for the Chief Investment Officer.

After discussion, Mr. Salinas made a motion to receive and file the update. Mr. Brown seconded the motion, which was unanimously approved by the Board.

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E. BRIEFING ITEMS

1. Reports and concerns of active members and pensioners of the Dallas Police and Fire Pension System

Received comments from members.

No motion was made.

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2. Executive Director's report

Associations' newsletters

- NCPERS Monitor (May 2015)
- TEXPERS Outlook (April 2015)
- TEXPERS Outlook (May 2015)
- TEXPERS Pension Observer (Spring 2015)

No motion was made.

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Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Salinas and a second by Mr. Brown, the meeting was adjourned at 3:18 p.m.

[signature]

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George J. Tomasovic
Chairman

ATTEST:

[signature]

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Kelly Gottschalk
Secretary