



**D A L L A S**  
**POLICE & FIRE**  
**PENSION SYSTEM**



**MINUTES SUMMARY**  
**Board Meeting**  
**Thursday, May 9, 2019**

The Required Public Meeting, Regular and Supplemental meetings of the Dallas Police and Fire Pension System Board of Trustees were held at 8:30 a.m. on Thursday, May 9, 2019, in the Second Floor Board Room at 4100 Harry Hines Blvd., Dallas, Texas.

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

**REQUIRED PUBLIC MEETING**

1. The Executive Director, Chief Investment Officer and Chief Financial Officer reported on the health and performance of DFPF as required by Section 3.01 (j-9) of Article 6243a-1 of Vernon's Revised Civil Statutes.
2. The Chairman extended an opportunity for public comment. No one requested to speak to the Board.

The Required Public Meeting was adjourned at 9:11 a.m.

**REGULAR POLICE AND FIRE PENSION BOARD MEETING**

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

The meeting was reconvened at 9:11 a.m.

**A. MOMENT OF SILENCE**

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

**B. CONSENT AGENDA**

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

**C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION**

1. Staff reviewed the Monthly Contribution Report.

**MINUTES SUMMARY**  
**Board Meeting**  
**Thursday, May 9, 2019**

2. Investment Staff briefed the Board on recent events and current developments with respect to the investment portfolio.
3. The Chief Financial Officer presented the first quarter 2019 financial statements.
4. The Chief Financial Officer provided a status update on the annual financial audit.
5. The Chairman briefed the Board on the status of Firefighter Trustee vacancy and Board Officer Election required in June.
6. The Board adopted the 2019 Fire Fighter Trustee Election schedule and application packet.
7. Staff briefed the Board on pending legislation which would affect DPFP.
8. No discussion was held, and no motion was made regarding Trustee education and travel.
9. Staff presented a proposed Staff retirement plan structure for the Board's consideration.
10. Staff provided an overview of the portfolio and the strategy for DPFP's timber holdings managed by Forest Investment Associates and BTG Pactual.
11. Staff briefed the Board on funds managed by Lone Star Investment Advisors.
12. The Board and staff discussed legal issues.

**D. BRIEFING ITEMS**

1. No one requested to speak to the Board.
2. The Executive Director's report was presented.

The regular Board meeting was adjourned at 10:49 a.m.

**MINUTES SUMMARY**  
**Board Meeting**  
**Thursday, May 9, 2019**

**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 10:49 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**

The Chief Financial Officer presented the first quarter 2019 financial statements.

The Supplemental Board meeting was adjourned at 10:50 a.m.

**Dallas Police and Fire Pension System**  
**Thursday, May 9, 2019**  
**8:30 a.m.**  
**4100 Harry Hines Blvd., Suite 100**  
**Second Floor Board Room**  
**Dallas, TX**

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

**ROLL CALL**

**Board Members**

Present at 8:30 a.m. William F. Quinn, Nicholas A. Merrick, Gilbert A. Garcia, Susan M. Byrne, Tina Hernandez Patterson (by phone), Joseph P. Schutz, Kneeland Youngblood (by phone)

Present at 9:00 Kneeland Youngblood

Absent: Blaine Dickens, Ray Nixon, Robert C. Walters

**Staff**

Kelly Gottschalk, Josh Mond, Kent Custer, Brenda Barnes, John Holt, Damion Hervey, Cynthia Thomas, Ryan Wagner, Greg Irlbeck, Milissa Romero, Trish Wiley, Ann Mathews

**Others**

Jeff Williams (by phone), Janis Elliston, Darryl Wachsman, Kenneth Haben, Zaman Hemani

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

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The meeting was reconvened at 9:11 a.m.

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**A. MOMENT OF SILENCE**

The Board observed a moment of silence in memory of active police officer Horacio Quiroz, and retired police officers Johnnie D. Brooks, George S. Finley, David J. Hawkins, William M. Scott, active firefighter Lloyd Moseley, and retired firefighters Landrum B. Nolen, A. T. Pinka.

No motion was made.

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**Regular Board Meeting  
Thursday, May 9, 2019**

**B. CONSENT AGENDA**

- 1. Approval of Minutes**  
**Regular meeting of April 11, 2019**
- 2. Approval of Refunds of Contributions for the Month of April 2019**
- 3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for May 2019**
- 4. Approval of Estate Settlements**
- 5. Approval of Survivor Benefits**
- 6. Approval of Service Retirements**
- 7. Approval of Alternate Payee Benefits**
- 8. Spouse Wed After Retirement (SWAR)**
- 9. Approval of Payment of Military Leave Contributions**
- 10. Approval of Payment of Previously Withdrawn Contributions**

After discussion, Mr. Youngblood made a motion to approve the minutes of the meeting of April 11, 2019. Mr. Garcia seconded the motion, which was unanimously approved by the Board.

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

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**C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION**

**1. Monthly Contribution**

Staff presented the Monthly Contribution Report.

No motion was made.

**Regular Board Meeting  
Thursday, May 9, 2019**

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**2. Portfolio Update**

Investment staff briefed the Board on recent events and current developments with respect to the investment portfolio.

No motion was made.

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**3. Quarterly financial reports**

The Chief Financial Officer presented the first quarter 2019 financial statements.

No motion was made.

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**4. Audit Status**

The Chief Financial Officer provided a status update on the annual financial audit.

No motion was made.

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**5. Chairman's Discussion Items**

- a. Fire Fighter Trustee Vacancy
- b. Board Officer Election required in June

The Chairman briefed the Board on the Fire Fighter Trustee Vacancy and Board Officer Election required in June.

No motion was made.

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**6. Fire Fighter Trustee Election Schedule and Application Packet**

The Trustee election policy requires that trustee vacancies be filled if the remaining term of the vacated position is more than nine months. The Fire Fighter term vacated by Sam Friar ends August 31, 2020.

**Regular Board Meeting  
Thursday, May 9, 2019**

**6. Fire Fighter Trustee Election Schedule and Application Packet (Continued)**

After discussion, Mr. Garcia made a motion to adopt the 2019 Fire Fighter Trustee Election schedule and application packet. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

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**7. Legislative Update**

Staff briefed the Board on pending legislation which would affect DPFP.

No motion was made.

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**8. Board approval of Trustee education and travel**

- a. Future Education and Business-related Travel
- b. Future Investment-related Travel

No discussion was held, and no motion was made regarding Trustee education and travel. There was no future investment-related travel.

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**9. Staff Retirement Plan**

Staff and Jeff Williams, representative of DPFP's Actuary, Segal Consulting (by phone) presented a proposed Staff retirement plan structure for the Board's consideration.

After discussion, the Board directed staff to consult with Segal and bring back the proposed Staff Retirement Plan in June after further analysis and research is completed.

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**Regular Board Meeting  
Thursday, May 9, 2019**

**10. Timber Portfolio Review**

Staff provided an overview of the portfolio and the strategy for DPFPP's timber holdings managed by Forest Investment Associates and BTG Pactual.

The Board went into closed session executive session – Real Estate at 10:22 a.m.

The meeting was reopened at 10:33 a.m.

No Motion was made.

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**11. Lone Star Investment Advisors Update**

The Lone Star Growth Capital fund and the Lone Star CRA fund terms expire in October 2019. Investment Staff updated the Board on recent performance, operational, and administrative developments with respect to DPFPP investments in funds managed by Lone Star Investment Advisors.

The Board went into closed session executive session – Legal at 10:33 a.m.

The meeting was reopened at 10:48 a.m.

No Motion was made.

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**12. Legal issues - In accordance with Section 551.071 of the Texas Government Code, the Board will meet in executive session to seek and receive the advice of its attorneys about pending or contemplated litigation, including USERRA contributions owed by the City of Dallas or any other legal matter in which the duty of the attorneys to DPFPP and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws.**

The Board went into closed session executive session – Legal at 10:33 a.m.

The meeting was reopened at 10:48 a.m.



**Regular Board Meeting  
Thursday, May 9, 2019**

- 12. Legal issues - In accordance with Section 551.071 of the Texas Government Code, the Board will meet in executive session to seek and receive the advice of its attorneys about pending or contemplated litigation, including USERRA contributions owed by the City of Dallas or any other legal matter in which the duty of the attorneys to DPF and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws. (Continued)**

After discussion, Mr. Garcia made a motion to authorize the Executive Director and General Counsel to enter into a tolling agreement with the City of Dallas regarding DPF's claim for contributions under the Uniform Services Employment and Reemployment Act. Mr. Youngblood seconded the motion, which was unanimously approved by the Board.

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**D. BRIEFING ITEMS**

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

No active member or pensioner requested to address the Board with concerns.

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- 2. Executive Director's report**

- a. Associations' newsletters
  - NCPERS Monitor (April 2019)
- b. Open Records
- c. Nominations Committee Update

The Executive Director's report was presented.

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**Regular Board Meeting  
Thursday, May 9, 2019**

Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Youngblood and a second by Mr. Garcia, the meeting was adjourned at 10:49 a.m.

/s/ William F. Quinn

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William F. Quinn  
Chairman

**ATTEST:**

/s/ Kelly Gottschalk

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Kelly Gottschalk  
Secretary

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## AGENDA



**Date:** May 3, 2019

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, May 9, 2019, 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. MOMENT OF SILENCE**

### **B. CONSENT AGENDA**

#### **1. Approval of Minutes**

Regular meeting of April 11, 2019

#### **2. Approval of Refunds of Contributions for the Month of April 2019**

#### **3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for May 2019**

**4. Approval of Estate Settlements**

**5. Approval of Survivor Benefits**

**6. Approval of Service Retirements**

**7. Approval of Alternate Payee Benefits**

**8. Spouse Wed After Retirement (SWAR)**

**9. Approval of Payment of Military Leave Contributions**

**10. Approval of Payment of Previously Withdrawn Contributions**

**C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION**

**1. Monthly Contribution**

**2. Portfolio Update**

**3. Quarterly financial reports**

**4. Audit Status**

**5. Chairman's Discussion Items**

- a. Firefighter Trustee Vacancy
- b. Board Officer Election required in June

**6. Fire Fighter Trustee Election Schedule and Application Packet**

**7. Legislative Update**

**8. Board approval of Trustee education and travel**

- a. Future Education and Business-related Travel
- b. Future Investment-related Travel

**9. Staff Retirement Plan**

**10. Timber Portfolio Review**

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.072 of the Texas Government Code.

**11. Lone Star Investment Advisors Update**

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.

- 12. Legal issues - In accordance with Section 551.071 of the Texas Government Code, the Board will meet in executive session to seek and receive the advice of its attorneys about pending or contemplated litigation, including USERRA contributions owed by the City of Dallas or any other legal matter in which the duty of the attorneys to DFPF and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws.**

#### **D. BRIEFING ITEMS**

- 1. Reports and concerns of active members and pensioners of the Dallas Police and Fire Pension System**
- 2. Executive Director's report**
  - a. Associations' newsletters**
    - NCPERS Monitor (April 2019)
  - b. Open Records**
  - c. Nominations Committee Update**

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.



**ITEM #A**

**MOMENT OF SILENCE**

**In memory of our Members and Pensioners who recently passed away**

<b>NAME</b>	<b>ACTIVE/ RETIRED</b>	<b>DEPARTMENT</b>	<b>DATE OF DEATH</b>
Johnnie D. Brooks	Retired	Police	Mar. 28, 2019
George S. Finley	Retired	Police	Apr. 8, 2019
Lloyd Moseley	Active	Fire	Apr. 14, 2019
Landrum B. Nolen	Retired	Fire	Apr. 17, 2019
David J. Hawkins	Retired	Police	Apr. 19, 2019
A. T. Pinka	Retired	Fire	Apr. 20, 2019
Horacio Quiroz	Active	Police	Apr. 22, 2019
William M. Scott	Retired	Police	Apr. 27, 2019

*Regular Board Meeting – Thursday, May 9, 2019*



**Dallas Police and Fire Pension System  
Thursday, April 11, 2019  
8:30 a.m.  
4100 Harry Hines Blvd., Suite 100  
Second Floor Board Room  
Dallas, TX**

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

**ROLL CALL**

**Board Members**

Present at 8:31 a.m. William F. Quinn, Nicholas A. Merrick, Samuel L. Friar, Blaine Dickens, Ray Nixon, Gilbert A. Garcia, Susan M. Byrne, Tina Hernandez Patterson, Robert C. Walters, Joseph P. Schutz, Kneeland Youngblood

Absent: None

**Staff**

Kelly Gottschalk, Josh Mond, Kent Custer, Brenda Barnes, John Holt, Damion Hervey, Cynthia Thomas, Ryan Wagner, Greg Irlbeck, Milissa Romero

**Others**

Jeannie Chen, Joe Kropiewnicki, Rocky Joyner, Jeff Williams, Jill Svoboda, Rachel Pierson, Sara Stinnett, Janis Elliston, David Elliston, Darryl Wachsman, Jerry Rhodes, Lance Sehoru, Zaman Hemani, Sheri Kowalski, Sandy Alexander

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The meeting was called to order at 8:31 a.m.

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**A. MOMENT OF SILENCE**

The Board observed a moment of silence in memory of retired police officers James D. Mercer, W. E. Orzechowski, David M. Davis, and retired firefighters Kenneth E. Jordan and J. K. Scarborough.

No motion was made.

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**Regular Board Meeting  
Thursday, April 11, 2019**

**B. CONSENT AGENDA**

**1. Approval of Minutes**

Regular meeting of March 14, 2019

**2. Approval of Refunds of Contributions for the Month of March 2019**

**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 Previously Withdrawn Contributions**

After discussion, Mr. Youngblood made a motion to approve the minutes of the meeting of March 14, 2019. Mr. Garcia seconded the motion, which was unanimously approved by the Board.

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

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**C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION**

**1. Welcome of newly appointed Trustee**

Mayor Rawlings appointed Susan M. Byrne to fill the remaining term vacated by Frederick E. Rowe.

No motion was made.

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**Regular Board Meeting  
Thursday, April 11, 2019**

**2. Results of the Actuarial Review Required by Texas Government Code 802.1012**

Jeannie Chen, Specialist Leader and Joe Kropiewnicki, Consultant with Deloitte Consulting LLP were present to discuss their review, conclusions and recommendations. Rocky Joyner, Vice President, and Jeff Williams, Vice President with Segal Consulting were present to respond to recommendations and address any questions.

Texas Government Code Section 802.1012 requires plan sponsors to conduct an actuarial review of pension systems every five years. The City of Dallas contracted with Deloitte Consulting LLP (Deloitte) to conduct the review. Deloitte reviewed both the January 1, 2018 actuarial valuation and the December 31, 2014 Experience Study. Deloitte reviewed both the Regular Plan (Combined Plan) and the Supplemental Plan.

After discussion, the Board directed staff to consult with Segal and provide responses as staff deems appropriate to accompany the final report that Deloitte will submit to the City of Dallas.

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**3. Audit Plan**

Jill Svoboda, Partner and Rachel Pierson, Manager, representatives of BDO, DFPF's external independent audit firm, presented their audit plan for the year ended December 31, 2018.

No motion was made.

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**4. January 1, 2019 Actuarial Valuation Assumptions**

Rocky Joyner and Jeff Williams of Segal Consulting, the Board's actuary, reviewed the assumptions used in the prior valuation and provided a recommendation about whether the assumptions should be modified for the January 1, 2019 valuation.

After discussion, the Board provided direction on the assumptions Segal should use in the January 1, 2019 valuation.

No motion was made.

**Regular Board Meeting  
Thursday, April 11, 2019**

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**5. Pension Obligation Bond Research**

The Board requested information about Pension Obligation Bonds (POBs). Staff provided a general overview of POBs, provided information about the POBs issued in 2005 by the City of Dallas to provide funding for the City of Dallas Employees Retirement Fund and the potential impact on DFPF's funding of a POB issuance by the City of Dallas.

No motion was made.

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**6. 2018 Final Budget Review**

Ms. Barnes reviewed actual expenses as compared to the budget for the calendar year 2018.

No motion was made.

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**7. Chairman's Discussion Items**

Recap of the meeting with the retiree associations.

The Chairman briefed the Board on meetings with the retiree associations.

No motion was made.

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**8. Trustee Terms and Draft Election Schedule**

As required by the Trustee Election Procedures, staff presented the draft election schedule and notified the Board that the terms of the following Trustees expire on August 31, 2019:

**Regular Board Meeting  
Thursday, April 11, 2019**

**8. Trustee Terms and Draft Election Schedule (continued)**

Nick Merrick, Mayoral Appointee  
Ray Nixon, Mayoral Appointee  
Kneeland Youngblood, Mayoral Appointee  
Blaine Dickens, Non-member Trustee  
Gilbert Garcia, Non-member Trustee  
Tina Hernandez Patterson, Non-member Trustee

After discussion, Mr. Garcia made a motion to adopt the draft 2019 Non-member Election schedule, subject to adjustment by the Nominations Committee provided the first election is completed prior to the August 2019 Board meeting and a subsequent election, if necessary, is completed prior to the September 2019 Board meeting. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

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**9. Portfolio Update**

Investment staff briefed the Board on recent events and current developments with respect to the investment portfolio.

No motion was made.

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**10. Private Asset Cash Flow Projection Update**

Investment staff provided the quarterly update on the private asset cash flow projection model first discussed at the February 2018 Board meeting. The cash flow model projects estimated contributions to, and distributions from, private assets through the end of 2022. These estimates are intended to assist the Board in evaluating the expected time frame to reduce DFPF's exposure to these assets and the implications for the overall asset allocation and expected portfolio risk and return.

No motion was made.

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**Regular Board Meeting  
Thursday, April 11, 2019**

**11. Report on Investment Advisory Committee Meeting**

The Investment Advisory Committee met on March 25, 2018. The Committee Chair and Investment Staff commented on Committee observations and advice, including perspective on the public equity structure study.

No Motion was made.

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**12. Lone Star Investment Advisors Funds**

The Lone Star Growth Capital fund and the Lone Star CRA fund terms expire in April 2019. The General Partner has proposed a one-year extension of each fund term with no management fee.

The Board went into closed session executive session – Legal at 10:33 a.m.

Mr. Walters left the meeting at 11:23 a.m.

The meeting was reopened at 11:28 a.m.

After discussion, Mr. Youngblood made a motion to authorize the Executive Director to enter into extensions of up to six months with no management fee on the Lone Star Growth Capital and Lone Star CRA funds. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

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Mr. Youngblood left the meeting at 11:29 a.m.

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**13. Legal issues - In accordance with Section 551.071 of the Texas Government Code, the Board will meet in executive session to seek and receive the advice of its attorneys about pending or contemplated litigation, including DPFP v. The Townsend Group et al., USERRA contributions owed by the City of Dallas or any other legal matter in which the duty of the attorneys to DPFP and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws.**

The Board went into closed session executive session – Legal at 10:33 a.m.

Mr. Walters left the meeting at 11:23 a.m.

**Regular Board Meeting  
Thursday, April 11, 2019**

- 13. Legal issues - In accordance with Section 551.071 of the Texas Government Code, the Board will meet in executive session to seek and receive the advice of its attorneys about pending or contemplated litigation, including DPFP v. The Townsend Group et al., USERRA contributions owed by the City of Dallas or any other legal matter in which the duty of the attorneys to DPFP and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws. (Continued)**

The meeting was reopened at 11:28 a.m.

No motion was made.

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- 14. Legislative Update**

Staff briefed the Board on pending legislation which would affect DPFP.

No motion was made.

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- 15. Monthly Contribution Report**

Staff presented the Monthly Contribution Report.

No motion was made.

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- 16. Board approval of Trustee education and travel**

- a. Future Education and Business-related Travel**
- b. Future Investment-related Travel**

No discussion was held, and no motion was made regarding Trustee education and travel. There was no future investment-related travel.

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**Regular Board Meeting  
Thursday, April 11, 2019**

**17. Board Members’ reports on meetings, seminars and/or conferences attended**

Messrs. Dickens and Friar reported on the following seminar that they attended:

TEXPERS Annual Conference

No motion was made.

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**D. BRIEFING ITEMS**

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

The Board received members’ comments during the open forum.

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**2. Executive Director’s report**

- a. Associations’ newsletters
  - NCPERS Monitor (March 2019)
- b. Open Records

The Executive Director’s report was presented.

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Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Garcia and a second by Mr. Nixon, the meeting was adjourned at 12:04 p.m.

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William F. Quinn  
Chairman

**ATTEST:**

\_\_\_\_\_  
Kelly Gottschalk  
Secretary





## DISCUSSION SHEET

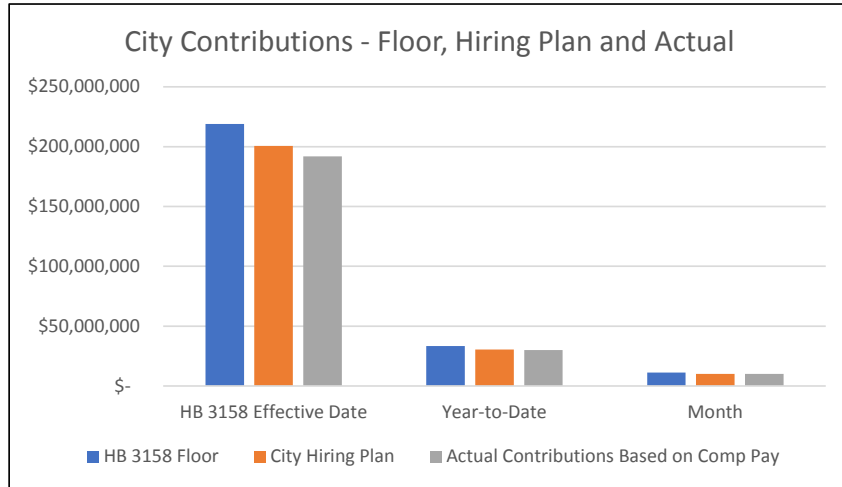
### ITEM #C1

**Topic:** Monthly Contribution

**Discussion:** Staff will review the Monthly Contribution Report.

*Regular Board Meeting – Thursday, May 9, 2019*

**Contribution Tracking Summary - May 2019 (March 2019 Data)**

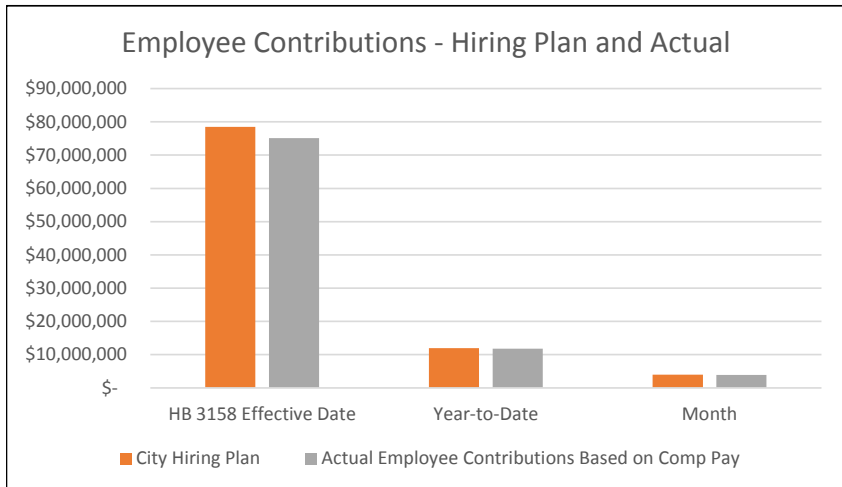


Actual Comp Pay was 96% of the Hiring Plan estimate since the effective date of HB 3158.

