



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



**MINUTES SUMMARY**  
**Board Meeting**  
**Thursday, October 8, 2020**

The regular and supplemental meetings of the Dallas Police and Fire Pension System Board of Trustees were held at 8:30 a.m. on Thursday, October 8, 2020, via telephone conference.

**REGULAR POLICE AND FIRE PENSION SYSTEM BOARD MEETING**

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

**A. TRUSTEES**

1. The Board welcomed new and reappointed Trustees.
2. Appointed Armando Garza to serve as Deputy Vice Chairman until the full slate of officers are elected in June 2021.

**B. MOMENT OF SILENCE**

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

**C. CONSENT AGENDA**

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

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

1. The Chief Financial Officer provided a status update on the annual financial audit.
2. The Board authorized forwarding the 2021 proposed budget to the City of Dallas for comment and the posting of the proposed budget to [www.dpfp.org](http://www.dpfp.org) for member review prior to the November meeting and bring the proposed budget to the Board at the November 12, 2020 Board meeting for consideration.
3. The Executive Director briefed the Board on the results of the Peer Organizational and Expense review.
4. The Executive Director reviewed the Monthly Contribution Report.

**MINUTES SUMMARY**  
**Board Meeting**  
**Thursday, October 8, 2020**

5. The Board and staff discussed future Trustee education. There was no future Trustee business-related travel or investment-related travel scheduled.
6. Investment staff briefed the Board on recent events and current developments with respect to the investment portfolio.
7. The Committee Chair and staff briefed the Board on the Investment Advisory Committee meeting.
8. Staff provided an overview of DFPF public fixed income investments.
9. Staff provided the quarterly update on the private asset cash flow projection model.
10. Authorized the Executive Director and the Board Chair, conditioned upon their approval of satisfactory diligence, to approve the terms of the mediated settlement agreement with Lone Star Investment Advisors and its affiliates and authorized the Executive Director to approve up to \$16 million of funding in senior secured notes to the Lone Star Investment Advisors funds to cover obligations including settlement costs, working capital needs, follow-on investments and other fund obligations.
11. The Board and staff discussed legal issues.
12. Authorized the Executive Director to provide the requested information to the Widows and Children's Fund.

**E. BRIEFING ITEMS**

1. The Chairman extended an opportunity for public comment. No one requested to speak to the Board.
2. The Executive Director's report was presented.

The regular Board meeting was adjourned at 12:00 p.m.

**SUPPLEMENTAL PLAN POLICE AND FIRE PENSION SYSTEM  
BOARD MEETING**

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

The meeting was reconvened at 12:00 p.m.

**MINUTES SUMMARY**  
**Board Meeting**  
**Thursday, October 8, 2020**

**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**

Authorized forwarding the 2021 proposed budget to the City of Dallas for comment and the posting of the proposed budget to [www.dpfp.org](http://www.dpfp.org) for member review prior to the November meeting and bring the proposed budget to the Board at the November 12, 2020 Board meeting for consideration.

The supplemental Board meeting was adjourned at 12:01 p.m.

**Dallas Police and Fire Pension System**  
**Thursday, October 8, 2020**  
**8:30 a.m.**  
**Via telephone conference**

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

**ROLL CALL**

**Board Members**

Present at 8:31 a.m. William F. Quinn, Nicholas A. Merrick, Armando Garza, Michael Brown, Robert B. French, Gilbert A. Garcia, Kenneth Haben, Tina Hernandez Patterson, Steve Idoux, Mark Malveaux, Allen R. Vaught

Absent: None

**Staff** Kelly Gottschalk, Josh Mond, Kent Custer, Brenda Barnes, John Holt, Greg Irlbeck, Milissa Romero, Cynthia Thomas, Ryan Wagner, Michael Yan

**Others** Kenneth Latz, Robert Denious

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

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**A. TRUSTEES**

**1. WELCOME NEW AND REAPPOINTED TRUSTEES**

The terms of William Quinn, Nicholas Merrick, and Susan Byrne ended on August 31, 2020. These three trustees were serving as hold-over trustees pending Mayor Johnson's trustee appointments. Mayor Johnson made the following appointments:

- Michael Brown to serve a two-year term ending August 31, 2022;
- Nicholas Merrick (reappointment) to serve a three-year term ending August 31, 2023;
- William Quinn (reappointment) to serve a two-year term ending August 31, 2022.

The Board welcomed new Trustee Michael Brown and the reappointed Trustees Nicholas Merrick and William Quinn.

No motion was made.

**Regular Board Meeting  
Thursday, October 8, 2020**

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**2. Election of Deputy Vice Chairman**

Article 6243a-1, Section 1.53(f) requires that the board elect Trustees to serve as officers of the Board in June of odd-numbered years, however, the position of Deputy Vice Chairman is vacant due to Trustee turnover.

After discussion, Mr. Quinn made a motion to appoint Armando Garza to serve as Deputy Vice Chairman until the full slate of officers are elected in June 2021. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

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**B. MOMENT OF SILENCE**

The Board observed a moment of silence in memory of active firefighter Ceasar Rios, retired police officers Earl C. Gage, Bobby J. Coslin, W. G. Hilliard, Fred W. Martin, and retired firefighters Thomas E. McCarley, Robert E. Justis, Archie R. Kelly, C. I. Chancellor.

No motion was made.

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**C. CONSENT AGENDA**

**1. Approval of Minutes**

Regular meeting of September 10, 2020

- 2. Approval of Refunds of Contributions for the Month of September 2020**
- 3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for September 2020**
- 4. Approval of Estate Settlements**
- 5. Approval of Survivor Benefits**
- 6. Approval of Service Retirements**

**Regular Board Meeting  
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**7. Approval of Alternate Payee Benefits**

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

After discussion, Mr. Quinn made a motion to approve the minutes of the regular meeting of September 10, 2020. Mr. Garza seconded the motion, which was unanimously approved by the Board.

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

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

**1. Audit Status**

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

No motion was made.

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**2. Initial Reading and discussion of the 2021 Budget**

The Chief Financial Officer presented the initial reading of the 2021 budget, prepared in total for both the Combined Pension Plan and the Supplement Plan.

After discussion, Mr. Quinn made a motion to authorize forwarding the 2021 proposed budget to the City of Dallas for comment and the posting of the proposed budget to [www.dfpf.org](http://www.dfpf.org) for member review prior to the November meeting and bring the proposed budget to the Board at the November 12, 2020 Board meeting for consideration. Mr. Haben seconded the motion, which was unanimously approved by the Board.

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**Regular Board Meeting  
Thursday, October 8, 2020**

**3. Peer Organizational & Expense Review**

The Executive Director briefed the Board on the results of the Peer Organizational and Expense review.

No motion was made.

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**4. Monthly Contribution Report**

The Executive Director reviewed the Monthly Contribution Report.

No motion was made.

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

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

The Board and staff discussed future Trustee education. There was no future Trustee business-related travel or investment-related travel scheduled.

No motion was made.

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**6. 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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**7. Report on Investment Advisory Committee**

The Investment Advisory Committee met on September 28, 2020. The Committee Chair and Investment Staff commented on Committee observations and advice.

No motion was made.

**Regular Board Meeting  
Thursday, October 8, 2020**

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**8. Fixed Income Portfolio Review**

Staff provided an overview of DFPF public fixed income investments.

No motion was made.

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

Staff provided the quarterly update on the private asset cash flow projection model. The cash flow model projects estimated contributions to, and distributions from, private assets through the end of 2023. 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 public asset redeployment, overall asset allocation, and expected portfolio risk and return.

No motion was made.

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**10. Lone Star Investment Advisors Update**

Investment staff updated the Board on recent performance, operational, and administrative developments with respect to DFPF investments in funds managed by Lone Star Investment Advisors.

The Board went into closed executive session at 10:09 a.m.

The meeting was reopened at 10:51 a.m.

After discussion, Mr. Quinn made a motion to authorize the Executive Director and the Board Chair, conditioned upon their approval of satisfactory diligence, to approve the terms of the mediated settlement agreement with Lone Star Investment Advisors and its affiliates and authorize the Executive Director to approve up to \$16 million of funding in senior secured notes to the Lone Star Investment Advisors funds to cover obligations including settlement costs, working capital needs, follow-on investments and other fund obligations. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

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**Regular Board Meeting  
Thursday, October 8, 2020**

- 11. 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 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.**

The Board went into closed executive session at 10:09 a.m.

The meeting was reopened at 10:51 a.m.

No motion was made.

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The Board went into closed executive session at 11:47 a.m.

The meeting was reopened at 11:57 a.m.

No motion was made.

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**12. Widows and Children’s Fund**

The Widows and Children’s Fund (Fund) is a non-profit organization operated by the City of Dallas. On behalf of the Fund, Chief Hall has requested information from DFPF to be used for the Fund’s narrow purpose.

After discussion, Mr. Haben made a motion to authorize the Executive Director to provide the requested information to the Widows and Children’s Fund. Mr. Garza seconded the motion, which was unanimously approved by the Board.

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**E. BRIEFING ITEMS**

**1. Public Comment**

Prior to commencing items for Board discussion and deliberation, the Chairman extended an opportunity for public comment. No one requested to speak to the Board.

**Regular Board Meeting  
Thursday, October 8, 2020**

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**2. Executive Director's report**

- a. Open Records
- b. Operational Response to COVID-19

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. Quinn and a second by Mr. Haben, the meeting was adjourned at 12:00 p.m.

/s/ William F. Quinn

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William F. Quinn  
Chairman

**ATTEST:**

/s/ Kelly Gottschalk

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Kelly Gottschalk  
Secretary

**Regular Board Meeting  
Thursday, October 8, 2020**

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## AGENDA



**Date:** October 2, 2020

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, October 8, 2020**, via telephone conference for audio at **214-271-5080** access code **588694** or Toll-Free (US & CAN): **1-800-201-5203** and Zoom meeting for visual <https://us02web.zoom.us/j/81060056882?pwd=VnM1ZEptYkZwYy9lSmlhWDR2ODY3Zz09> **Passcode: 872887**. Items of the following agenda will be presented to the Board:

### A. TRUSTEES

1. **Welcome New and Reappointed Trustees**
2. **Election of Deputy Vice Chairman**

### B. MOMENT OF SILENCE

### C. CONSENT AGENDA

1. **Approval of Minutes**

Regular meeting of September 10, 2020

1 of 4

- 2. Approval of Refunds of Contributions for the Month of September 2020**
- 3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for September 2020**
- 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)**

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

- 1. Audit Status**
- 2. Initial Reading and discussion of the 2021 Budget**
- 3. Peer Organizational & Expense Review**
- 4. Monthly Contribution Report**

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

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

**6. Portfolio Update**

**7. Report on Investment Advisory Committee**

**8. Fixed Income Portfolio Review**

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

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.

**10. 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.

**11. 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 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.**

**12. Widows and Children's Fund**

**E. BRIEFING ITEMS**

**1. Public Comment**

**2. Executive Director's report**

**a. Open Records**

**b. Operational Response to COVID-19**

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

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



## DISCUSSION SHEET

### ITEM #A1

**Topic:** Welcome New and Reappointed Trustees

**Discussion:** The terms of William Quinn, Nicholas Merrick, and Susan Byrne ended on August 31, 2020. These three trustees have been serving as hold-over trustees pending Mayor Johnson's trustee appointments. Mayor Johnson made the following appointments:

- Michael Brown to serve a two-year term ending August 31, 2022;
- Nicholas Merrick (reappointment) to serve a three-year term ending August 31, 2023;  
and
- William Quinn (reappointment) to serve a two-year term ending August 31, 2022.

*Regular Board Meeting – Thursday, October 8, 2020*



## Memorandum



CITY OF DALLAS

DATE September 25, 2020

TO Kelly Gottschalk, DPFPS Executive Director

SUBJECT Mayoral Appointments to the DPFPS Board of Trustees

Pursuant to H.B. 3158, following consultation with the Dallas City Council, I hereby appoint the following individuals to the Dallas Police and Fire Pension System Board of Trustees:

- Michael Brown to serve a two-year term ending August 31, 2022;
- Nicholas Merrick (re-appointment) to serve a three-year term ending August 31, 2023;  
and
- William Quinn (re-appointment) to serve a two-year term ending August 31, 2022.

Please let me know if you have any questions.

Best regards,

A handwritten signature in black ink, appearing to read 'E. Johnson'.

Eric Johnson  
Mayor

# Michael Brown



Mr. Brown is a Co-Founder and Managing Director for Adjunct Partners, LP ([www.adjunctpartners.com](http://www.adjunctpartners.com)) a boutique financial advisory firm focused on assisting emerging and lower middle market companies align their strategic business plans with the appropriate capital structure and assist them prepare a “deal ready” strategy for a liquidity event/exit within a 3-5 year time horizon. Mr. Brown has over 30 years of middle market leveraged finance and private equity investment experience and is highly skilled in sourcing, structuring, closing and successfully exiting debt and equity financings for later stage middle market growth, buyouts and recapitalizations within a broad range of industry sectors.

Prior to the formation of Adjunct Partners, Mr. Brown was the Managing Director and Head of Middle Market Investments for NGP Capital Resources Company (NASDAQ: NGPC), a publicly-traded business development company (BDC) until its sale to a multi-billion New York-based asset management firm. Prior to joining NGPC, Mr. Brown was Managing Director and opened a Dallas office for another publicly-traded BDC focused on the middle market. Formerly, Mr. Brown was the Co-Founder and Managing Partner of Stratford Capital Partners and Stratford Equity Partners, a \$150 million mezzanine and senior equity fund focused on the lower middle market and affiliated with the private equity firm, Hicks Muse Tate & Furst and other large institutional investors.

In addition, Mr. Brown currently serves several charitable organizations. He is a Founder and President of the Erin Tierney Kramp Encouragement Foundation, a 501C3 foundation providing Dallas College community college scholarships and upper level scholarships to Austin College and SMU to individuals who have demonstrated courage and perseverance in the face of adversity. Mr. Brown is an Advocate for CASA (Court Appointed Special Advocate). Formerly, Mr. Brown served as a Board member and a member of the Executive Committee of the Dallas County Community College District Foundation; as a member of the steering committee of the DFW Private Equity Forum and was a Team Lead for a non-profit project for Executives in Action.

Mr. Brown received his undergraduate business degree in Finance from the University of Georgia and his Masters of Business Administration with a concentration in Finance from the University of Texas at Austin. Mr. Brown is married and has two adult sons.



## DISCUSSION SHEET

### ITEM #A2

**Topic:** Election of Deputy Vice Chairman

**Discussion:** Article 6243a-1, Section 1.53(f) requires that the board elect Trustees to serve as officers of the Board in June of odd-numbered years, however, the position of Deputy Vice Chairman is vacant due to Trustee turnover. The Board may elect a Trustee to serve in the open position of Deputy Vice Chairman.

**Staff**

**Recommendation:** Elect a Trustee to serve as Deputy Vice Chairman until the full slate of officers are elected in June 2021.

