



D A L L A S
POLICE & FIRE
PENSION SYSTEM



MINUTES SUMMARY
Board Meeting
Thursday, September 14, 2017

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees was held at 8:30 a.m. on Thursday, September 14, 2017, in the Second Floor Board Room at 4100 Harry Hines Blvd., Dallas, Texas. Due to scheduling conflicts, certain of the items originally planned for the September 14, 2017 Board meeting agenda were postponed to a later date. Items of the following agenda were presented to the Board:

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

A. TRUSTEES

1. The following mayoral appointments to the Dallas Police & Fire Pension System Board were acknowledged: Nicholas A. Merrick, Ray Nixon, William F. Quinn, Frederick E. Rowe, Robert C. Walters, Kneeland Youngblood.
2. The Board elected William F. Quinn as Interim Chairman until the full Board is seated. At that time, the full Board will elect a Chairman, Vice-Chairman, and Deputy Vice-Chairman.

B. MOMENT OF SILENCE

Postponed.

C. CONSENT AGENDA

Approved by the Board, subject to the final review of the staff.

D. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Legal counsel briefed the Board on the Alexander legal issues. All other legal issues were postponed. The Board authorized the Executive Director and General Counsel to engage Haynes & Boone to represent DFPF and all DFPF employees named in the pending litigation with Columbus Alexander.
2. Postponed.

MINUTES SUMMARY
Board Meeting
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3. The Board discussed an application for an On-Duty disability pension. No motion was made.
4. Postponed.
5. Postponed.
6. Postponed.

E. BRIEFING ITEMS

Postponed.

The regular Board meeting was adjourned at 9:00 a.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 8:56 a.m.

A. CONSENT AGENDA

Approved by the Board, subject to the final review of the staff.

B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

Postponed.

The Supplemental Board meeting was adjourned at 8:57 a.m.

Dallas Police and Fire Pension System
Thursday, September 14, 2017
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

Regular meeting, William F. Quinn, Interim Chairman, presiding:

ROLL CALL

Board Members

Present at 8:32 William F. Quinn, Ray Nixon, Nicholas A. Merrick, Frederick E. Rowe, Kneeland Youngblood (via telephone), Robert C. Walters (via telephone)

Absent: None

Staff

Kelly Gottschalk, Josh Mond, Summer Loveland, John Holt, Damion Hervey, Cynthia Thomas, Ryan Wagner, Milissa Romero, Linda Rickley

Others

Mike Bartis, Jerry W. Knoerr, Jimmy C. Davis, Tom Moore, Kenneth S. Haben, Rick Salinas, Dan Wojcik, Samuel L. Friar, Julian Bernal, Joseph P. Schutz, Frank Ruspoli, Lingburge Williams, David Tafalla, Lori Brown

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

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A. TRUSTEES

1. Welcome of newly appointed Trustees

The following mayoral appointments to the Dallas Police & Fire Pension System Board were acknowledged: Nicholas A. Merrick, Ray Nixon, William F. Quinn, Frederick E. Rowe, Robert C. Walters, Kneeland Youngblood.

No motion was made.

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**Regular Board Meeting
Thursday, September 14, 2017**

2. Election of Interim Chairman of the Board of Trustees

After discussion, Mr. Nixon made a motion to elect William F. Quinn as Interim Chairman until the full Board is seated. At that time, the full Board will elect a Chairman, Vice-Chairman, and Deputy Vice-Chairman. Mr. Youngblood seconded the motion, which was unanimously approved by the Board.

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B. MOMENT OF SILENCE

This item was postponed to a later date.

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C. CONSENT AGENDA

- 1. Approval of Refunds of Contributions for the Month of August 2017**
- 2. Approval of Activity in the Deferred Retirement Option Plan (DROP) for September 2017**
- 3. Approval of Estate Settlements**
- 4. Approval of Survivor Benefits**
- 5. Approval of Service Retirements**
- 6. Approval of Alternate Payee Benefits**
- 7. Approval of Payment of DROP Revocation Contributions**
- 8. Approval of Payment of Military Service Contributions**
- 9. Denial of Unforeseen Emergency Requests**

After discussion, Mr. Nixon made a motion to approve the items on the Consent Agenda, subject to the final approval of the staff. Mr. Merrick seconded the motion, which was unanimously approved by the Board.

Regular Board Meeting
Thursday, September 14, 2017

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D. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Legal issues

- a. Potential claims involving fiduciaries and advisors
- b. DPFP v. The Townsend Group and Gary Lawson
- c. Eddington et al. v. DPFP
- d. Rawlings v. DPFP
- e. DPFP v. Columbus A. Alexander III
- f. Degan et al. v. DPFP (Federal suit)

The Board went into a closed executive session – legal at 8:57 a.m., which included all Trustees present at the meeting.

The meeting was reopened at 8:59 a.m.

After discussion, Mr. Nixon made a motion to authorized the Executive Director and General Counsel to engage Haynes & Boone to represent DPFP and all DPFP employees named in the pending litigation with Columbus Alexander. Mr. Youngblood seconded the motion, which was unanimously approved by the Board.

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2. Overview of certain Pension System information, policies and data

- a. Organizational structure
- b. Budget
- c. Investment Policy Statement and Investment Advisory Committee
- d. Current contractual agreements
- e. Insurance policies
- f. Board policies, including ethics policies
- g. Board educational requirements

This item was postponed to a later date.

**Regular Board Meeting
Thursday, September 14, 2017**

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3. Closed Session - Board serving as Medical Committee

Disability application

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

The meeting was reopened at 8:56 a.m.

No motion was made.

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4. Investment reports

This item was postponed to a later date.

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5. House Bill 3158 transition status

This item was postponed to a later date.

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6. Draft calendar of upcoming Board agenda items

This item was postponed to a later date.