In the most recent month Actual Comp Pay was 99% of the Hiring Plan estimate and 90% of the floor amount.

The Hiring Plan Comp Pay estimate increased by 5.22% in 2019.

Through 2024 the HB 3158 Floor is in place so there is no City Contribution shortfall.



Since the effective date of HB 3158 actual employee contributions have been \$3.3 million less than the Hiring Plan estimate. Potential earnings loss due to the contribution shortfall is \$240k at the Assumed Rate of Return.

There is no Floor on employee contributions.

**Contribution Summary Data**

**City Contributions**

<b>Mar-19</b>	<b>Number of Pay Periods Beginning in the Month</b>	<b>HB 3158 Floor</b>	<b>City Hiring Plan</b>	<b>Actual Contributions Based on Comp Pay</b>	<b>Additional Contributions to Meet Floor Minimum</b>	<b>Comp Pay Contributions as a % of Floor Contributions</b>	<b>Comp Pay Contributions as a % of Hiring Plan Contributions</b>
Month	2	\$ 11,142,000	\$ 10,164,231	\$ 10,036,914	\$ 1,105,086	90%	99%
Year-to-Date		\$ 33,426,000	\$ 30,492,692	\$ 30,099,117	\$ 3,326,883	90%	99%
HB 3158 Effective Date		\$ 218,927,000	\$ 200,498,077	\$ 191,980,330	\$ 26,946,670	88%	96%

*Due to the Floor through 2024, there is no cumulative shortfall in City Contributions  
Does not include the flat \$13 million annual City Contribution payable through 2024.  
Does not include Supplemental Plan Contributions.*

**Employee Contributions**

<b>Mar-19</b>	<b>Number of Pay Periods Beginning in the Month</b>	<b>City Hiring Plan</b>	<b>Actual Employee Contributions Based on Comp Pay</b>	<b>Actual Contribution Shortfall Compared to Hiring Plan</b>	<b>Actuarial Valuation Contribution Assumption</b>	<b>Actual Contributions as a % of Hiring Plan Contributions</b>	<b>Actual Contributions as a % of Actuarial Val Assumption</b>
Month	2	\$ 3,977,308	\$ 3,928,696	\$ (48,612)	\$ 3,692,278	99%	106%
Year-to-Date		\$ 11,931,923	\$ 11,767,583	\$ (164,340)	\$ 11,076,834	99%	106%
HB 3158 Effective Date		\$ 78,455,769	\$ 75,121,643	\$ (3,334,126)	\$ 75,175,630	96%	100%

Potential Earnings Loss from the Shortfall based on Assumed Rate of Return \$ (240,499)

*Does not include Supplemental Plan Contributions.*

**Reference Information**

**City Contributions: HB 3158 Bi-weekly Floor and the City Hiring Plan Converted to Bi-weekly Contributions**

	HB 3158 Bi-weekly Floor	City Hiring Plan-Bi-weekly	HB 3158 Floor Compared to the Hiring Plan	Hiring Plan as a % of the Floor	% Increase/ (decrease) in the Floor	% Increase/ (decrease) in the Hiring Plan
2017	\$ 5,173,000	\$ 4,936,154	\$ 236,846	95%		
2018	\$ 5,344,000	\$ 4,830,000	\$ 514,000	90%	3.31%	-2.15%
2019	\$ 5,571,000	\$ 5,082,115	\$ 488,885	91%	4.25%	5.22%
2020	\$ 5,724,000	\$ 5,254,615	\$ 469,385	92%	2.75%	3.39%
2021	\$ 5,882,000	\$ 5,413,846	\$ 468,154	92%	2.76%	3.03%
2022	\$ 6,043,000	\$ 5,599,615	\$ 443,385	93%	2.74%	3.43%
2023	\$ 5,812,000	\$ 5,811,923	\$ 77	100%	-3.82%	3.79%
2024	\$ 6,024,000	\$ 6,024,231	\$ (231)	100%	3.65%	3.65%

The HB 3158 Bi-weekly Floor ends after 2024

**Employee Contributions: City Hiring Plan and Actuarial Val. Converted to Bi-weekly Contributions**

	City Hiring Plan Converted to Bi-weekly Employee Contributions	Actuarial Valuation Assumption Converted to Bi-weekly Employee contributions	Actuarial Valuation as a % of Hiring Plan
2017	\$ 1,931,538	\$ 1,931,538	100%
2018	\$ 1,890,000	\$ 1,796,729	95%
2019	\$ 1,988,654	\$ 1,846,139	93%
2020	\$ 2,056,154	\$ 2,056,154	100%
2021	\$ 2,118,462	\$ 2,118,462	100%
2022	\$ 2,191,154	\$ 2,191,154	100%
2023	\$ 2,274,231	\$ 2,274,231	100%
2024	\$ 2,357,308	\$ 2,357,308	100%

The information on this page is for reference. The only numbers on this page that may change before 2025 are the Actuarial Valuation Employee Contributions Assumptions for the years 2019-2024 and the associated percentage.

**Reference Information - Actuarial Valuation and GASB 67/68 Contribution Assumptions**

**Actuarial Assumptions Used in the Most Recent Actuarial Valuation - These assumptions will be reevaluated annually and may change.**

City Contributions are based on the Floor through 2024, the Hiring Plan from 2025 to 2037, after 2037 an annual growth rate of 2.75% is assumed

Employee Contributions for 2018 are based on the 2017 actual employee contributions inflated by the growth rate of 2.75% and the Hiring Plan for subsequent years until 2038, when the 2037 Hiring Plan is increased by the 2.75 growth rate for the next 10 years

**Actuarial/GASB Contribution Assumption Changes Since the Passage of HB 3158**

	Actuarial Valuation	GASB 67/68
<b>YE 2017 (1/1/2018 Valuation)</b>		
2018 Employee Contributions Assumption - based on 2017 actual plus growth rate not the Hiring Plan Payroll	\$ (2,425,047)	*
<i>*90% of Hiring Plan was used for the Cash Flow Projection for future years in the 12/31/2017 GASB 67/68 calculation. At 12-31-17 this did not impact the pension liability or the funded percentage.</i>		

The information on this page is for reference. It is intended to document contribution related assumptions used to prepare the Actuarial Valuation and changes to those assumptions over time, including the dollar impact of the changes. Contribution changes impacting the GASB 67/68 liability will also be included.

<b>City Hiring Plan - Annual Computation Pay and Numbers of Employees</b>						
Year	Computation Pay			Number of Employees		
	Hiring Plan	Actual	Difference	Hiring Plan	Actual EOY	Difference
2017	\$ 372,000,000	Not Available	Not Available	5,240	4,935	(305)
2018	\$ 364,000,000	\$ 349,885,528	\$ (14,114,472)	4,988	4,983	(5)
2019	\$ 383,000,000			5,038		
2020	\$ 396,000,000			5,063		
2021	\$ 408,000,000			5,088		
2022	\$ 422,000,000			5,113		
2023	\$ 438,000,000			5,163		
2024	\$ 454,000,000			5,213		
2025	\$ 471,000,000			5,263		
2026	\$ 488,000,000			5,313		
2027	\$ 507,000,000			5,363		
2028	\$ 525,000,000			5,413		
2029	\$ 545,000,000			5,463		
2030	\$ 565,000,000			5,513		
2031	\$ 581,000,000			5,523		
2032	\$ 597,000,000			5,523		
2033	\$ 614,000,000			5,523		
2034	\$ 631,000,000			5,523		
2035	\$ 648,000,000			5,523		
2036	\$ 666,000,000			5,523		
2037	\$ 684,000,000			5,523		

Comp Pay by Month - 2019	Annual Divided by 26 Pay Periods	Actual	Difference	2019 Cumulative Difference	Number of Employees EOM	Difference
January	\$ 29,461,538	\$ 29,084,185	\$ (377,354)	\$ (377,354)	4963	(75)
February	\$ 29,461,538	\$ 29,067,129	\$ (394,410)	\$ (771,763)	4974	(64)
March	\$ 29,461,538	\$ 29,092,504	\$ (369,035)	\$ (1,140,798)	4962	(76)
April	\$ 29,461,538	\$ -		\$ (1,140,798)		
May	\$ 44,192,308	\$ -		\$ (1,140,798)		
June	\$ 29,461,538	\$ -		\$ (1,140,798)		
July	\$ 29,461,538	\$ -		\$ (1,140,798)		
August	\$ 29,461,538	\$ -		\$ (1,140,798)		
September	\$ 29,461,538	\$ -		\$ (1,140,798)		
October	\$ 44,192,308	\$ -		\$ (1,140,798)		
November	\$ 29,461,538	\$ -		\$ (1,140,798)		
December	\$ 29,461,538	\$ -		\$ (1,140,798)		



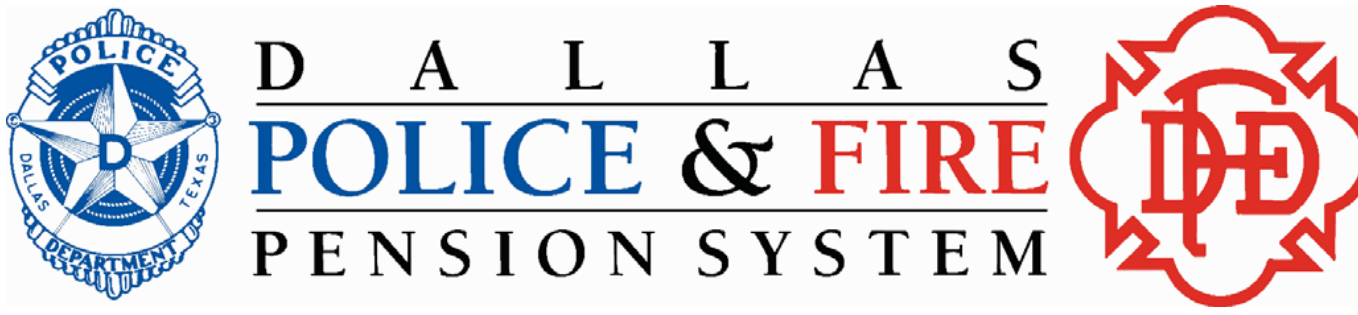
## DISCUSSION SHEET

### ITEM #C2

**Topic:** Portfolio Update

**Discussion:** Investment Staff will brief the Board on recent events and current developments with respect to the investment portfolio.

*Regular Board Meeting – Thursday, May 8, 2019*



# Portfolio Update

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May 9, 2019



# Asset Allocation

DPFP Asset Allocation	% weight			\$ millions		
	4/30/19	Target	Variance	4/30/19	Target	Variance
<b>Equity</b>	<b>38.2%</b>	<b>55.0%</b>	<b>-16.8%</b>	<b>771</b>	<b>1,112</b>	<b>-341</b>
Global Equity	23.4%	40.0%	-16.6%	473	808	-336
Emerging Markets	2.4%	10.0%	-7.6%	49	202	-153
Private Equity*	12.3%	5.0%	7.3%	249	101	148
<b>Fixed Income</b>	<b>29.5%</b>	<b>35.0%</b>	<b>-5.5%</b>	<b>597</b>	<b>707</b>	<b>-111</b>
Safety Reserve - Cash	2.2%	3.0%	-0.8%	44	61	-16
Safety Reserve - ST IG Bonds	12.7%	12.0%	0.7%	256	243	14
Investment Grade Bonds	0.0%	4.0%	-4.0%	0	81	-81
Global Bonds	3.2%	4.0%	-0.8%	65	81	-16
High Yield Bonds	4.2%	4.0%	0.2%	84	81	3
Bank Loans	5.7%	4.0%	1.7%	116	81	35
Emerging Mkt Debt	1.0%	4.0%	-3.0%	20	81	-61
Private Debt*	0.5%	0.0%	0.5%	11	0	11
<b>Real Assets*</b>	<b>32.3%</b>	<b>10.0%</b>	<b>22.3%</b>	<b>653</b>	<b>202</b>	<b>451</b>
Real Estate*	21.6%	5.0%	16.6%	436	101	335
Natural Resources*	7.9%	5.0%	2.9%	160	101	59
Infrastructure*	2.9%	0.0%	2.9%	58	0	58
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>2,021</b>	<b>2,021</b>	<b>0</b>
Safety Reserve	14.9%	15.0%	-0.1%	301	303	-2
*Private Market Assets	45.2%	15.0%	30.2%	913	303	610

Source: JP Morgan Custodial Data, Staff Calculations

Preliminary data as of 5/1/19



# 1 Q19 Public Market Performance Preview

Public Markets Performance Summary	Last Quarter			Trailing Four Quarters		
	Manager	Index	Excess	Manager	Index	Excess
Net of fees						
Global Equity	14.09%	12.29%	1.79%	4.60%	1.89%	2.72%
Boston Partners	9.12%	12.29%	-3.18%	-3.72%	1.89%	-5.61%
Manulife	14.60%	12.29%	2.31%	6.59%	1.89%	4.70%
OFI	16.76%	12.29%	4.46%	1.96%	1.89%	0.08%
Walter Scott	15.62%	12.29%	3.33%	13.33%	1.89%	11.44%
RBC, EM Equity	9.32%	9.68%	-0.36%	-1.02%	-7.97%	6.96%
Fixed Income						
IR+M, short term debt	1.38%	0.99%	0.39%	3.51%	2.73%	0.78%
Brandywine, global bonds	3.05%	2.20%	0.85%	-4.75%	-0.38%	-4.37%
Loomis, High Yield	5.41%	6.33%	-0.92%	1.81%	2.38%	-0.57%
Loomis, Bank Loans	2.84%	4.00%	-1.17%	2.16%	2.99%	-0.83%
Pacific Asset Mgt., Bank Loans	3.81%	3.78%	0.03%	3.15%	3.33%	-0.18%
Ashmore, EMD	5.58%	4.56%	1.02%	-1.55%	-0.94%	-0.61%

Source: JPM Morgan custody data, manager reports, Investment Staff estimates and calculations

# 1Q19 Public Market Impact Estimate

This table estimates the gain/loss contribution from public market investments including market contribution (index return) and the active contribution (manager relative performance vs. the benchmark) for each investment manager.

Public Markets Impact Analysis	Last Quarter			Trailing Four Quarters		
	Manager	Market	Active	Manager	Market	Active
\$ millions						
Public Markets	75.2	67.9	7.3	29.1	16.0	13.1
Public Equity	60.7	53.7	7.0	19.6	4.3	15.3
Global Equity	56.5	49.3	7.2	20.1	8.3	11.9
Boston Partners	8.7	11.7	(3.0)	(4.0)	2.0	(6.0)
Manulife	15.1	12.7	2.4	7.3	2.1	5.2
OFI	15.9	11.7	4.2	2.1	2.0	0.1
Walter Scott	16.9	13.3	3.6	14.7	2.1	12.6
RBC, EM Equity	4.2	4.4	(0.2)	(0.5)	(4.0)	3.5
Fixed Income	14.5	14.2	0.3	9.5	11.7	(2.3)
IR+M, short term debt	3.5	2.5	1.0	8.7	6.7	1.9
Brandywine, global bonds	1.9	1.4	0.5	(3.3)	(0.3)	(3.0)
Loomis, High Yield	4.3	5.0	(0.7)	1.5	2.0	(0.5)
Loomis, Bank Loans	1.7	2.4	(0.7)	1.3	1.8	(0.5)
Pacific Asset Mgt., Bank Loans	2.0	2.0	0.0	1.6	1.7	(0.1)
Ashmore, EMD	1.1	0.9	0.2	(0.3)	(0.2)	(0.1)

Source: JPM Morgan custody data, manager reports, Investment Staff estimates and calculations

# 2019 Investment Review Calendar\*

January ✓	<ul style="list-style-type: none"> <li>Real Estate: Staff review of Vista 7, King's Harbor, and Museum Tower</li> </ul>
February ✓	<ul style="list-style-type: none"> <li>Real Estate: Clarion Presentation</li> <li>Global Equity Structure Review (Staff/Meketa)</li> </ul>
March ✓	<ul style="list-style-type: none"> <li>Real Estate: AEW Presentation</li> </ul>
April	<ul style="list-style-type: none"> <li>None</li> </ul>
May	<ul style="list-style-type: none"> <li>Staff Timber Portfolio Review (FIA &amp; BTG)</li> </ul>
June	<ul style="list-style-type: none"> <li>Natural Resources: Hancock Presentation</li> <li>Real Estate: Hearthstone Presentation</li> </ul>
2H19	<ul style="list-style-type: none"> <li>Infrastructure: Staff review of AIRRO and JPM Maritime</li> <li>Private Equity: Staff review of Lone Star, Huff, Hudson, and Industry Ventures</li> <li>Global Equity Manager Reviews</li> <li>Fixed Income Manager Reviews</li> </ul>

\*Future presentation schedule is subject to change.



## DISCUSSION SHEET

### ITEM #C3

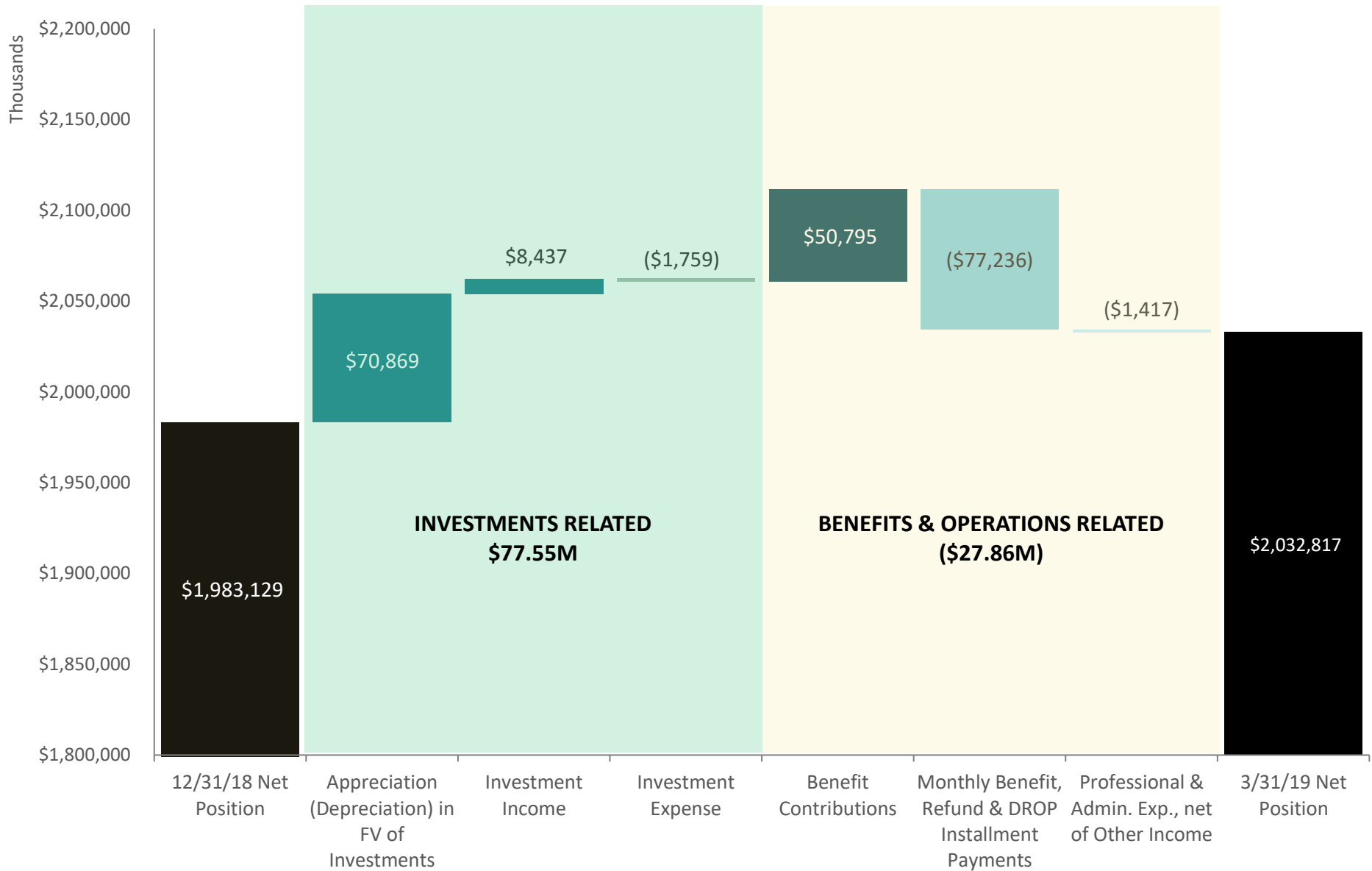
**Topic:** Quarterly Financial Reports

**Discussion:** The Chief Financial Officer will present the first quarter 2019 financial statements.

*Regular Board Meeting – Thursday, May 9, 2019*

## Change in Net Fiduciary Position

December 31, 2018 – March 31, 2019 - **PRELIMINARY**



Components may not sum exactly due to rounding.