*Regular Board Meeting – Thursday, October 8, 2020*



## ITEM B

### MOMENT OF SILENCE

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

NAME	ACTIVE/ RETIRED	DEPARTMENT	DATE OF DEATH
Earl C. Gage	Retired	Police	Aug. 31, 2020
Thomas E. McCarley	Retired	Fire	Sept. 7, 2020
Bobby J. Coslin	Retired	Police	Sept. 10, 2020
W. G. Hilliard	Retired	Police	Sept. 20, 2020
Robert E. Justis	Retired	Fire	Sept. 20, 2020
Cesar Rios	Active	Fire	Sept. 20, 2020
Fred W. Martin	Retired	Police	Sept. 25, 2020
Archie R. Kelly	Retired	Fire	Sept. 27, 2020
C. I. Chancellor	Retired	Fire	Sept. 28, 2020

*Regular Board Meeting – Thursday, October 8, 2020*

**Dallas Police and Fire Pension System  
Thursday, September 10, 2020  
8:30 a.m.  
Via telephone conference**

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

**ROLL CALL**

**Board Members**

Present at 8:33 a.m. William F. Quinn, Nicholas A. Merrick, Susan M. Byrne, Robert B. French, Gilbert A. Garcia, Armando Garza, Kenneth Haben, Tina Hernandez Patterson, Steve Idoux, Mark Malveaux, Allen R. Vaught

Absent: None

**Staff**

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

**Others**

Leandro Festino, Aaron Lally, Kenneth Latz, Kenneth Garnett

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The meeting was called to order at 8:33 a.m.

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**A. WELCOME NEW AND REAPPOINTED TRUSTEES**

The Board welcomed Police Officer Trustee, Kenneth Haben and incumbent Fire Fighter Trustee, Armando Garza, both of whom were certified and deemed elected by the Board at the June Board meeting and will serve from September 1, 2020 until August 31, 2023.

No motion was made.

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**B. MOMENT OF SILENCE**

The Board observed a moment of silence in memory of retired police officers J. T. Thompson, Jr., Edwardo D. Huerta, Janice L. Green, and retired firefighters E. G. Harris, S. E. Shuemake.

No motion was made.

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**Regular Board Meeting  
Thursday, September 10, 2020**

**C. CONSENT AGENDA**

**1. Approval of Minutes**

Regular meeting of August 13, 2020

**2. Approval of Refunds of Contributions for the Month of August 2020**

**3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for September 2020**

**4. Approval of Estate Settlements**

**5. Approval of Survivor Benefits**

**6. Approval of Service Retirements**

**7. Approval of Alternate Payee Benefits**

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

After discussion, Mr. Quinn made a motion to approve the minutes of the regular meeting of August 13, 2020. Ms. Byrne seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Quinn 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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**D. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION**

**1. Chairman’s Discussion Items**

Mayoral Trustee Status Update

The Chairman briefed the Board on his conversation with the Mayor of the City of Dallas. Mr. Quinn stated that the terms for himself, Nicholas Merrick, and Susan Byrne ended on August 31, 2020 and they will serve as hold-over trustees until such time as Mayor Johnson makes new trustee appointments.

No motion was made.

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**Regular Board Meeting  
Thursday, September 10, 2020**

**2. Monthly Contribution Report**

The Executive Director reviewed the Monthly Contribution Report.

No motion was made.

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

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

The Board and staff discussed approval of future education and business-related travel. There was no future investment-related travel.

After discussion, Mr. Quinn made a motion to approve Ms. Hernandez Patterson’s request to attend the NCPERS Fall Conference. Mr. Haben seconded the motion, which was unanimously approved by the Board.

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**4. Financial Audit Status**

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

No motion was made.

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**5. Peer Organizational & Expense Review**

The Peer Organizational and Expense review was postponed to the October 2020 Board meeting.

No motion was made.

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**Regular Board Meeting  
Thursday, September 10, 2020**

**6. 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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**7. Public Equity Portfolio Review**

Staff provided an overview of DPF public equity investments.

No motion was made.

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**8. Second Quarter 2020 Investment Performance Analysis and First Quarter 2020 Private Markets & Real Assets Review**

Leandro Festino, Managing Principal and Aaron Lally, Principal of the Meketa Investment Group and Investment Staff reviewed investment performance.

No motion was made.

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**9. Lone Star Investment Advisors Update**

Investment staff updated the Board on recent performance, operational, and administrative developments with respect to DPF investments in funds managed by Lone Star Investment Advisors.

The Board went into closed executive session at 10:11 a.m.

The meeting was reopened at 10:45 a.m.

No motion was made.

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**Regular Board Meeting  
Thursday, September 10, 2020**

- 10. 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 litigation with the Texas Attorney General regarding open records requests under the Public Information Act 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.**

The Board went into closed executive session at 10:11 a.m.

The meeting was reopened at 10:45 a.m.

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Mr. Merrick left the meeting at 10:40 a.m.

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After discussion, Ms. Byrne made a motion to authorize the Executive Director to enter into a settlement agreement with the Texas Attorney General with respect to the pending Public Information Act litigation against the Texas Attorney General. Mr. Garcia seconded the motion, which was unanimously approved by the Board. Mr. Merrick was not present for the vote.

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**E. BRIEFING ITEMS**

**1. Public Comment**

Prior to commencing items for Board discussion and deliberation, the Chairman extended an opportunity for public comment. No one requested to speak to the Board.

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**Regular Board Meeting  
Thursday, September 10, 2020**

**2. Executive Director's report**

- a. Associations' newsletters
  - NCPERS Monitor (September 2020)
  - TEXPERS Pension Observer

<http://online.anyflip.com/mxfu/vumv/mobile/index.html>
- 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. Quinn and a second by Mr. Garcia, the meeting was adjourned at 10:47 a.m.

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William F. Quinn  
Chairman

**ATTEST:**

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Kelly Gottschalk  
Secretary



## DISCUSSION SHEET

### ITEM #D1

**Topic:** Financial Audit Status

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

*Regular Board Meeting – Thursday, October 8, 2020*



## DISCUSSION SHEET

### ITEM #D2

**Topic:** Initial Reading and discussion of the 2021 Budget

**Discussion:** Attached is the budget proposal for Calendar Year 2021.

The budget has been prepared in total for both the Combined Pension Plan and the Supplemental Plan. Total expenses are then allocated to the Supplemental Plan based upon the Group Trust allocation reported by JPMorgan.

Significant changes from the prior year budget and/or projected 2020 actual expenses are explained in the comments accompanying the proposed budget.

**Staff**

**Recommendation:** **Direct** staff to revise the proposed budget based on the direction of the Board and bring the revised proposed budget to the Board at the November 12, 2020 Board meeting for consideration for adoption. **Authorize** forwarding the 2021 proposed budget to the City of Dallas for comment and the posting of the proposed budget to [www.dpfp.org](http://www.dpfp.org) for member review prior to the November meeting.

*Regular Board Meeting – Thursday, October 8, 2020*

**DALLAS POLICE AND FIRE PENSION SYSTEM  
PROPOSED OPERATING BUDGET SUMMARY  
FOR THE YEAR 2021  
FIRST READING AT THE OCTOBER 8, 2020 BOARD MEETING**

Expense Type	2020 Budget	2020 Projected Actual	2021 Proposed Budget	Variances		Variances	
				2021	2020	2021	2020
				Prop. Bud. vs	Budget	Prop. Bud. vs	Proj. Act.
				\$	%	\$	%
Administrative Expenses	5,797,866	5,541,519	6,008,808	210,942	3.6%	467,289	8.4%
Investment Expenses	16,285,551	15,445,222	16,001,610	(283,941)	-1.7%	556,388	3.6%
Professional Expenses	1,496,520	1,472,915	1,609,120	112,600	7.5%	136,205	9.2%
<b>Total</b>	<b>\$ 23,579,937</b>	<b>\$ 22,459,656</b>	<b>\$ 23,619,538</b>	<b>\$ 39,601</b>	<b>0.2%</b>	<b>\$ 1,159,882</b>	<b>5.2%</b>

**Significant Budget Changes - 2021**  
**Budget Changes (>5% and \$10K)**  
**SORTED BY THE \$ CHANGE FROM 2020 BUDGET TO 2021 BUDGET**

		2020	2020	2021	\$ Change	% Change	\$ Change	% Change	
	Item	Budget	Projected Actual**	Proposed Budget	2021 Prop. Bud. vs. 2020 Bud.	2021 Prop. Bud. vs. 2020 Bud.	2021 Prop. Bud. vs. 2020 Proj. Act.	2021 Prop. Bud. vs. 2020 Proj. Act.	Explanation
	<b>INCREASES:</b>								
1	Liability insurance	640,571	608,941	727,147	86,576	13.5%	118,206	19.4%	Projected renewal includes expected double digit increases across almost all lines of risk insurance. Fiduciary insurance is 80% of 2021 budget.
2	Information technology projects	140,000	110,728	190,000	50,000	35.7%	79,272	71.6%	Increase includes some projects deferred from 2020 to 2021 due to COVID-19.
3	Legislative consultants	126,000	126,000	159,000	33,000	26.2%	33,000	26.2%	Legislature is in session in 2021. Fees are higher for the periods when legislature is in session
4	IT subscriptions/services/licenses	153,100	150,544	182,715	29,615	19.3%	32,171	21.4%	Additional licenses and devices to be covered along with projected increases for renewals.
5	Network security monitoring	75,000	44,036	102,000	27,000	36.0%	57,964	131.6%	Additional items to be covered and expect full year of services in 2021.
6	Pension administration software & WMS	283,000	263,616	302,000	19,000	6.7%	38,384	14.6%	Enhancements for pension admin software and fee increases.
7	Communications (phone/internet)	56,300	67,816	70,800	14,500	25.8%	2,984	4.4%	Additional services like Zoom and Conference Calling added during COVID-19, combined with rate increases on contracts.
8	Employment Expense	15,000	17,165	25,110	10,110	67.4%	7,945	46.3%	Primarily agency fees for new staff.
	<b>REDUCTIONS:</b>								
9	Other portfolio operating expenses (legal, valuation, tax)	1,520,551	911,834	777,610	(742,941)	-48.9%	(134,224)	-14.7%	Significant reduction in legal and advisor fees for private equity investments expected in 2021.
10	Actuarial services	240,000	241,280	190,500	(49,500)	-20.6%	(50,780)	-21.0%	Experience study conducted in 2020 will not be repeated in 2021.
11	Investment consultant and reporting	365,000	362,084	340,000	(25,000)	-6.8%	(22,084)	-6.1%	HB 322 report costs of \$30k were included in the 2020 budget partially offset by contractual price increase.
12	Elections	15,000	-	-	(15,000)	-100.0%	-	100.0%	No trustee election in 2021.
13	Repairs and maintenance	97,414	23,668	84,424	(12,990)	-13.3%	60,756	256.7%	Fewer maintenance projects planned for 2021.

\*\* Projected based on 8/31/19 Prelim YTD annualized

**Significant Budget Changes - 2021**  
**Budget Changes (>5% and \$10K)**  
**SORTED BY THE \$ CHANGE FROM 2020 PROJECTED ACTUAL TO 2021 BUDGET**

		2020	2020	2021	\$ Change	% Change	\$ Change	% Change	
	Item	Budget	Projected Actual**	Proposed Budget	2021 Prop. Bud. vs. 2020 Bud.	2021 Prop. Bud. vs. 2020 Bud.	2021 Prop. Bud. vs. 2020 Proj. Act.	2021 Prop. Bud. vs. 2020 Proj. Act.	Explanation
	<b>INCREASES:</b>								
1	Investment management fees	14,178,000	13,954,330	14,664,000	486,000	3.4%	709,670	5.1%	Increased market value in equities expected to drive higher fees, which will be partially offset by declines in fees for fixed income and real assets.
2	Liability insurance	640,571	608,941	727,147	86,576	13.5%	118,206	19.4%	Projected renewal includes expected double digit increases across almost all lines of risk insurance. Fiduciary insurance is 80% of 2021 budget.
3	Information technology projects	140,000	110,728	190,000	50,000	35.7%	79,272	71.6%	Project start dates delayed due to COVID-19. At least one project may be delayed until 2021.
4	Repairs and maintenance	97,414	23,668	84,424	(12,990)	-13.3%	60,756	256.7%	Some maintenance being delayed or deferred during COVID-19. Expect to return to more normal levels in 2021.
5	Network security monitoring	75,000	44,036	102,000	27,000	36.0%	57,964	131.6%	Project implementation delayed due to COVID-19. Expect full year of monitoring in 2021.
6	Travel - Staff	44,500	3,516	43,200	(1,300)	-2.9%	39,684	1128.7%	Reduced staff travel in 2020 due to COVID-19. Expect to return to more normal levels in 2021.
7	Pension administration software & WMS	283,000	263,616	302,000	19,000	6.7%	38,384	14.6%	Some enhancements delayed due to COVID-19.
8	Investment due diligence	39,000	-	35,000	(4,000)	-10.3%	35,000	100.0%	Purchase of investment software currently deferred. No investment due diligence travel due to COVID-19. Expect to return to more normal levels in 2021.
9	Legislative consultants	126,000	126,000	159,000	33,000	26.2%	33,000	26.2%	Legislature is in session in 2021. Fees are higher for the periods when legislature is in session
10	IT subscriptions/services/licenses	153,100	150,544	182,715	29,615	19.3%	32,171	21.4%	Additional licenses and devices to be covered along with projected increases for renewals.
11	Conference/training registration/materials - Staff	34,800	6,110	36,300	1,500	4.3%	30,190	494.1%	Staff conference training significantly reduced due to COVID-19. Expect to return to more normal levels during 2021.
12	Travel - Board	21,500	-	21,500	-	0.0%	21,500	100.0%	No board travel in 2020 due to COVID-19. Expect to return to more normal level in 2021.
13	Printing	14,000	-	14,000	-	0.0%	14,000	100.0%	Updated member handbook printing not completed due to COVID-19.
14	Conference registration/materials - Board	11,650	-	11,650	-	0.0%	11,650	100.0%	No conferences attended by board members during COVID-19.
15	Administrative contingency reserve	12,000	862	12,000	-	0.0%	11,138	1292.1%	Contingency reserve.
16	Disability medical evaluations	9,500	5,540	16,500	7,000	73.7%	10,960	197.8%	Only one disability evaluation in 2020 so far. 2020 projected actual allows for two in total and 2021 projects for five in total.
17	Office supplies	29,350	14,116	24,850	(4,500)	-15.3%	10,734	76.0%	Office supplies usage down in 2020 due to COVID-19. Expect to return to more normal level in 2021.
	<b>REDUCTIONS:</b>								
18	Other portfolio operating expenses (legal, valuation, tax)	1,520,551	911,834	777,610	(742,941)	-48.9%	(134,224)	-14.7%	Reduction in appraisal, legal and advisor fees for private equity investments expected in 2021.
19	Actuarial services	240,000	241,280	190,500	(49,500)	-20.6%	(50,780)	-21.0%	Experience study conducted in 2020 will not be repeated in 2021.
20	Investment consultant and reporting	365,000	362,084	340,000	(25,000)	-6.8%	(22,084)	-6.1%	HB 322 report costs of \$30k were incurred in 2020 budget and will not be repeated in 2021.
21	COVID 19 Expense	-	19,367	7,500	7,500	100.0%	(11,867)	-61.3%	Purchase of temperature scanners, plexiglass and other COVID-19 supplies in 2020.