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E. BRIEFING ITEMS

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

This item was postponed to a later date.

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Regular Board Meeting
Thursday, September 14, 2017

2. Executive Director's report

Associations' newsletters

- NCPERS Monitor (August 2017)

This item was postponed to a later date.

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Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Merrick and a second by Mr. Nixon, the meeting was adjourned at 9:00 a.m.

[signature]

William F. Quinn
Interim Chairman

ATTEST:

[signature]

Kelly Gottschalk
Secretary

AGENDA



Date: September 8, 2017

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, September 14, 2017, in the Second Floor Board Room at 4100 Harry Hines Boulevard, Dallas, Texas.** Items of the following agenda will be presented to the Board:

A. TRUSTEES

- 1. Welcome of newly appointed Trustees**
- 2. Election of Interim Chairman of the Board of Trustees**

B. MOMENT OF SILENCE

C. CONSENT AGENDA

- 1. Approval of Refunds of Contributions for the Month of August 2017**
- 2. Approval of Activity in the Deferred Retirement Option Plan (DROP) for September 2017**
- 3. Approval of Estate Settlements**
- 4. Approval of Survivor Benefits**
- 5. Approval of Service Retirements**
- 6. Approval of Alternate Payee Benefits**
- 7. Approval of Payment of DROP Revocation Contributions**
- 8. Approval of Payment of Military Service Contributions**
- 9. Denial of Unforeseen Emergency Requests**

D. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Legal issues

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.071 of the Texas Government Code.

- a. Potential claims involving fiduciaries and advisors
- b. DPF v. The Townsend Group and Gary Lawson
- c. Eddington et al. v. DPF
- d. Rawlings v. DPF
- e. DPF v. Columbus A. Alexander III
- f. Degan et al. v. DPF (Federal suit)

2. Overview of certain Pension System information, policies and data

- a. Organizational structure
- b. Budget
- c. Investment Policy Statement and Investment Advisory Committee
- d. Current contractual agreements
- e. Insurance policies
- f. Board policies, including ethics policies
- g. Board educational requirements

3. Closed Session - Board serving as Medical Committee

Discussion of the following will be closed to the public under the terms of Section 551.078 of the Texas Government Code:

Disability application

4. Investment reports

5. House Bill 3158 transition status

6. Draft calendar of upcoming Board agenda items

E. BRIEFING ITEMS

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

2. Executive Director's report

Associations' newsletters

- NCPERS Monitor (August 2017)

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, and Section 551.078 for review of medical records.



DISCUSSION SHEET

ITEM #A1

Topic: Welcome of newly appointed Trustees

Discussion: Pursuant to HB 3158, Mayor Rawlings has appointed six trustees to the DPFP Board with their terms commencing September 1, 2017. The new trustees are as follows:

William F. Quinn
Kneeland Youngblood
Ray Nixon
Nicholas A. Merrick
Frederick E. Rowe
Robert C. Walters



DISCUSSION SHEET

ITEM #A2

Topic: Election of Interim Chairman of the Board of Trustees

Discussion: Pursuant to HB 3158, election of Board officers may not occur until the full Board is seated. However, due to the need to have a member of the Board conduct Board meetings, the Board may elect a current member to act as Interim Chairman until the full Board is seated.

Staff Recommendation: Elect an Interim Chairman of the Board of Trustees.



ITEM #B

MOMENT OF SILENCE

In memory of our Members and Pensioners who recently passed away

(August 10, 2017 – September 4, 2017)

| NAME | ACTIVE/ RETIRED | DEPARTMENT | DATE OF DEATH |
|----------------------|--------------------|------------|-------------------|
| W. F. Dyson, Jr. | Retired | Police | August 10, 2017 |
| James L. Clay | Retired | Fire | August 11, 2017 |
| Marcus R. Smedley | Retired | Fire | August 16, 2017 |
| Robert G. Damesworth | Retired | Fire | August 24, 2017 |
| Robert H. Wesley | Retired | Fire | August 29, 2017 |
| Ben F. Williamson | Retired | Fire | August 29, 2017 |
| William E. Hall | Retired | Police | September 4, 2017 |

Regular Board Meeting – Thursday, September 14, 2017



DISCUSSION SHEET

ITEM #D1

Topic: Legal issues

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.071 of the Texas Government Code.

- a. Potential claims involving fiduciaries and advisors
- b. DPF v. The Townsend Group and Gary Lawson
- c. Eddington et al. v. DPF
- d. Rawlings v. DPF
- e. DPF v. Columbus A. Alexander III
- f. Degan et al. v. DPF (Federal suit)

Discussion: Counsel will brief the Board on these issues.