**DALLAS POLICE & FIRE PENSION SYSTEM**  
**Combined Statements of Fiduciary Net Position**

	March 31, 2019 (unaudited)	<b>PRELIMINARY</b> December 31, 2018 (unaudited)
<b>Assets</b>		
<b>Investments, at fair value (NOTE)</b>		
Short-term investments	\$ 49,921,557	\$ 41,316,915
Fixed income securities	523,175,719	516,969,244
Equity securities	493,050,373	435,935,015
Real assets	652,972,919	686,482,380
Private equity	249,290,073	249,550,402
Alternative investments	-	-
Forward currency contracts	(292,871)	(270,709)
<b>Total investments (NOTE)</b>	<u>1,968,117,770</u>	<u>1,929,983,247</u>
Invested securities lending collateral	43,019,763	20,559,432
<b>Receivables</b>		
City	5,203,714	2,504,571
Members	1,687,313	803,244
Interest and dividends	4,911,402	4,802,419
Investment sales proceeds	51,929,135	34,231,149
Other receivables	227,906	241,759
<b>Total receivables</b>	<u>63,959,470</u>	<u>42,583,143</u>
Cash and cash equivalents	56,180,065	50,137,929
Prepaid expenses	832,227	365,515
Capital assets, net	12,432,378	12,488,943
<b>Total assets</b>	<u>\$ 2,144,541,674</u>	<u>\$ 2,056,118,208</u>
<b>Liabilities</b>		
<b>Payables</b>		
Securities purchased	64,904,231	48,598,173
Securities lending obligations	43,019,763	20,559,432
Accounts payable and other accrued liabilities	3,800,574	3,832,048
<b>Total liabilities</b>	<u>111,724,568</u>	<u>72,989,652</u>
<b>Net position</b>		
Net investment in capital assets	12,432,378	12,488,943
Unrestricted	2,020,384,728	1,970,639,612
<b>benefits</b>	<u>\$ 2,032,817,106</u>	<u>\$ 1,983,128,556</u>

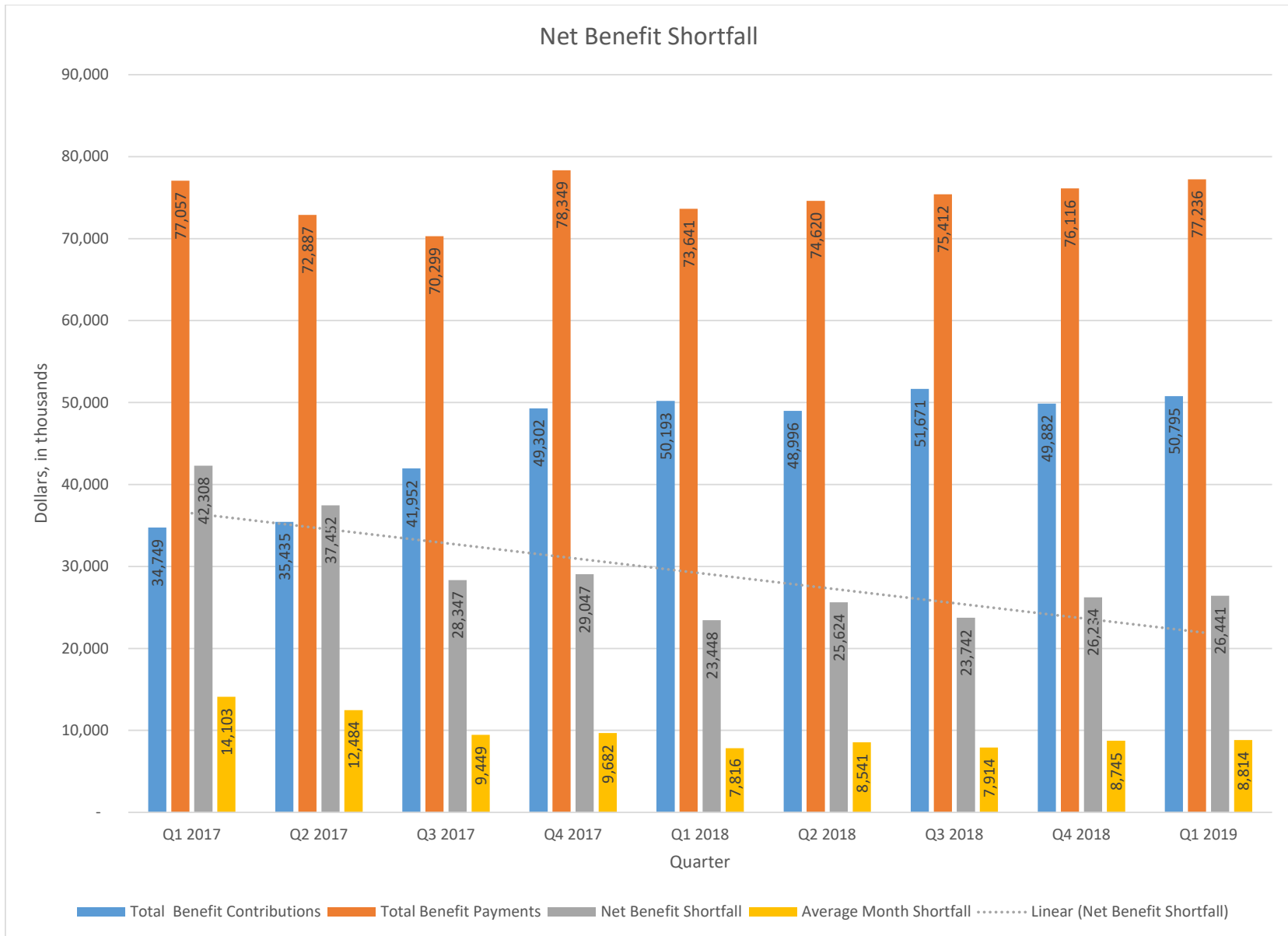
**(NOTE) Private asset values have not yet been reported for Q4 18. Values will be updated as final reporting is received.**

**DALLAS POLICE & FIRE PENSION SYSTEM**  
**Combined Statements of Changes in Fiduciary Net Position**

	<b>3 Months Ended 3/31/2019 (unaudited)</b>	<b>3 Months Ended 3/31/2018 (unaudited)</b>
<b>Contributions</b>		
City	\$ 38,188,135	\$ 36,724,705
Members	12,606,670	13,468,264
<b>Total Contributions</b>	50,794,805	50,192,969
<b>Investment income</b>		
investments <b>(NOTE)</b>	70,868,565	(5,977,057)
Interest and dividends	8,409,783	12,754,626
Total gross investment income	79,278,348	6,777,569
less: investment expense	(1,758,510)	(1,864,948)
<b>Net investment income</b>	77,519,837	4,912,621
<b>Securities lending income</b>		
Securities lending income	224,427	38,453
Securities lending expense	(197,109)	(22,332)
<b>Net securities lending income</b>	27,317	16,120
Other income	87,947	98,410
<b>Total additions</b>	128,429,907	55,220,120
<b>Deductions</b>		
Benefits paid to members	76,515,530	73,197,591
Refunds to members	720,746	443,165
Interest expense	-	-
Legal expense	48,042	160,050
Legal expense reimbursement	-	-
Legal expense, net of reimbursement	48,042	160,050
Staff Salaries and Benefits	890,068	777,622
Professional and administrative expenses	566,970	617,056
<b>Total deductions</b>	78,741,357	75,195,483
<b>Net increase (decrease) in net position</b>	49,688,550	(19,975,363)
Beginning of period	1,983,128,556	2,121,150,623
End of period	\$ 2,032,817,106	\$ 2,101,175,260

<p><b>(NOTE)</b> Private asset values have not yet been reported for Q4 18. Values will be updated as final reporting is received.</p>
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## DISCUSSION SHEET

### ITEM #C4

**Topic:**                      **Audit Status**

**Discussion:**              The Chief Financial Officer will provide a status update on the annual financial audit.

*Regular Board Meeting – Thursday, May 9, 2019*



## DISCUSSION SHEET

### ITEM #C5

**Topic:** Chairman's Discussion Items

- a. Firefighter Trustee Vacancy
- b. Board Officer Election required in June

**Discussion:** The Chairman will brief the Board on the status of these items.

*Regular Board Meeting – Thursday, May 9, 2019*



## DISCUSSION SHEET

### ITEM #C6

**Topic:** Fire Fighter Trustee Election Schedule and Application Packet

**Discussion:** The Trustee election policy requires that trustee vacancies be filled if the remaining term of the vacated position is more than nine months. The Fire Fighter term vacated by Sam Friar ends August 31, 2020.

**Recommendation:** **Adopt** the 2019 Fire Fighter Trustee Election schedule and application packet.

*Regular Board Meeting – Thursday, May 9, 2019*



## **Fire Fighter Trustee Election Call for Candidates**

DPFP is seeking candidates to run for the remaining term of the Fire Fighter Trustee position that was vacated effective May 1, 2019. This term expires August 31, 2020.

The Fire Fighter Trustee position must be held by a current or former City of Dallas Fire Fighter.

Texas law requires that all trustees, including the Fire Fighter Trustee, must have demonstrated financial, accounting, business, investment, budgeting, real estate or actuarial expertise. The Board will review applications to determine if the candidate meets the requirement.

Although, the position can be held by a current or former member, Texas law dictates that only active members are eligible to vote in the Fire Fighter Trustee election.

The application for candidacy, including the election schedule and important information about serving as a trustee, can be found at [www.dfp.org](http://www.dfp.org) or a packet can be emailed to you by calling 214.638.3863.

**Deadline to apply: 4:00 p.m., Tuesday June 4, 2019.**

For additional information please contact Kelly Gottschalk, Executive Director, at 214-638-3863 or [kellyg@dfp.org](mailto:kellyg@dfp.org).

Note: Fire Fighters will also see a Call for Candidates notice for the Non-member Trustee Positions. The Fire Fighter Trustee and Non-member Trustee elections will be separate elections.

**2019 Fire Fighter  
Application for Trustee Candidacy**



<b>Name:</b>	
<b>Home address:</b>	<b>Employer and address:</b>
<b>Preferred phone:</b>	
<b>E-mail:</b>	

**Mark the Appropriate Response:**

I am a current or former sworn member of the City of Dallas Fire Department

**Yes**

**No**

Indicate Status

**Active**

**Retired**

**Terminated Employment Prior to Retirement**

**Required Documents:**

Section 3.01 (b-1)(1), Article 6243a-1 Texas Statutes, requires that all trustees must have demonstrated financial, accounting, business, investment, budgeting, real estate, or actuarial expertise. **Please provide a resume, CV or other document which demonstrates your qualifications to serve as a trustee.**

You may, but are not required to, provide a statement no longer than 100 words to be included with the election material. The statement is intended to give you an opportunity to share information with the voter about what enhances your ability to serve as a trustee. DPFPP reserves the right to reject any statement.

**Submittal Instructions and Deadline:**

Return this Application Form, Resume or CV, and election statement to [MilissaR@DPFP.org](mailto:MilissaR@DPFP.org) no later than **4:00 p.m. on June 4, 2019.**

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_



## 2019 Fire Fighter Trustee Election Schedule

<b>Date</b>	<b>Item</b>
<b>May 9</b>	Board approves election schedule and application packet.
<b>May 9</b>	Email a notice to the City Manager, Fire Department Chief and the Fire Fighter Association Presidents announcing call for candidates and post notice to DPFP Website.
<b>May 9</b>	Distribute via mail, and email where possible, a notification to Members and Pensioners announcing the Trustee election and call for candidates.
<b>May 9 – June 4</b>	Application packets are available on the DPFP website. <a href="http://www.DPFP.org">www.DPFP.org</a> or at the DPFP office at 4100 Harry Hines Blvd., Suite 100.
<b>June 4</b>	Applications for Fire Fighter Trustee candidates due at DPFP by 4:00 p.m.
<b>June 13</b>	Board determines if the Fire Fighter candidates meet the required qualifications to be included on the ballot. If no candidate meets the required qualifications the Nominations Committee will be notified that the position must be filled by a Non-member Trustee.
<b>June 14</b>	Candidates will be notified about whether or not their application was deemed qualified to be included on the ballot.
<b>June 24</b>	Mail voting packets to Fire Fighter Members' home addresses for those who have not elected eCorrespondence.
<b>June 25</b>	Email voting packets to Fire Fighter Members' electing eCorrespondence at 8 a.m.
<b>June 25 – July 7</b>	Voting begins at 8 a.m. on Wednesday June 25, voting ends at noon on Sunday, July 7th.
<b>July 8</b>	Vendor reports election results.

- July 8** Executive Director reports election results to the Board and posts the results on the DPF website.
- July 11** Board of Trustees certify the election results from the election.
- July 11** Trustee term begins if a runoff election is not required.
- July 9** If necessary, mail Fire Fighter Runoff Trustee voting packets to Members' home addresses for those who have not elected eCorrespondence.
- July 10** Email Fire Fighter Trustee Runoff voting packets to Members' electing eCorrespondence at 8 a.m.
- July 10 - 24** Fire Fighter Trustee Runoff election, if necessary. Voting begins at 8 a.m. on Wednesday, July 10. Voting ends at noon on Wednesday, July 24.
- July 25** Vendor reports election results.
- July 25** Executive Director reports election results to Board and posts the results on the DPF website.
- August 8** Board of Trustees certify Fire Fighter Trustee Runoff election results.
- August 8** New Trustee terms begin.
- Definitions:**
- Fire Fighter Trustee:** One active or former Fire Department representative to be elected by active members of the Fire Department.
- Nominations Committee:** A committee with voting representation from the organizations named in Section 3.011(b)(2) responsible for vetting, selecting and nominating Non-Member Trustee candidates.
- Non-Member Trustee:** Three trustees who cannot be a Member, Pensioner, a current City employee, a person who was formerly a City employee and who has been separated from the City for less than two years prior to becoming a Trustee or a currently elected City official.





**Date:** May 9, 2019  
**To:** Prospective Fire Fighter Trustees  
**Subject:** Dallas Police and Fire Pension System Trustee Overview

**The Composition for the Board of Trustees is as follows:**

- Six trustees selected by the Mayor, in consultation with the City Council.
- Three trustees elected by active members and pensioners from a slate of nominees selected by the Nominations Committee. The Nominations Committee is made up of one representative from each of the 11 police and fire associations named in 6243a-1.
- One police representative (active or retired) to be elected by active members.
- One fire representative (active or retired) to be elected by active members.

We are seeking interest from potential candidates to fill the remaining term of the Fire Fighter Trustee position which was vacated in May. The term ends on August 31, 2020.

The Fire Fighter Trustee can be either an active or former member of DPFP. However, only active members are allowed by 6243a-1 to vote in the election.

The Board has the responsibility and latitude to adopt many rules regarding the governance and administration of the pension system. However, some requirements are specified in 6243a-1. 6243a-1 requires that all trustees must have demonstrated financial, accounting, business, investment, budgeting, real estate, or actuarial experience. The Board has the responsibility to determine if candidates meet the experience requirement. The Board adopted a Trustee Election Procedure that has been provided as part of the application packet.

A trustee is not required to live in either the City or County of Dallas.

The following information is provided as a high-level overview of the role and commitment of being a trustee for DPFP.

### **Role and Responsibilities**

A trustee is a fiduciary to the pension system. The duties of a fiduciary are governed by a number of state laws as well as federal tax law.

The Board of Trustees is responsible to administer the pension system which includes investment of funds and payment of benefits. The Board has full power to make rules pertaining to the conduct of its meetings and the operation of the pension system as long as the rules are not inconsistent with the DFPF pension plan which is found in 6243a-1 or other laws of the state of Texas or the United States to the extent applicable. To assist in administering the pension system, the Board is required to appoint the Executive Director who is responsible for the day-to-day operations.

Please refer to the Responsibilities and Fiduciary Duties memorandum for additional information.

### **Time Requirements**

The Board is required to meet at least once a month. The regular DFPF Board monthly meeting is held on the second Thursday of the month at 8:30 am and generally lasts four to five hours. The Board may change the regular meeting date or call special meetings, as necessary. The need for special meetings has been very rare in the past 18 months.

Some trustees also currently serve on committees of the Board. 6243a-1 requires an Investment Advisory Committee, a majority of which may not be trustees. In addition, the Board has an Audit Committee and a Professional Services Committee. The time commitment of a trustee on these committees is minimal. The Board may choose to increase the use of committees and the role of trustees on the committees, which may increase the time commitment of a trustee.

### **Meeting Attendance Requirements**

6243a-1 states that a trustee may be removed if they are absent without an excuse approved by a majority vote of the Board, for more than 40% of the meetings within a calendar year. 6243a-1 allows for Board meetings to be held with trustees attending via telephone conference call or video conference.

### **Education and Training**

Certain training is required by law for all trustees. State law requires new trustees complete online Open Government Training within 90 days of being appointed. The Pension Review Board requires trustees complete the Minimum Educational Training (MET) Program within certain timeframes. 6243a-1 requires additional training not covered by the MET or Open Government training. Much of the training listed can be completed online. In addition, trustees need to ensure they are properly trained to carry out their duties as a trustee. The Board adopted a training and education policy, and annually adopts a budget which includes funds allocated to trustee training.

### **Compensation**

Trustees receive no compensation from DPF. 6243a-1 allows trustees to be reimbursed for expenses related to serving on the Board.

### **Potential Conflict Disclosure**

Potential conflicts are not a factor the Board will consider in determining if a candidate meets the qualifications required by 6243a-1. However, elected trustees are bound by the Board adopted Board of Trustees and Employees Ethics and Code of Conduct Policy. A list of current DPF Investment Managers and other Services Providers has been provided for your information.

### **Insurance**

Trustees are currently covered under a fiduciary insurance policy. The policy provides coverage for acts taken as a trustee and contains normal exceptions to coverage such as fraudulent or bad faith actions.

### **Litigation**

DPF is a party to a number of litigation matters. While trustees are for the most part not defendants in their individual capacities, there was a case in the past where trustees were sued in their individual capacities, although the trustees were subsequently dropped from the case. While not likely, this may occur again in which case trustees may be required to spend personal time on such litigation.

### **Questions**

If you have questions about DPF or what a trustee's role would be, please feel free to contact Kelly Gottschalk, Executive Director, at 214-638-3863.

## Appendix A

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### **Investment Managers**

AEW Capital Management  
Alvarez & Marsal  
Ashmore Investment Management Limited  
Barings Real Estate Advisors  
Bentall Kennedy  
Boston Partners  
Brandywine Global Investment Management  
BTG Pactual Asset Management  
Clarion Partners  
Forest Investment Associates  
Hancock Agricultural Investment Group  
Hearthstone, Inc.  
Highland Capital Management  
Hudson Clean Energy Partners  
Income Research & Management  
Industry Ventures  
JPMorgan Asset Management

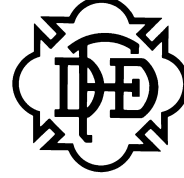
L&B Realty Advisors  
Lone Star Investment Advisors  
Loomis, Sayles & Company  
Manulife  
Matthews Southwest  
OFI Institutional Asset Management  
Pacific Asset Management  
RBC Global Asset Management  
RED Development, LLC  
Riverstone Credit Partners  
The Rohatyn Group  
Vanguard  
Walter Scott & Partners Limited  
W.R. Huff Asset Management  
Yellowstone Capital Partners

### **Other Service Providers** (material relationships only)

JPMorgan Chase Bank, N.A. – Custodian Bank  
Segal Consulting – Actuary  
BDO USA, LLP – Auditor  
STP Investment Services – Investment Accounting Firm  
Duff & Phelps – Valuation Consultant  
HillCo Partners, LLC – Legislative Consultants  
DLA Piper - Legal  
Jackson Walker, LLP - Legal  
Haynes and Boone, LLP – Legal  
Diamond McCarthy, LLP – Legal  
Winstead PC – Legal  
Reynolds Frizzell, LLP - Legal  
Meketa Investment Group – Investment Consultant  
Conway MacKenzie, Inc. – Private Fund Services  
Russell Investments Implementation Services – Transition Management  
Texas Capital Bank – Banking



D A L L A S  
POLICE & FIRE  
PENSION SYSTEM



## MEMORANDUM

**Date:** April 26, 2019  
**To:** Prospective Trustees  
**Subject:** Responsibilities and Fiduciary Duties of a Trustee

The following are general statutory provisions which inform on the responsibilities and fiduciary duties of a trustee of the Dallas Police and Fire Pension System.

### **INTERNAL REVENUE CODE -- Section 401(a)(2)**

A trust organized in the United States and forming part of a . . . pension or profit-sharing plan of an employer for the exclusive benefit of its employees or their beneficiaries shall constitute a qualified trust under this section --

(b) if under the trust instrument it is impossible, at any time prior to the satisfaction of all liabilities with respect to employees and beneficiaries under the trust, for any part of the corpus or income to be . . . used for or diverted to, purposes other than the exclusive benefit of his employees or their beneficiaries . . .

### **TEXAS CONSTITUTION --**

#### **ARTICLE XVI, SECTION 67(f)**

The board of trustees of a system or program that provides retirement and related disability and death benefits for public officers and employees and that does not participate in a statewide public retirement system shall:

- (1) administer the system or program of benefits;
- (2) hold the assets of the system or program for the exclusive purpose of providing benefits to participants and beneficiaries and defraying reasonable expenses of administering the system or program; and

(3) select legal counsel and an actuary and adopt sound actuarial assumptions to be used by the system or program.

**ARTICLE XVI, SECTION 66(d)**

(d) On or after the effective date of this section, a change in service or disability retirement benefits or death benefits of a retirement system may not reduce or otherwise impair benefits accrued by a person if the person:

(1) could have terminated employment or has terminated employment before the effective date of the change; and

(2) would have been eligible for those benefits, without accumulating additional service under the retirement system, on any date on or after the effective date of the change had the change not occurred.

(e) Benefits granted to a retiree or other annuitant before the effective date of this section and in effect on that date may not be reduced or otherwise impaired.

(f) The political subdivision or subdivisions and the retirement system that finance benefits under the retirement system are jointly responsible for ensuring that benefits under this section are not reduced or otherwise impaired.

**TEXAS STATUTES -- GOVERNMENT CODE**

Section 802.101(a) -- The governing body of a public retirement system shall employ an actuary . . . To make a valuation at least once every three years of the assets and liabilities of the system on the basis of assumptions and methods that are reasonable in the aggregate, considering the experience of the program and reasonable expectations, and that, in combination, offer the best estimate of anticipated experience under the plan.

Section 802.102(b) -- The governing body of a public retirement system shall have the accounts of the system audited at least annually . . .

Section 802.106(a) -- When a person becomes a member of a public retirement system, the system shall provide the person;

(1) a summary of the benefits from the retirement system . . .

(2) a summary of procedures for claiming or choosing benefits . . .

Section 802.106(b) -- The public retirement system shall distribute to each active member and retiree a summary of any significant change that . . . affects contributions, benefits or eligibility.

Section 802.106(c) -- the public retirement system shall annually provide to each active member a statement of the member's accumulated contributions and the total accumulated service credit . . . and to each annuitant a statement of the amount of payments made to the annuitant by the system during the preceding 12 months.

Section 802.201 -- The governing body of a public retirement system shall hold or cause to be held in trust the assets appropriated or dedicated to the system, for the benefit of the members and retirees of the system and their beneficiaries.

Section 802.202(a) -- the governing body of a public retirement system is responsible for the management and administration of the funds of the system.

Section 802.202(c) -- the governing body shall determine the procedure it finds most efficient and beneficial for management of the reserve fund of the system. The governing body may directly manage the investments of the system or may choose and contract for professional investment management services.

Section 802.202(d) -- the governing body of public retirement system shall . . . develop and maintain a written investment policy.