\*\* Projected based on 6/30/20 Prelim YTD annualized

Dallas Police & Fire Pension System Proposed Operating Budget Calendar Year 2021							
Description	2020 Budget	2020 Projected Actual*	2021 Proposed Budget	\$ Change 2021 Prop. Bud. vs. 2020 Bud.	% Change 2021 Prop. Bud. vs. 2020 Bud.	\$ Change 2021 Prop. Bud. vs. 2020 Proj. Actual	% Change 2021 Prop. Bud. vs. 2020 Proj. Actual
<b>Administrative Expenses</b>							
1 Salaries and benefits	3,653,766	3,746,274	3,775,241	121,475	3.3%	28,967	0.8%
2 Employment Expense	15,000	17,165	25,110	10,110	67.4%	7,945	46.3%
3 Memberships and dues	19,706	17,240	19,917	211	1.1%	2,677	15.5%
4 Staff meetings	1,000	-	1,000	-	0.0%	1,000	100.0%
5 Employee service recognition	5,000	288	5,030	30	0.6%	4,742	1646.5%
6 Member educational programs	2,750	-	3,250	500	18.2%	3,250	100.0%
7 Board meetings	6,420	2,594	6,420	-	0.0%	3,826	147.5%
8 Conference registration/materials - Board	11,650	-	11,650	-	0.0%	11,650	100.0%
9 Travel - Board	21,500	-	21,500	-	0.0%	21,500	100.0%
10 Conference/training registration/materials - Staff	34,800	6,110	36,300	1,500	4.3%	30,190	494.1%
11 Travel - Staff	44,500	3,516	43,200	(1,300)	(2.9%)	39,684	1128.7%
12 Liability insurance	640,571	608,941	727,147	86,576	13.5%	118,206	19.4%
13 Communications (phone/internet)	56,300	67,816	70,800	14,500	25.8%	2,984	4.4%
14 Information technology projects	140,000	110,728	190,000	50,000	35.7%	79,272	71.6%
15 IT subscriptions/services/licenses	153,100	150,544	182,715	29,615	19.3%	32,171	21.4%
16 IT software/hardware	19,500	23,858	17,000	(2,500)	(12.8%)	(6,858)	(28.7%)
17 Building expenses	405,467	390,670	401,482	(3,985)	(1.0%)	10,812	2.8%
18 Repairs and maintenance	97,414	23,668	84,424	(12,990)	(13.3%)	60,756	256.7%
19 Office supplies	29,350	14,116	24,850	(4,500)	(15.3%)	10,734	76.0%
20 Leased equipment	24,000	23,686	24,000	-	0.0%	314	1.3%
21 Postage	28,200	23,628	21,700	(6,500)	(23.0%)	(1,928)	(8.2%)
22 Printing	14,000	-	14,000	-	0.0%	14,000	100.0%
23 Subscriptions	2,125	1,018	2,125	-	0.0%	1,107	108.7%
24 Records storage	1,400	1,392	1,400	-	0.0%	8	0.6%
25 Administrative contingency reserve	12,000	862	12,000	-	0.0%	11,138	1292.1%
26 COVID 19 Expense	-	19,367	7,500	7,500	100.0%	(11,867)	(61.3%)
27 Depreciation Expense	240,947	240,946	240,947	-	0.0%	1	0.0%
28 Bank fees	3,400	3,056	3,100	(300)	(8.8%)	44	1.4%
<b>Investment Expenses</b>							
29 Investment management fees	14,178,000	13,954,330	14,664,000	486,000	3.4%	709,670	5.1%
30 Investment consultant and reporting	365,000	362,084	340,000	(25,000)	(6.8%)	(22,084)	(6.1%)
31 Bank custodian services	222,000	216,974	220,000	(2,000)	(0.9%)	3,026	1.4%
32 Other portfolio operating expenses (legal, valuation, tax)	1,520,551	911,834	777,610	(742,941)	(48.9%)	(134,224)	(14.7%)
33 Investment due diligence	39,000	-	35,000	(4,000)	(10.3%)	35,000	100.0%
<b>Professional Services Expenses</b>							
34 Actuarial services	240,000	241,280	190,500	(49,500)	(20.6%)	(50,780)	(21.0%)



**Dallas Police & Fire Pension System  
Proposed Operating Budget  
Calendar Year 2021**

Description	2020 Budget	2020 Projected Actual*	2021 Proposed Budget	\$ Change vs. 2020 Bud.	% Change vs. 2020 Bud.	\$ Change 2021 Prop. Bud. vs. 2020 Proj. Actual	% Change 2021 Prop. Bud. vs. 2020 Proj. Actual
35 Accounting services	60,770	59,000	60,770	-	0.0%	1,770	3.0%
36 Independent audit	165,000	162,977	166,000	1,000	0.6%	3,023	1.9%
37 Legal fees	550,000	577,752	562,500	12,500	2.3%	(15,252)	(2.6%)
38 Legislative consultants	126,000	126,000	159,000	33,000	26.2%	33,000	26.2%
39 Public relations	-	-	-	-	100.0%	-	100.0%
40 Pension administration software & WMS	283,000	263,616	302,000	19,000	6.7%	38,384	14.6%
41 Business continuity	17,000	16,224	18,300	1,300	7.6%	2,076	12.8%
42 Network security review	10,000	2,400	10,000	-	0.0%	7,600	316.7%
43 Network security monitoring	75,000	44,036	102,000	27,000	36.0%	57,964	131.6%
44 Disability medical evaluations	9,500	5,540	16,500	7,000	73.7%	10,960	197.8%
45 Elections	15,000	-	-	(15,000)	(100.0%)	-	100.0%
46 Miscellaneous professional services	20,250	18,126	21,550	1,300	6.4%	3,424	18.9%
<b>Total Budget</b>	<b>23,579,937</b>	<b>22,459,656</b>	<b>23,619,538</b>	<b>39,601</b>	<b>0.2%</b>	<b>1,159,882</b>	<b>5.2%</b>
Less: Investment management fees	14,178,000	13,954,330	14,664,000	486,000	3.4%	709,670	5.1%
<b>Adjusted Budget Total</b>	<b>9,401,937</b>	<b>8,505,326</b>	<b>8,955,538</b>	<b>(446,399)</b>	<b>(4.7%)</b>	<b>450,212</b>	<b>5.3%</b>

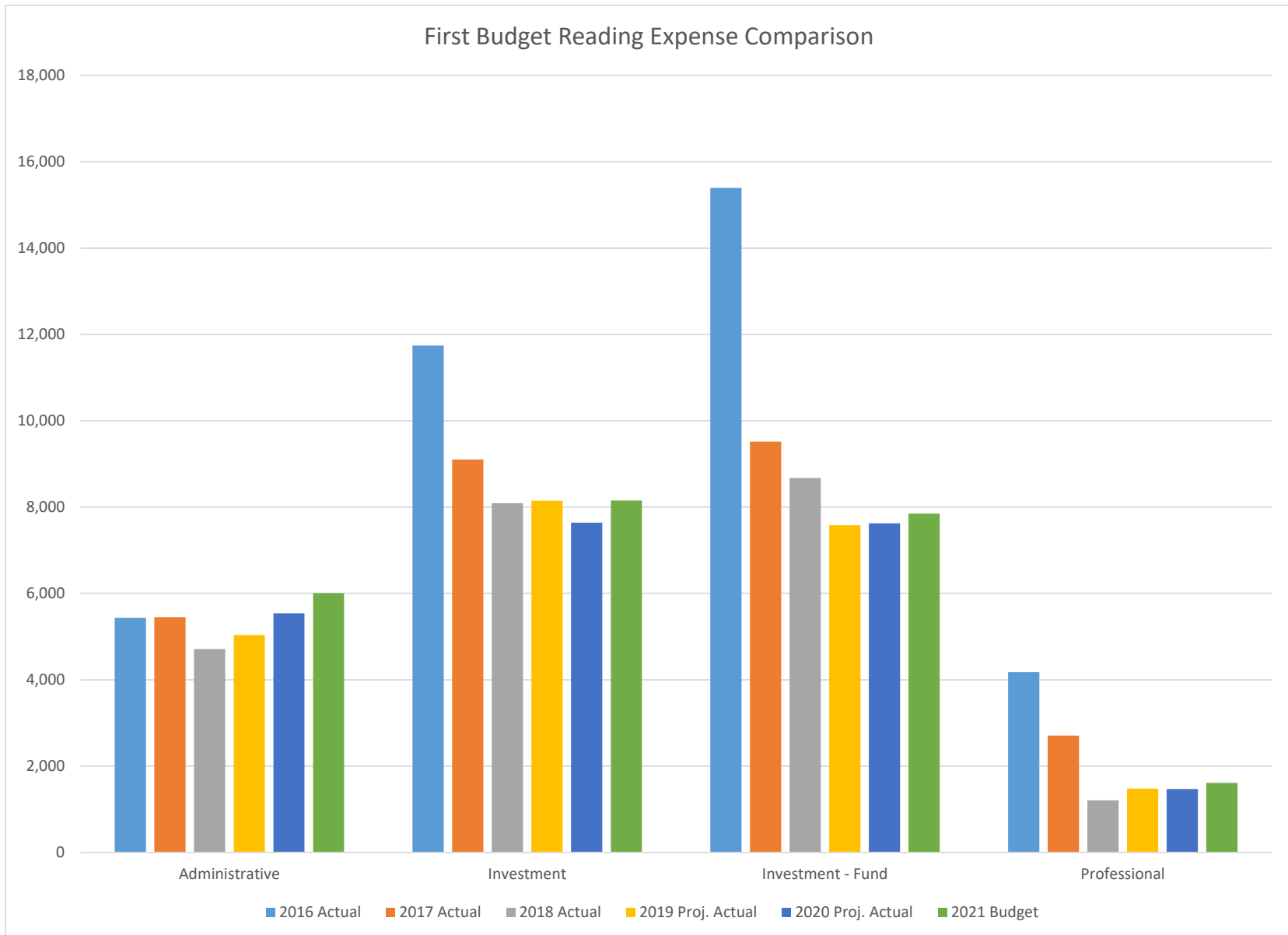
**SUPPLEMENTAL BUDGET**

<b>Total Budget ( from above)</b>	<b>23,579,937</b>	<b>22,459,656</b>	<b>23,619,538</b>	<b>39,601</b>	<b>0.2%</b>	<b>1,159,882</b>	<b>5.2%</b>
Less: Allocation to Supplemental Plan Budget*	207,503	199,891	210,214	2,711	1.3%	10,323	5.2%
<b>Total Combined Pension Plan Budget</b>	<b>23,372,434</b>	<b>22,259,765</b>	<b>23,409,324</b>	<b>36,890</b>	<b>0.2%</b>	<b>1,149,559</b>	<b>5.2%</b>

\* Projected based on 6/30/20 YTD annualized

\*\* Allocation to Supplemental is based on JPM allocation between accounts as of 6/30/20 of .0089%

\_\_\_\_\_ 0.89% per JPM Unitization report as of 6/30/20





## **DISCUSSION SHEET**

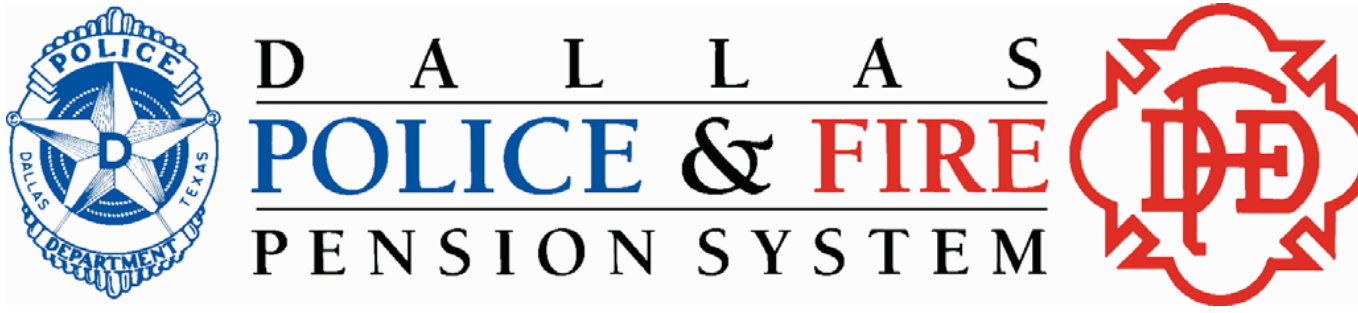
### **ITEM #D3**

**Topic:** **Peer Organizational & Expense Review**

**Discussion:** In December 2019, the Board directed the Executive Director to conduct a Peer Organizational and Expense review.

The Board will be briefed on the results of this review.

*Regular Board Meeting – Thursday, October 8, 2020*



# **Peer Organizational and Expense Review**

October 8, 2020

# Overview

In December 2019, the Board directed the Executive Director to conduct a Peer Organizational and Expense Review.

- At the March 2020 Board meeting the scope of the review was discussed.
- In conducting this review DPFP first attempted to rely on information provided by other systems, but due to access and comparability issues this study was ultimately based on data obtained from the Texas Pension Review Board (PRB). (in addition reviewed annual reports)
- The PRB data was based on the most recent financial audit available. The audits dated from December 31, 2018 to December 31, 2019.
- National Conference on Public Employees Retirement Systems (NCPERS) data was reviewed, but only one piece of the information was relevant for this analysis.

# Texas Pension Plans

There are 100 actuarially funded defined benefit public pension plans registered with the PRB. Total membership is more than 2.8 million active and retired members and total net assets are approximately \$282 billion.

- 7 statewide plans
- 17 major municipal plans (14 enabled in state law, 3 in local ordinance)
- 42 local firefighter plans organized under the Texas Local Firefighters Retirement Fund Act
- 34 local plans administered by special purpose districts or as supplemental plans

Source: Texas Pension Review Board



# Texas Municipal Pension Plans

The PRB categorizes 17 plans as major municipal plans, including the DFPF Combined and Supplemental Plans.

- For this comparison, the nine municipal plans with more than 3,000 members were included.