DISCUSSION SHEET

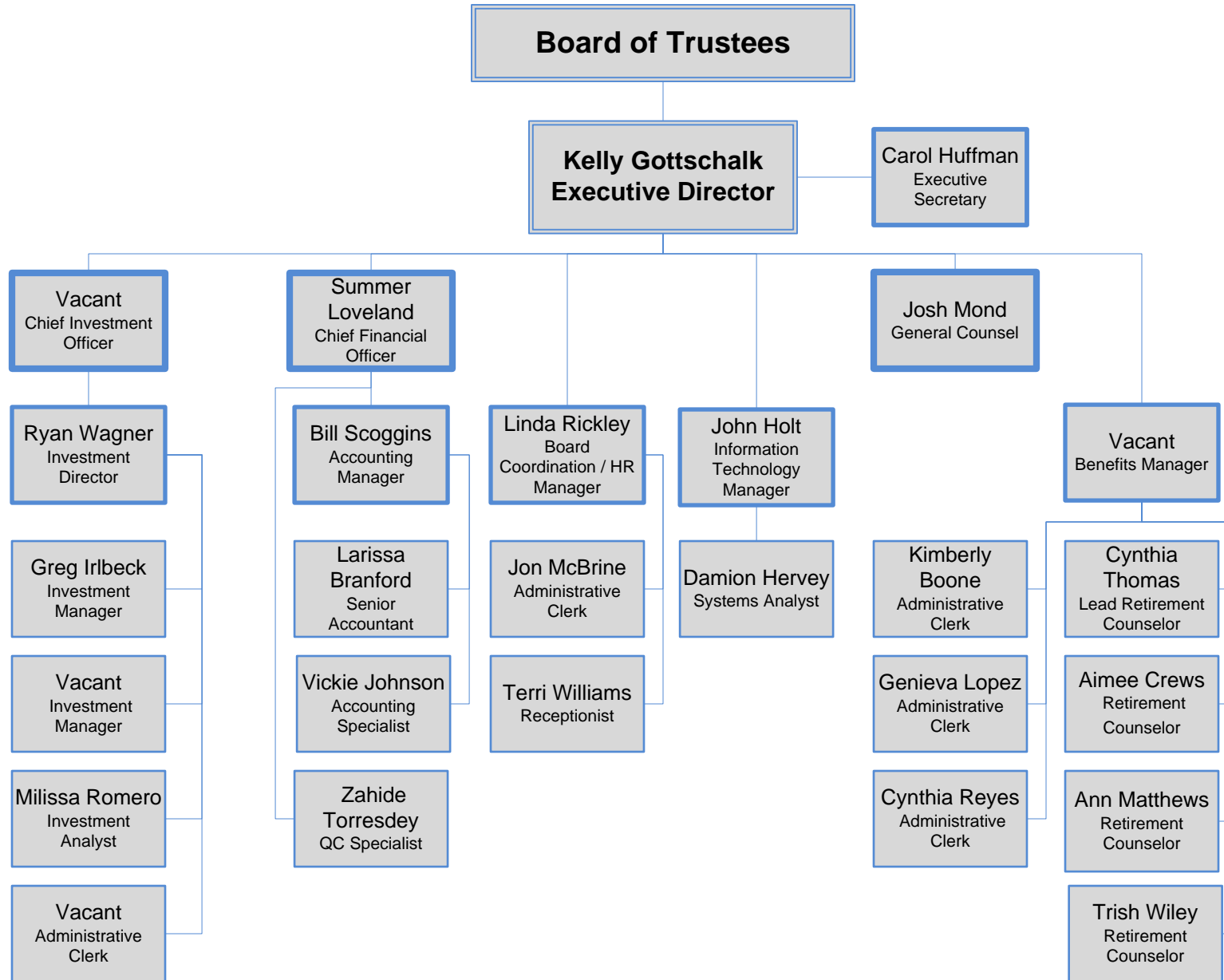
ITEM #D2

Topic: Overview of certain Pension System information, policies and data

- a. Organizational structure
- b. Budget
- c. Investment Policy Statement and Investment Advisory Committee
- d. Current contractual agreements
- e. Insurance policies
- f. Board policies, including ethics policies
- g. Board educational requirements

Discussion: Staff will provide an overview of certain organizational and operational topics as requested by the Board for the inaugural meeting of the new Trustees. The current organization chart and 2017 annual budget are attached. Additional supporting documents will be provided for reference prior to the board meeting.

Dallas Police & Fire Pension System Organization Chart



BUDGET CALENDAR YEAR 2017

| Description | 2016 Budget | 2017 Budget | \$ Change vs Prior Yr Budget | % Change vs Prior Yr Budget |
|---|-------------------|-------------------|------------------------------------|-----------------------------------|
| 1 Salaries and benefits | 4,248,074 | 4,199,476 | (48,597) | -1.1% |
| 2 Employment expenses | 3,585 | 3,009 | (576) | -16.1% |
| 3 Memberships and dues | 19,107 | 17,600 | (1,507) | -7.9% |
| 4 Staff meetings | 1,400 | 1,000 | (400) | -28.6% |
| 5 Employee service recognition | 2,210 | 1,960 | (250) | -11.3% |
| 6 Member educational programs | 19,450 | 2,500 | (16,950) | -87.1% |
| 7 Member outreach programs | 750 | 720 | (30) | -4.0% |
| 8 Disability medical evaluations | 15,000 | 12,500 | (2,500) | -16.7% |
| 9 Elections | 40,000 | 10,000 | (30,000) | -75.0% |
| 10 Board meetings | 30,580 | 13,360 | (17,220) | -56.3% |
| 11 Conference registration/materials - Board | 21,600 | 51,615 | 30,015 | 139.0% |
| 12 Travel - Board | 208,400 | 128,335 | (80,065) | -38.4% |
| 13 Mileage - Board | - | 5,000 | 5,000 | n/a |
| 14 Conference/training registration/materials - Staff | 52,320 | 32,450 | (19,870) | -38.0% |
| 15 Travel - Staff | 131,700 | 60,550 | (71,150) | -54.0% |
| 16 Building expenses, incl capitalizable fixed assets | 700,967 | 599,266 | (101,701) | -14.5% |
| 17 Office supplies | 34,850 | 31,800 | (3,050) | -8.8% |
| 18 Leased equipment | 25,000 | 20,500 | (4,500) | -18.0% |
| 19 Postage | 30,400 | 27,700 | (2,700) | -8.9% |
| 20 Printing | 47,825 | 5,635 | (42,190) | -88.2% |
| 21 Repairs and maintenance | 60,450 | 97,508 | 37,058 | 61.3% |
| 22 Subscriptions | 1,726 | 2,510 | 784 | 45.4% |
| 23 Records storage | 960 | 1,200 | 240 | 25.0% |
| 24 Liability insurance | 326,378 | 447,667 | 121,289 | 37.2% |
| 25 Bank/security custodian services | 415,040 | 328,600 | (86,440) | -20.8% |
| 26 Actuarial services | 600,000 | 600,000 | - | 0.0% |
| 27 Accounting services | 59,000 | 59,000 | - | 0.0% |
| 28 Independent audit | 165,000 | 149,500 | (15,500) | -9.4% |
| 29 Investment consultant and reporting | 675,000 | 575,000 | (100,000) | -14.8% |
| 30 Real estate consultant | 200,000 | - | (200,000) | -100.0% |
| 31 Legal fees | 2,500,000 | 2,514,800 | 14,800 | 0.6% |
| 32 Legislative consultants | 260,000 | 324,000 | 64,000 | 24.6% |
| 33 Public relations | 100,000 | 290,000 | 190,000 | 190.0% |
| 34 Miscellaneous professional services | 52,250 | 122,000 | 69,750 | 133.5% |
| 35 Communications (phone/internet) | 76,800 | 64,312 | (12,488) | -16.3% |
| 36 Business continuity | 48,700 | 13,500 | (35,200) | -72.3% |
| 37 Network security | 50,000 | 35,000 | (15,000) | -30.0% |
| 38 Pension administration software & WMS | 306,000 | 271,000 | (35,000) | -11.4% |
| 39 Information technology projects | 145,000 | 20,000 | (125,000) | -86.2% |
| 40 IT subscriptions/services/licenses | 59,125 | 122,950 | 63,825 | 107.9% |
| 41 IT software/hardware | 43,400 | 39,800 | (3,600) | -8.3% |
| 42 Contingency reserve | - | - | - | n/a |
| Gross Total | 11,778,047 | 11,303,323 | (474,723) | -4.0% |
| Less: Allocation to Supplemental Plan Budget* | 78,406 | 75,246 | (3,160) | -4.0% |
| Total Regular Plan Budget | 11,699,640 | 11,228,077 | (471,563) | -4.0% |