Section 802.203(a) -- In making and supervising investments of the reserve fund of a public retirement system, an investment manager or the governing body shall discharge its duties solely in the interest of the participants and beneficiaries:

(1) for the exclusive purpose of:

- (A) providing benefits to participants and their beneficiaries; and
- (B) defraying reasonable expenses of administering the system;

(2) with the care, skill, prudence and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with matters of the type would use in the conduct of like character and like aims;

(3) by diversifying the investments of the system to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and

(4) in accordance with the documents and instruments governing the system . . .

Section 802.203(b) -- In choosing and contracting for professional investment management services and in continuing the use of an investment manager, the governing body must act prudently and in the interest of participants and beneficiaries of the public retirement system.

Section 802.203(c) -- A trustee is not liable for the acts of omissions of an investment manger appointed under Section 802.204.

Section 802.204. (a) The governing body of a public retirement system may appoint investment managers for the system by contracting for professional investment management services with one or more organizations, which may include a bank if it has a trust department, that are in the business of managing investments.

(b) To be eligible for appointment under this section, an investment manager must be:

(1) registered under the Investment Advisors Act of 1940 (15 U.S.C. Section 80b-1 et seq.);

(2) a bank as defined by that Act; or

(3) an insurance company qualified to perform investment services under the laws of more than one state.

(c) In a contract made under this section, the governing body shall specify any policies, requirements, or restrictions, including criteria for determining the quality of investments and for the use of standard rating services that the governing body adopts for investments of the system.

(d) A political subdivision of which members of the public retirement system are officers or employees may pay all or part of the cost of professional investment management services under a contract under this section. Any cost not paid directly by a political subdivision is payable from funds of the public retirement system.

Section 802.206 -- The governing body of a public retirement system may at any time and shall at frequent intervals monitor the investments made by any investment manager for the system. The governing body may contract for professional evaluation services to fulfill this requirement.

**TEXAS STATUTES -- ARTICLE 6243a-1**, Texas Civil Statutes (the Dallas Police and Fire Pension Plan)

Section 3.01(a) -- The Pension System shall be administered by the Board. The Board shall execute its fiduciary duty to hold and administer the assets of the fund for the exclusive benefit of members and their beneficiaries under Section 802.203, Government Code, Section 67(f), Article XVI, Texas Constitution, and any other applicable law, in a manner that ensures the sustainability of the Pension System for purposes of providing current and future benefits to members and their beneficiaries. (Underlined portion added by HB 3158, effective 9/1/17)

Section 3.01 (j-4) -- The Board has full discretion and authority to construe and interpret the combined pension plan and to do all acts necessary to carry out the purpose of the combined pension plan. A decision of the Board is final and binding on all affected parties.

Section 3.01(l) – The Board has the responsibility for the administration of the Pension System and shall order payment from the fund in accordance with the terms of the



appropriate plans within the Pension System. Money from the fund may not be paid except on the order of the Board.

Section 3.01(m) -- The Board has full power to invest the assets of the Fund in accordance with Section 4.07 of this article.

Section 3.04 -- The Board has the authority to appoint an Executive Director to assist the Board with administering the pension system and ensure that records are kept of the proceedings of the board.

Section 4.07 (c) – The Board has the ultimate authority for the investment of funds.

Section 4.07 (e) -- The Board, in exercising its control, may at any time, and shall at frequent intervals, monitor the investments made by any investment manager and shall enforce full compliance with the requirements of the Board.

Josh Mond  
General Counsel



**BOARD OF TRUSTEES AND EMPLOYEES  
ETHICS AND CODE OF CONDUCT  
POLICY**

As Amended Through January 11, 2018

## **BOARD OF TRUSTEES AND EMPLOYEES ETHICS AND CODE OF CONDUCT POLICY**

**Adopted January 11, 1996  
As amended through January 11, 2018**

### **A. Purpose**

The Board of Trustees (“Board”) of the Dallas Police and Fire Pension System (“DPFP” or the “System”) is obligated to administer its pension system as a trust fund solely in the interest of members and beneficiaries. In performance of this obligation, the Board is required to administer DPFP in accordance with Chapter 802, Title 8 of the Texas Government Code and other applicable state and federal laws and regulations. In furtherance of these obligations, the Board adopts the following Ethics and Code of Conduct Policy (this “Policy”), which shall be applicable to all System Representatives. By adopting this Policy, all System Representatives agree to act with integrity, competence, dignity, and in an ethical manner when dealing with the public, members and beneficiaries of the System, current and prospective Consultants and Vendors, DPFP staff, and fellow System Representatives.

### **B. Definitions**

1. **Benefit** – anything reasonably regarded as economic gain or advantage, including benefit to any other person in whose welfare the beneficiary is interested, or anything expressly included as a benefit by applicable law.
2. **Consultants** – independent contractors (whether individuals, partnerships, corporations or other organizations) which provide legal, economic, investment, actuarial or other advice to the Trustees or staff to be used in the performance of fiduciary functions. Any limitations or obligations under this Policy apply to the individuals involved with the System and the contracting organization, if any.
3. **Fiduciary** – any person who (1) exercises any discretionary control over the management of DPFP or any authority or control over the management or disposition of its assets, (2) renders investment advice for a fee or other compensation, direct or indirect, with respect to any moneys or other property of DPFP or has any authority or discretionary responsibility to do so, (3) has any discretionary authority or discretionary responsibility in the administration of DPFP, or (4) has been designated by the Trustees as a fiduciary in the performance of certain duties for DPFP.
4. **Gift** – anything of tangible value given without adequate consideration, which shall include, but not be limited to, any payment of cash, or receipt of goods or services, or anything expressly included as a gift by applicable law.



**B. Definitions (continued)**

5. **Key Staff** – The Executive Director, Chief Investment Officer, Chief Financial Officer, and General Counsel of the System. For purposes of this Policy, the Executive Director may designate one or more other DPFPP employees as Key Staff as reasonably determined by the Executive Director.
6. **Permitted Benefit or Gift** - A Benefit or Gift that (A) is food, lodging, transportation, or entertainment and is accepted as a guest, (B) has a value of less than \$50 (including taxes), (C) is an honorarium speaking at a conference or event that only includes meals, lodging and transportation, or (D) is deemed a Permitted Benefit or Gift by the Board pursuant to Section F.3. A Benefit or Gift is accepted as a guest if the person or representative of the entity providing the Benefit or Gift is present. Disclosure and related reporting requirements under Chapter 176, Tex. Local Gov't Code (“Chapter 176”), may apply to a Permitted Benefit or Gift, with specific dollar limitations applying for lodging, transportation, or entertainment, including lodging, transportation, or entertainment that is accepted as a guest.
7. **System Representative** –Trustees, Investment Advisory Committee members of the System, and Key Staff.
8. **Third Party** - means and includes a person or entity that is seeking action, opportunity or a specific outcome from DPFPP regarding a DPFPP matter. The Third Party may be seeking the action, opportunity or outcome for his or her or its own behalf or the third party may be seeking it on behalf of another person or entity in the capacity of a representative, agent or intermediary, or as an advocate for a cause or group of individuals or entities. This definition includes public officials.
9. **Trustee** –Members of the Board of Trustees of DPFPP and persons who are candidates for the position of a Trustee.
10. **Undue Influence** - the employment of any improper or wrongful pressure, scheme or threat by which one’s will is overcome, and he or she is induced to do or not to do an act which he or she would not do, or would do, if left to act freely.
11. **Vendors** – independent contractors, whether individuals, partnerships, corporations or other organizations, which perform services for DPFPP for direct or indirect compensation. Services include, but are not limited to, custodianship of funds, management of investments, maintenance of official records and provision of professional advice.



### **C. Standards of Conduct**

The following legal standards of conduct apply to all System Representatives.

A System Representative shall not:

1. solicit, accept or agree to accept any Benefit or Gift that the System Representative knows or should know is being offered with the intent to influence the System Representative's official conduct.
2. solicit, accept, or agree to accept any Benefit or Gift for having exercised the System Representative's official powers or performed the System Representative's official duties in favor of another.
3. solicit, accept, or agree to accept a Benefit or Gift that is not a Permitted Benefit or Gift from a person the System Representative knows is interested in or likely to become interested in any contract, purchase, payment, claim, or transaction involving the exercise of the System Representative's discretion.
4. accept other employment or compensation or engage in a business or professional activity that could reasonably be expected to impair the System Representative's independence of judgment in the performance of the System Representative's official duties or that might reasonably be expected to require or induce the System Representative to disclose confidential information acquired by reason of the official position.
5. make personal investments that could reasonably be expected to create a substantial conflict between the System Representative's private interest and the public interest (this does not include investments in publicly traded index funds or mutual funds where the System Representative has no control over the selection of holdings).
6. use official position for financial gain, obtaining privileges, or avoiding consequence of illegal acts.
7. have any direct or indirect pecuniary interest in a contract entered into by DPFPP other than an interest incidental to the System Representative's membership in a large class such as that of participants in DPFPP (this does not include investments in publicly traded index funds or mutual funds where the System Representative has no control over the selection of holdings).



#### **D. Fiduciary Duties**

1. Under Texas State statutes and applicable federal law and regulations, the System is a trust fund to be administered solely in the interest of the members and beneficiaries thereof for the exclusive purpose of providing benefits to members and beneficiaries and to defray reasonable expenses of DFPF.
2. In the performance of these duties, all Fiduciaries are subject to the "prudent person" rule which requires that they exercise their duties with the care, skill, prudence, and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with matters of the type would use in the conduct of an enterprise with a like character and like aims. Further, all Fiduciaries shall maintain high ethical and moral character both professionally and personally, including interactions with other Trustees and DFPF staff, such that the conduct of all Fiduciaries shall not reflect negatively upon the Board or DFPF.
3. In making or participating in decisions, Fiduciaries shall give appropriate consideration to those facts and circumstances reasonably available to the Fiduciary which are relevant to the particular decision and shall refrain from considering facts or circumstances which are not relevant to the decision.
4. Investment decisions of Fiduciaries must be made in accordance with the approved Investment Policy Statement of the System.
5. As a Fiduciary, each Trustee shall adhere to the following:
  - A. A Trustee's loyalty must be to the members and beneficiaries of the System and not to the source of his or her appointment. A Trustee must exercise care and caution always to place the interest of members and beneficiaries ahead of the Trustee's own interest.
  - B. All members and beneficiaries of DFPF are to be treated fairly and impartially. A Trustee's duty is to the members and beneficiaries of DFPF as a whole and not to individuals or groups of individuals within DFPF.
  - C. Trustees must possess the ability and willingness to dedicate the time required to satisfy the duties of serving as a Fiduciary. This includes but is not limited to possessing a complete understanding of the obligations and duty to act in accordance with plan documents, as well as having a substantive base of knowledge that contributes to sufficient analysis of recommendations by DFPF staff and other professionals and fulfillment of fiduciary obligations. A Trustee is responsible for preparing himself or herself for Board work, including committee meetings.



**D. Fiduciary Duties (continued)**

- D. A Trustee shall treat executive session and closed meeting information as confidential.
  - E. A Trustee shall not give, disclose or provide access to any confidential information owned, obtained, or developed by DPFP.
  - F. Trustees should delegate duties, when appropriate, and prudently select, instruct, and monitor all Vendors, Consultants, DPFP staff, and agents to whom they delegate such duties.
6. No Trustee shall knowingly or negligently participate in the breach of fiduciary duty by another fiduciary, participate in concealing such breach, or knowingly or negligently permit such breach to occur or continue.

**E. Conflicts of Interest and Prohibited Transactions**

- 1. Certain transactions by System Representatives of DPFP are strictly prohibited, specifically:
  - A. Compensation from any person in connection with any action involving assets of DPFP.
  - B. Participation in a decision or action involving any asset or benefit for personal interest.
  - C. The purchase, sale, exchange or leasing of property with DPFP if that System Representative holds an interest in the property.
  - D. The purchase, sale or exchange of any direct investment with DPFP if that System Representative holds an interest in the investment.
  - E. Causing the Fund to engage in any of the prohibited transactions described herein with any immediate relative or business associate of the System Representative, any other Trustee, employee, custodian, or counsel to DPFP, any other Fiduciary, any person providing services to DPFP, any employee organization whose members are covered by DPFP, or the City of Dallas and its officers, officials and employees.



**E. Conflicts of Interest and Prohibited Transactions (continued)**

2. In addition, any goods, services, or facilities furnished by DPF to any person shall be used for the exclusive benefit of DPF unless reasonable consideration is received by the System for the use of the goods, services, or facilities.
3. Black-Out List for Investment Entities
  - A. For purposes of this subsection, "Investment Entity" means an investment firm, partnership, fund, advisor, consultant, placement agent or owner of property that is being considered for purchase.
  - B. The Chief Investment Officer shall maintain and periodically update as
  - C. appropriate a list (the "Black-out List") of Investment Entities that meet any of the following criteria:
    - i. The Investment Entity is under consideration by DPF staff for a recommendation to the Board or the Board's Investment Advisory Committee on a mandate, commitment, increased allocation or any retention for investment-related services (exclusive of rebalancing);
    - ii. The Investment Entity is under consideration by the DPF staff for a recommendation to the Board or the Investment Advisory Committee to decrease the allocation to the Investment Entity (exclusive of rebalancing) or to discontinue use of the Investment Entity, provided, however, this shall not include any Investment Entity where the assets managed by the Investment Entity that are being considered to be reduced in whole or in part are contained within an asset class where the actual assets held by DPF are higher than the target allocation for such asset class in the Investment Policy Statement; or
    - iii. The Investment Entity is in negotiations with DPF for contractual terms after a conditional selection has been made.
  - D. During the first half of each month, the Chief Investment Officer shall supply the current Black-out List to Trustees and any DPF employees that, in the Chief Investment Officer's opinion, might potentially be affected by this section (the "Affected Employees"). Additionally, prior to departure for DPF-related travel, Trustees and Affected Employees shall be issued the most current Black-out List.





**E. Conflicts of Interest and Prohibited Transactions (continued)**

- E. Notwithstanding any other DFPF policies, including those in this Policy concerning Benefits or Gifts, while an Investment Entity's name appears on the Black-out List, Trustees and Affected Employees and their immediate relatives shall not accept payment, reimbursement, complimentary admission or similar extension or subsidy for food, lodging, travel or entertainment, including any Permitted Benefit or Gift, from any person or entity identified or affiliated with said Investment Entity, including, without limitation, any placement agent of an Investment Entity (an "Investment Entity Representative"), except for:
    - i. food and beverages that would be typically or conventionally provided by a business host in connection with a business meeting and that are provided by the host at its place of business during a due diligence visit;
    - ii. food and beverages provided at regularly scheduled Investment Entity annual meetings or advisory committee meetings; and
    - iii. food and beverages provided at educational conferences where such food and beverages may be sponsored by an Investment Entity, but are available to all conference attendees.
  - F. Trustees shall not reciprocate communications from an Investment Entity Representative about the Investment Entity outside of committee or Board meetings ("ex-parte communications").
- 4. A System Representative shall report to the Executive Director any business relationship with a current or prospective Vendor on a signed document upon establishment of such relationship if the System Representative knows or should know that the person or entity is a current or prospective Vendor for DFPF.<sup>1</sup> Upon receipt of such information, the Executive Director will as promptly as practicable report apprise the Board of the facts involved.
  - 5. A Trustee shall not lobby against legislative proposals pertaining to DFPF pension issues and benefits that have been duly approved by the Board or an authorized committee of the Board.
  - 6. A System Representative shall not disclose any information deemed confidential by DFPF.

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<sup>1</sup> Chapter 176, Texas Local Gov't Code.



**E. Conflicts of Interest and Prohibited Transactions (continued)**

7. Other than as a member or beneficiary of DPF, a System Representative may have no conflict of interest during such System Representative's tenure with DPF and for one year after tenure ends, such that System Representative shall comply with the provisions of this Policy during such System Representative's tenure, and a System Representative shall not, during such System Representative's tenure with DPF and for one year after such tenure ends, represent any Third Party in any formal or informal appearance before the Board or DPF staff. DPF will not enter into or renew an existing contract with any Vendor during the one year period after the System Representative's tenure with DPF if such Vendor employs or is represented by the System Representative unless the Board determines that such a restriction would not be in DPF's best interest
8. Nothing in this Section shall exempt any System Representative from applicable provisions of any other laws. The standards of conduct set forth in this Section are in addition to those prescribed elsewhere in this Policy and in applicable laws and rules.

**F. Gifts, Travel and Expenses**

1. System Representatives shall not solicit any Benefit or Gift, including a Permitted Benefit or Gift, from any source which is a current or prospective Vendor of DPF. All Trustees and Key Staff of DPF shall exercise care in accepting any Permitted Benefit or Gift from any source, particularly those sources which are current or prospective Vendors of the System.
2. System Representatives shall not accept from a Vendor or prospective Vendor a Benefit or Gift that is not a Permitted Benefit or Gift. Any Benefit or Gift to a System Representative that is not a Permitted Benefit or Gift shall be returned to its source whenever possible or donated to a suitable charitable organization upon its receipt.
3. If a System Representative has a relationship with a Vendor or prospective Vendor (the "Prior Relationship") which predates the System Representative's relationship with DPF, then the System Representative may disclose to the Board the Prior Relationship and Benefits or Gifts previously received from the Vendor or prospective Vendor (the "Prior Benefits or Gifts") due to the Prior Relationship. The Board may determine that future Benefits or Gifts received by the System Representative that are similar to the Prior Benefits or Gifts are the result of the continuation of the Prior Relationship and shall be deemed a Permitted Benefit or Gift and no further reporting obligation shall be required. If the Board has deemed a Benefit or Gift from a vendor or prospective



## **F. Gifts, Travel and Expenses (continued)**

Vendor a Permitted Benefit or Gift due to a Prior Relationship as described in the sentence above, a System Representative shall report to the Board any Benefit or Gift received from such Vendor or prospective Vendor which would not reasonably be considered similar to the Prior Benefits or Gifts. The Board may require recusal of a System Representative from discussion of any matter that directly or indirectly involves a Vendor or prospective Vendor with whom such System Representative has a Prior Relationship.

4. No System Representative shall receive any Permitted Benefit or Gift through an intermediary, if the person knows, or has reason to know, that the Permitted Benefit or Gift has originated from another source.
5. In no event shall any System Representative accept a Permitted Benefit or Gift if the source of the Permitted Benefit or Gift is not identified. If the source of any Permitted Benefit or Gift cannot be ascertained, the Permitted Benefit or Gift shall be donated to a suitable charitable organization.
6. Under no circumstances shall a System Representative accept a cash Gift.
7. In no event shall any System Representative accept any expenses related to travel, other than working meals or ground transportation, the purpose of which is to determine the selection of new Vendors or to determine the assignment of continuing or additional business to existing Vendors.

## **G. Examples of Situations That Involve a Permitted Benefit or Gift<sup>2</sup>**

1. Permitted Benefit or Gift or No Benefit or Gift Provided (and Reporting Required in Certain Situations)
  - A. A Vendor (not currently in a search) invites a System Representative to attend a sporting event at no cost to the System Representative. The Vendor and the System Representative both attend the event. Because the Vendor accompanies the System Representative to this event, the event is a Permitted Benefit or Gift. However, for purposes of Chapter 176, whether the event has to be reported depends on the whether the value of the sporting event and the value of any Gift, including transportation, lodging or entertainment received by the System Representative from the Vendor in the applicable 12-month period (as described in Chapter 176) would, in the aggregate, exceed \$100.

<sup>2</sup> In all scenarios, the Vendor does not have a separate employment or other business relationship with the System Representative or the System Representative's family member (see Chapters 171 and 176 for details).



**G. Examples of Situations That Involve a Permitted Benefit or Gift<sup>3</sup> (continued)**

- B. A Vendor (not currently in a search) invites several System Representatives to a dinner at a restaurant. The Vendor and the System Representatives attend the dinner. Because the Vendor accompanies the System Representatives to the dinner, the dinner is a Permitted Benefit or Gift.
- C. While attending a conference, a System Representative attends a reception sponsored and attended by Vendors (none of which currently are in a search). Because the reception is widely attended and the Vendors are present, the reception is a Permitted Benefit or Gift.
- D. While attending a conference, a System Representative and all other attendees of the conference receive a bag with various items and the aggregate value of the items is under \$50 (including taxes). Because the value of the gift bag is under \$50, the gift bag is a Permitted Benefit or Gift. Whether these items must be reported under Chapter 176 depends on whether the items are from a specific Vendor or prospective Vendor and whether that Vendor has provided other gifts within the applicable 12-month period (as described by Chapter 176) that would, in the aggregate, exceed \$100.
- E. A System Representative realizes that seven months ago, he participated in a golf outing valued at \$175 as a guest of a company who had representatives at the golf outing. The company, however, now enters into a contract with DFPF in the current month. The System Representative did not know at the time of the golf outing that the company or DFPF was considering entering into the contract. Because representatives of the company were in attendance at the golf outing, the outing was a Permitted Benefit or Gift, even though the outing was over \$50. However, because the golf outing was valued at over \$100, it must be reported under Chapter 176 because the System Representative received a Gift from the Vendor during the 12-month period preceding the date that he became aware that a contract with the Vendor had been executed.
- F. A System Representative and her spouse attend a professional basketball game as guests of a company with representatives of the company present. The value of the tickets is over \$100. Six months later, the System Representative becomes aware that DFPF and the company are considering entering into a contract, even though no contract is being entered into at such time. Because the basketball

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<sup>3</sup> In all scenarios, the Vendor does not have a separate employment or other business relationship with the System Representative or the System Representative's family member (see Chapters 171 and 176 for details).



**G. Examples of Situations That Involve a Permitted Benefit or Gift<sup>4</sup> (continued)**

game was attended by a representative of the company, the basketball game was a Permitted Benefit or Gift, even though the value was over \$50. However, because the tickets were valued at over \$100, it must be reported under Chapter 176 because the System Representative received a Gift from the Vendor during the 12-month period preceding the date that she became aware that DPFP and the Company were considering entering into a contract.

- G. While attending a conference, a System Representative and all other attendees of the conference receive an item such as a shirt/sweater or briefcase type bag with the Vendor's name on it. Because items with Vendors' logos and/or company name generally are advertising and do not have retail value, no Benefit or Gift is provided.
- H. A System Representative attends a conference as a speaker and in return the conference pays for transportation, meals and lodging. This is a permitted honorarium, and no Benefit or Gift is provided. Whether the honorarium must be reported under Chapter 176, depends on whether the transportation, meals and lodging are from a current or prospective Vendor and whether that Vendor has provided other gifts within the applicable 12-month period (as described in Chapter 176) that would, in the aggregate, exceed \$100.