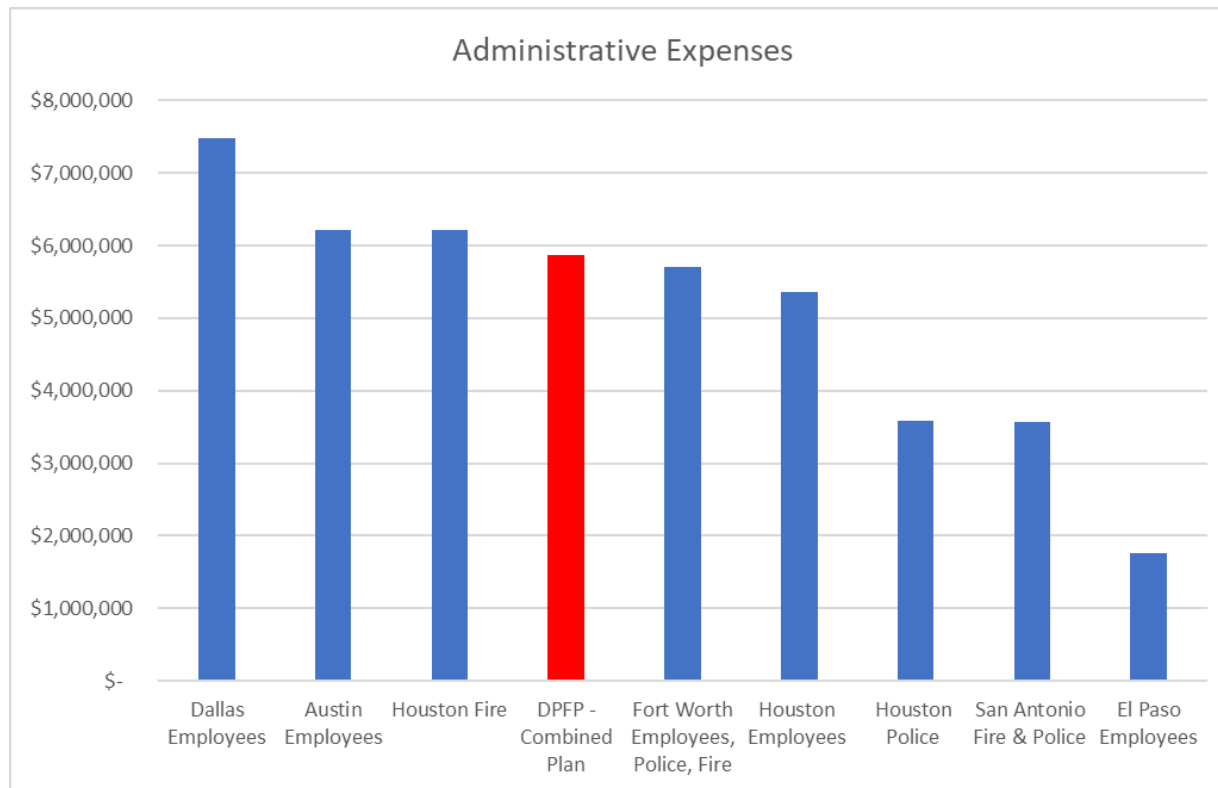
Included	# of Members
Houston Employees	29,269
Austin Employees	19,103
Dallas Employees	16,303
Fort Worth Employees, Police & Fire	12,207
<b>DFPF Combined Plan</b>	<b>10,592</b>
Houston Police	9,689
El Paso Employees	8,043
Houston Fire	7,451
San Antonio Fire & Police	6,976

Not Included	# of Members
Austin Police	2,909
El Paso Police	2,182
Austin Fire	1,932
El Paso Fire	1,684
Galveston Employees	1,095
Galveston Police	329
<b>DFPF Supplemental</b>	<b>180</b>
Fort Worth Staff Plan	17

Source: Texas Pension Review Board

# Administrative Expense Data By Plan

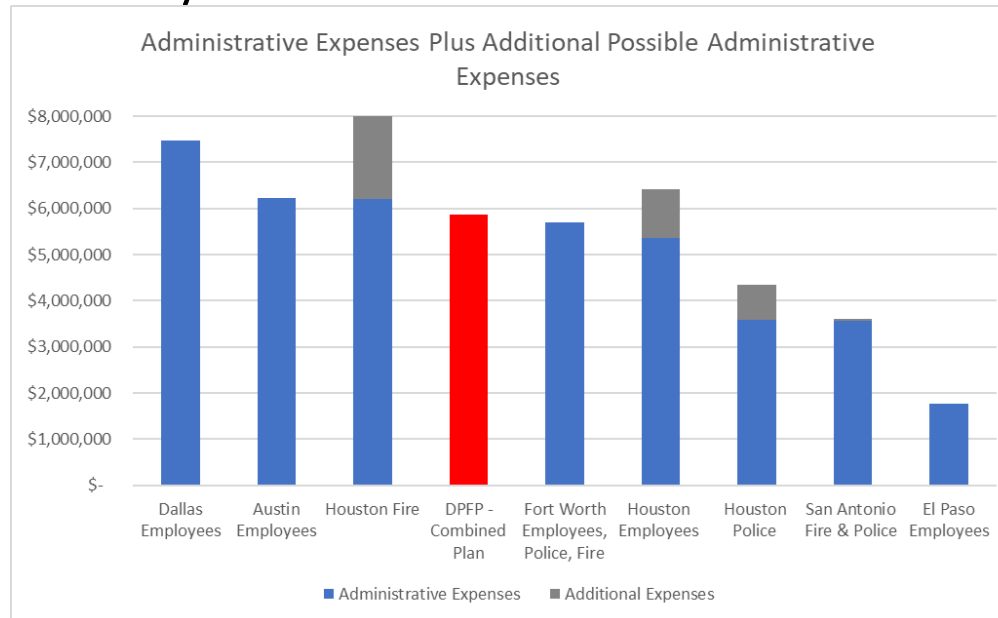
- The graph below reflects Administrative Expense Data as reported by the PRB for each plan.
- For the purposes of this analysis Administrative Expense includes all expense categories reported, except Investment expenses.
- Average Administrative Expenses for the nine Pension Plans was \$5.1 million.





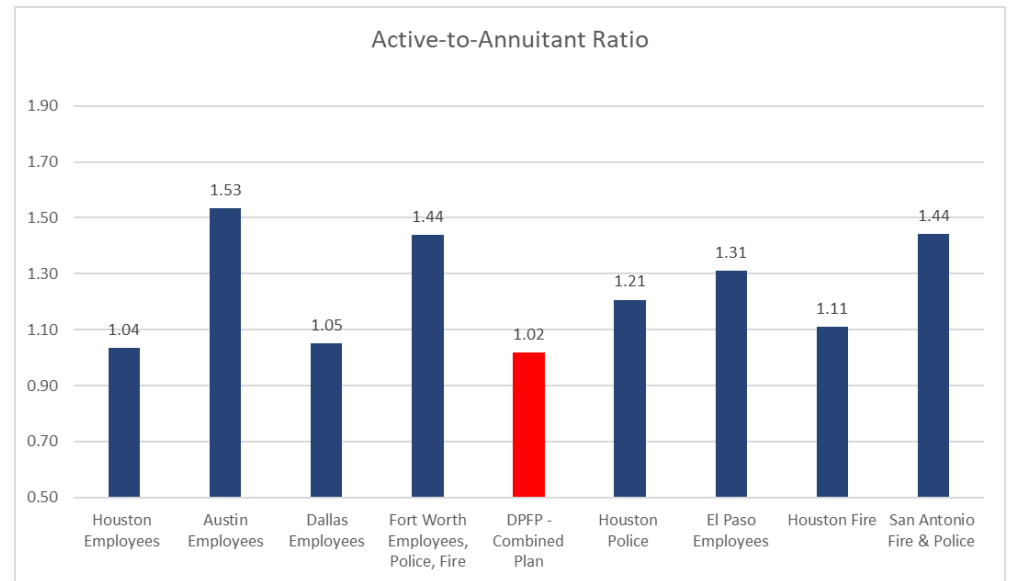
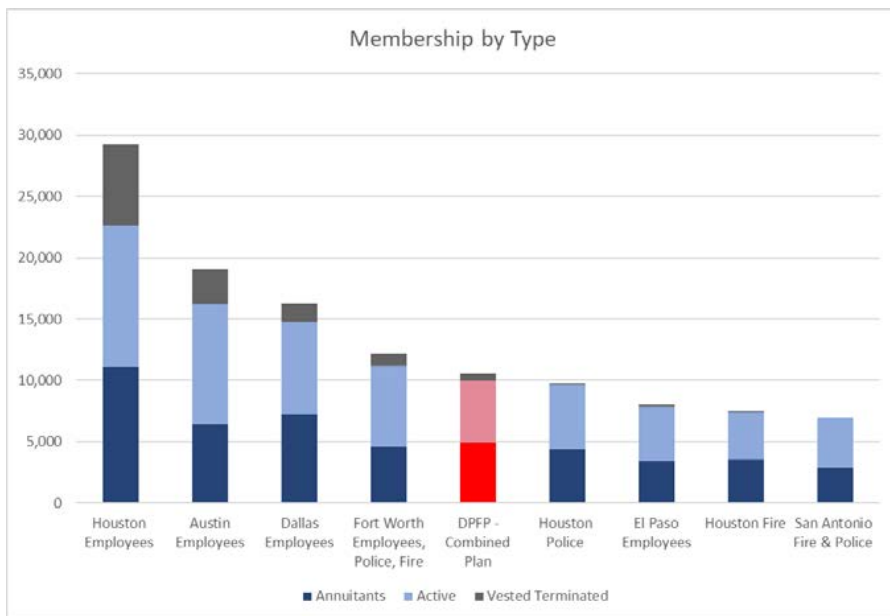
# Administrative Expense Data with Additional Possible Administrative Expenses

- Plans have discretion in classification of expenses so the data may not be consistently classified between plans.
- The graph below reflects Administrative Expense Data as reported by the PRB for each plan plus (gray bars) possible additional Administrative Expenses (staffing/office costs) reported as Investment expenses from the Plan’s annual report. DFPF and other plans reports these costs as administrative costs.
- This information is for informational purposes only and was not used in the calculations for this analysis.



# Membership Related Data By Plan

- The graph on the left provides various categories of membership data as reported by the PRB for each plan. The graph on the right provides the Active to Annuitant ratio for each plan.
- Typically, more resources are required to service an annuitant than an active member.
- The average number of Total Members and Annuitants for the nine Pension Plans is 13,293 and 5,378, respectively.
- The ratio of active members per annuitant ranges from 1.02 to 1.53.

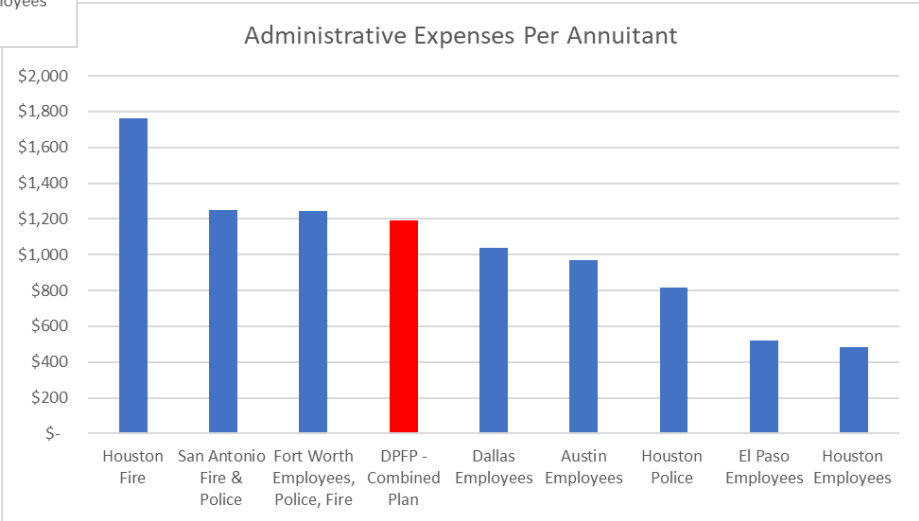
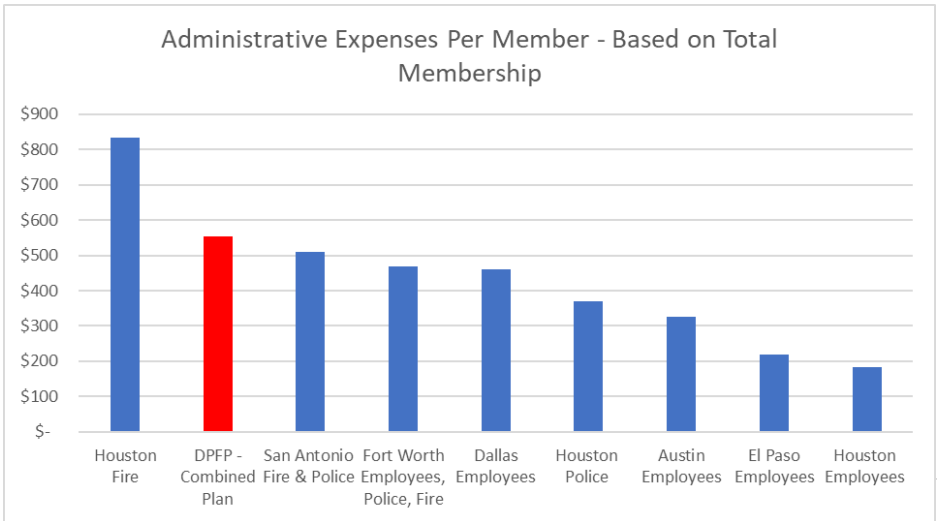


Data Source: Texas Pension Review Board



# Administrative Expenses Per Member & Annuitant

- The following graphs reflect the ratio of Administrative Expenses divided by the total number of members and annuitants.