* Unitization split to Supplemental is based on unitization as of 8/31/16 of .67%



DISCUSSION SHEET

ITEM #D3

Topic: Closed Session - Board serving as Medical Committee

Discussion of the following will be closed to the public under the terms of Section 551.078 of the Texas Government Code:

Disability application

Discussion: Staff will present an application for On -Duty disability pension for consideration by the Board in accordance with Section 6.03 of the Plan. Documentation will be available at the meeting.



D A L L A S
POLICE & FIRE
PENSION SYSTEM



**DISABILITY PENSION
APPLICATION POLICY**

As Amended Through October 12, 2006

DISABILITY PENSION APPLICATION POLICY

Amended Through October 12, 2006

A. PURPOSE

The Board of Trustees ("Board") of the Dallas Police and Fire Pension System ("System") hereby adopts the following as its policy ("Policy") for processing disability pension applications of System members ("Member"). This Policy establishes a coordinated and documented means for considering Members' applications for disability pensions under the Combined Pension Plan ("Plan").

The Board intends that this Policy will clarify the requirements for a disability pension, the rights and responsibilities of the Member and the role of the Staff and Board in the Application process. The System's Administrator will adopt formal and/or informal procedures that will not conflict with this Board Policy to facilitate the disability application process.

B. REASONABLE ACCOMMODATION

As employees of the City of Dallas, Members have the right to reasonable accommodations from their Departments if those accommodations would make it possible to perform their jobs. Persons who feel that a reasonable accommodation might be beneficial should discuss this possibility with their doctor(s) and with their Department before applying for disability benefits.

C. PHYSICIAN

For purposes of this Policy, the term "physician" means a licensed medical doctor or doctor of osteopathic medicine.

D. BOARD MEETING PROCEDURES

1. Unless a Member requests otherwise, any testimony or discussion regarding the Member's medical condition will be held in a session that is closed to the public. The Board will render in open session its determination concerning the Member's disability application. The medical records related to the Member will be kept confidential pursuant to federal law.



D. BOARD MEETING PROCEDURES (continued)

2. The Member may attend all portions of the Board meeting dealing with his or her application in person or through a representative. The Member, or the Member's representative, may be accompanied by legal counsel or any other person desired.
3. The Board may require the Member and any persons who can provide information regarding the Member's disability claim to be present during consideration of the Member's application for disability retirement benefits.
4. The Board, in its sole discretion, may subpoena witnesses (physicians, co-workers, supervisors, or anyone else who can provide useful information).
5. The Member, or the Member's representative, may present evidence that might bear on the Member's entitlement for disability benefits, including testimonial evidence given under oath by any person with knowledge of facts of the situation.
6. The Member may ask the Pension Office to call any person who may have knowledge of the facts of the disability to appear before the Board. Upon receiving such request, the Pension Office will attempt to call the person(s) to appear before the Board. The Member's request must be in writing and should be received by the Pension Office at least 10 working days before the scheduled meeting. Receipt of a request less than 10 days before the meeting may require an additional postponement of the Member's hearing. If a person who may have relevant information is not in attendance the Board may, if it sees fit, attempt to contact that person by speaker telephone during the course of the hearing. Any communication about the matter must be audible to all in attendance.
7. Witnesses, whether called by the board or requested by the Member, may be questioned under oath.
8. When considering an application for disability benefits, the Board may decide that additional information on some subject relating to the application is desirable. If so, then it may defer action until a subsequent meeting.