2. Benefit or Gift Provided that is Not Permitted

- A. A Vendor (not currently in a search) invites a System Representative to attend a sporting event at no cost to the System Representative, but does not plan on attending the event. Because the Vendor does not attend the event with the System Representative, a Benefit or Gift is provided that is not permitted.
- B. A System Representative, while attending a conference, wins a raffle sponsored by the conference. The prize is \$25 cash. The System Representative may not accept the cash, as it is a Benefit or Gift that is expressly prohibited under Section F.5.
- C. A System Representative, during the Christmas Holidays, receives a pen and pencil set from a Vendor. The value of the set is obviously over \$50 (including taxes). Because the value of the pen and pencil set is over \$50, the pen and pencil set is a Gift that is not permitted and should be returned to the Vendor, or if return is not possible, donated to a charitable organization.

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<sup>4</sup> In all scenarios, the Vendor does not have a separate employment or other business relationship with the System Representative or the System Representative's family member (see Chapters 171 and 176 for details).



## **H. Undue Influence**

1. Trustees recognize that, by virtue of their position of authority with the System, may have Undue Influence on DPFPP staff or Consultants when communicating directly with such staff or Consultants.
2. Individual Trustees shall refer all proposals or other communications regarding potential or existing investments or other contracts or services, or matters involving general System operations, directly to the Executive Director or his or her designee and shall not communicate as to such matters with other DPFPP staff or Consultants.
3. Any communication regarding a potential investment transaction, other contract, or System operations initiated by a Trustee with either DPFPP staff or a Consultant in which the Trustee is advocating for a specified outcome must be documented by the employee or Consultant and reported to the Executive Director. The Executive Director will notify the Chairman of such communications for appropriate action.

## **I. General Provisions**

1. Nothing in this policy shall excuse any Trustee, officer, or employee from any other restrictions of state or federal law concerning conflicts of interest and fiduciary duties, including but not limited to Chapters 171 and 176, Tex. Local Gov't Code, as amended (Attachment III), and the Securities and Exchange Commission "Pay to Play" Regulations, Rule 206(4)-5.<sup>5</sup>
2. Violation of this Policy by a Vendor will result in corrective action, up to and including termination of contract or relationship with DPFPP, discipline, or initiation of removal action pursuant to any and all applicable laws. Enforcement of this Policy with respect to Trustees is provided in Section J.

## **J. Enforcement**

1. It is the duty of all System Representatives to be aware of all provisions of this document and to abide by the letter and the spirit of this Policy.
2. If the Executive Director is notified in writing of an alleged violation of this Policy, the Executive Director shall promptly notify the Chairman of the alleged violation. If the

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<sup>5</sup> <http://www.sec.gov/rules/final/2010/ia-3043.pdf>.



Board of Trustee and Employees Ethics And Code Of Conduct Policy  
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**J. Enforcement (continued)**

violation is alleged against a Trustee, the Chairman is authorized to call an ad hoc committee of four (4) Trustees who are not the subject of the allegation to review the alleged violation and make recommendations to the Board for resolution of the matter. If the Chairman is a subject of the alleged violation, the Executive Director shall promptly notify the Vice Chairman of the alleged violation. The Vice Chairman is authorized to call an ad hoc committee of four (4) Trustees who are not the subject of the allegation to review the alleged violation and make recommendations to the Board for resolution of the matter.

3. The Board shall have final decision-making authority with respect to Trustee violations of this Policy. The Executive Director shall have final decision-making authority with respect to staff violations of this Policy.

A. Available decisions for Trustee violations of this Policy are:

- i. Require that the Trustee file disclosure or conflicts report(s) within a specified time period.
- ii. Require that the Trustee attend approved specialized training within a specified time period.
- iii. Removal of the Trustee from any Committee Chairman role for a specified time period.
- iv. Removal of the Trustee from any Committee membership for a specified time period.
- v. Censure of the Trustee.
- vi. Bring suit against the Trustee for breach of fiduciary duty.

B. A decision under this Section is binding on the Trustee.

**K. Compliance**

Trustees and Key Staff are required to file an annual form with the System acknowledging that they have read, understand and will comply with the provisions of this Policy.



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**L. Effective Date**

APPROVED on January 11, 2018 by the Board of Trustees of the Dallas Police and Fire Pension System.



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William F. Quinn  
Chairman

**ATTEST:**



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Kelly Gottschalk  
Secretary





## Attachment I

The fiduciary responsibilities of a Trustee of a Public Retirement System in the state of Texas under Texas Government Code, Title 8, Section 802.203.

Sec. 802.203. FIDUCIARY RESPONSIBILITY. (a) In making and supervising investments of the reserve fund of a public retirement system, an investment manager or the governing body shall discharge its duties solely in the interest of the participants and beneficiaries:

- (1) for the exclusive purposes of:
  - (A) providing benefits to participants and their beneficiaries; and
  - (B) defraying reasonable expenses of administering the system;
- (2) with the care, skill, prudence, and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with matters of the type would use in the conduct of an enterprise with a like character and like aims;
- (3) by diversifying the investments of the system to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and
- (4) in accordance with the documents and instruments governing the system to the extent that the documents and instruments are consistent with this subchapter.

(b) In choosing and contracting for professional investment management services and in continuing the use of an investment manager, the governing body must act prudently and in the interest of the participants and beneficiaries of the public retirement system.

(c) A Trustee is not liable for the acts or omissions of an investment manager appointed under Section 802.204, nor is a Trustee obligated to invest or otherwise manage any asset of the system subject to management by the investment manager.

(d) An investment manager appointed under Section 802.204 shall acknowledge in writing the manager's fiduciary responsibilities to the fund the manager is appointed to serve.

(e) The investment standards provided by Subsection (a) and the policies, requirements, and restrictions adopted under Section 802.204(c) are the only standards, policies, or requirements for, or restrictions on, the investment of funds of a public retirement system by an investment manager or by a governing body during a 90-day interim between professional investment management services. Any other standard, policy, requirement, or restriction provided by law is suspended and not applicable during a time, and for 90 days after a time, in which an investment manager is responsible for investment of a reserve fund. If an investment manager has not begun managing investments of a reserve fund before the 91st day after the date of termination of the services of a previous investment manager, the standards, policies, requirements, and restrictions otherwise provided by law are applicable until the date professional investment management services are resumed.

## Attachment II

### Chapters 171 and 176 of the Texas Local Government Code

#### CHAPTER 171. REGULATION OF CONFLICTS OF INTEREST OF OFFICERS OF MUNICIPALITIES, COUNTIES, AND CERTAIN OTHER LOCAL GOVERNMENTS

Sec. 171.001. DEFINITIONS. In this chapter:

- (1) "Local public official" means a member of the governing body or another officer, whether elected, appointed, paid, or unpaid, of any district (including a school district), county, municipality, precinct, central appraisal district, transit authority or district, or other local governmental entity who exercises responsibilities beyond those that are advisory in nature.
- (2) "Business entity" means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, or any other entity recognized by law.

Sec. 171.002. SUBSTANTIAL INTEREST IN BUSINESS ENTITY. (a) For purposes of this chapter, a person has a substantial interest in a business entity if:

- (1) the person owns 10 percent or more of the voting stock or shares of the business entity or owns either 10 percent or more or \$15,000 or more of the fair market value of the business entity; or
  - (2) funds received by the person from the business entity exceed 10 percent of the person's gross income for the previous year.
- (b) A person has a substantial interest in real property if the interest is an equitable or legal ownership with a fair market value of \$2,500 or more.
- (c) A local public official is considered to have a substantial interest under this section if a person related to the official in the first degree by consanguinity or affinity, as determined under Chapter [573](#), Government Code, has a substantial interest under this section.

Sec. 171.0025. APPLICATION OF CHAPTER TO MEMBER OF HIGHER EDUCATION AUTHORITY. This chapter does not apply to a board member of a higher education authority created under Chapter [53](#), Education Code, unless a vote, act, or other participation by the board member in the affairs of the higher education authority would provide a financial benefit to a financial institution, school, college, or university that is:

- (1) a source of income to the board member; or
- (2) a business entity in which the board member has an interest distinguishable from a financial benefit available to any other similar financial institution or other school, college, or university whose students are eligible for a student loan available under Chapter [53](#), Education Code.

Sec. 171.003. PROHIBITED ACTS; PENALTY. (a) A local public official commits an offense if the official knowingly:

- (1) violates Section [171.004](#);
  - (2) acts as surety for a business entity that has work, business, or a contract with the governmental entity; or
  - (3) acts as surety on any official bond required of an officer of the governmental entity.
- (b) An offense under this section is a Class A misdemeanor.

Sec. 171.004. AFFIDAVIT AND ABSTENTION FROM VOTING REQUIRED. (a) If a local public official has a substantial interest in a business entity or in real property, the official shall file, before a vote or decision on any matter involving the business entity or the real property, an affidavit stating the nature and extent of the interest and shall abstain from further participation in the matter if:

- (1) in the case of a substantial interest in a business entity the action on the matter will have a special economic effect on the business entity that is distinguishable from the effect on the public; or
- (2) in the case of a substantial interest in real property, it is reasonably foreseeable that an action on the matter will have a special economic effect on the value of the property, distinguishable from its effect on the public.

(b) The affidavit must be filed with the official record keeper of the governmental entity.

(c) If a local public official is required to file and does file an affidavit under Subsection (a), the official is not required to abstain from further participation in the matter requiring the affidavit if a majority of the members of the governmental entity of which the official is a member is composed of persons who are likewise required to file and who do file affidavits of similar interests on the same official action.

Sec. 171.005. VOTING ON BUDGET. (a) The governing body of a governmental entity shall take a separate vote on any budget item specifically dedicated to a contract with a business entity in which a member of the governing body has a substantial interest.

(b) Except as provided by Section [171.004\(c\)](#), the affected member may not participate in that separate vote. The member may vote on a final budget if:

- (1) the member has complied with this chapter; and
- (2) the matter in which the member is concerned has been resolved.

Sec. 171.006. EFFECT OF VIOLATION OF CHAPTER. The finding by a court of a violation under this chapter does not render an action of the governing body voidable unless the measure that was the subject of an action involving a conflict of interest would not have passed the governing body without the vote of the person who violated the chapter.

Sec. 171.007. COMMON LAW PREEMPTED; CUMULATIVE OF MUNICIPAL PROVISIONS. (a) This chapter preempts the common law of conflict of interests as applied to local public officials.

(b) This chapter is cumulative of municipal charter provisions and municipal ordinances defining and prohibiting conflicts of interests.

Sec. 171.009. SERVICE ON BOARD OF CORPORATION FOR NO COMPENSATION. It shall be lawful for a local public official to serve as a member of the board of directors of private, nonprofit corporations when such officials receive no compensation or other remuneration from the nonprofit corporation or other nonprofit entity.

Sec. 171.010. PRACTICE OF LAW. (a) For purposes of this chapter, a county judge or county commissioner engaged in the private practice of law has a substantial interest in a business entity if the official has entered a court appearance or signed court pleadings in a matter relating to that business entity.

(b) A county judge or county commissioner that has a substantial interest in a business entity as described by Subsection (a) must comply with this chapter.

(c) A judge of a constitutional county court may not enter a court appearance or sign court pleadings as an attorney in any matter before:

(1) the court over which the judge presides; or

(2) any court in this state over which the judge's court exercises appellate jurisdiction.

(d) Upon compliance with this chapter, a county judge or commissioner may practice law in the courts located in the county where the county judge or commissioner serves.

#### CHAPTER 176. DISCLOSURE OF CERTAIN RELATIONSHIPS WITH LOCAL GOVERNMENT OFFICERS; PROVIDING PUBLIC ACCESS TO CERTAIN INFORMATION

Sec. 176.001. DEFINITIONS. In this chapter:

(1) "Agent" means a third party who undertakes to transact some business or manage some affair for another person by the authority or on account of the other person. The term includes an employee.

(1-a) "Business relationship" means a connection between two or more parties based on commercial activity of one of the parties. The term does not include a connection based on:

(A) a transaction that is subject to rate or fee regulation by a federal, state, or local governmental entity or an agency of a federal, state, or local governmental entity;

(B) a transaction conducted at a price and subject to terms available to the public; or

(C) a purchase or lease of goods or services from a person that is chartered by a state or federal agency and that is subject to regular examination by, and reporting to, that agency.

(1-b) "Charter school" means an open-enrollment charter school operating under Subchapter D, Chapter [12](#), Education Code.

(1-c) "Commission" means the Texas Ethics Commission.

(1-d) "Contract" means a written agreement for the sale or purchase of real property, goods, or services.

(2) "Family member" means a person related to another person within the first degree by consanguinity or affinity, as described by Subchapter B, Chapter [573](#), Government Code.

(2-a) "Family relationship" means a relationship between a person and another person within the third degree by consanguinity or the second degree by affinity, as those terms are defined by Subchapter B, Chapter [573](#), Government Code.

(2-b) "Gift" means a benefit offered by a person, including food, lodging, transportation, and entertainment accepted as a guest. The term does not include a benefit offered on account of kinship or a personal, professional, or business relationship independent of the official status of the recipient.

(2-c) "Goods" means personal property.

(2-d) "Investment income" means dividends, capital gains, or interest income generated from:

(A) a personal or business:

(i) checking or savings account;

(ii) share draft or share account; or

(iii) other similar account;

(B) a personal or business investment; or

(C) a personal or business loan.

(3) "Local governmental entity" means a county, municipality, school district, charter school, junior college district, water district created under Subchapter B, Chapter [49](#), Water Code, or other political subdivision of this state or a local government corporation, board, commission, district, or authority to which a member is appointed by the commissioners court of a county, the mayor of a municipality, or the governing body of a municipality. The term does not include an association, corporation, or organization of governmental entities organized to provide to its members education, assistance, products, or services or to represent its members before the legislative, administrative, or judicial branches of the state or federal government.

(4) "Local government officer" means:

(A) a member of the governing body of a local governmental entity;

(B) a director, superintendent, administrator, president, or other person designated as the executive officer of a local governmental entity; or

(C) an agent of a local governmental entity who exercises discretion in the planning, recommending, selecting, or contracting of a vendor.

(5) "Records administrator" means the director, county clerk, municipal secretary, superintendent, or other person responsible for maintaining the records of the local governmental entity or another person designated by the local governmental entity to maintain statements and questionnaires filed under this chapter and perform related functions.

(6) "Services" means skilled or unskilled labor or professional services, as defined by Section [2254.002](#), Government Code.

(7) "Vendor" means a person who enters or seeks to enter into a contract with a local governmental entity. The term includes an agent of a vendor. The term includes an officer or employee of a state agency when that individual is acting in a private capacity to enter into a contract. The term does not include a state agency except for Texas Correctional Industries.

Sec. 176.002. APPLICABILITY TO VENDORS AND OTHER PERSONS. (a) This chapter applies to a person who is:

- (1) a vendor; or
- (2) a local government officer of a local governmental entity.

(b) A person is not subject to the disclosure requirements of this chapter if the person is:

- (1) a state, a political subdivision of a state, the federal government, or a foreign government; or
- (2) an employee or agent of an entity described by Subdivision (1), acting in the employee's or agent's official capacity.

Sec. 176.003. CONFLICTS DISCLOSURE STATEMENT REQUIRED. (a) A local government officer shall file a conflicts disclosure statement with respect to a vendor if:

(1) the vendor enters into a contract with the local governmental entity or the local governmental entity is considering entering into a contract with the vendor; and

(2) the vendor:

(A) has an employment or other business relationship with the local government officer or a family member of the officer that results in the officer or family member receiving taxable income, other than investment income, that exceeds \$2,500 during the 12-month period preceding the date that the officer becomes aware that:

- (i) a contract between the local governmental entity and vendor has been executed; or
- (ii) the local governmental entity is considering entering into a contract with the vendor;

(B) has given to the local government officer or a family member of the officer one or more gifts that have an aggregate value of more than \$100 in the 12-month period preceding the date the officer becomes aware that:

- (i) a contract between the local governmental entity and vendor has been executed; or

- (ii) the local governmental entity is considering entering into a contract with the vendor; or
- (C) has a family relationship with the local government officer.

(a-1) A local government officer is not required to file a conflicts disclosure statement in relation to a gift accepted by the officer or a family member of the officer if the gift is:

- (1) a political contribution as defined by Title 15, Election Code; or
- (2) food accepted as a guest.

(a-2) A local government officer is not required to file a conflicts disclosure statement under Subsection (a) if the local governmental entity or vendor described by that subsection is an administrative agency created under Section [791.013](#), Government Code.

(b) A local government officer shall file the conflicts disclosure statement with the records administrator of the local governmental entity not later than 5 p.m. on the seventh business day after the date on which the officer becomes aware of the facts that require the filing of the statement under Subsection (a).

(c) Repealed by Acts 2015, 84th Leg., R.S., Ch. 989 , Sec. 9(1), eff. September 1, 2015.

(d) Repealed by Acts 2015, 84th Leg., R.S., Ch. 989 , Sec. 9(1), eff. September 1, 2015.

(e) The commission shall adopt the conflicts disclosure statement for local government officers for use under this section. The conflicts disclosure statement must include:

(1) a requirement that each local government officer disclose:

(A) an employment or other business relationship described by Subsection (a)(2)(A), including the nature and extent of the relationship; and

(B) gifts accepted by the local government officer and any family member of the officer from a vendor during the 12-month period described by Subsection (a)(2)(B) if the aggregate value of the gifts accepted by the officer or a family member from that vendor exceeds \$100;

(2) an acknowledgment from the local government officer that:

(A) the disclosure applies to each family member of the officer; and

(B) the statement covers the 12-month period described by Subsection (a)(2)(B); and

(3) the signature of the local government officer acknowledging that the statement is made under oath under penalty of perjury.

Sec. 176.006. DISCLOSURE REQUIREMENTS FOR VENDORS AND OTHER PERSONS; QUESTIONNAIRE. (a) A vendor shall file a completed conflict of interest questionnaire if the vendor has a business relationship with a local governmental entity and:

(1) has an employment or other business relationship with a local government officer of that local governmental entity, or a family member of the officer, described by Section [176.003\(a\)\(2\)\(A\)](#);

(2) has given a local government officer of that local governmental entity, or a family member of the officer, one or more gifts with the aggregate value specified by Section [176.003\(a\)\(2\)\(B\)](#), excluding any gift described by Section [176.003\(a-1\)](#); or

(3) has a family relationship with a local government officer of that local governmental entity.

(a-1) The completed conflict of interest questionnaire must be filed with the appropriate records administrator not later than the seventh business day after the later of:

(1) the date that the vendor:

(A) begins discussions or negotiations to enter into a contract with the local governmental entity; or

(B) submits to the local governmental entity an application, response to a request for proposals or bids, correspondence, or another writing related to a potential contract with the local governmental entity; or

(2) the date the vendor becomes aware:

(A) of an employment or other business relationship with a local government officer, or a family member of the officer, described by Subsection (a);

(B) that the vendor has given one or more gifts described by Subsection (a); or

(C) of a family relationship with a local government officer.

(b) The commission shall adopt a conflict of interest questionnaire for use under this section that requires disclosure of a vendor's business and family relationships with a local governmental entity.

(c) The questionnaire adopted under Subsection (b) must require, for the local governmental entity with respect to which the questionnaire is filed, that the vendor filing the questionnaire:

(1) describe each employment or business and family relationship the vendor has with each local government officer of the local governmental entity;

(2) identify each employment or business relationship described by Subdivision (1) with respect to which the local government officer receives, or is likely to receive, taxable income, other than investment income, from the vendor;

(3) identify each employment or business relationship described by Subdivision (1) with respect to which the vendor receives, or is likely to receive, taxable income, other than investment income, that:

(A) is received from, or at the direction of, a local government officer of the local governmental entity; and

(B) is not received from the local governmental entity; and

(4) describe each employment or business relationship with a corporation or other business entity with respect to which a local government officer of the local governmental entity:

(A) serves as an officer or director; or

(B) holds an ownership interest of one percent or more.



(d) A vendor shall file an updated completed questionnaire with the appropriate records administrator not later than the seventh business day after the date on which the vendor becomes aware of an event that would make a statement in the questionnaire incomplete or inaccurate.

(e) A person who is both a local government officer and a vendor of a local governmental entity is required to file the questionnaire required by Subsection (a)(1) only if the person:

(1) enters or seeks to enter into a contract with the local governmental entity; or

(2) is an agent of a person who enters or seeks to enter into a contract with the local governmental entity.

(f) Repealed by Acts 2015, 84th Leg., R.S., Ch. 989 , Sec. 9(3), eff. September 1, 2015.

(g) Repealed by Acts 2015, 84th Leg., R.S., Ch. 989 , Sec. 9(3), eff. September 1, 2015.

(h) Repealed by Acts 2015, 84th Leg., R.S., Ch. 989 , Sec. 9(3), eff. September 1, 2015.

(i) The validity of a contract between a vendor and a local governmental entity is not affected solely because the vendor fails to comply with this section.

Sec. 176.0065. MAINTENANCE OF RECORDS. A records administrator shall:

(1) maintain a list of local government officers of the local governmental entity and shall make that list available to the public and any vendor who may be required to file a conflict of interest questionnaire under Section [176.006](#); and

(2) maintain the statements and questionnaires that are required to be filed under this chapter in accordance with the local governmental entity's records retention schedule.

Sec. 176.008. ELECTRONIC FILING. The requirements of this chapter, including signature requirements, may be satisfied by electronic filing in a form approved by the commission.

Sec. 176.009. POSTING ON INTERNET. (a) A local governmental entity that maintains an Internet website shall provide access to the statements and to questionnaires required to be filed under this chapter on that website. This subsection does not require a local governmental entity to maintain an Internet website.

(b) Repealed by Acts 2013, 83rd Leg., R.S., Ch. 847, Sec. 3(b), eff. January 1, 2014.

Sec. 176.010. REQUIREMENTS CUMULATIVE. The requirements of this chapter are in addition to any other disclosure required by law.

Sec. 176.012. APPLICATION OF PUBLIC INFORMATION LAW. This chapter does not require a local governmental entity to disclose any information that is excepted from disclosure by Chapter [552](#), Government Code.

Sec. 176.013. ENFORCEMENT. (a) A local government officer commits an offense under this chapter if the officer:

- (1) is required to file a conflicts disclosure statement under Section [176.003](#); and
- (2) knowingly fails to file the required conflicts disclosure statement with the appropriate records administrator not later than 5 p.m. on the seventh business day after the date on which the officer becomes aware of the facts that require the filing of the statement.

(b) A vendor commits an offense under this chapter if the vendor:

- (1) is required to file a conflict of interest questionnaire under Section [176.006](#); and
- (2) either:
  - (A) knowingly fails to file the required questionnaire with the appropriate records administrator not later than 5 p.m. on the seventh business day after the date on which the vendor becomes aware of the facts that require the filing of the questionnaire; or
  - (B) knowingly fails to file an updated questionnaire with the appropriate records administrator not later than 5 p.m. on the seventh business day after the date on which the vendor becomes aware of an event that would make a statement in a questionnaire previously filed by the vendor incomplete or inaccurate.