Data Source: Texas Pension Review Board



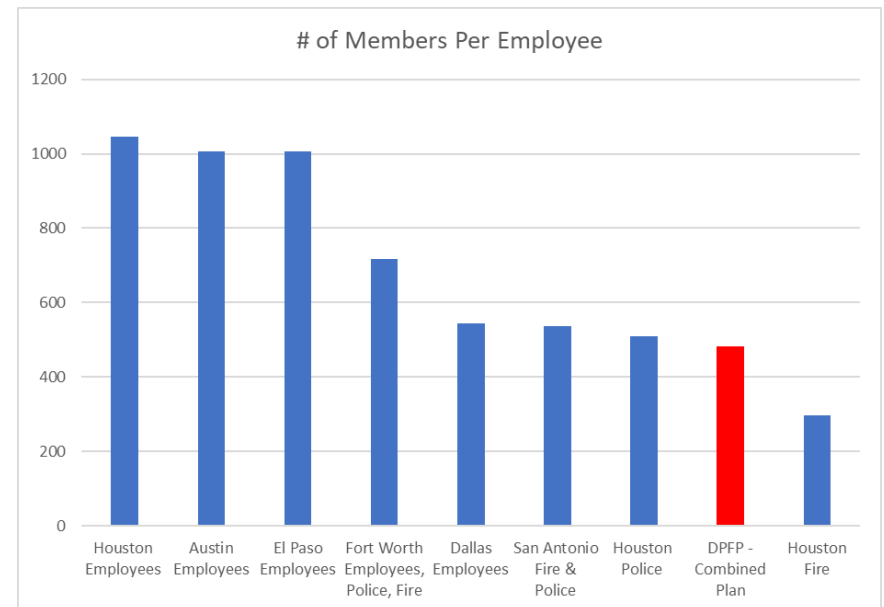
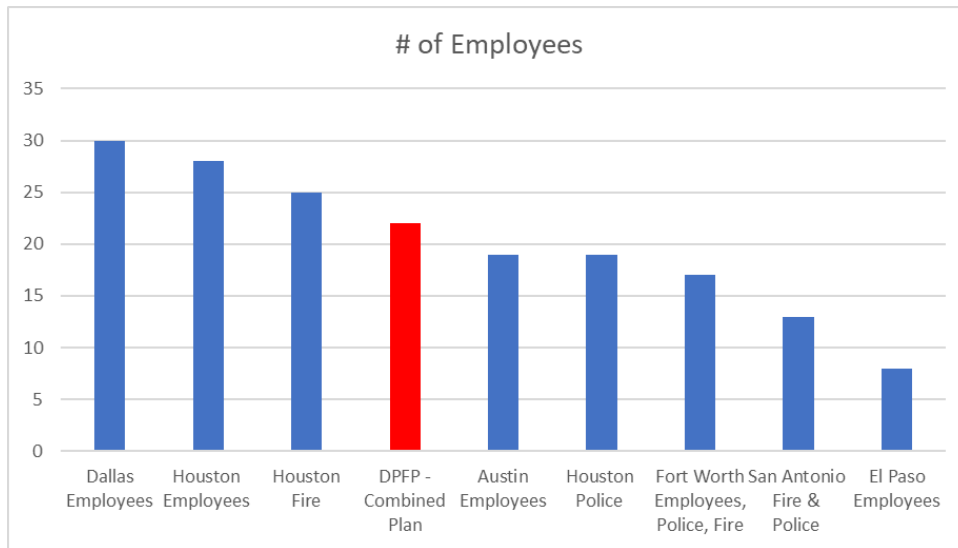
# Municipal DROP Plans

The following Municipal Pension Plans have Deferred Retirement Option Plans (DROP):

- Austin Fire
- Austin Police
- DPFP
- El Paso Fire (back DROP)
- El Paso Police (back DROP)
- Fort Worth All (Employee, Fire & Police)
- Fort Worth Retirement Staff Plan
- Houston Fire
- Houston Police
- Houston Employee

# Number of Employees by Plan

- The following graphs provide the number of employees as reported in the plan's most recent annual report and the number of employees divided by the number of members.

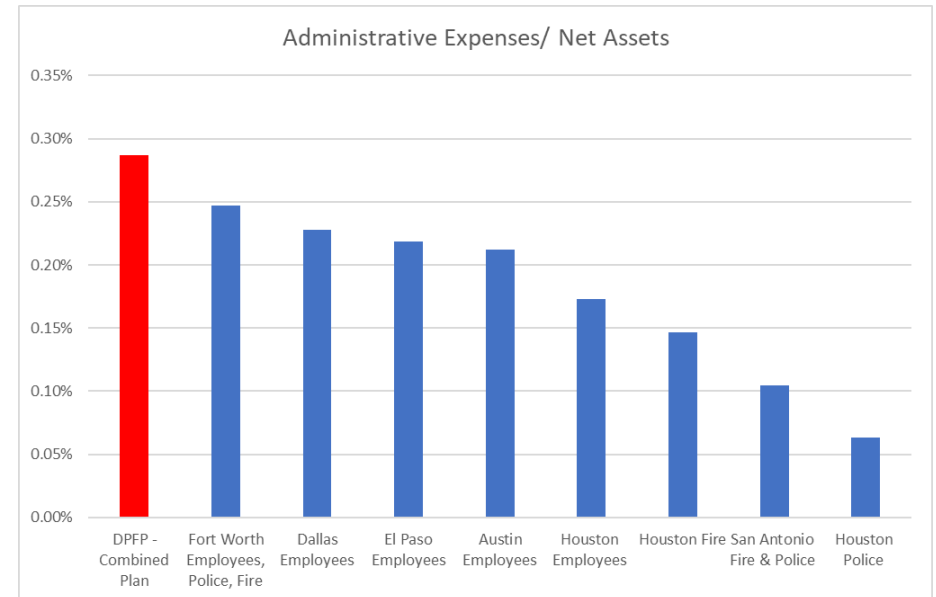
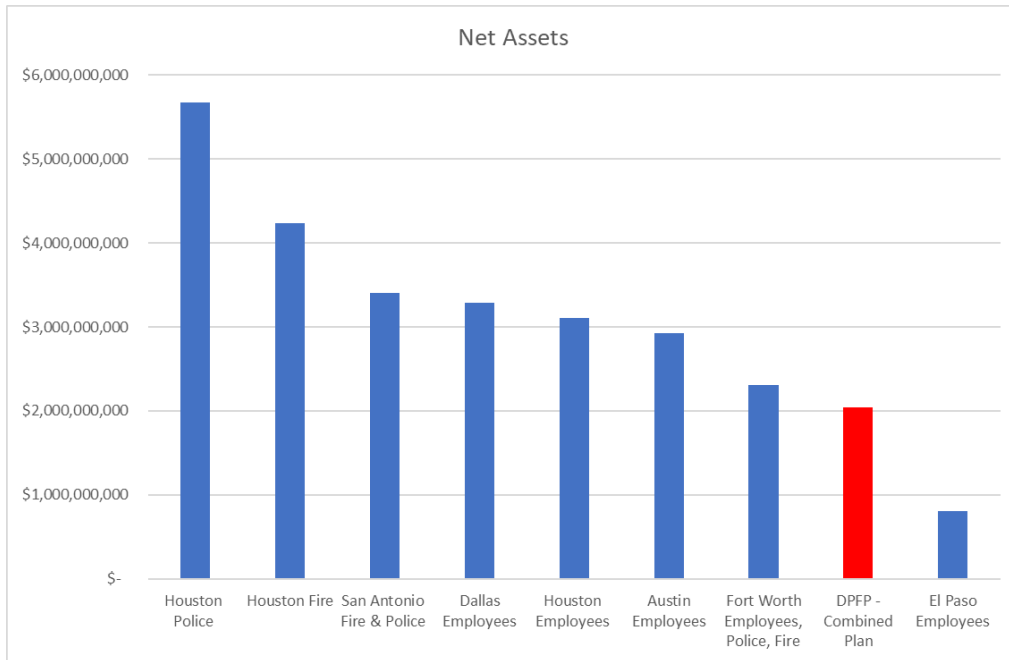


Sources: Combined Annual Financial Report (CAFR) for each plan



# Net Assets By Plan

- The first graph provides Total Net Assets as reported by the PRB for each plan. The second graph provides the ratio of Administrative Expenses divided by Total Net Assets.



Source: Texas Pension Review Board



# NCPERS Expense Data

- National Conference on Public Employees Retirement Systems (NCPERS) conducts a Public Retirement Systems Study on an annual basis. The study covers a wide-range of topics.
  - There were 155 public retirement funds that responded to the 2019 NCPERS Public Retirement Systems Study.
  - About 48 percent of all 2019 responding funds serve township, city, and village employees and beneficiaries. About 52 percent of the responding funds serve police and fire employees.
  - About 92% of all responding funds have defined benefit pension plans.
  - About 69 percent of responding funds have members who are eligible for Social Security, and 31 percent have members who are not eligible.
- NCPERS reported that Administrative Expenses were 17 and 24 basis points (of Net Assets) for funds that are Social Security eligible and Not Social Security eligible, respectively.

# Selected Expense Comments

Based on information that is available, DPFP Administrative Expenses are materially higher than other plans in the following areas:

- **Legal Expenses** - While legal expenses have declined significantly from the high periods of 2016 and 2017, legal expense still remains high as the system works through the various pending litigation. In addition to DPFP, Dallas ERF and Houston Fire reported significant legal costs in the period reported.
- **Risk Insurance** – Insurance as reported by DPFP includes property, worker’s compensation, umbrella, employment practices, crime, cyber and fiduciary liability. Employee related insurance is not included in this item. Houston Fire reports insurance as \$681k (6-30-19), DPFP \$530K (12-31-18), all other plans report insurance costs between \$90k- \$195k.
- **Information Technology** – during the comparison period DPFP had higher than normal IT expenses related to the legislative changes.



# Summary

- While cost control is important, it is difficult to make meaningful comparisons between pension plans.
- Reporting, structural, demographic, complexity and timing difference are the key differences making direct comparability difficult.
- A trend for DPFP of actual (2016-2019), projected actual (2020) and proposed (2021) administrative and professional expenses was provided in the budget presentation earlier on the agenda.
- The staff compensation study is in process.



## **DISCUSSION SHEET**

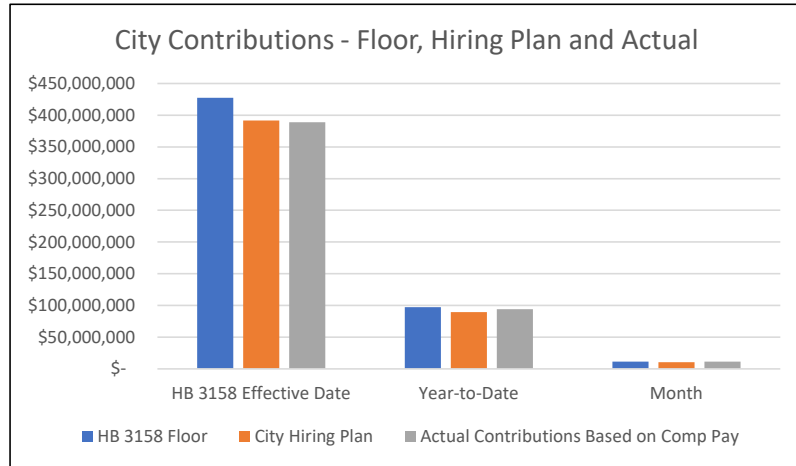
### **ITEM #D4**

**Topic:** Monthly Contribution Report

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

*Regular Board Meeting – Thursday, October 8, 2020*

**Contribution Tracking Summary - October 2020 (August 2020 Data)**



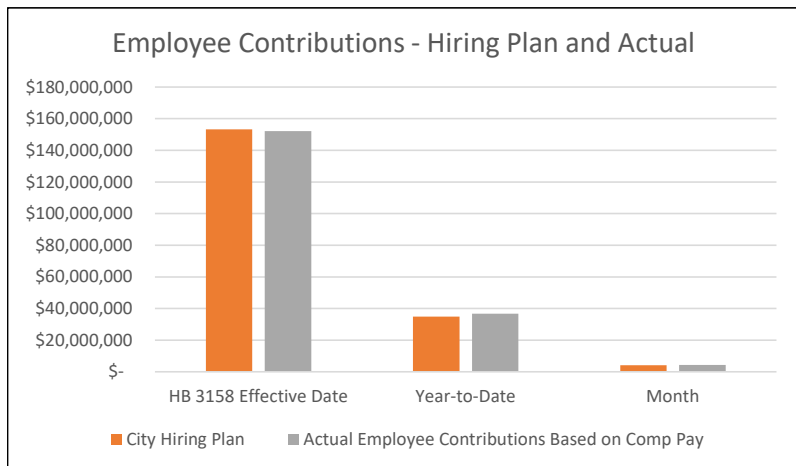
Actual Comp Pay was 99% of the Hiring Plan estimate since the effective date of HB 3158.

In the most recent month Actual Comp Pay was 108% of the Hiring Plan estimate and 99% of the Floor amount.

The Hiring Plan Comp Pay estimate increased by 3.39% in 2020. The Floor increased by 2.75%.

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

The combined actual hiring was 30 higher than the Hiring Plan for the pay period ending September 1, 2020. Fire was over the estimate by 67 fire fighters and Police under by 37 officers.



Employee contributions exceeded the Hiring Plan estimate for the month and the year.

There is no Floor on employee contributions.

**Contribution Summary Data**

<b>City Contributions</b>							
<b>Aug-20</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	\$ 11,448,000	\$ 10,509,231	\$ 11,337,389	\$ 110,611	99%	108%
Year-to-Date		\$ 97,308,000	\$ 89,328,462	\$ 93,901,682	\$ 3,406,318	96%	105%
HB 3158 Effective Date		\$ 427,655,000	\$ 391,468,846	\$ 388,958,890	\$ 38,696,110	91%	99%
<p><i>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.</i></p>							

<b>Employee Contributions</b>							
<b>Aug-20</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	\$ 4,112,308	\$ 4,410,545	\$ 298,237	\$ 4,112,308	107%	107%
Year-to-Date		\$ 34,954,615	\$ 36,704,462	\$ 1,749,846	\$ 34,954,618	105%	105%
HB 3158 Effective Date		\$ 153,183,462	\$ 152,173,542	\$ (1,009,919)	\$ 148,074,256	99%	103%
Potential Earnings Loss from the Shortfall based on Assumed Rate of Return				\$ (523,383)			
<p><i>Does not include Supplemental Plan Contributions.</i></p>							

**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	\$ 1,885,417	95%
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 2020-2024 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 & 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)	*
<b>2019 Estimate (1/1/2019 Valuation)</b>		
2019 Employee Contribution Assumption	\$ 9,278	*

*\*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 and 12-31-18 this did not impact the pension liability or the funded percentage.*

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	\$ 386,017,378	\$ 3,017,378	5,038	5,104	66
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 - 2020	Annual Divided by 26 Pay Periods	Actual	Difference	2020 Cumulative Difference	Number of Employees EOM	Difference
January	\$ 30,461,538	\$ 31,291,360	\$ 829,821	\$ 829,821	5136	73
February	\$ 30,461,538	\$ 31,414,646	\$ 953,108	\$ 1,782,929	5114	51
March	\$ 30,461,538	\$ 31,492,765	\$ 1,031,226	\$ 2,814,156	5093	30
April	\$ 45,692,308	\$ 47,775,422	\$ 2,083,114	\$ 4,897,270	5125	62
May	\$ 30,461,538	\$ 32,261,636	\$ 1,800,098	\$ 6,697,367	5113	50
June	\$ 30,461,538	\$ 32,512,380	\$ 2,050,842	\$ 8,748,209	5173	110
July	\$ 30,461,538	\$ 32,568,582	\$ 2,107,043	\$ 10,855,252	5175	112
August	\$ 30,461,538	\$ 32,861,998	\$ 2,400,460	\$ 13,255,712	5176	113
September	\$ 45,692,308					
October	\$ 30,461,538					
November	\$ 30,461,538					
December	\$ 30,461,538					



## DISCUSSION SHEET

### ITEM #D5

**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, October 8, 2020*



**Future Education and Business Related Travel & Webinars  
Regular Board Meeting – October 8, 2020**

ATTENDING APPROVED

- 1. Conference:** NCPERS Webinar  
[Discussion of Proposed Changes to the HELPS Tax Benefit](#)  
**Dates:** October 20, 2020  
**Location:** Virtual Event  
**Cost:** None
- 2. Conference:** NCPERS Webinar  
[U.S. Listed Companies from China- Buyer Beware](#)  
**Dates:** October 27, 2020  
**Location:** Virtual Event  
**Cost:** None