E. THE BOARD'S DECISION

1. The Board will make its decision whether to grant or deny an application for disability retirement benefits in accordance with this Policy and the requirements of Section 6.03 and 6.05 of the Plan.
 - a. The Board shall have the sole and absolute duty to be the final "finder of fact". The Board will take into account and evaluate the claim of the Member, any reports as to any injury or illness, as well as any evidence in reports submitted by the System's private investigator, the Member's attending physician, the City's Medical Officer and/or the independent physician and any other medical provider, and any other witnesses who present evidence or testimony at the Board meeting.
 - b. As the finder of fact, the Board will determine the weight to give to any reports or testimony using the same considerations that they apply in everyday life when questions of truth and credibility arise. The Board will, for example, consider any possible bias or prejudice a witness may have, his or her interest, or lack of interest in the outcome of the hearing, the person's ability to observe facts correctly, and to remember and relate them truly and accurately. No relevant fact shall be determined merely by the number of witnesses testifying for or against the fact. Whether to believe all, some or none of a witness' testimony is for the Board alone to decide, using each Board member's knowledge of and experience with human nature.
2. The Board's written decision regarding the Member's application for a disability pension will be provided to the Member within 10 working days of the Board's meeting in which the decision was made.

F. RECONSIDERATION OF A BOARD DECISION

1. If a Member's application for a disability pension has been denied, the Board will consider its reactivation only if, within 90 days of the decision, the Member provides the Board with additional medical evidence that directly relates to the disability application and a written request for reactivation.

F. RECONSIDERATION OF A BOARD DECISION (continued)

2. A Member's timely request for reactivation of a Disability Pension Benefit application will be presented to the Board at its next scheduled regular meeting.
3. A Member's request for reactivation of a Disability Pension Benefit application after 90 days from the Board's denial of the Member's application will be treated as a request to initiate an application for a Disability Pension and begin the process again.

G. APPEAL OF BOARD'S DECISION

A Member may seek to appeal the decision of the Board in the Dallas County District Court in accordance with the provisions of Sections 6.18(b) and (c) of the Plan.

H. FAILURE TO COOPERATE

If a Member does not cooperate in the disability application process, such as by failing to respond to requests to schedule required examinations, to appear for any appointment or meeting, or to provide the Pension Office with requested materials, or otherwise fails to actively pursue the application process, the Board may treat the Member's application as withdrawn. If this happens, a Member who still wants to qualify for a Disability Pension Benefit must reapply.

I. OTHER GUIDELINES

1. The Member must pay any costs (his or her own doctor's fees, copying records, etc.) incurred in completing the initial application. The System bears the cost of medical review by the City's Health Director, any independent medical examinations ordered by the System and other reasonable costs associated with the disability application.

I. OTHER GUIDELINES (continued)

2. If the System receives credible information that an applicant is engaging in activities that are inconsistent with the statements made by or on behalf of that person or are inconsistent with payment of disability benefits, the Administrator will advise the Board Chairman of the information. Then, unless instructed by the Chairman to first present the issue to the Board at a Board meeting, the Administrator will obtain the services of a private investigative service. The private investigative service shall be authorized to investigate the accuracy of the information received by the System. Any such investigation shall be conducted with reasonable regard for the Member's dignity, shall not be in violation of law and any report shall be written in a thorough, proper and dignified manner. No activity on the disability pension application or payment will take place pending consideration by the Board of the report of the private investigative service.
3. Any investigator who reports to the Board may be called to testify under oath and may be examined at such time by the Board, the Member or the Member's representative.
4. The Member's failure to appear without good cause shown shall not prevent the Board from considering the matter and entering a final decision based upon all the evidence presented.
5. The Board will process disability pension applications as quickly as possible; however, a minimum of 3 months can be expected for completion of the process.
6. If the Board is unable to complete its review of the Member's application for a disability pension at the first meeting it is considered, and if the Member is eligible for a retirement pension, then the Member may request a retirement pension pending completion of the Board's review. If the Member's application for a disability pension is later granted by the Board, the Board will change the Member's pension status retroactively from Service Retirement to Disability Retirement.
7. Other than as stated in the preceding paragraph, once a Member goes on Service Retirement, or becomes a participant in the System's DROP program, the Member is no longer eligible to apply for a Disability Pension Benefit.

I. OTHER GUIDELINES (continued)

8. If the Board is convinced that the Member's disability is wholly and immediately incapacitating, the Board may waive the requirement that a Member be unable to work for the 90 days immediately preceding the effective date of a disability retirement.
9. The Board may order future medical examinations and recalls. As a general rule, it will not require examinations or recalls more frequently than once in every 6 months.
10. Any application for a service-connected disability will be considered for a non service-connected disability in the event the Board finds the condition is not service connected.

APPROVED on October 12, 2006 the Board of Trustees of the Dallas Police and Fire Pension System.

Gerald Brown
Chairman

ATTEST:

Richard L. Tettamant
Secretary





DISCUSSION SHEET

ITEM #D4

Topic: Investment reports

Discussion: Staff will provide a review of significant investment activity over the past year and discuss the August 2017 monthly investment and preliminary performance reports with the Board. The August reports will be provided separately the day prior to the Board meeting.



D A L L A S
POLICE & FIRE
PENSION SYSTEM



Review of Significant Investment Activity

Investment Activity over past 12 months

In Millions (Approximately)

SECONDARY PROCEEDS

\$246

REAL ESTATE SALES

\$89

NATURAL RESOURCES SALES

\$47

\$(140)

DEBT PAYOFF

\$(361)

UNFUNDED COMMITMENTS
REDUCTION

\$(395)

NEW INVESTMENTS

Secondary Sales

- Evercore was engaged to broadly market a portfolio of DFPF's private fund investments, resulting in **19 bids** for select investments and sub-portfolios
- Staff negotiated **\$7m price increase** with the buyer
- DFPF Board approved sale in December 2016
- DFPF received **\$246m** in proceeds from the sale of interests in **26 fund** partnerships at a blended price of **88% of NAV**
- Separately, the Board approved a sale of two direct managed-lanes investments in May 2017. The sale is expected to close by the end of September.