(c) An offense under this chapter is:

- (1) a Class C misdemeanor if the contract amount is less than \$1 million or if there is no contract amount for the contract;
- (2) a Class B misdemeanor if the contract amount is at least \$1 million but less than \$5 million; or
- (3) a Class A misdemeanor if the contract amount is at least \$5 million.

(d) A local governmental entity may reprimand, suspend, or terminate the employment of an employee who knowingly fails to comply with a requirement adopted under this chapter.

(e) The governing body of a local governmental entity may, at its discretion, declare a contract void if the governing body determines that a vendor failed to file a conflict of interest questionnaire required by Section [176.006](#).

(f) It is an exception to the application of Subsection (a) that the local government officer filed the required conflicts disclosure statement not later than the seventh business day after the date the officer received notice from the local governmental entity of the alleged violation.

(g) It is an exception to the application of Subsection (b) that the vendor filed the required questionnaire not later than the seventh business day after the date the vendor received notice from the local governmental entity of the alleged violation.



## **TRUSTEE ELECTION PROCEDURES**

As Amended Through February 14, 2019

## **DALLAS POLICE AND FIRE PENSION SYSTEM TRUSTEE ELECTION PROCEDURES**

**Adopted January 9, 1997  
As amended through February 14, 2019**

### **A. Purpose**

These procedures provide rules governing the election of Trustees of the Dallas Police and Fire Pension Board (the “Board”). Pursuant to Section 3.01(f) of Article 6243a-1 of the Texas Revised Civil Statutes (“6243a-1”), the Board shall adopt rules that govern Trustee elections. All references in these procedures to sections numbers are to sections of 6243a-1. These procedures apply to the election of Trustees under Section 3.01(b)(2), (3) and (4). These procedures do not apply to the six trustees appointed by the Mayor of the City of Dallas under Section 3.01(b)(1).

### **B. Definitions**

(Capitalized terms not defined here have the definition set out in Article 6243a-1.)

**Fire Fighter Trustee:** One trustee that is a current or former Fire Fighter.

**Members:** Police Officers or Fire Fighters in Active Service.

**Non-Member Trustee:** Three trustees who cannot be a Member, Pensioner, a current City employee, a person who was formerly a City employee and who has been separated from the City for less than two years prior to becoming a Trustee or a currently elected City official.

**Nominations Committee:** A committee with voting representation from the organizations named in Section 3.011(b)(2) responsible for vetting, selecting and nominating Non-Member Trustee candidates.

**Pensioners:** A former Police Officer or Fire Fighter who is either on a service or disability retirement.

**Police Officer Trustee:** One trustee that is a current or former Police Officer

### **C. Eligible voters in a Trustee Election**

1. All Members in Active Service are eligible to vote for Non-Member Trustees and the Police Officer Trustee or Fire Fighter Trustee that corresponds with their role as either a Police Officer or Fire Fighter.
2. Pensioners are eligible to vote only for Non-member Trustees.

Trustee Election Procedures  
Amended through February 14, 2019  
Page 2 of 4

**D. Eligibility to Serve as a Trustee:**

1. Pursuant to Section 3.01(b-1) all Trustees must have demonstrated financial, accounting, business, investment, budgeting, real estate, or actuarial expertise.
2. There is no residency requirement for Trustees.

**E. Indication of Candidate Interest to serve as a Trustee**

Candidates interested in serving as a Police Officer Trustee, Fire Fighter Trustee or Non-Member Trustee will indicate their interest by completing and submitting a trustee application packet to the Executive Director in the form prescribed by the Executive Director no later than the established application deadline for the specific election. Applications of interest will not be carried over from a prior election.

**F. Number of Candidates on the Ballot and Election Requirements for the Police Officer and Fire Fighter Trustees**

All Police Officer Trustee and Fire Fighter Trustee candidates deemed qualified by the Board will be placed on the ballot in elections when the Police Officer Trustee and/or Fire Fighter Trustee position is being elected. To be elected a Police Officer Trustee or Fire Fighter Trustee a candidate must receive more than 50% of the votes cast. If no candidate earns more than 50% of the votes cast, a runoff election will be held involving the two candidates receiving the highest number of votes. If there is only one qualified candidate for the Police Office Trustee or Fire Fighter Trustee positions, then the Board shall be authorized to declare that the sole qualified candidate as the person selected for such Trustee position and no further electoral action is required.

**G. Number of Candidates on the Ballot and Election Requirements for Non-Member Trustees**

1. The Nominations Committee will vet, select and nominate one candidate for each open Non-Member Trustee position. If the Board determines that there are no qualified Police Officer Trustee or Fire Fighter Trustee candidates the Nominations Committee will vet, select and nominate a Non-Member Trustee to fill the position.
2. Members and Pensioners will vote YES or NO for each candidate placed on the ballot. Each of the candidates will be voted on individually as either a YES or NO vote. To be elected, the candidate must individually receive more YES votes than NO votes. The election will be repeated for individual candidates, if necessary, until the required number of candidates have individually received a majority of YES votes.

Trustee Election Procedures  
Amended through February 14, 2019  
Page 3 of 4

**G. Number of Candidates on the Ballot and Election Requirements for Non-Member Trustees (continued)**

3. Prior to amending any provision of this subsection G, the Board will consult the Nominations Committee for input on any proposed amendment.

**H. Trustee Terms and Term Limits**

The Police Officer Trustee and Fire Fighter Trustee serve three-year terms with no term limits. The initial term of the Non-member Trustees elected to serve after the effective date of HB 3158 is two-years. Non-member Trustee elected after the initial election will serve three-year terms. The Nominations Committee may alter the two-year and three-year terms for the Police Officer Trustee and Fire Fighters Trustee terms and Non-Member Trustee terms prior to an election. In no event may any Non-Member Trustee serve more than six consecutive years.

**I. Trustee vacancies**

A Trustee vacancy occurring with nine months or more remaining on the Trustee's term will be filled in the same manner as the process for electing the respective Police Officer Trustee and Fire Fighter Trustee or Non-Member Trustee. The elected trustee will fill the remaining term that was vacated. A Trustee vacancy occurring with less than nine months remaining in the term will remain unfilled until the regular election cycle.

**J. Scheduling and Conducting the Election**

1. The Executive Director will coordinate the election process and perform the necessary activities related to conducting the election in conformity with the requirements of 6243a-1, including but not limited to the following:
  - Inform the Board of the Trustee of Trustee terms expiring no later than April 15<sup>th</sup> each year.
  - Develop an election schedule for approval by the Board. The schedule must include a minimum of two months for the Nominations Committee to seek candidate interests, vet, select and nominate Non-Member Trustees if Non-Member Trustees terms are being elected.

Trustee Election Procedures  
Amended through February 14, 2019  
Page 4 of 4

**J. Scheduling and Conducting the Election (continued)**

- Inform Members and Pensioners of upcoming Trustee elections including the schedule of the election, the Trustee positions up for election, the requirements to serve as a Trustee and instructions on how to submit a candidate interest application.
  - Make the Trustee Election Procedures available to Members and Pensioners.
  - Accept applications and provide information to the Board or the Nominations Committee as applicable.
  - Coordinate the Nominations Committee schedule, meetings and process of vetting, selecting and nominating Non-Member Trustee candidates.
  - Coordinate with the Board to determine if the Police Officer and Fire Fighter Trustee candidates meet the minimum qualifications to serve as a Trustee.
2. The Executive Director will contract with an independent professional election management company to conduct the Trustee election in accordance with the generally accepted principles of elections and secret balloting.
  3. The Executive Director will inform the Board, Nominations Committee, Members and Pensioners of the results of the Trustee elections. Communication to all such parties can be made via email and postings to the DPFP website.

APPROVED on **February 14, 2019** the Board of Trustees of the Dallas Police and Fire Pension System.

/s/ William F. Quinn

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William Quinn  
Chairman

Attested:

/s/ Kelly Gottschalk

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Kelly Gottschalk  
Secretary



## **DISCUSSION SHEET**

### **ITEM #C7**

**Topic:**                      **Legislative Update**

**Discussion:**              Staff will brief the Board on pending legislation which would affect DFPF.

*Regular Board Meeting – Thursday, May 9, 2019*





## DISCUSSION SHEET

### ITEM #C8

**Topic:** Board approval of Trustee education and travel

- a. Future Education and Business-related Travel
- b. Future Investment-related Travel

**Discussion:**

- a. Per the Education and Travel Policy and Procedure, planned Trustee education and business-related travel and education which does not involve travel requires Board approval prior to attendance.

Attached is a listing of requested future education and travel noting approval status.

- b. Per the Investment Policy Statement, planned Trustee travel related to investment monitoring, and in exceptional cases due diligence, requires Board approval prior to attendance.

There is no future investment-related travel for Trustees at this time.

*Regular Board Meeting – Thursday, May 9, 2019*

**Future Education and Business Related Travel  
Regular Board Meeting – May 9, 2019**

ATTENDING APPROVED

- 1. Conference: NCPERS Accredited Fiduciary Program**  
**Dates:** May 18-19, 2019  
**Location:** Austin, TX  
**Est. Cost:** TBD
  
- 2. Conference: NCPERS Annual Conference**  
**Dates:** May 19-22, 2019  
**Location:** Austin, TX  
**Est. Cost:** \$1,500
  
- 3. Conference: TEXPERS Summer Educational Forum**  
**Dates:** August 11-13, 2019  
**Location:** El Paso, TX  
**Est. Cost:** TBD



## DISCUSSION SHEET

### ITEM #C9

**Topic:** Staff Retirement Plan

**Attendees:** Jeff Williams, Vice President, Segal Consulting

**Discussion:** The retirement plan for the DPFPP staff is a 401(a) defined contribution plan. DPFPP and the employee contribute 12% and 6.5% of compensation, respectively, to the plan on a bi-weekly basis.

DPFP employees do not contribute to any retirement system where they are entitled to an annuity upon retirement. Without some form of an annuity, employees are at risk of not having a secure retirement. As providing secure retirements is the goal of DPFPP, this would appear to be a reasonable goal to achieve for DPFPP employees as well.

Without increasing cost to the system, based on Segal's actuarial analysis, a defined benefit plan can be added for the current and future staff members to provide a basic retirement annuity for staff members.

Staff is presenting a proposed Staff retirement plan structure for the Board's consideration.

**Recommendation:** **Authorize** staff to work with the actuary and counsel to prepare a new retirement plan and amendments as necessary to the existing 401(a) and 457(b) plans and bring the plans to the Board for final approval.

*Regular Board Meeting – Thursday, May 9, 2019*



D A L L A S  
**POLICE & FIRE**  
PENSION SYSTEM



# Staff Retirement Plan Modification

May 9, 2019

# Why are we considering a change?

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- We are in the business of providing secure retirement for members.
- Every person should know that they will have some amount of income coming in each month that continues to the end of their life.
  - Most workers in the United States have that assurance.
  - DPFP members have that assurance.
  - Based on work at DPFP, DPFP staff members do not have assurance that they will have a monthly income stream that lasts the to the end of their life.
- A change may be helpful in recruitment and retention of employees.

# Why are we considering a change?

---

- Although, the 18.5% contributions going into the DPFP staff DC plan is a very fair amount, it may not be the best use of the funds.
- Studies have shown that a defined contribution (DC or 401a) plan are not the most effective way to provide for an adequate retirement.
  - Due to dynamics and costs of individual investing versus investing a large pool of assets for a group of people.
- DC plans put all the risk of investing and risk of market fluctuations on the employee.
  - 2008 is an example of this risk

# Current DPFP Retirement Plan

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- Defined Contribution Plan (DC or 401a)
  - Employer contribution 12% of pay every pay period
  - Employee contribution 6.5% of pay every pay period
    - Total of 18.5%
- The employee is responsible to invest the balances within the fund choices offered by DPFP – (currently Voya).
- The employee's balance will increase from contributions each pay period.
- The employee's balance will increase/decrease over time based on gains/losses in investments.
- Ending DPFP employment – the employee's balance is their balance when they leave DPFP for any reason.

# Modification Proposal - Structure

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- Contribution rates remain the same.
  - (12% DPFP + 6.5% employee =18.5% total)
- A portion of the contribution goes to a new Defined Benefit plan (DB) and a portion goes to the existing DC plan.
- The portion going to each plan will be based on the funding level of the DB plan and the funding policy established.
- It is anticipated that the contributions going to the DB will be 12.5% (9% DPFP, 3.5% employee) and 6% will go to the DC (3% both DPFP and employee)
- The split between DB and DC can change over time depending upon the strength or weakness of the funding level of the DB plan.



# Modification Proposal – Why the DB/DC combo

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- Contribution to a DB plan on a fixed can result in funding challenges.
- One option is to have DB plan have a variable contribution rate for the DPFP and the employee. However, this results in paycheck uncertainty and the uncertainty can be a recruitment negative.
- Being able to flex the amount into the DC plan to add more or less to the DB Plan provides consistency for budgeting to both DPFP and the employee.
- The ability to flex the amount of contributions available to fund the DB creates a much more stable and secure DB plan. In addition, the DC contribution, if not needed for the DB plan creates an employees a savings component which is important given the modest multiplier.

# Modification Proposal: Benefit Structure DB Plan

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- Benefit
  - 2.25% multiplier (2.25%)
  - Service time either earned in DB or purchased (DB time)
  - Highest average 60-months salary (ave. salary)

Formula:  $2.25\% \times \text{DB time} \times \text{ave. salary} = \text{retirement benefit}$

Example:  $2.25\% \times 20 \text{ years} \times \$60,000 = \$27,000$

- Vesting period – 5 years, DFPF time counts towards vesting (not benefit formula unless service time is purchased)
  - Employee contributions returned with interest prior to vesting, after vesting no interest if employee takes a refund of contributions.
- Retirement Age 65, actuarially reduced for early retirement
- 50% Survivor Benefit with no benefit reduction
- Cost of living adjustment not currently contemplated.

# Modification Proposal – Buying Time

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- Buying Service Time (optional)
  - Allow the use of the DPF 401(a)/457 balance to buy service time up to the amount of time with DPF.
  - Cost of service is an actuarial calculation based on age and salary. The cost increases with age and salary increases and other factors in the actuarial valuation calculation.
  - Most employees, but not all, have a sufficient amount of money in their existing balance to purchase all DPF time, if they choose to do so.
- Buying time improves the funding level of the plan.

# Modification Proposal

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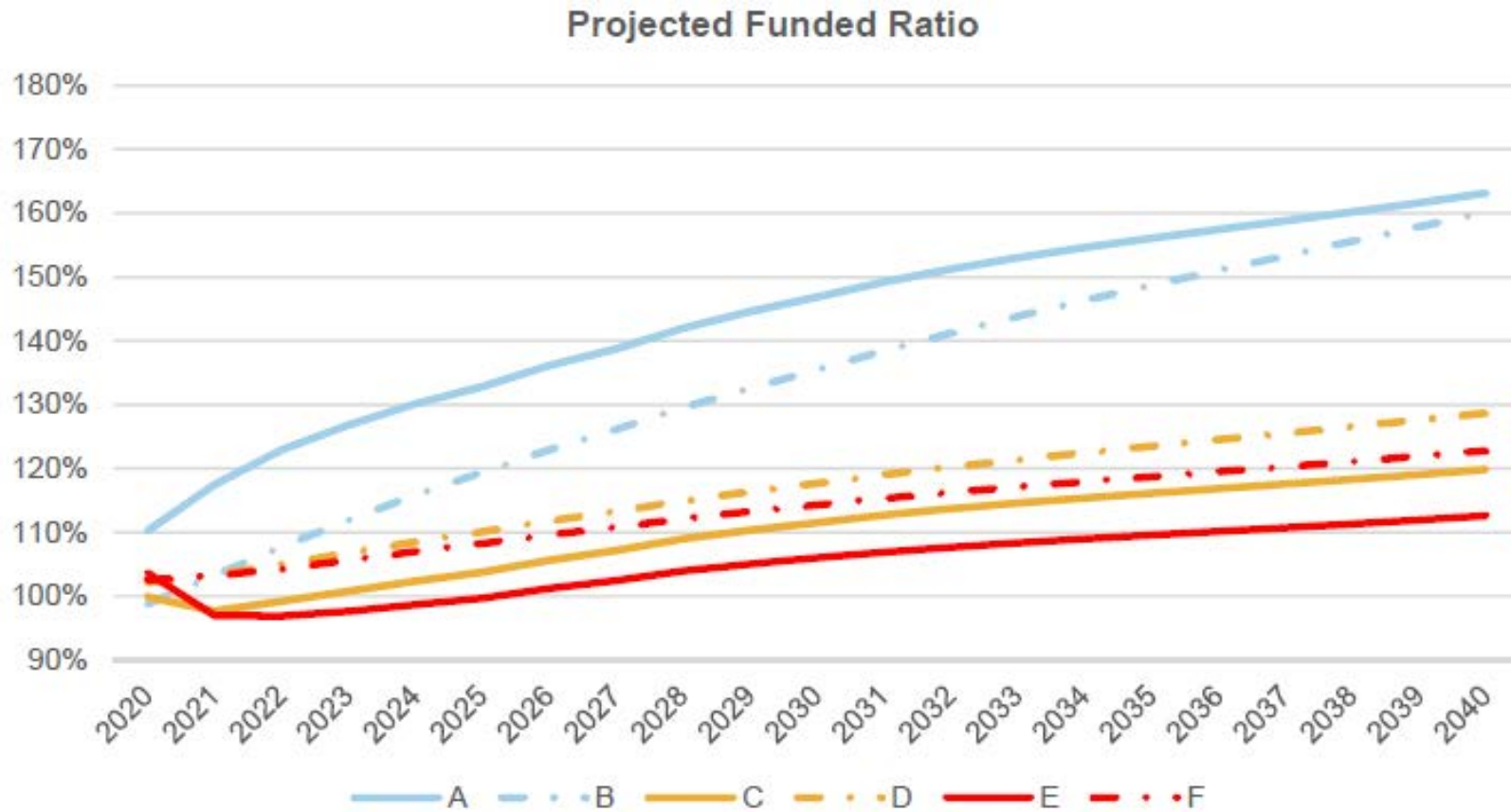
- Separate Plan Document from the Regular and Supplemental Plan.
- Assets in the Staff plan can only be used to pay for obligations of the Staff plan, not the Regular plan or Supplemental plan. Regular and Supplemental plan assets can not pay Staff plan obligations.
- Assets are pooled for investment purposes only. This is exactly the way the Supplemental plan assets are invested.

# Modification Proposal

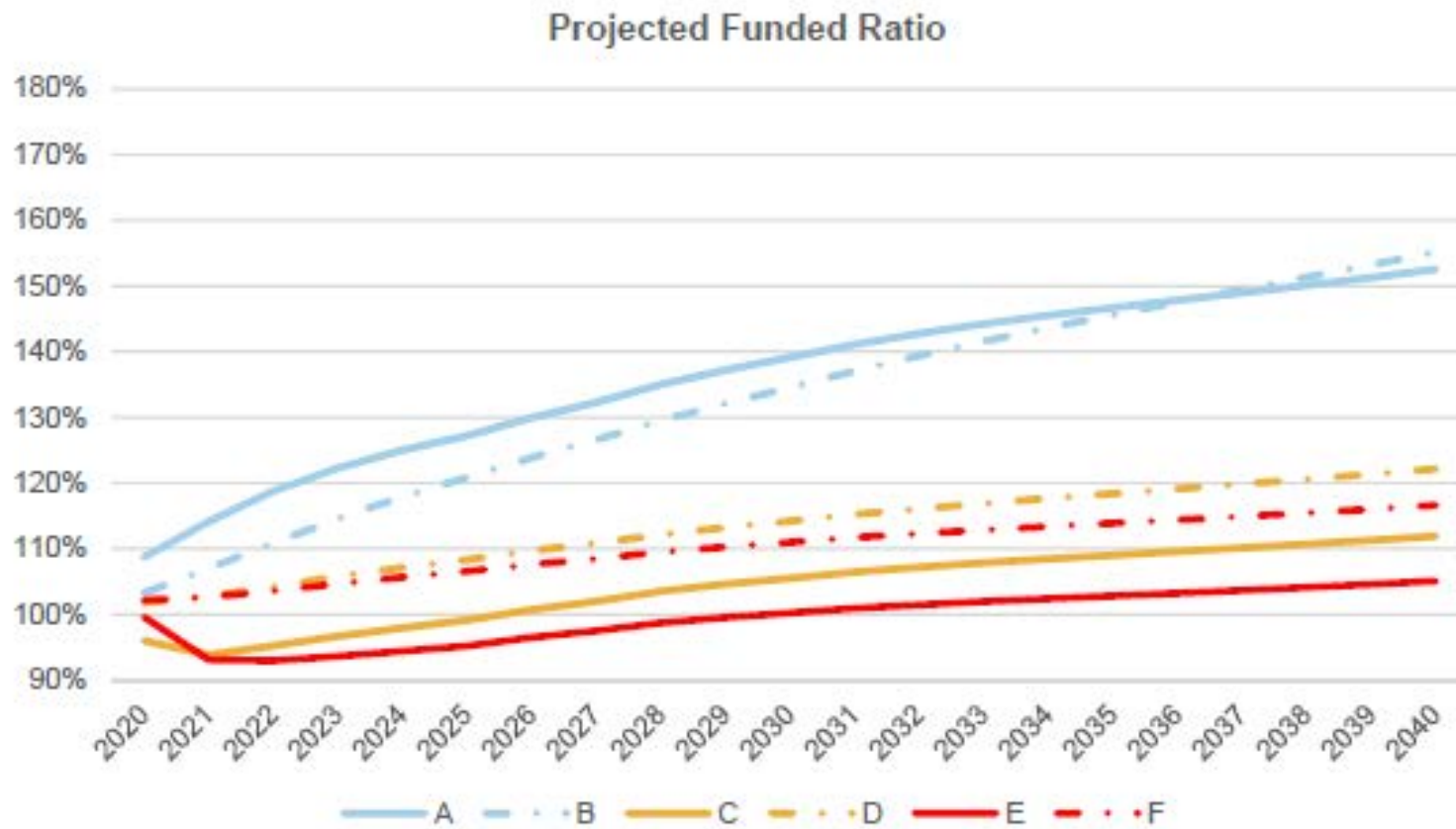
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- Broad concepts at this point.
- Details will be worked out as the Plan Document is written.
- Next Steps:
  - Board discussion - today
  - Board approval of general structure
  - Refine details of the Plan and draft the Plan Document
  - Draft an amendment to the 401(a) Plan Document
  - Discuss the 401(a) amendments with the Plan Administrator (Voya)
  - Board approves the Plan Document and amendments to 401(a) Plan (contingent on IRS approval)
  - Submit Plan for IRS Determination Letter
  - Transition to new Plan

# 7.25% Projected Funded Level Scenarios: Recommendation E and F



# 6.75% Projected Funded Level Scenarios: Recommendation E and F





2727 Paces Ferry Road SE Building One Suite 1400 Atlanta, GA 30339-4053  
T 678.306.3100 www.segalco.com

## MEMORANDUM

**To:** Board of Trustees – Dallas Police & Fire Pension System

**From:** Jeffrey S. Williams, FCA, ASA, MAAA, EA  
Leon F. (Rocky) Joyner, Jr., FCA, ASA, MAAA, EA  
Deborah K. Brigham, FCA, ASA, MAAA, EA

**Date:** April 29, 2019

**Re:** Analysis of Potential Dallas Police and Fire Pension System Staff Plan with Defined Contribution Plan Transfers

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As requested, we have prepared an analysis of the costs associated with implementing a defined benefit pension plan (“Plan”) for the staff of the Dallas Police and Fire Pension System as of January 1, 2019, along with the cost implications of allowing participants to transfer money from their Staff defined contribution (DC) plans to a new Staff defined benefit (DB) plan in order to purchase benefit service covering their time as an employee with the System. The analysis assumes the 22 current staff members would have vesting service equal to their actual service as of January 1, 2019, and that pension service would begin either at January 1, 2019, if no DC plan transfer is allowed or chosen, or their date of employment, assuming the maximum DC plan transfer is allowed and chosen. Vesting service is used to determine eligibility requirements to receive a benefit, and pension service is used in calculating the benefit amount.