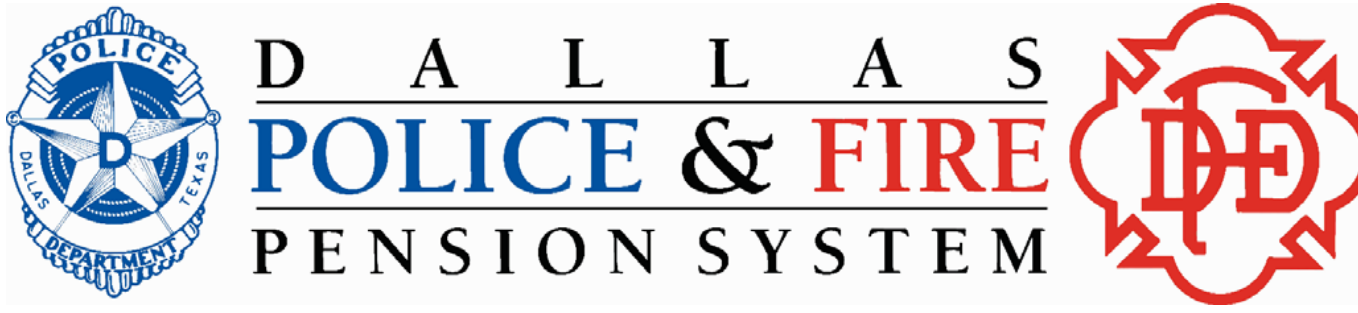
## DISCUSSION SHEET

### ITEM #D6

**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, October 8, 2020*



# Portfolio Update

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October 8, 2020

# Asset Allocation

DPFP Asset Allocation	9/28/20		Target		Variance	
	\$ mil.	%	\$ mil.	%	\$ mil.	%
<b>Equity</b>	<b>905</b>	<b>45.3%</b>	<b>1,099</b>	<b>55.0%</b>	<b>-194</b>	<b>-9.7%</b>
Global Equity	561	28.1%	799	40.0%	-239	-11.9%
Emerging Markets	52	2.6%	200	10.0%	-148	-7.4%
Private Equity*	293	14.7%	100	5.0%	193	9.7%
<b>Fixed Income</b>	<b>572</b>	<b>28.6%</b>	<b>699</b>	<b>35.0%</b>	<b>-127</b>	<b>-6.4%</b>
Safety Reserve - Cash	65	3.3%	60	3.0%	5	0.3%
Safety Reserve - ST IG Bonds	216	10.8%	240	12.0%	-24	-1.2%
Investment Grade Bonds	61	3.0%	80	4.0%	-19	-1.0%
Global Bonds	67	3.4%	80	4.0%	-13	-0.6%
Bank Loans	69	3.5%	80	4.0%	-11	-0.5%
High Yield Bonds	69	3.4%	80	4.0%	-11	-0.6%
Emerging Mkt Debt	20	1.0%	80	4.0%	-60	-3.0%
Private Debt*	6	0.3%	0	0.0%	6	0.3%
<b>Real Assets*</b>	<b>521</b>	<b>26.1%</b>	<b>200</b>	<b>10.0%</b>	<b>321</b>	<b>16.1%</b>
Real Estate*	354	17.7%	100	5.0%	254	12.7%
Natural Resources*	123	6.2%	100	5.0%	23	1.2%
Infrastructure*	43	2.2%	0	0.0%	43	2.2%
<b>Total</b>	<b>1,998</b>	<b>100.0%</b>	<b>1,998</b>	<b>100.0%</b>	<b>0</b>	<b>0.0%</b>
Safety Reserve ~\$270M=30 mo net CF	281	14.1%	300	15.0%	-19	-0.9%
*Private Market Assets	820	41.0%	300	15.0%	520	26.0%

Source: JP Morgan Custodial Data, Staff Estimates and Calculations

data is preliminary

# Adjusted Asset Allocation

In this view staff adjusts reported private market values to roughly estimate the unrecognized impact from lower oil prices and Covid-19.

DPFP Asset Allocation Using Stressed Private Market Values	9/28/20 NAV	Adjustments		Adjusted NAV		Target		Variance	
		\$ mil.	% of NAV	\$ mil.	%	\$ mil.	%	\$ mil.	%
<b>Equity</b>	<b>905</b>	<b>-150</b>	<b>-16.6%</b>	<b>754</b>	<b>42.6%</b>	<b>975</b>	<b>55.0%</b>	<b>-220</b>	<b>-12.4%</b>
Global Equity	561	0	0.0%	561	31.6%	709	40.0%	-148	-8.4%
Emerging Markets	52	0	0.0%	52	2.9%	177	10.0%	-126	-7.1%
Private Equity*	293	-150	-51.4%	142	8.0%	89	5.0%	54	3.0%
<b>Fixed Income</b>	<b>572</b>	<b>0</b>	<b>0.0%</b>	<b>572</b>	<b>32.3%</b>	<b>620</b>	<b>35.0%</b>	<b>-48</b>	<b>-2.7%</b>
Safety Reserve - Cash	65	0	0.0%	65	3.7%	53	3.0%	12	0.7%
Safety Reserve - ST IG Bonds	216	0	0.0%	216	12.2%	213	12.0%	3	0.2%
Investment Grade Bonds	61	0	0.0%	61	3.4%	71	4.0%	-10	-0.6%
Global Bonds	67	0	0.0%	67	3.8%	71	4.0%	-4	-0.2%
Bank Loans	69	0	0.0%	69	3.9%	71	4.0%	-2	-0.1%
High Yield Bonds	69	0	0.0%	69	3.9%	71	4.0%	-2	-0.1%
Emerging Mkt Debt	20	0	0.0%	20	1.1%	71	4.0%	-51	-2.9%
Private Debt*	6	0	0.0%	6	0.3%	0	0.0%	6	0.3%
<b>Real Assets*</b>	<b>521</b>	<b>-76</b>	<b>-14.5%</b>	<b>445</b>	<b>25.1%</b>	<b>177</b>	<b>10.0%</b>	<b>268</b>	<b>15.1%</b>
Real Estate*	354	-70	-19.8%	284	16.0%	89	5.0%	195	11.0%
Natural Resources*	123	-5	-4.4%	118	6.6%	89	5.0%	29	1.6%
Infrastructure*	43	0	0.0%	43	2.5%	0	0.0%	43	2.5%
<b>Total</b>	<b>1,998</b>	<b>-226</b>	<b>-11.3%</b>	<b>1,772</b>	<b>100.0%</b>	<b>1,772</b>	<b>100.0%</b>	<b>0</b>	<b>0.0%</b>
Safety Reserve ~\$270M=30 mo net CF	281	0	0.0%	281	15.9%	266	15.0%	15	0.9%
*Private Mkt. Assets w/NAV Discount	820	-226	-27.6%	593	33.5%	266	15.0%	328	18.5%

Source: JP Morgan Custodial Data, Staff Estimates and Calculations  
Numbers may not foot due to rounding

data is preliminary  
No significant changes to adjustments since 9/10/20

# Investment Initiatives

- Liquidation of private market assets remains the top focus. Significant delays expected due to COVID-19 market disruption.
- Staff continuing evaluation of and engagement with private equity funds.
- Held Investment Advisory Committee (IAC) meeting on 9/28/20.
- Significant progress on Global Equity structure, High Yield Bond product/guidelines, and Global Bond allocation. IAC provided feedback. Board recommendations planned for November.
- On-deck: IMA reviews, asset allocation study (early/mid 2021)

# 2020 Investment Review Calendar\*

January ✓	<ul style="list-style-type: none"> <li>Real Estate Reviews: Vista 7, King's Harbor, &amp; Museum Twr.</li> </ul>
March ✓	<ul style="list-style-type: none"> <li>Real Estate: Clarion Presentation</li> </ul>
April ✓	<ul style="list-style-type: none"> <li>Real Estate: AEW Presentation</li> </ul>
May ✓	<ul style="list-style-type: none"> <li>Timber: Staff Review of FIA &amp; BTG</li> <li>Real Estate: Staff Review of Hearthstone</li> </ul>
June ✓	<ul style="list-style-type: none"> <li>Natural Resources: Hancock Presentation</li> </ul>
July ✓	<ul style="list-style-type: none"> <li>Infrastructure: Staff review of AIRRO and JPM Maritime</li> </ul>
August ✓	<ul style="list-style-type: none"> <li>Staff review of Private Equity and Debt</li> </ul>
Sept. ✓	<ul style="list-style-type: none"> <li>Public Equity Manager Reviews</li> </ul>
October	<ul style="list-style-type: none"> <li>Fixed Income Manager Reviews</li> </ul>

\*Presentation schedule is subject to change.



## **DISCUSSION SHEET**

### **ITEM #D7**

**Topic:** **Report on Investment Advisory Committee**

**Discussion:** The Investment Advisory Committee met on September 28, 2020. The Committee Chair and Investment Staff will comment on Committee observations and advice.

*Regular Board Meeting – Thursday, October 8, 2020*





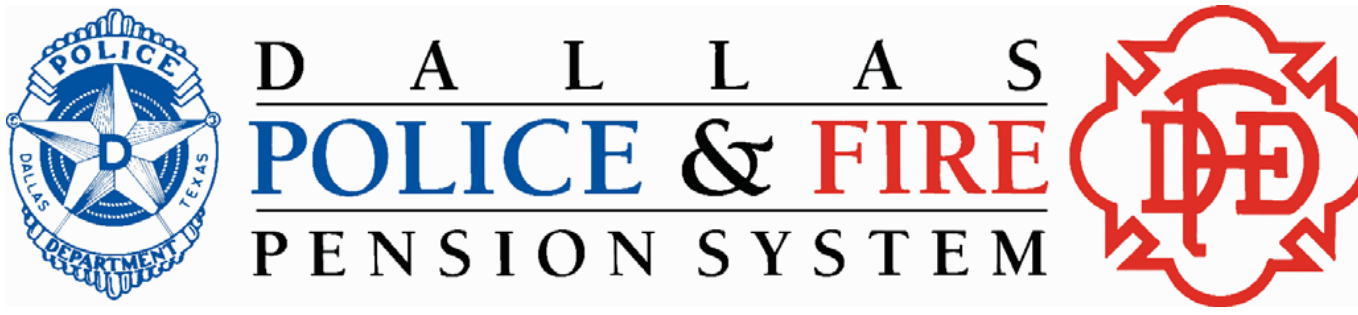
## DISCUSSION SHEET

### ITEM #D8

**Topic:** Fixed Income Portfolio Review

**Discussion:** Staff will provide an overview of DFPF public fixed income investments.

*Regular Board Meeting – Thursday, October 8, 2020*



# Public Fixed Income Portfolio Review

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October 8, 2020

# Public Fixed Income Structure Overview

DPFP Asset Allocation	9/18/20		Target		Variance	
	\$ mil.	%	\$ mil.	%	\$ mil.	%
<b>Fixed Income</b>	<b>602</b>	<b>29.6%</b>	<b>712</b>	<b>35.0%</b>	<b>-110</b>	<b>-5.4%</b>
Safety Reserve - Cash	92	4.5%	61	3.0%	31	1.5%
Safety Reserve - ST IG Bonds	216	10.6%	244	12.0%	-28	-1.4%
Investment Grade Bonds	61	3.0%	81	4.0%	-21	-1.0%
Global Bonds	69	3.4%	81	4.0%	-12	-0.6%
Bank Loans	69	3.4%	81	4.0%	-12	-0.6%
High Yield Bonds	70	3.4%	81	4.0%	-12	-0.6%
Emerging Mkt Debt	20	1.0%	81	4.0%	-61	-3.0%
Private Debt*	6	0.3%	0	0.0%	6	0.3%

Source: JP Morgan Custodial Data, Staff Estimates and Calculations

data is preliminary

DPFP Asset Allocation Using Stressed Private Market Values	9/18/20		Target		Variance	
	\$ mil.	%	\$ mil.	%	\$ mil.	%
<b>Fixed Income</b>	<b>602</b>	<b>33.3%</b>	<b>633</b>	<b>35.0%</b>	<b>-31</b>	<b>-1.7%</b>
Safety Reserve - Cash	92	5.1%	54	3.0%	37	2.1%
Safety Reserve - ST IG Bonds	216	11.9%	217	12.0%	-1	-0.1%
Investment Grade Bonds	61	3.4%	72	4.0%	-12	-0.6%
Global Bonds	69	3.8%	72	4.0%	-3	-0.2%
Bank Loans	69	3.8%	72	4.0%	-3	-0.2%
High Yield Bonds	70	3.8%	72	4.0%	-3	-0.2%
Emerging Mkt Debt	20	1.1%	72	4.0%	-52	-2.9%
Private Debt*	6	0.3%	0	0.0%	6	0.3%

Source: JP Morgan Custodial Data, Staff Estimates and Calculations

data is preliminary

# Public Fixed Income Structure Overview

## Fixed Income Portfolio Milestones

- April 2016: Added short-term investment grade bond allocation and funded IR+M with \$50MM in June 2017
- December 2017: Transition from Ashmore Dollar Denominated Emerging Market Debt & Ashmore Local Currency Emerging Market Debt portfolios to Ashmore's Blended Emerging Market Debt portfolio
- April 2018: Increased safety reserve allocation and added \$198MM to IR+M in 2Q 2018
- Oct 2018: Approved new asset allocation which included a new 4% allocation to investment grade bonds
- Dec 2018: Approved Vanguard (VBTIX) as the interim investment grade bond investment. Funded with \$37MM in Sept 2019. Additional round of funding of \$20MM in Jan 2020.
- Feb 2020: Initiated full redemption from Loomis Bank Loans and reinvested in Pacific Asset Management (PAM) Bank Loans, making PAM the sole Bank Loan Manager.
- March 2020 to May 2020: Redeemed \$40MM from IR+M to fund cash flow needs
- July 2020: Fully redeemed from Vanguard (VBTIX) and funded Longfellow Investment Grade Core Bonds with \$60.5MM. Longfellow is the sole Core Bond Manager.
- August 2020: Rebalancing back to 4.0% targets by redeeming \$3.1MM from Brandywine, \$14.8MM from Loomis High Yield, and \$10MM from Pacific Asset Management

# Portfolio Performance & Characteristics

Performance (Net) as of 8/31/20	QTD	YTD	1 Yr	3 Yrs	5 Yrs	SI (Dec-10)
DPFP Public Fixed Income	2.6%	3.3%	4.8%	3.4%	5.3%	5.2%
DPFP Public Fixed Income (ex IR+M)	3.9%	2.4%	4.7%	3.0%	5.0%	5.0%
Barclays Multiverse Total Return	3.2%	5.8%	5.4%	3.9%	4.2%	2.8%

Performance provided by Meketa

as of 8/31/20	IR+M (Short Investment Grade)	Longfellow* (Investment Grade)	Brandywine (Global Bonds)	Loomis (High Yield)	Pacific Asset (Bank Loans)	Ashmore (Emerging Market Debt)	DPFP (Total)
Yield to Maturity	0.84%	1.51%	3.03%	5.39%	4.70%	5.97%	2.62%
Average Quality	AA-	AA-	A	B+	B+	BB	A
Weighted Avg Maturity	1.94	7.59	13.72	8.65	4.73	11.22	5.94
Average Duration	1.75	6.07	7.07	5.00	0.28	7.14	3.47
<b>3 Year</b>							
Standard Deviation	1.38%	3.62%	9.23%	10.05%	6.52%	15.36%	4.34%
Beta	0.34	1.01	1.68	0.93	0.74	1.59	0.76
Information Ratio	0.46	0.21	-0.18	-0.07	0.29	-0.21	-0.13
Sharpe Ratio	1.17	1.00	0.11	0.23	0.33	-0.13	0.48
<b>5 Year</b>							
Standard Deviation	1.19%	3.21%	8.39%	9.45%	5.19%	13.27%	5.01%
Beta	0.48	0.97	1.37	1.00	0.73	1.49	0.74
Information Ratio	0.62	0.40	0.09	0.08	0.43	0.23	0.33
Sharpe Ratio	1.24	1.09	0.41	0.56	0.68	0.23	0.85

Metrics provided by Meketa and Investment Managers

\*Composite used for Longfellow Metric Calculations. Longfellow inception date was July 2020.