- DPFP sold 5 individual real estate assets, as well as several condo units, over the past 12 months
- DPFP has received **\$89m in proceeds** from these sales

Natural Resources Sales

- The target allocation to Natural Resources (timber and agriculture) was reduced from 10% to 5% based on the updated asset allocation approved in 2016
- Over the past 12 months, DPFP has received **\$47m** in sales proceeds from timber and agriculture sales
- Based on offers received and properties under contract, DPFP expects to receive another **\$49m** in proceeds by year-end

Debt Pay Off & Unfunded Commitment Reduction

- DPFP paid \$140m in principal on its plan level debt over the last 12 months and the debt was paid off in full in July 2017. DPFP had over \$400m in plan level debt in 2014.
- Through secondary sales and funding of capital calls, DPFP reduced unfunded commitments (including real estate debt obligation) by **\$361m** over the past 12 months to **\$162m** as of 8/31/17. The secondary sales reduced unfunded commitments by **\$108m**.
- Real estate debt obligation (RCH company level) was reduced from **\$190m** outstanding at 12/31/16 to current level of **\$76.1m** through a \$56.4m funding of capital by DPFP and \$57.5m payment from RCH with proceeds from property sales.
- With a lower level of unfunded commitments and no plan level debt remaining, DPFP is better able to plan for cash needs and manage to the target asset allocation with less uncertainty around outflows.

New Investments over past 12 months

DPPF approved and/or funded investments of approximately **\$395m to 6 new managers**

| Manager | Asset Category | Asset Class | Amount | Actual/Expected Initial Funding Date |
|-------------------------------|----------------|-------------------------|--------------|--------------------------------------|
| Manulife | Equity | Global Equity | \$90,000,000 | 6/14/2017 |
| Boston Partners | Equity | Global Equity | \$90,000,000 | 6/14/2017 |
| RBC* | Equity | Emerging Markets Equity | \$50,000,000 | 10/2/2017 |
| Income, Research + Management | Fixed Income | Short Term Core Bonds | \$50,000,000 | 6/15/2017 |
| Pacific Asset Management | Fixed Income | Bank Loans | \$50,000,000 | 7/27/2017 |
| Ashmore EM Blended Debt* | Fixed Income | Emerging Markets Debt | \$65,000,000 | 9/15/2017 |

* - Board approved investment in July 2017, but funding has not yet occurred.



DISCUSSION SHEET

ITEM #D5

Topic: House Bill 3158 transition status

Discussion: Staff will provide a summary of transition issues that have been completed to date and what elements remain to be addressed related to the September 1, 2017 effective date of House Bill 3158, as well as upcoming requirements set forth by the Bill. This summary will include Benefits-related operational items, election of the remaining five Trustee positions, investment considerations, and upcoming governance requirements.



DISCUSSION SHEET

ITEM #D6

Topic: Draft calendar of upcoming Board agenda items

Discussion: Staff has prepared a draft calendar of significant Board agenda items for the next several months. The requirements of HB 3158, DFPF policy, standard practice and other significant items have been included on the calendar. Typical recurring agenda items related to the day-to-day operations of DFPF have not been included on the calendar.

The calendar is based on the assumption that 10 trustees are seated by the October 12 Board meeting. If less than 10 trustees are seated by that date, many of the calendar items will need to be postponed to a later date. Also, because of the need to begin the annuitization of DROP balances as soon as practicable according to HB 3158 and the steps involved in that process, a special Board meeting is being proposed for late October.

Based on the deadlines in HB 3158, there are a significant number of items that need to be addressed in the next several months. Staff is seeking the input of the Board on the draft calendar and the proposed special Board meeting.

Draft Timeline of Board Agenda Items

Note: The items listed assume 10 Trustees have been appointed as of the October 12th meeting. 11 Trustees are required for the Election of Officers. Items will be moved to the next month, if required, depending on the results of the Trustee elections.

| Month | Item | Discussion/Action | Outside Attendees | Notes | Deadline |
|--|---|-------------------------------|-------------------|---|--|
| October | Elect Officers - <i>11 trustees required</i> | Action - Elect | | HB 3158-11 Trustees | As soon as there are 11 Trustees |
| | DROP Annuitization | Discussion - Direction | Segal | HB 3158 Section 6.14 | ASAP |
| | DROP Hardship Policy & Annuitization Impact | Discussion - Direction | Segal | HB 3158 Section 6.14 (e-4) | ASAP |
| | DROP Revocation Considerations | Discussion - Direction | Segal | HB 3158 requirement/time intensive | 2/28/2018 |
| | Evaluation of Potential Pension Computation Abuse | Discussion - Action | Segal | HB 3158 Section 3.01(j-5)(1) | 1/1/2018 |
| | Trustee Education Requirements | Discussion | | Various State Laws | 90 days is the first deadline |
| | 2018 Budget - 1st Review | Discussion - Direction | | DPFP Policy | October |
| | Budget Policy | Action - Adopt | | Amend to comply with HB 3158 | 12/31/2017 |
| October Special Meeting (Proposed) | | | | | |
| Goal: Begin the DROP annuitization payments on November 30, 2017. HB 3158 requires that the DROP annuitization begin as soon as administratively feasible. To meet this goal, direction is needed from the Board as soon as practicable after there are 10 Trustees. | | | | | |
| | DROP Policy | Action - Adopt | | Policy based on October Discussion | ASAP |
| | Hardship/Unforeseen Emergency Policy | Action - Adopt | | Policy based on October Discussion | ASAP |
| | Review 1/1/2017 Actuarial Valuation Report | Discussion | Segal | Foundational Information | n/a |
| | Hybrid DC/DB plan analysis scope of work presentation | Discussion - Direction | Segal | HB 3158 Section 3.01(j-5)(2)/time intensive | 1/1/2018 |
| November | 2018 Budget - 2nd Review and Member Comment | Discussion - Direction/Action | | DPFP Policy | November |
| | Excess Benefit Plan | Discussion - Action | Ice Miller | HB 3158 Section 8.02 and IRS rules | 12/31/2017 |
| | Requirement for Two Annual Public Meetings | Discussion - Direction | | HB 3158 3.01(j-9) | Twice Annually |
| | Ethics Policy | Discussion - Direction | | HB 3158 Section 1.54(1) and 3.01r | 1/1/2018 |
| | Investment Advisory Committee | Discussion - Direction | NEPC - phone | HB 3158 Section 4.07(h) | Not specified |
| | Review of Investment Policy Statement - Required Changes | Discussion - Direction | NEPC - phone | Amend to comply with HB 3158 | Not specified |
| | Investment Policy Statement - Alternative Investments | Discussion - Direction | NEPC - phone | HB 3158 Section 4.071 | Ongoing |
| | Investment Policy Statement - Lapsed Investments | Discussion - Direction | NEPC - phone | HB 3158 Section 3.04(a-1) | With ED Appointment 1-1-18 |
| | Governance and Board Conduct (move to December if less than 11 trustees are seated on October 12th) | Discussion - Direction | | HB 3158 Section 1.53(g) | Before the 90th day after 11 Trustees are seated |
| | Executive Director Appointment | Discussion - Direction | | HB 3158 Section 1.54(a)(2) and 3.04 | 1/1/2018 |
| | Quarterly Financial Reports | Discussion | | DPFP Practice | n/a |