### **Assumptions, Methods, and Plan Provisions**

The actuarial assumptions and methods used to project plan costs, and the plan provisions valued, are included in the attachment to this memo. The plan provisions valued are similar in nature to, although not as extensive as, the core benefits provided for members of the Dallas Police and Fire Pension System whose service started on or after March 1, 2011. Some of the eligibility requirements are different, however. It is not expected that the current set of assumptions, methods, and plan provisions will necessarily be the final ones adopted if a Staff DB Plan is created.

Aside from the assumptions listed in the attachment, other assumptions were needed for the purpose of preparing an “open group” forecast. An open group forecast values new members entering the plan based on a certain set of criteria. For the Staff DB Plan, it is assumed the active participant count of 22 as of January 1, 2019 will increase to 25 as of January 1, 2020 and to 27 as of January 1, 2021, and remain level at 27 thereafter. These active participant counts were estimated by the System’s Executive Director. As participants are assumed to exit the Plan, either through retirement, turnover, disability, or death, it is assumed new members will enter the Plan at an average pay rate of \$100,000 per year in



April 29, 2019  
Page 2

2019, with the average pay rate increasing by 2.5% per year. It is assumed the current female/male ratio of 64%/36% (14 female/8 male) will continue ongoing for active participants.

For purposes of the projections, employer and employee contributions are assumed to be made for all of 2019. Projections were completed at three different discount rates: 7.25% (current Combined Plan assumption), 7.00%, and 6.75%. Even if the Staff DB Plan assets are to be invested with the Combined Plan assets, the Staff DB Plan could choose to value the Plan under a lower discount rate if desired.

### **Defined Contribution Transfer Scenarios**

Current employer (ER) contributions in the Staff DC Plan are 12.0% of pay, with employee (EE) contributions of 6.5% of pay. If these contributions are fully transitioned to a Staff DB Plan, the DB Plan is projected to become overfunded to the point where it is not necessary to contribute 18.5% of pay in order to maintain a well-funded plan.

Alternatively, total contributions of 18.5% could be split between a Staff DB Plan and a Staff DC Plan, with the understanding that the contributions allocated to the DC Plan would instead be made to the DB Plan if certain funding triggers are met. Therefore, two additional contribution/plan scenarios have been valued: DB employer contribution of 10.0% and DB employee contribution of 4.5%, with 4.0% in total contributed to the DC Plan, and DB employer contribution of 9.0% and DB employee contribution of 3.5%, with 6.0% in total contributed to the DC Plan. For the 9.0%/3.5% contribution scenario, a benefit multiplier of 2.25%, instead of 2.50%, has been valued.

Under all three contribution scenarios, combined DB and DC contributions are 12.0% by the employer and 6.5% by the employee.

### **Results**

As shown on the following pages, under each of the discount rate and contribution/multiplier scenarios, a Staff DB Plan is projected to become and remain fully funded, based on the assumptions and plan provisions valued, assuming all assumptions are met exactly in each year.

### **Caveats**

Projections, by their nature, are not a guarantee of future results. They are intended to serve as estimates of future financial outcomes that are based on assumptions about future experience and the information available to us at the time the modeling is undertaken and completed. The projected future results included in this presentation show how the Staff DB Plan would be affected if specific investment return, salary, mortality, turnover, disability and retirement assumptions are met. Actual results may differ due to such variables as demographic experience, the economy, contribution patterns, stock market performance and the regulatory environment.

The work herein was completed under our supervision, and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

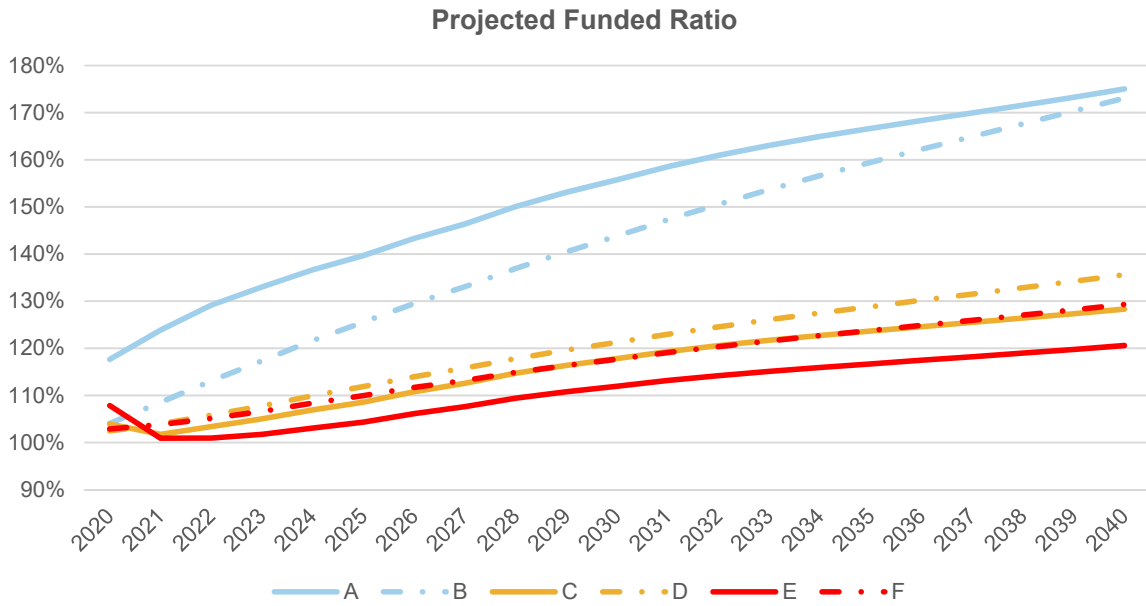
cc: Kelly Gottschalk  
Joshua Mond

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**Dallas Police and Fire Pension System Staff Defined Benefit Plan**  
**7.25% Discount Rate**

Scenario	Benefit %	DC Transfer Amount	DB Plan ER Contrib. %	DB Plan EE Contrib. %	DB Plan Total Contrib. %	DB Plan ADC%*	Margin	DC Plan Total Contrib. %
<b>A</b>	2.50%	None	12.0%	6.5%	18.5%	7.9%	10.6%	0.0%
<b>B</b>	2.50%	Max	12.0%	6.5%	18.5%	5.1%	13.4%	0.0%
<b>C</b>	2.50%	None	10.0%	4.5%	14.5%	9.7%	4.8%	4.0%
<b>D</b>	2.50%	Max	10.0%	4.5%	14.5%	7.0%	7.5%	4.0%
<b>E</b>	2.25%	None	9.0%	3.5%	12.5%	9.4%	3.1%	6.0%
<b>F</b>	2.25%	Max	9.0%	3.5%	12.5%	6.9%	5.6%	6.0%

\*The Actuarially Determined Contribution (ADC) percentage is the normal cost rate for the Plan, plus a 10-year amortization of any unfunded liability. For this purpose, the rate shown is from 2022, one year after the System is expected to be fully staffed.



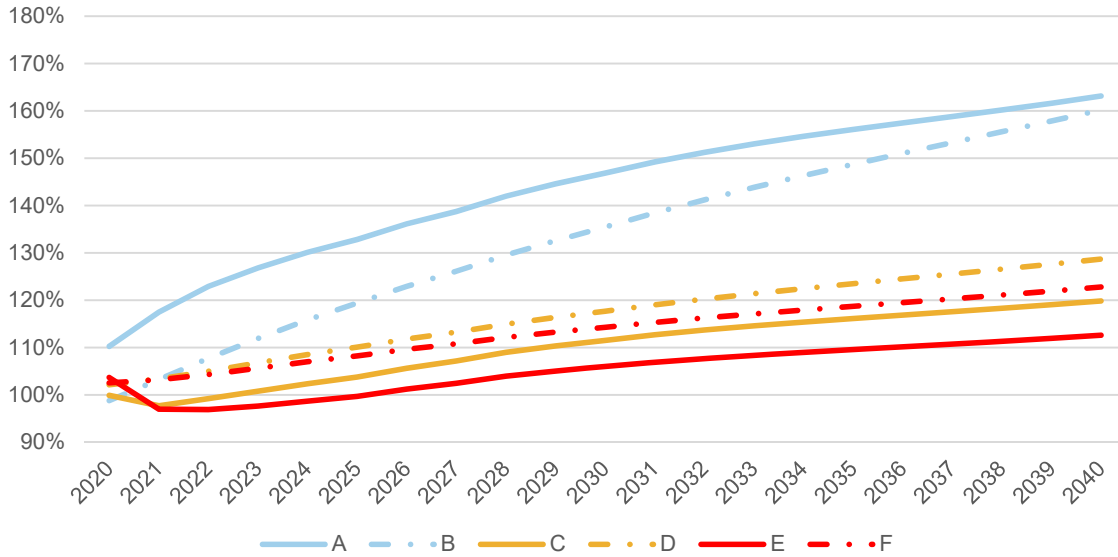
**Dallas Police and Fire Pension System Staff Defined Benefit Plan**

**7.00% Discount Rate**

Scenario	Benefit %	DC Transfer Amount	DB Plan ER Contrib. %	DB Plan EE Contrib. %	DB Plan Total Contrib. %	DB Plan ADC%*	Margin	DC Plan Total Contrib. %
A	2.50%	None	12.0%	6.5%	18.5%	8.5%	10.0%	0.0%
B	2.50%	Max	12.0%	6.5%	18.5%	5.7%	12.8%	0.0%
C	2.50%	None	10.0%	4.5%	14.5%	10.4%	4.1%	4.0%
D	2.50%	Max	10.0%	4.5%	14.5%	7.5%	7.0%	4.0%
E	2.25%	None	9.0%	3.5%	12.5%	10.1%	2.4%	6.0%
F	2.25%	Max	9.0%	3.5%	12.5%	7.4%	5.1%	6.0%

\*The Actuarially Determined Contribution (ADC) percentage is the normal cost rate for the Plan, plus a 10-year amortization of any unfunded liability. For this purpose, the rate shown is from 2022, one year after the System is expected to be fully staffed.

**Projected Funded Ratio**



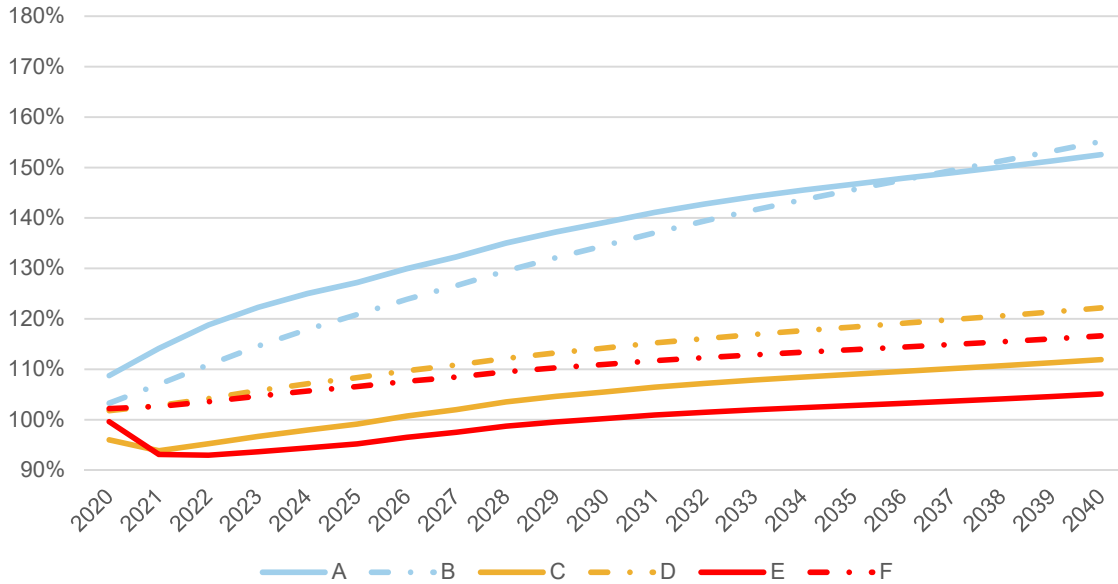
**Dallas Police and Fire Pension System Staff Defined Benefit Plan**

**6.75% Discount Rate**

Scenario	Benefit %	DC Transfer Amount	DB Plan ER Contrib. %	DB Plan EE Contrib. %	DB Plan Total Contrib. %	DB Plan ADC%*	Margin	DC Plan Total Contrib. %
<b>A</b>	2.50%	None	12.0%	6.5%	18.5%	9.2%	9.3%	0.0%
<b>B</b>	2.50%	Max	12.0%	6.5%	18.5%	6.3%	12.2%	0.0%
<b>C</b>	2.50%	None	10.0%	4.5%	14.5%	11.3%	3.2%	4.0%
<b>D</b>	2.50%	Max	10.0%	4.5%	14.5%	8.2%	6.3%	4.0%
<b>E</b>	2.25%	None	9.0%	3.5%	12.5%	10.9%	1.6%	6.0%
<b>F</b>	2.25%	Max	9.0%	3.5%	12.5%	8.0%	4.5%	6.0%

\*The Actuarially Determined Contribution (ADC) percentage is the normal cost rate for the Plan, plus a 10-year amortization of any unfunded liability. For this purpose, the rate shown is from 2022, one year after the System is expected to be fully staffed.

**Projected Funded Ratio**



## Dallas Police and Fire Pension System Defined Benefit Staff Plan

### ACTUARIAL ASSUMPTIONS AND ACTUARIAL COST METHOD

<b>Discount Rate:</b>	Initial analysis has been performed at 7.25%, 7.00%, and 6.75%																																																																														
<b>Net Investment Return:</b>	5.25% in 2019, 5.75% in 2020, 6.25% in 2021, 6.75% in 2022, and then either 7.25%, 7.00%, or 6.75% thereafter beginning in 2023, depending on the discount rate scenario																																																																														
<b>Salary Scale:</b>	5.00% if salary less than \$50,000 or less than five years of service 2.50% if salary at least \$50,000 and at least five years of service																																																																														
<b>Administrative Expenses:</b>	\$33,000 per year, payable monthly																																																																														
<b>Mortality Rates:</b>																																																																															
<i>Pre-retirement</i>	RP-2014 Employee Mortality Table, projected generationally using Scale MP-2015																																																																														
<i>Healthy annuitants</i>	RP-2014 White Collar Healthy Annuitant Mortality Table, projected generationally using Scale MP-2015																																																																														
<i>Disabled annuitants</i>	RP-2014 Disabled Retiree Mortality Table, projected generationally using Scale MP-2015																																																																														
<b>Mortality and Disability Rates Before Retirement:</b>	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th rowspan="3" style="text-align: left;">Age</th> <th colspan="4">Rate (%)</th> </tr> <tr> <th colspan="2">Mortality<sup>1</sup></th> <th colspan="2">Disability</th> </tr> <tr> <th>Male</th> <th>Female</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr><td>20</td><td>0.04</td><td>0.02</td><td>0.010</td><td>0.010</td></tr> <tr><td>25</td><td>0.05</td><td>0.02</td><td>0.015</td><td>0.015</td></tr> <tr><td>30</td><td>0.05</td><td>0.02</td><td>0.020</td><td>0.020</td></tr> <tr><td>35</td><td>0.05</td><td>0.03</td><td>0.025</td><td>0.025</td></tr> <tr><td>40</td><td>0.06</td><td>0.04</td><td>0.030</td><td>0.030</td></tr> <tr><td>45</td><td>0.10</td><td>0.07</td><td>0.035</td><td>0.035</td></tr> <tr><td>50</td><td>0.17</td><td>0.11</td><td>0.040</td><td>0.040</td></tr> <tr><td>55</td><td>0.28</td><td>0.17</td><td>--</td><td>--</td></tr> <tr><td>60</td><td>0.47</td><td>0.24</td><td>--</td><td>--</td></tr> <tr><td>65</td><td>0.76</td><td>0.65</td><td>--</td><td>--</td></tr> <tr><td>70</td><td>1.24</td><td>1.06</td><td>--</td><td>--</td></tr> <tr><td>75</td><td>2.13</td><td>1.76</td><td>--</td><td>--</td></tr> <tr><td>80</td><td>3.73</td><td>3.04</td><td>--</td><td>--</td></tr> </tbody> </table>	Age	Rate (%)				Mortality <sup>1</sup>		Disability		Male	Female	Male	Female	20	0.04	0.02	0.010	0.010	25	0.05	0.02	0.015	0.015	30	0.05	0.02	0.020	0.020	35	0.05	0.03	0.025	0.025	40	0.06	0.04	0.030	0.030	45	0.10	0.07	0.035	0.035	50	0.17	0.11	0.040	0.040	55	0.28	0.17	--	--	60	0.47	0.24	--	--	65	0.76	0.65	--	--	70	1.24	1.06	--	--	75	2.13	1.76	--	--	80	3.73	3.04	--	--
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	<sup>1</sup> Rates shown do not include generational projection; rates beginning at age 65 are for healthy annuitants.																																																																														

<b>Withdrawal Rates Before Retirement:</b>	<b>Years of Service</b>	<b>Rate (%)</b>
	0	21.00
	1	16.00
	2	13.00
	3	10.50
	4	8.50
	5	6.75
	6	6.25
	7	5.75
	8	4.90
	9	4.60
	10-14	3.75
15-19	2.20	
20 & over	1.40	
<b>Retirement Rates:</b>	<b>Age</b>	<b>Rate (%)</b>
	55	5.00
	56-58	10.00
	59-61	20.00
	62-64	25.00
	65-66	75.00
	67	100
<b>Weighted Average Retirement Age:</b>	Age 61.6, determined as follows: The weighted average retirement age for each participant is calculated as the sum of the product of each potential current or future retirement age times the probability of surviving from current age to that age and then retiring at that age, assuming no other decrements. The overall weighted retirement age is the average of the individual retirement ages based on all the active participants as of January 1, 2019.	
<b>Retirement Age for Inactive Vested Participants:</b>	65	
<b>Family Composition:</b>	75% of participants are assumed to be married. Females are assumed to be three years younger than males.	
<b>Benefit Election:</b>	Married participants are assumed to elect a 50% Joint and Survivor annuity form of payment and non-married participants are assumed to elect a Life Only annuity.	

<b>Actuarial Value of Assets:</b>	Market value of assets
<b>Actuarial Cost Method:</b>	Entry Age Actuarial Cost Method. Entry Age is the age at the time the member commenced employment. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis, with Normal Cost determined as if the current benefit accrual rate had always been in effect. Actuarial Liability is allocated by salary.
<b>Amortization Methodology:</b>	The actuarially determined contribution is calculated using a rolling 10-year level dollar amortization of unfunded actuarially accrued liability.

## SUMMARY OF PLAN PROVISIONS

This exhibit summarizes the major provisions of the Plan. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

<b>Vesting Service:</b>	All service with the System
<b>Pension Service:</b>	Service with the System on or after January 1, 2019
<b>Normal Retirement:</b>	
<i>Age Requirement</i>	65
<i>Vesting Service Requirement</i>	5
<i>Amount</i>	2.50% of Average Computation Pay for each year of Pension Service, maximum 90% (2.25% in Scenarios E and F)
<i>Average Computation Pay</i>	Average Computation Pay uses the highest 60 consecutive months of pensionable earnings
<b>Early Retirement:</b>	
<i>Age Requirement</i>	55
<i>Vesting Service Requirement</i>	10
<i>Amount</i>	Normal pension accrued, reduced on an actuarial equivalent basis from the normal retirement date.
<b>Disability:</b>	
<i>Eligibility</i>	Injury or illness (lasting more than 90 days) obtained while on duty in the performance of the member's job.
<i>Amount</i>	The Member's accrued benefit.
<b>Termination Benefit:</b>	
<i>With less than five years of vesting service</i>	Upon request, the member's contributions will be returned without interest.
<i>With at least five years of vesting service</i>	The member may either withdraw contributions or leave contributions in the Plan and receive a monthly benefit to commence no earlier than the member's earliest eligibility for retirement benefits. Retirement benefit is equal to the accrued benefit as of the date of termination.
<b>Pre-Retirement Death Benefit:</b>	
<i>While in active service</i>	50% of the Member's accrued benefit, payable at the member's earliest eligibility for retirement benefits, or a refund of member contributions. The benefit may not exceed 45% of Average Computation Pay.
<i>After leaving active service, with less than five years of vesting service</i>	A lump sum benefit equal to the return of member contributions with interest.
<i>After leaving active service, with at least five years of vesting service</i>	50% of the Member's accrued benefit, with no early retirement reduction, payable at the member's earliest eligibility for retirement benefits, or a refund of member contributions



<b>Post-Retirement Death Benefit:</b>	50% of the pension the Member was receiving at the time of their death.
<b>Contributions:</b>	Initial analysis performed at 12.0% employer and 6.5% employee on computation pay for all members. Scenarios C and D reflect contribution rates of 10.0% employer and 4.5% employee. Scenarios E and F reflect rates of 9.0% employer and 3.5% employee.
<b>Optional Forms of Benefits:</b>	Life Annuity with 36 months guaranteed; 50% or 75% Husband-and-Wife Pension with Pop-Up; 66-2/3% or 100% Joint and Survivor Pension.
<b>Service Buybacks</b>	At the discretion of the Board, members may purchase service in the defined benefit plan for years of employment with the System prior to January 1, 2019. The cost of this service is equal to the member's actuarial accrued liability determined using the funding assumptions of the Plan. Defined contribution balances may be rolled over and used to cover this cost.