# Investment Manager Performance

<b>Net Performance (as of 8/31/20)</b>	<b>QTD</b>	<b>YTD</b>	<b>1 Yr</b>	<b>3 Yrs</b>	<b>5 Yrs*</b>	<b>10Yrs*</b>	<b>SI (6/2017)</b>
Income Research + Management Short-term Investment Grade	0.62%	4.10%	4.70%	3.21%	2.33%	1.98%	3.18%
Barclays US 1-3Yr Gov't/Credit Bond Index	0.22%	3.11%	3.66%	2.79%	2.15%	1.61%	2.78%
Excess Return	0.40%	0.99%	1.04%	0.42%	0.18%	0.37%	0.40%
<b>Net Performance (as of 8/31/20)</b>	<b>QTD*</b>	<b>YTD*</b>	<b>1 Yr*</b>	<b>3 Yrs*</b>	<b>5 Yrs*</b>	<b>10Yrs*</b>	<b>SI (7/2020)</b>
Longfellow Investment Grade Core Bonds	1.14%	6.73%	6.23%	5.09%	4.46%	4.05%	-0.60%
Barclays US Aggregate	0.67%	6.85%	6.47%	5.09%	4.33%	3.65%	-0.81%
Excess Return	0.47%	-0.12%	-0.24%	0.00%	0.13%	0.40%	0.21%
<b>Net Performance (as of 8/31/20)</b>	<b>QTD</b>	<b>YTD</b>	<b>1 Yr</b>	<b>3 Yrs</b>	<b>5 Yrs</b>	<b>10 Yrs</b>	<b>SI (12/2004)</b>
Brandywine Global Bonds	4.84%	2.50%	6.51%	2.29%	4.20%	3.94%	4.67%
Barclays Global Aggregate	3.03%	6.11%	5.54%	3.91%	4.10%	2.63%	3.49%
Excess Return	1.81%	-3.61%	0.97%	-1.62%	0.10%	1.31%	1.18%
<b>Net Performance (as of 8/31/20)</b>	<b>QTD</b>	<b>YTD</b>	<b>1 Yr</b>	<b>3 Yrs</b>	<b>5 Yrs</b>	<b>10Yrs</b>	<b>SI (11/1998)</b>
Loomis Sayles High Yield Full Discretion	6.28%	2.03%	4.73%	2.92%	5.58%	6.75%	8.77%
Barclays Global High Yield	6.26%	1.31%	5.35%	3.57%	5.87%	6.18%	7.68%
Excess Return	0.02%	0.72%	-0.62%	-0.65%	-0.29%	0.57%	1.09%
<b>Net Performance (as of 8/31/20)</b>	<b>QTD</b>	<b>YTD</b>	<b>1 Yr</b>	<b>3 Yrs</b>	<b>5 Yrs*</b>	<b>10Yrs*</b>	<b>SI (7/2017)</b>
Pacific Asset Management Bank Loans	2.88%	-0.51%	1.52%	3.48%	4.27%	4.88%	3.54%
Credit Suisse Leveraged Loan	3.41%	-1.51%	0.57%	3.06%	3.75%	4.50%	3.11%
Excess Return	-0.53%	0.99%	0.95%	0.41%	0.53%	0.38%	0.43%
<b>Net Performance (as of 8/31/20)</b>	<b>QTD</b>	<b>YTD</b>	<b>1 Yr</b>	<b>3 Yrs*</b>	<b>5 Yrs*</b>	<b>10Yrs*</b>	<b>SI (12/2017)</b>
Ashmore Emerging Market Debt	5.78%	-4.83%	-1.64%	0.27%	5.39%	3.45%	0.35%
50% JPM EMBI GD / 25% JPM ELMI+ / 25% JPM GBIEM GD	3.40%	-1.08%	2.34%	2.32%	4.96%	3.34%	2.56%
Excess Return	2.38%	-3.75%	-3.98%	-2.05%	0.43%	0.11%	2.21%

\*Composite returns are used for periods prior to DFPF investment. SI is since DFPF investment.

# Income Research + Management

## Short Term Investment Grade Bonds

Market Value (8/31/2020):	\$215,702,114	Inception Date:	June 2017
Investment Structure:	Separate Account	Benchmark:	Barclays US 1-3Yr Gov't/Credit Bond Index

### Philosophy

- Relative-value orientation with a duration neutral approach that emphasizes bottom-up security selection
- Careful security selection and risk management provide superior results over the long term
- Allocations to securitized bonds can add both high-quality diversification and yield to a portfolio

### Process

- The Investment Committee sets sector allocation targets and the sector teams focus on security selection
- Research analysts perform security analysis on structure, price and credit (quality, liquidity and management)
- Portfolio construction is handled by the portfolio strategy team who takes into consideration the sector positioning, security selection, investment guidelines and cash flow needs of the portfolio
- Risk team conducts market risk evaluation, accesses relative value and monitors exposure to sectors & issuers

### Organization

- Headquartered in Boston with consistent management since inception (1987)
- 179 employees and 54 investment professionals with average tenure of 23 years for investment committee
- 57 employee shareholders who own >50% of the company, excluding founders' ownership
- \$83.3B of assets focused exclusively on US fixed income management

# Income Research + Management

Performance as of 8/31/20					SI	Composite	
	QTD	YTD	1 Yr	3 Yrs	(6/2017)	5 Yrs	10 Yrs
IR + M (Net)	0.62%	4.10%	4.70%	3.21%	3.18%	2.33%	1.98%
Barclays US 1-3Yr G/C	0.22%	3.11%	3.66%	2.79%	2.78%	2.15%	1.61%
Excess Return	0.40%	0.99%	1.04%	0.42%	0.40%	0.18%	0.37%
Alpha	--	--	4.60%	1.36%	1.14%	1.23%	1.31%
Beta	--	--	-0.44	0.34	0.48	0.60	0.32

Volatility as of 8/31/20	3 Yrs	5 Yrs	10 Yrs
Standard Deviation	1.38%	1.19%	1.03%
Tracking Error	1.55%	1.21%	0.95%

*\*Composite used for metrics prior to inception*

Max Drawdown	Mar-20	Feb-18	Nov-16	2008
IR + M	-1.12%	-0.59%	-0.41%	-3.44%
Barclays US 1-3Yr G/C	0.00%	-0.69%	-0.45%	-1.24%

## Performance Expectations

- Stable returns with low volatility, consistent with the fund mandate and liquidity role in DFPF portfolio
- Long-term outperformance driven by overweight of high-quality spread sectors relative to the benchmark
- Modest underperformance during risk-off/spread widening

## Performance Commentary

- Followed expectations with outperformance in 2018/2019 due to a decline in rates & an overweight to high quality spread sectors. The fund experienced slight underperformance in 4Q18 due to underperformance of spread sectors vs. US Treasuries during the risk-off environment.
- During 1Q20 the fund had a drawdown of 1.12% vs 0.00% for the index, which we expected given the overweight to spread sectors. The fund still provided ample liquidity for DFPF to rebalance into equities during this time.
- Positioning remained underweight US Treasuries & overweight spread sectors throughout 2020, which resulted in outperformance throughout the recovery (2Q20 & 3Q20) and for the year. This is consistent with expectations.



# Longfellow Investment Management

## *Investment Grade Bonds*

Market Value <i>(8/31/2020)</i> :	\$60,640,302	Inception Date:	July 2020
Investment Structure:	Separate Account	Benchmark:	Barclays US Aggregate Index

### Philosophy

- Defensive in nature as they believe upside is limited while downside risk can be substantial in fixed income
- Goal is to provide attractive risk-adjusted returns while maintaining modest tracking error and volatility
- Diversified across sectors, industries and maturities to provide risk mitigation
- Takes advantage of their smaller firm and AUM size to participate more actively in the market

### Process

- Bottom up approach that identifying undervalued sectors and mispriced securities of the fixed income market
- Attributes yield spread to various risk elements (credit, call, event, and liquidity) to identify opportunities
- Constructs portfolio with attractive bonds & diversifies by sector/maturity with duration +/- 10% of the index
- Use top down quantitative models to perform stress tests and quantify portfolio, issuer, and sector level risks

### Organization

- Headquartered in Boston and founded in 1986
- 40 employees & 20 investment professionals with average tenure of 7 years with the firm & 19 in the industry
- 100% employee and 62% women owned firm with 12 principles having a majority ownership
- \$11.3B of firm assets all focused on fixed income with \$3.1B in investment grade core, its largest strategy

# Longfellow Investment Management

Performance* as of 8/31/20	QTD	YTD	1 Yr	3Yrs	5Yrs	10Yrs	SI (10/2006)
Longfellow IG Core (Net)	1.14%	6.73%	6.23%	5.09%	4.46%	4.05%	5.13%
Barclays US Agg	0.67%	6.85%	6.47%	5.09%	4.33%	3.65%	4.57%
Excess Return	0.47%	-0.12%	-0.24%	0.00%	0.13%	0.40%	0.56%
Alpha	--	--	--	0.23%	0.48%	1.78%	1.58%
Beta	--	--	--	1.01	0.97	0.93	0.95

\*Performance Values are all from the Composite, since investment was made in July 2020

Volatility as of 8/31/20	3Yrs	5 Yrs	10 Yrs
Standard Deviation	3.62%	3.21%	3.22%
Tracking Error	1.17%	0.95%	0.80%

Max Drawdown	Mar-20	Nov-16	Jun-13	Oct-08
Longfellow IG Core	-2.33%	-1.98%	-1.44%	-2.10%
Barclays US Agg	-0.59%	-2.37%	-1.55%	-2.36%

## Performance Expectations

- Stable modest excess returns with low volatility, consistent with the fund mandate and risk mitigation role in our portfolio
- Long-term outperformance driven by overweight of high-quality spread sectors relative to the benchmark
- Modest underperformance during risk-off/spread widening
- Sector allocation & security selection have accounted for 70%-80% of excess returns while duration & yield curve positioning have accounted for 20%-30%

## Performance Commentary

- Composite underperformed the US Agg (-164bps) during the drawdown in 1Q20, but outperformed during the recovery in 2Q20 & 3Q20 (+162bps)
- Portfolio was funded through 3 rounds of investments of ~\$20MM in July 2020
- Most of the portfolio was built in the first 2 weeks of funding (Government Bonds and Corporates)
- The MBS allocation became fully invested in August 2020. That market was not attractive at the time of funding.
- Performance since inception has been modestly positive relative to the benchmark

# Brandywine

## Global Bonds

Market Value (8/31/2020):	\$68,352,774	Inception Date:	December 2004
Investment Structure:	Separate Account	Benchmark:	Barclays Global Aggregate

### Philosophy

- Value oriented & focused on real yields; believes extreme asset prices trigger economic policies leading to mean reversion
- Macroeconomic driven; believes interest rates and currencies are regulators of economic activity
- Benchmark agnostic because benchmarks tend to favor the biggest debtors, not most disciplined debtors
- Performance objective is to exceed the Barclays Global Aggregate Index by 1.50% net over a full market cycle

### Process

- Starts with systematic macro-economic research focused on business & liquidity cycles, politics and ESG
- Then incorporates valuation research focused on real yields & rates, inflation, default, PPP and currencies
- Constructs portfolio and establishes investment themes (country, currency, duration & credit) using research
- Investment, performance, trading & compliance teams manage risk at the security, portfolio & firm level

### Organization

- Headquartered in Philadelphia & founded in 1986; became a wholly owned subsidiary of Legg Mason in 1998
- 228 employees and 54 investment professionals with an average tenure of 13.2 years
- Last major departure in Global Fixed Income Portfolio was a portfolio manager in 2014
- \$67B in assets that have been steadily growing with \$54B in fixed income, \$13B in equities

# Brandywine

Performance as of 8/31/20	QTD	YTD	1 Yr	3 Yrs	5yrs	10Yrs	SI (12/2004)
Brandywine (Net)	4.84%	2.50%	6.51%	2.29%	4.20%	3.94%	4.67%
Barclays Global Agg	3.03%	6.11%	5.54%	3.91%	4.10%	2.63%	3.49%
Excess Return	1.81%	-3.61%	0.97%	-1.62%	0.10%	1.31%	1.18%
Alpha	--	--	1.37%	-1.23%	0.49%	1.71%	1.57%
Beta	--	--	2.05	1.68	1.37	1.26	1.15

Volatility as of 8/31/20	3 Yrs	5 Yrs	10 Yrs	SI (12/2004)
Standard Deviation	9.23%	8.39%	7.44%	7.72%
Tracking Error	6.71%	5.67%	4.80%	4.77%

Max Drawdown	Mar-20	Oct-18	Q4 '15	2013	2008/09
Brandywine	-10.58%	-9.80%	-9.84%	-8.11%	-15.75%
Barclays Global Agg	0.33%	-5.84%	-10.26%	-7.27%	-8.96%

## Performance Expectations

- Relative underperformance during periods of stress in global bonds, but relative outperformance during market recoveries (due to a focus on under-valued bonds and currencies, with real yield being the primary definition of value) and risk-neutral markets (due to inefficiencies in the index)

## Performance Commentary

- The fund is overweight emerging market bonds and currencies while underweight the US Dollar, Euro and Yen.
- Brandywine believes the US Dollar is over-valued and avoids countries with negative interest rates. This has hurt performance over the past couple years as the US market and US Dollar have strengthen while bonds with negative yields have continued to head into more negative territory.
- Performance suffered significantly in 1Q20 due to a USD underweight as the USD rallied in a flight to safety
- Performance has rebounded somewhat during the recovery in 2020, aided by a positioning shift from US TSYs to US Corporates, an overweight in EM debt, and an underweight to the USD
- In recent years, currencies have been contributing more to performance than bonds. Currency contribution has shifted from 33% to 66%, while bonds have shifted from 66% to 33%.