Draft Timeline of Board Agenda Items

Note: The items listed assume 10 Trustees have been appointed as of the October 12th meeting. 11 Trustees are required for the Election of Officers. Items will be moved to the next month, if required, depending on the results of the Trustee elections.

| Month | Item | Discussion/Action | Outside Attendees | Notes | Deadline |
|---|---|------------------------|-------------------|--------------------------------------|--|
| December | Ethics Policy | Action - Adopt | | HB 3158 Section 1.54(a)(1) and 3.01r | 1/1/2018 + annual review |
| | 2018 Budget - Adoption if not adopted in November | Action - Adopt | | DPFP Policy | 12/31/2017 |
| | 3rd Quarter 2017 Investment Performance Analysis | Discussion | NEPC | DPFP Practice | n/a |
| | 2nd Quarter 2017 Private Markets & Real Assets Review | Discussion | NEPC | DPFP Practice | n/a |
| | Investment Policy Statement Amendments | Action - Adopt | NEPC | HB 3158 Various Sections | Not specified |
| | Governance and Board Conduct Policy (move to January if less than 11 trustees are seated on October 12th) | Action - Adopt | | HB 3158 Section 1.53(g) | Before the 90th day after 11 Trustees were seated |
| | Hybrid DC/DB Plan Analysis Report | Action - Adopt | Segal | HB 3158 Section 3.01(j-5)(2) | 1/1/2018 |
| | Real Estate Portfolio Briefing | Discussion | | Informational | n/a |
| | Asset Review - RCH, Camel Square | Discussion | | AEW | Material Assets, Potential Significant Capital Call |
| January | Chief Investment Officer | Discussion - Direction | | HB 3158 Section 1.54(b) | After ED Appointed |
| | Chief Legal Officer | Discussion - Direction | | HB 3158 Section 1.54(b) | After ED Appointed |
| | MET Educational Requirements | Discussion - Direction | | Informational | Initial requirements completed 1 year from appointment |
| | HB 3158 training requirements | Discussion - Direction | | HB 3158 Section 3.013 | Annual Requirement |
| | Other Private Assets (Excluding Real Estate) Briefing | Discussion | | Informational | n/a |
| Additional items to be scheduled | | | | | |
| | Public Assets Briefing | Discussion | | Informational | n/a |
| | Trustee Election, Vacancy and Removal Rules | Discussion - Action | | HB 3158 Section 3.012 | Not Specified |
| | Overpayment Rules | Discussion - Action | | HB 3158 Section 6.20 | Not Specified |
| | Consider Rules for the Sale of the DROP Annuity | Discussion - Direction | | HB 3158 Section 6.14(e-3) | Allowed/Not Required |
| | Schedule MET Training if the Board wants to utilize TEXPERs | Discussion | | State Law | 1 year from appointment |
| | HB 3158 Training | Discussion | | HB 3158 Section 3.013 | Annual Requirement |
| | Amend City ordinance Plan | Discussion | | | n/a |
| | Review Actuarial Assumptions for 1/1/18 Valuation | Discussion - Action | | | n/a |
| | May Consider Equity Adjustments | Discussion | | HB 3158 Section 1.47 Part 6A | Allowed/Not Required |



DISCUSSION SHEET

ITEM #E1

Topic: Reports and concerns of active members and pensioners of the Dallas Police and Fire Pension System

Discussion: This is a Board-approved open forum for active members and pensioners to address their concerns to the Board and staff.



DISCUSSION SHEET

ITEM #E2

Topic: Executive Director's report

Associations' newsletters

- NCPERS Monitor (August 2017)

Discussion: The Executive Director will brief the Board regarding the above information.

In This Issue

2 Executive Directors Corner

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The Senate's effort to repeal the Affordable Care Act (ACA) crashed and burned in July, underscoring that no viable plan exists to replace Obamacare despite seven years of Republican rhetoric. But while repeal appears to be dead for now, health care is alive and well as a critical concern for public pension beneficiaries.

Midyear Legislative Webcast Spotlighted Pressures at Local, State and Federal Levels



Attacks on public pensions at the state and local level took the form of “death by a thousand cuts” in the first half of 2017, said NCPERS Executive Director and Counsel Hank Kim.

Hosting the midyear legislative update webcast to members on July 11, Kim said that the attacks were not the “frontal assault” defined-benefit pensions have experienced in recent years. Instead, there were steady attempts around the edges to erode public pensions. Kim moderated a review and outlook discussion between Bailey Childers, executive director of the National Public Pension Coalition, and Anthony Roda, partner with the law firm of Williams & Jensen.