## DISCUSSION SHEET

### ITEM #C10

**Topic:** **Timber Portfolio Review**

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.072 of the Texas Government Code.

**Discussion:** Staff will provide an overview of the portfolio and the strategy for DFPF's timber holdings managed by Forest Investment Associates and BTG Pactual.

*Regular Board Meeting – Thursday, May 9, 2019*



## DISCUSSION SHEET

### ITEM #C11

**Topic:** Lone Star Investment Advisor funds

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.

**Discussion:** The Lone Star Growth Capital fund and the Lone Star CRA fund terms expire in October 2019. Investment Staff will update the Board on recent performance, operational, and administrative developments with respect to DFPF investments in funds managed by Lone Star Investment Advisors.

*Regular Board Meeting – Thursday, May 9, 2019*



## **DISCUSSION SHEET**

### **ITEM #C12**

**Topic:**                    **Legal issues - In accordance with Section 551.071 of the Texas Government Code, the Board will meet in executive session to seek and receive the advice of its attorneys about pending or contemplated litigation, including USERRA contributions owed by the City of Dallas or any other legal matter in which the duty of the attorneys to DFPF and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws.**

**Discussion:**            Counsel will brief the Board on these issues.

*Regular Board Meeting – Thursday, May 9, 2019*



## **DISCUSSION SHEET**

### **ITEM #D1**

**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.

*Regular Board Meeting – Thursday, May 9, 2019*



## DISCUSSION SHEET

### ITEM #D2

**Topic:** Executive Director's report

- a. Associations' newsletters
  - NCPERS Monitor (April 2019)
- b. Open Records
- c. Nominations Committee Update

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

*Regular Board Meeting – Thursday, May 9, 2019*

THE NCPERS

# MONITOR

The Latest in Legislative News

APRIL 2019

## In This Issue

### 2 Executive Directors Corner



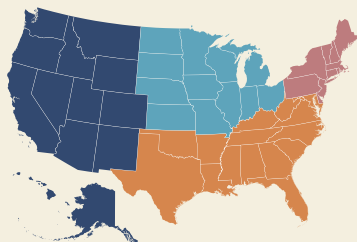
Education is a cornerstone of our value proposition at NCPERS. Each year, we work to put together a stellar array of conferences, webinars, and e-learning programs designed to meet the needs of NCPERS members.

### 3 Healthcare Enhancement for Local Public Safety



Since its enactment, a number of proposals have been put forth to enhance the HELPS benefit or make it more efficient.

### 4 Around the Regions



This month, we will highlight Texas, New Jersey, Michigan, and California.

## Public Pension Defense Toolkit Offers Roadmap for Being an Effective Advocate

In the world of advocacy, information is power. Patience and perseverance matter too, but without sound information, you can't make an effective case for the cause you believe in.

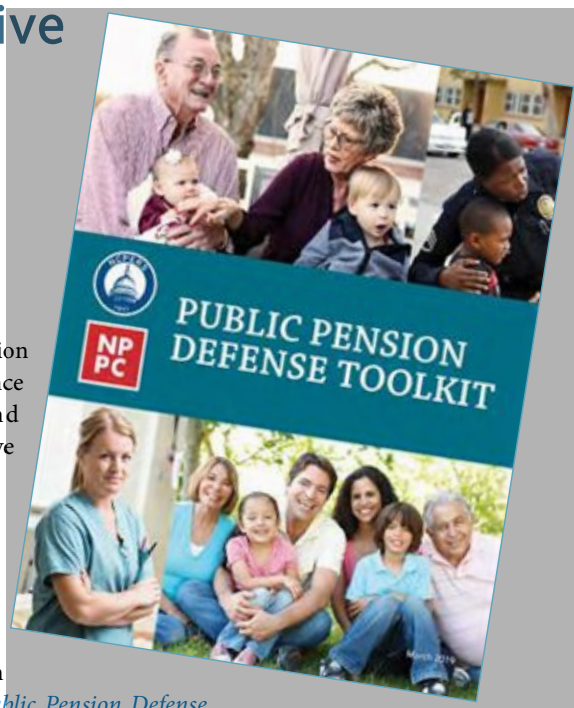
For those of us who believe in the cause of public pensions, a vital source of reliable information is now available. NCPERS and our friends at the National Public Pension Coalition recently published the [Public Pension Defense Toolkit](#).

This 42-page advocacy document is packed with information and ideas to help supporters of public pension build retirement security for public employees.

By now, all NCPERS members have received their own copy of this important document. And on March 19, we held a webinar to introduce NCPERS members to this powerful resource. If you missed it, a replay is available in the members-only section of the NCPERS website, and we encourage you to check it out.

The toolkit consists of the vital information public pension supporters need to build coalitions and engage with friends and foes alike. Among other things, it includes a clear explanation of how public pensions work and case studies that delve into the fallout that occurred in three states that abandoned their public pensions.

Substantial coverage is devoted to engaging with the news media, including advice on selecting a spokesperson, writing letters to the editor and op-ed articles, and building relationships with members of the press.



[CONTINUED ON PAGE 6](#)



## Don't Miss the Annual Convention and NCPERS University May 18-22

Education is a cornerstone of our value proposition at NCPERS. Each year, we work to put together a stellar array of conferences, webinars, and e-learning programs designed to meet the needs of NCPERS members. Our capstone event in our Annual Conference and Exhibition (ACE), which this year will be supplemented by the first session of NCPERS University. We hope to see many members in Texas at the Hilton Austin from May 18 to 22 for these two exceptional programs.

But a first a word on Austin. If you haven't been to this wonderfully walkable city, you're in for a treat. Austin is known as the Live Music Capital of the World, but that is just the beginning. A temperate climate means outdoor activities, from hiking to water sports to golf, are accessible year-round. The city has a rich cultural and historical heritage too, with an abundance of museums and important sites such as the Texas State Capital. Fans of presidential history won't want to miss the Lyndon Baines Johnson Library and Visitors Center.

Once you're on the ground in Austin, NCPERS University will be up first, running May 18-19. We are excited to present this new, consolidated program of training for trustees and fiduciaries. Our goal is to help trustees and fiduciaries be successful in carrying out their responsibilities. NCPERS University features three programs in tandem catering the educational needs of trustees at different points on their journey. For new and novice trustees, we offer the Trustee Educational Seminar. For more advanced practitioners, we present the Program for Advanced Trustee Studies. And for those who wish demonstrate their mastery by pursuing a challenging credential, we offer the NCPERS Accredited Fiduciary Program.



The beauty of NCPERS University is that you can bring trustees and fiduciaries at different levels of your organization for a shared experience, and yet still have programs that are tailored to their level of experience.

*Our capstone event in our Annual Conference and Exhibition (ACE), which this year will be supplemented by the first session of NCPERS University.*

As NCPERS University wraps up May 19, ACE gets underway and continues through May 22. This program begins on May 19 with a half-day for registration, opening the exhibit hall, and networking experiences, then takes off like a rocket with three jam-packed days of programming May 20-22.

As always our programming represents extensive input from NPCERS members about topics of importance. Our general sessions feature some of the best thinking happening right now about public pensions and the framework within which they operate. Our general session topics include the five-year outlook, legal updates, insights into artificial intelligence, social investing, and alternative investing.

CONTINUED ON [PAGE 6](#)



# Healthcare Enhancement for Local Public Safety

By Tony Roda

The Healthcare Enhancement for Local Public Safety federal tax benefit, commonly known as HELPS, allows retired public safety officers to exclude from their gross income up to \$3,000 per year from pension distributions if the monies are used for qualified health insurance premiums. This provision was enacted as part of the Pension Protection Act of 2006. It is now Section 402(l) of the Internal Revenue Code (IRC).

Since its enactment, a number of proposals have been put forth to enhance the HELPS benefit or make it more efficient. First, there have been proposals to increase the \$3,000 annual exclusion cap, which has been unchanged since its inception and is not indexed. Second, the income exclusion is available only to retired public safety officers, so arguments have been made and legislation introduced to extend the benefit to all retired public sector workers. Finally, the basic structure of the provision raises questions, most notably the direct payment requirement.

The direct payment requirement means that the monies must never touch the hands of the retiree. To satisfy this requirement payment of the premiums must be made "...directly to the provider of the accident or health plan or qualified long-term care insurance contract by deduction from a distribution from the eligible retirement plan," IRC Section 402(l)(5)(A).

The direct payment requirement works efficiently and seamlessly when the pension plan needs to interact with one or just a handful of insurance providers. In some cases, however, pension plans must interface with dozens of insurance providers or, as one public plan said in a letter to Congress, "hundreds of insurance companies..." Representatives of another public plan in conversations with Congressional tax staff made the same basic argument. In fact, the administrative complexity has led some plans to decide not to offer this benefit to its retirees.

Trustees of public plans instinctively want to make the tax benefit available to their retirees, yet the administrative burden placed on certain plans is extreme and worsening as the number of retirees and insurance companies continues to grow. In addition, the direct payment requirement is an impediment to some innovative health care solutions being pursued by our public plans.



Due to financial constraints, one statewide plan recently replaced its self-insured, health care plan with an annual, fixed-dollar stipend per retiree. The plan also created a retiree health reimbursement arrangement (HRA) with a third party administrator that assists in matching each retiree's unique health care needs with an appropriate health care plan. Under this model, up to \$3,000 would be deducted annually from an eligible retiree's pension distribution and paid directly to the HRA, which contractually may use the monies only to reimburse the payment of qualified health care premiums. This model certainly meets the spirit of the direct payment requirement, but questions may still be raised.

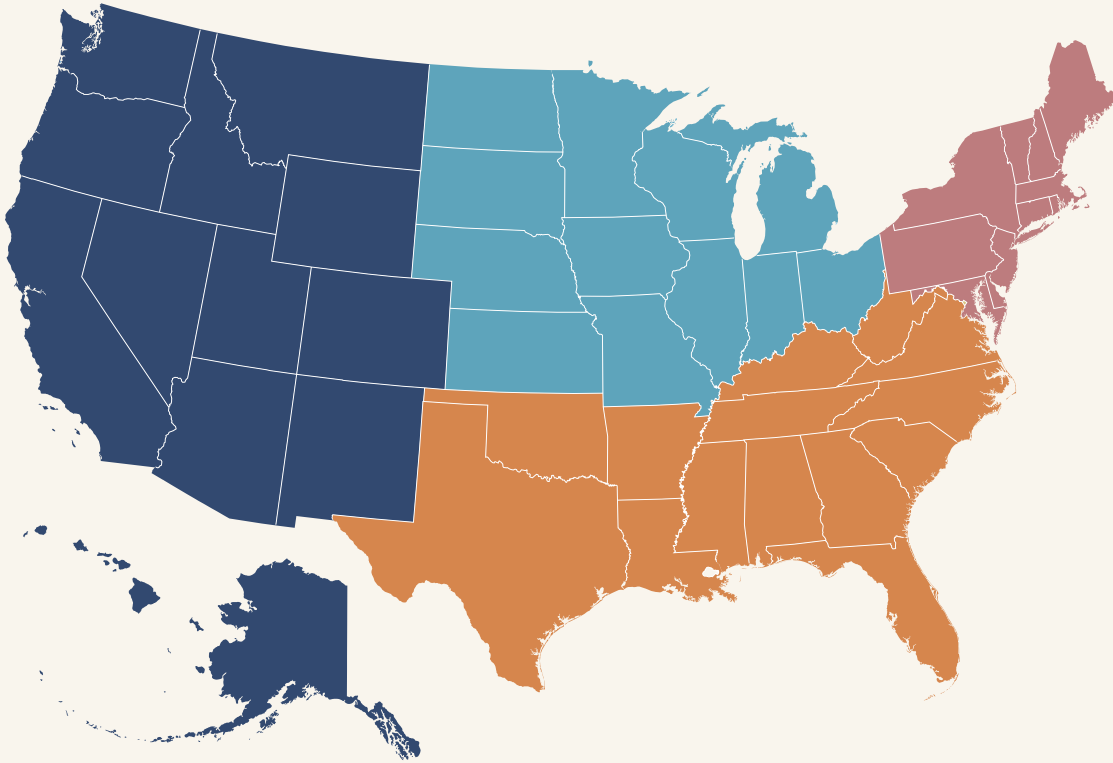
Be assured that NCPERS will work diligently in the 116th Congress to repeal this unnecessary and burdensome requirement in the HELPS law. As always, we will keep you apprised of any significant developments. ♦

**Tony Roda** is a partner at the Washington, D.C. law and lobbying firm [Williams & Jensen](#), where he specializes in federal legislative and regulatory issues affecting state and local governmental pension plans. He represents NCPERS and statewide, county and municipal pension plans in California, Georgia, Kentucky, Ohio, Tennessee and Texas. He has an undergraduate degree in government and politics from the University of Maryland, J.D. from Catholic University of America, and LL.M (tax law) from Georgetown University.

## NCPERS

## Around the Regions

This month, we will highlight Texas, New Jersey, Michigan, and California.



## THE SOUTH: Texas



Josh Mond breathed a sigh of relief March 8, when the Texas Supreme Court upheld the Dallas Police and Fire Pension System's decision in 2014 to reduce the interest rate on accruals to certain retirement accounts.

Mond, general counsel of the Dallas Police and Fire Pension System (DPFP), said the ruling will allow the system to continue Deferred Retirement Option Plan (DROP) annuity payments at their current level. DROP is a plan provision that was designed for employees who continued working after attaining the statutory retirement age.

An adverse ruling would likely have caused DROP annuity payment amounts to increase and almost certainly would have tipped DPFP into insolvency in the future, Mond said in an

interview. "We believe the ruling is correct and the opinion is an accurate assessment of the law in Texas," he added.

Mond said the DPFP is watching two other cases closely. In March 2018, a federal district court in Texas dismissed the so-called Degan lawsuit, which alleged that state legislature acted unlawfully in 2017 when it mandated annuitization of DROP accounts. A year later, on March 20, 2019, the U.S. Court of Appeals for the Fifth Circuit stayed, or halted, federal judicial proceedings in this matter and sent to the Texas Supreme Court for its consideration and opinion two state law issues related to DROP.

A second case involving DPFP's plan was filed last month in state district court in Travis County, which encompasses the Austin metropolitan area. The plaintiff alleged that the changes

[CONTINUED ON PAGE 5](#)

[AROUND THE REGIONS CONTINUED FROM PAGE 4](#)

made in the 2017 legislation to the annual adjustment and benefit supplement are unlawful. The defendants in the case are the Texas Pension Review Board and its chairman, Josh McGee. DPFP is not a defendant in that case.

## NORTHEAST: NEW JERSEY



Democratic Governor Phil Murphy on March 5 proposed to raise the state's general fund contribution to the New Jersey Pension Fund to \$3.75 billion for the fiscal year beginning July 1.

The contribution had been set at \$3.2 billion for fiscal year 2020, according to a report in *Pensions & Investments*. While the payment would be a record annual contribution, it would represent only 70 percent of what actuaries recommended, the Star-Ledger reported.

In his budget message, Murphy said the payment represents a responsible investment in reducing the state's pension obligation shortfall, which, he noted, "did not spring up overnight. It grew because decisions made by both parties allowed it to grow."

"We cannot look for quick outs or easy fixes, because they simply don't exist," Murphy added. "It took us years to get to this point, and it will take years of good-faith efforts — efforts that must include our public employees, our educators, and our first responders — to successfully get past it."

Murphy has pledged to increase state contributions by 10-percentages-point annual increments — a practice started by former Gov. Chris Christie — until 100% annual contributions are reached.

The general fund contributions augment the estimated \$1 billion annual contribution to the \$70.9 billion pension fund via the New Jersey Lottery. Christie signed a law in July 2017 transferring the lottery to the pension fund as a pension fund asset.

Murphy's budget proposal contains about \$1.1 billion in savings, most notably in public employee health benefits, as well as tax increases on the state's wealthiest residents.

## MIDWEST: MICHIGAN



Democratic Governor Gretchen Whitmer on March 5 unveiled a budget proposal that included a plan to repeal the state's tax on retirement income for senior citizens.

The pension tax was put into effect on January 1, 2012, as part of a budget-balancing initiative by then-Governor Rick Snyder, a Republican.

Whitmer, who took office in January, made the repeal a centerpiece of her platform in the gubernatorial race. She said its repeal would "put more money in the pockets of Michigan seniors to spend on things like gas, groceries, and prescription drugs — which will help our small businesses grow and create jobs."

In her budget proposal, Whitmer said the repeal would ensure "that seniors get the full benefit of the pensions they worked so hard to obtain."

In a related matter, the Tax Policy Committee of the Michigan House of Representatives on Feb. 28 voted 14-1 to repeal the pension tax. Although measures to repeal the bill have been introduced in nearly every legislative session since it was approved, the bills have never before gotten a vote.

The bill, sponsored by Republican Rep. Joseph Bellino, has been referred to the House Ways and Means Committee for consideration. If approved there, it would progress to the full House for a vote.

Michigan's Treasury has pegged the cost of repeal at \$320 million a year in foregone revenue. It remains unclear how the costs would be offset at a time when the state is scrambling to fund other fiscal priorities such as fixing Michigan's roads and other infrastructure.

[CONTINUED ON PAGE 8](#)

**TOOLKIT CONTINUED FROM PAGE 1**

Issues addressed in the toolkit include a dissection of arguments about unfunded liabilities; the importance of achieving retirement security for all; a discussion of pensions' impact on the stability of revenues for states and localities; and public pension accounting considerations, among other topics.

The [toolkit](#) also offers dos and don'ts regarding social media, including basics such as how to set up a Facebook page and how to build an audience. As it notes, social media requires commitment: "At its worst, a Twitter account with 13 followers or a Facebook page that hasn't been updated in six months signals a lack of professionalism, or even worse, a lack of legitimacy."

Also included is a pocket guide to some of the most outspoken opponents of public pensions—for instance, identifying John Arnold as "the chief funder of anti-pension activity across the nation" and providing the evidence to back up this assertion.

Having specific goals and knowing how to communicate them is an essential skill for advocates. The toolkit provides sample language, message boxes, and links to a carefully curated set of online resources to help members achieve maximum effectiveness as advocates. ♦

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**EXECUTIVE DIRECTOR'S CORNER CONTINUED FROM PAGE 2**

Some of the highlights we wouldn't want you to miss include Brown University Professor Tom Sgouros's iconoclastic perspective on pension accounting standards and a candid panel discussion featuring pension plan CEOs from around the nation. We'll also take a deep dive into the implications of the Supreme Court's Janus decision, which overturned decades of precedent regarding the payment of union dues by public employees.

And that's only the general sessions. We will also offer 17 concurrent sessions over three days, enabling participants to tailor their attendance at Annual to best meet their needs.

Finally, we can't overstate the importance of the networking opportunities you get by attending ACE. In the exhibit hall and during breakfasts, lunches, refreshment breaks, receptions, and a closing dinner on May 22, members can mix with one another and share ideas and insights. There's nowhere else a public pension official can go to find such a high concentration of people whose work resembles his or her own.

We hope you'll be able to carve time out of your busy schedule to join us in Austin May 18-22! ♦

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AROUND THE REGIONS CONTINUED FROM PAGE 5

## THE WEST: California



The California Supreme Court on March 4 issued a narrow decision on pension benefits and avoided tampering with the so-called California Rule, which protects the core pension benefits of public-sector workers and retirees.

In a unanimous decision, the court upheld California's 2012 repeal of an "air time" benefit that allowed state workers to buy credits toward retirement service.

In ruling on the case (CalFire Local 288a vs. California Public Employee Retirement System), the court declined to consider questions about the constitutionality of impairing public employees' vested rights. "For that reason, we have no occasion in this decision to address, let alone to alter, the continued application of the California Rule," the court determined.

The CalFire case was one of the first in years to seriously test the California Rule, a longstanding precedent that asserts public pension benefits cannot be diminished unless they are replaced by

a comparable benefit. The court established this precedent under the contract clause of the constitution.

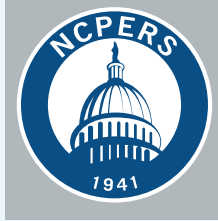
California courts have held for more than 60 years that public employees enter a contract with the state the day they begin their employment and their contractual rights are constitutionally protected. This includes the right to their pension benefits, which they begin to earn the day they start working for the state or another public entity. The California Rule was first established in the case *Allen V. City of Long Beach* in 1955 and has been upheld in numerous other cases since then.

Former Governor Jerry Brown, a Democrat, pushed through a 2012 law with a provision that eliminated the ability of public employees to purchase additional years of service credit. The question in the case was whether that provision violated the constitutionally protected contractual rights of public employees. The court unanimously ruled that that provision did not violate the constitutional protections, but also held that the California Rule still protects what it deemed "core pension rights."

Many anti-pension ideologues had hoped the California Supreme Court would use the *Cal Fire* case to overturn the precedent of the California Rule or at least weaken it. This would have weakened the protection of public pension benefits in the state and opened the door to the gutting of pension benefits. ♦

# Don't Miss NCPERS' Social Media

The advertisement features a central image of a hand holding a tablet computer. Above the tablet is a glowing globe surrounded by various icons representing social media and technology. To the right of the main image is a grid of six social media icons: Facebook, Twitter, LinkedIn, Google+, YouTube, and RSS. At the bottom right of the advertisement is the NCPERS logo, which includes a stylized building and the year 1941, with the tagline "The Voice for Public Pensions" below it.



NATIONAL CONFERENCE ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS

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## 2019 Conferences

### May

**NCPERS Accredited  
Fiduciary Program  
(All modules)**  
May 18 – 19  
Austin, TX

**Trustee Educational Seminar**  
May 18 – 19  
Austin, TX

**Annual Conference &  
Exhibition (ACE)**  
May 19 – 22  
Austin, TX

### June

**Chief Officers Summit (COS)**  
June 13 – 14  
Chicago, IL

### September

**Public Pension  
Funding Forum**  
September 11 – 13  
New York, NY

### October

**NCPERS Accredited  
Fiduciary Program  
(All modules)**  
October 26 – 27  
New Orleans, LA

**Public Safety Conference**  
October 27 – 30  
New Orleans, LA

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*President*

**Kathy Harrell**  
*First Vice President*

**Dale Chase**  
*Second Vice President*

**Tina Fazendine**  
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**Will Pryor**  
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**Mel Aaronson**  
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John Neal*

**County Employees  
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*Teresa Valenzuela*

**Local Employees  
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*Carol G. Stukes- Baylor  
Sherry Mose  
Thomas Ross*

**Police Classification**  
*Kenneth A. Hauser*

**Fire Classification**  
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Emmit Kane  
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**Protective Classification**  
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**Canadian Classification**  
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Frank Ramagnano*



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