Childers enumerated the trends that she is seeing at the state and local levels. The arguments that anti-pension advocacy groups used after the recession have lost some of their power, Childers said. She noted that the old argument that “we can’t afford public pensions” isn’t working anymore because funding levels have rebounded. Opponents have shifted tactics, arguing that discount rates are too high, she said, adding, “We know that lowering rates just makes pensions look more expensive than they need to be.”

States are also pushing 401(k) plans as alternatives to defined-benefit plans as what she sees as “a sneaky way to undermine the pension little by little,” she said. Childers pointed to Florida, which changed its default plan for new state employees to a 401(k) rather than a pension, and Indiana, which added an optional 401(k) for teachers. The fact that defined-

[CONTINUED ON PAGE 3](#)



Senate's Health Care Fumble Emphasizes Benefits Pressures

The Senate's effort to repeal the Affordable Care Act (ACA) crashed and burned in July, underscoring that no viable plan exists to replace Obamacare despite seven years of Republican rhetoric. But while repeal appears to be dead for now, health care is alive and well as a critical concern for public pension beneficiaries.



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If Wall Street had its way, the risk of affording health care in retirement would be shifted entirely onto the shoulders of workers. Both Medicaid and Medicare have come under unrelenting attack. At the same time, pressure on pension funding levels has made it increasingly difficult for some plan sponsors and public pension systems to fund retiree health care. In some cases, they have scaled back or eliminated healthcare benefits.

If Wall Street had its way, the risk of affording health care in retirement would be shifted entirely onto the shoulders of workers.

NCPERS is committed to fighting any rollback of the health insurance benefits for which public-sector workers have sacrificed. Government workers, many of whom put their health on the line in high-risk occupations, should not be shortchanged when it comes to medical care.

We know that the ACA is not perfect. However, we are con-

cerned that ripple effects from steps toward repeal will lead to instability and disruptions in the insurance market. A poorly thought-out repeal or replacement of the ACA will add to the financial pressure on states and cities. If state and local governments have to absorb rising costs for health care and premiums, there may be intensified calls to cut back pension benefits.

Beyond the ACA, there are other medical topics on which we continue to focus. NCPERS supports legislation to allow retired public safety officers to opt into Medicare at age 55. We also want to enhance opportunities for retirees and those on the brink of retiring to purchase health care in retirement; they should be permitted to roll over assets from a governmental plan into a qualified medical trust or voluntary employee beneficiary association and withdraw it tax-free to purchase policies. Finally, we advocate long-overdue updates to the Healthcare Enhancement for Local Public Safety (HELPS) Retirees Act of 2006. It's time to index the \$3,000 annual pretax distribution for health premiums to inflation, and to expand this benefit to all public employees, not just public safety retirees.

The imminent threat of ACA repeal seems to have passed, but health care continues to be a political football. A serious fumble on retirement health care benefits will serve only to increase the pressure on public pensions. ♦

contribution plans don't provide a predictable retirement income is poorly understood by workers, and more education is needed on this point, Childers said.

On the local level, Childers pointed to initiatives to rein in local pension plans. The Texas legislature has been weighing draconian changes to the Houston and Dallas public pension systems. In Michigan, Gov. Rick Snyder, a Republican, convened a task force to debate local pensions and retiree health care. (The task force issued recommendations after the webinar, on July 18.)

Finally, she noted, the U.S. Congress, with White House support, repealed Obama Administration Department of Labor safe harbor regulations to make it easier for states to offer private-sector retirement plans. This setback is not expected to hinder the development

of state-facilitated auto-IRA plans for private-sector employees who work for companies that don't offer retirement benefits. As Kim noted, Vermont enacted legislation to authorize a state-facilitated retirement savings program after the repeal.


Turning to the federal update, Roda noted that legislation has been introduced in Congress "to amend ERISA to provide essentially the same safe harbor that the regulation would have provided, only this would be statutory, a more solid footing." The bill was introduced in the Senate by Sen. Martin Heinrich (D-N.M.) and in the House of Representatives by Rep. Suzanne Bonamici.

Roda noted that health care has "consumed most of the oxygen" on Capitol Hill since January. Whatever is ultimately enacted, it

[CONTINUED ON PAGE 4](#)

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is highly likely that millions of people will lose insurance coverage, placing added stress on states and localities as they seek medical care. “That’s important to think through for public pensions, because that will be used as an argument to cut back state and local plans.”

Roda mentioned two other initiatives that are under discussion on Capitol Hill. He said he sees interest in the halls of Congress in understanding the insurance needs of public safety employees who retirement in their early to mid 50s, before Medicare kicks in. “An early-age Medicare initiative under discussion, in the very early stages,” he said. In addition, he noted, there is interest in indexing the \$3,000 annual exclusion from pension benefits to compensate public safety employees for some of the cost of health care premiums.

Another issue to keep an eye on is what the regulators are up to related to public safety streams of income that could be restricted, Roda said. The resolution of the pension crisis in Puerto Rico also merits close attention, he said.

The 52-minute webcast, which is available on the NCPERS website, also covered pension developments and possible initiatives in Iowa, Michigan, New Hampshire, New Jersey, Pennsylvania, Texas and Virginia; prospects for federal tax reform; and the outlook for the 2018 elections. Childers also provided an update on initiatives by anti-pension organizations such as the Reason Foundation and the Arnold Foundation. She noted that the American Legislative Exchange Council has formed a pension working group with the Heritage Foundation. ♦

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2017 Conferences

September

Public Pension Funding Forum

September 10 - 12
Stanford University
Palo Alto, CA

October

NCPERS Accredited Fiduciary Program (NAF)

September 30 - October 1
San Antonio, TX

Public Safety Employees Pension & Benefits Conference

Oct 1 - 4
Hyatt Regency San Antonio
San Antonio, TX

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