# Loomis Sayles Full Discretion High Yield

*High Yield*

Market Value (8/31/2020):	\$69,871,600	Inception Date:	November 1998
Investment Structure:	Separate Account	Benchmark:	Barclays Global High Yield

## Philosophy

- Uses top down and bottom up research to make investment decisions
- Believe 80% of high yield returns are driven by coupon income, 20% by capital appreciation
- Contrarian value-driven approach with a strong emphasis on security selection to avoid defaults

## Process

- Starts with top down research from the macro, US Yield Curve and global asset allocation teams
- Then goes to product teams who apply long-term themes & sector strategies for security selection
- Broad investment guidelines allow for flexibility to invest opportunistically outside of the benchmark
- Portfolio managers manage the strategy by monitoring sector targets, security selection, quality & duration
- Overall risk is monitored through sensitivity testing of rates, spreads, currencies and concentration

## Organization

- Headquartered in Boston & founded in 1926; wholly owned by Natixis Global Asset Management
- 749 employees and 308 investment professionals with an average tenure of 15 years
- \$325B firmwide assets; \$241B in fixed income (\$5.9B with the Full Discretion HY team) and \$89B in equities
- Dan Fuss (Vice Chairman and Lead Portfolio Manager) transitioned off the portfolio in April 2019. His responsibilities have been transferred to Matt Eagan and Elaine Stokes (Co-Portfolio managers).

# Loomis Sayles High Yield Full Discretion

Performance as of 8/31/20	QTD	YTD	1 Yr	3 Yrs	5yrs	10Yr	SI (11/1998)
Loomis HY (Net)	6.28%	2.03%	4.73%	2.92%	5.58%	6.75%	8.77%
Barclays Global HY	6.26%	1.31%	5.35%	3.57%	5.87%	6.18%	7.68%
Excess Return	0.02%	0.72%	-0.62%	-0.65%	-0.29%	0.57%	1.09%
Alpha	--	1.53%	-0.02%	-0.02%	0.28%	0.78%	0.48%
Beta	--	0.97	0.97	0.93	1.00	1.06	1.14

Volatility as of 8/31/20	3 Yrs	5 Yrs	10 Yrs	SI (11/1998)
Standard Deviation	10.05%	9.45%	8.72%	11.04%
Tracking Error	2.55%	3.33%	3.66%	3.98%

Max Drawdown	Mar-20	Dec -18	Jan-16	Nov-08	Jul-02
Loomis HY	-14.71%	-6.07%	-17.95%	-36.40%	-24.57%
Barclays Global HY	-12.80%	-5.19%	-9.63%	-33.37%	-11.68%

## Performance Expectations

- Underperform during down markets, but outperform during the following market recovery
- Higher volatility than the benchmark in this strategy due to the opportunistic approach

## Performance Commentary

- Underperformance in 2019 (+9.07% vs 12.56% index) attributed to a barbell strategy with overweights to low quality energy and cash/short-term US Treasuries that did not work well as the market favored BBs instead of CCCs and continued to hurt energy names.
- From 3Q19 to 1Q20, new Loomis portfolio managers reduced the barbell to more closely align with the HY Full Discretion composite
- Loomis deployed almost all the cash/short-term US Treasuries in March/April 2020
- DFPF's portfolio has outperformed the benchmark in both the drawdown and recovery in 2020
- While the portfolio managers strategically lowered the energy exposure, current energy credits continue to detract

# Pacific Asset Management

## Bank Loans

Market Value (8/31/2020):	\$79,077,508	Inception Date:	July 2017
Investment Structure:	Commingled Fund (Biweekly Liquidity)	Benchmark:	Credit Suisse Leveraged Loan
<b>Philosophy</b>			
<ul style="list-style-type: none"> <li>• Targets the largest and most liquid US bank loans using bottom up credit analysis focused on capital preservation and downside risk</li> <li>• Minimize defaults and distress by investing in companies with large margins of safety</li> <li>• High conviction approach that leads to a selective portfolio of 80-150 issuers</li> </ul>			
<b>Process</b>			
<ul style="list-style-type: none"> <li>• Begins with top down research looking at macro and sector trends to determine portfolio weights</li> <li>• Then portfolio managers and research teams screen the US Bank Loans universe for size and liquidity</li> <li>• Bottom up credit analysis is incorporated and looks at loan structure, capital structure and credit</li> <li>• Securities are then selected and brought to the investment committee for approval</li> <li>• Risk is monitored through attribution analysis as a quantitative check on the results of the decision making</li> </ul>			
<b>Organization</b>			
<ul style="list-style-type: none"> <li>• Headquartered in Newport Beach, CA &amp; founded in 2007 as a subsidiary of Pacific Life Insurance</li> <li>• \$12.5B institutional fixed income firm with \$3.8B in bank loans (largest and longest tenured asset class)</li> <li>• 22 investment professionals with an average tenure of 9 years; employees own 30% of the equity of Pacific</li> <li>• No investment professional departures and 4 additions to the team in the last 3 years</li> </ul>			



# Pacific Asset Management

Performance as of 8/31/20					SI	Composite	
	QTD	YTD	1 Yr	3 Yrs	(7/2017)	5 Yrs	10 Yrs
Pacific Asset (Net)	2.88%	-0.51%	1.52%	3.48%	3.54%	4.27%	4.88%
CS Leveraged Loan	3.41%	-1.51%	0.57%	3.06%	3.11%	3.75%	4.50%
Excess Return	-0.53%	0.99%	0.95%	0.41%	0.43%	0.53%	0.38%
Alpha	--	0.64%	0.84%	1.00%	1.73%	1.52%	1.47%
Beta	--	0.72	0.71	0.74	0.84	0.73	0.80

Volatility as of 8/31/20				SI*
	3 Yrs	5 Yrs	10 Yrs	(1/2007)
Standard Deviation	6.52%	5.19%	4.48%	6.80%
Tracking Error	2.55%	2.12%	1.62%	2.56%

\*Since Inception of Composite

Max Drawdown	20-Mar	18-Dec	16-Feb	14-Dec
Pacific Asset	-9.56%	-3.20%	-1.11%	-1.25%
CS Leveraged Loan	-13.65%	-3.09%	-4.70%	-1.10%

Composite used for metrics prior to inception

## Performance Expectations

- Outperformance in down markets and underperformance in up markets due to the quality bias of the strategy
- Low number of defaults as a result of investing in large firms with high margins of safety

## Performance Commentary

- Fund outperformed in 2019 due to holding higher quality loans during a bank loan market rally. While we expect the fund to underperform during market rallies, the bank loan market was driven by high quality large-cap loans which were a tailwind for this strategy.
- Fund outperformed as we expected in 1Q20 as the higher quality portfolio protected during the market drawdown
- DPFP initiated full redemption from Loomis Bank Loans (higher yielding strategy) and redeployed to Pacific in Feb 2020, which benefitted overall fixed income performance
- Fund has underperformed as we expected in 2Q20 and 3Q20 as the higher quality portfolio lagged during the market recovery



# Ashmore Emerging Markets Blended Debt

*Emerging Markets Debt*

Market Value (8/31/2020):	\$20,177,737	Inception Date:	December 2017
Investment Structure:	Commingled Fund (Biweekly Liquidity)	Benchmark:	50% JP Morgan Emerging Market Bond Global Diversified 25% JP Morgan Emerging Local Markets Plus 25% JP Morgan Government Bond Emerging Markets

## Philosophy

- Strategy allocates across EM external debt, local currency debt, corporate debt and rates
- Predominately top-down focused on macro-economics, politics, interest rates and currencies
- Value driven to exploit a lack of quality information in EM and liquidity obsessed for risk monitoring

## Process

- Investment committee meets weekly to review macros, countries, corporate credit, FX and theme allocation
- Portfolio construction considers investment committee outlooks, absolute & relative value, liquidity, concentration, portfolio limits/mandates and funding availability for each trade idea
- Risk is monitored through frequent portfolio sensitivity analysis of G7 duration, credit risk, FX risk, liquidity, yield curve, concentration and correlation

## Organization

- Headquartered in London, founded in 1992 as part of the Australia and New Zealand Banking Group
- Became independent in 1999 and listed on the London exchange (FTSE: ASHM) in 2006
- 307 employees and 98 investment professionals with average tenure of 18 years for investment committee
- Mark Coombs (founder) owns 35% and other employees own 7%. Remaining ownership resides on the FTSE.
- Jan Dehn (Global Head of Research & Fixed Income Investment Committee Member) will retire in 4Q21
- \$84B of assets all in emerging markets with \$70B in EM Debt and \$23B in EM Blended Debt

# Ashmore Emerging Markets Blended Debt

Performance as of 8/31/20	SI						Composite
	QTD	YTD	1 Yr	(12/2017)	3 Yrs	5 Yrs	10 Yrs
Ashmore EMD (Net)	5.78%	-4.83%	-1.64%	0.35%	0.27%	5.39%	3.45%
Benchmark*	3.40%	-1.08%	2.34%	2.56%	2.32%	4.96%	3.34%
Excess Return	2.38%	-3.75%	-3.98%	2.21%	-2.05%	0.43%	0.11%
Alpha	--	--	-0.29%	-0.21%	-0.18%	0.01%	0.00%
Beta	--	--	1.74	1.62	1.59	1.49	1.33

\*50% JPM EMBI GD / 25% JPM ELMI+ / 25% JPM GBIEM GD

Volatility as of 8/31/20	3 Yrs	5 Yrs	10 Yrs	SI* (6/2003)
Standard Deviation	15.36%	13.27%	11.37%	11.28%
Tracking Error	6.34%	5.34%	4.03%	3.96%

\*Since Inception of Composite

Max Drawdown	Mar-20	2018	Jan-16	2013/14	4Q '08
Ashmore EMD	-21.48%	-9.17%	-16.46%	-10.27%	-23.70%
Benchmark*	-12.66%	-8.08%	-11.82%	-9.71%	-19.69%

\*50% JPM EMBI GD / 25% JPM ELMI+ / 25% JPM GBIEM GD

\*\*Composite used for metrics prior to inception

## Performance Expectations

- The fund's value style buys into cheapness at times of market dislocation when value is at its greatest
- Therefore, underperformance is expected during market sell offs where price volatility remains high, followed by outperformance through the subsequent market recovery

## Performance Commentary

- Modest 2019 relative underperformance (-146bps) was attributed to overweights in Argentina & Venezuela, both of which experienced political turmoil. Venezuela bonds are in default and awaiting restructuring. Ashmore believes Argentinian debt is undervalued and will add to Argentina once there is political stability leading to a market recovery. This positioning is consistent with their philosophy and process.
- 1Q20 saw significant relative underperformance (-962bps) attributed to overweights in South America (Argentina, Ecuador, Brazil) and Lebanon. These countries, that Ashmore believes are attractively priced, were especially hit hard during the COVID drawdown.
- Ashmore followed their value philosophy & added modestly to hard hit positions during the downturn. 2Q20 & 3Q20 saw relative outperformance (+827bps). Continued outperformance is expected in stable to positive markets.



## DISCUSSION SHEET

### ITEM #D9

**Topic:** **Private Asset Cash Flow Projection Update**

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 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 2023. 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 public asset redeployment, overall asset allocation, and expected portfolio risk and return.

*Regular Board Meeting – Thursday, October 8, 2020*



D A L L A S  
POLICE & FIRE  
PENSION SYSTEM



# Quarterly Private Asset Cash Flow Projection Update

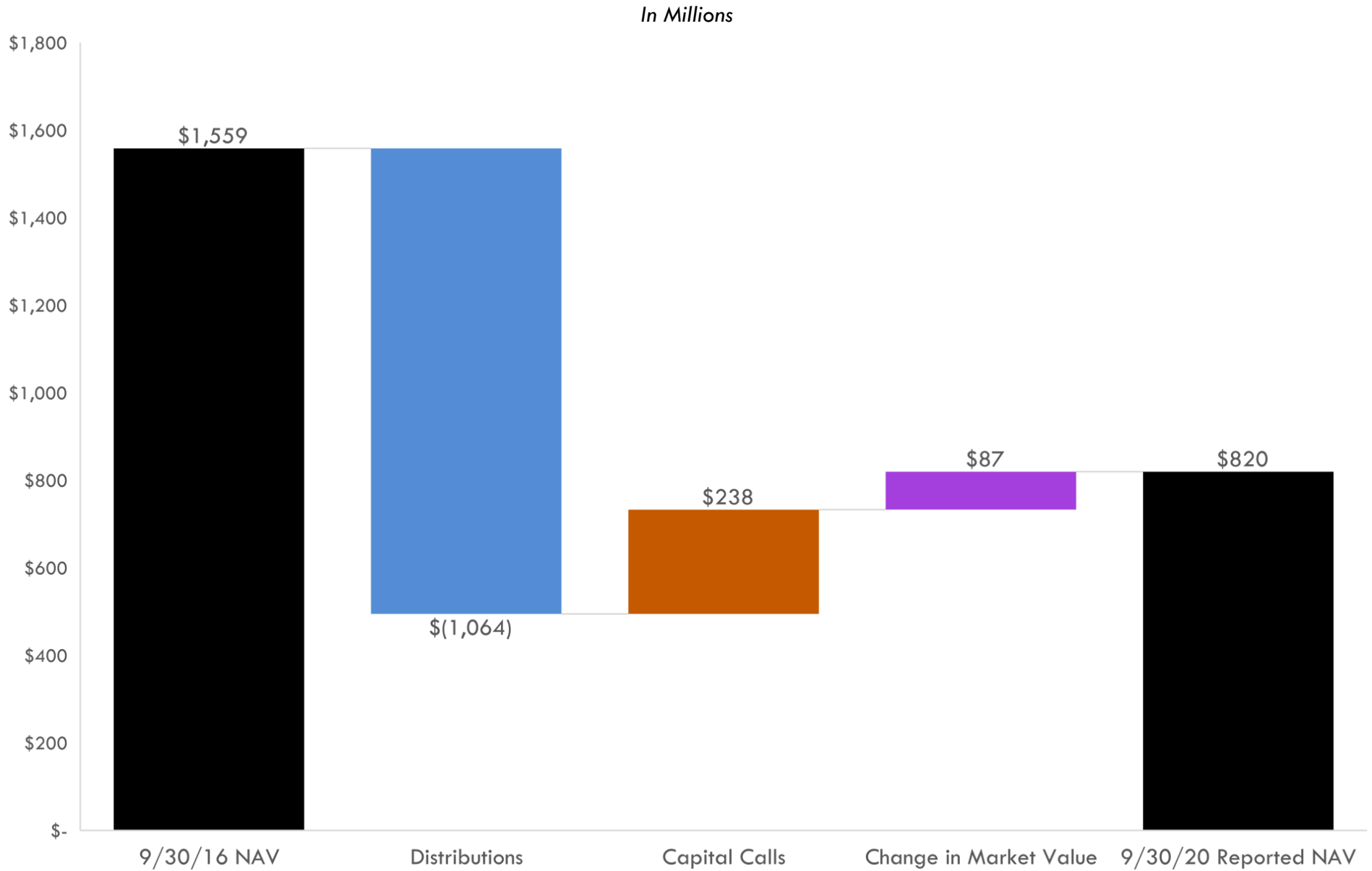
*October 8, 2020*

# Private Asset Cash Flow Projections

## Methodology Review

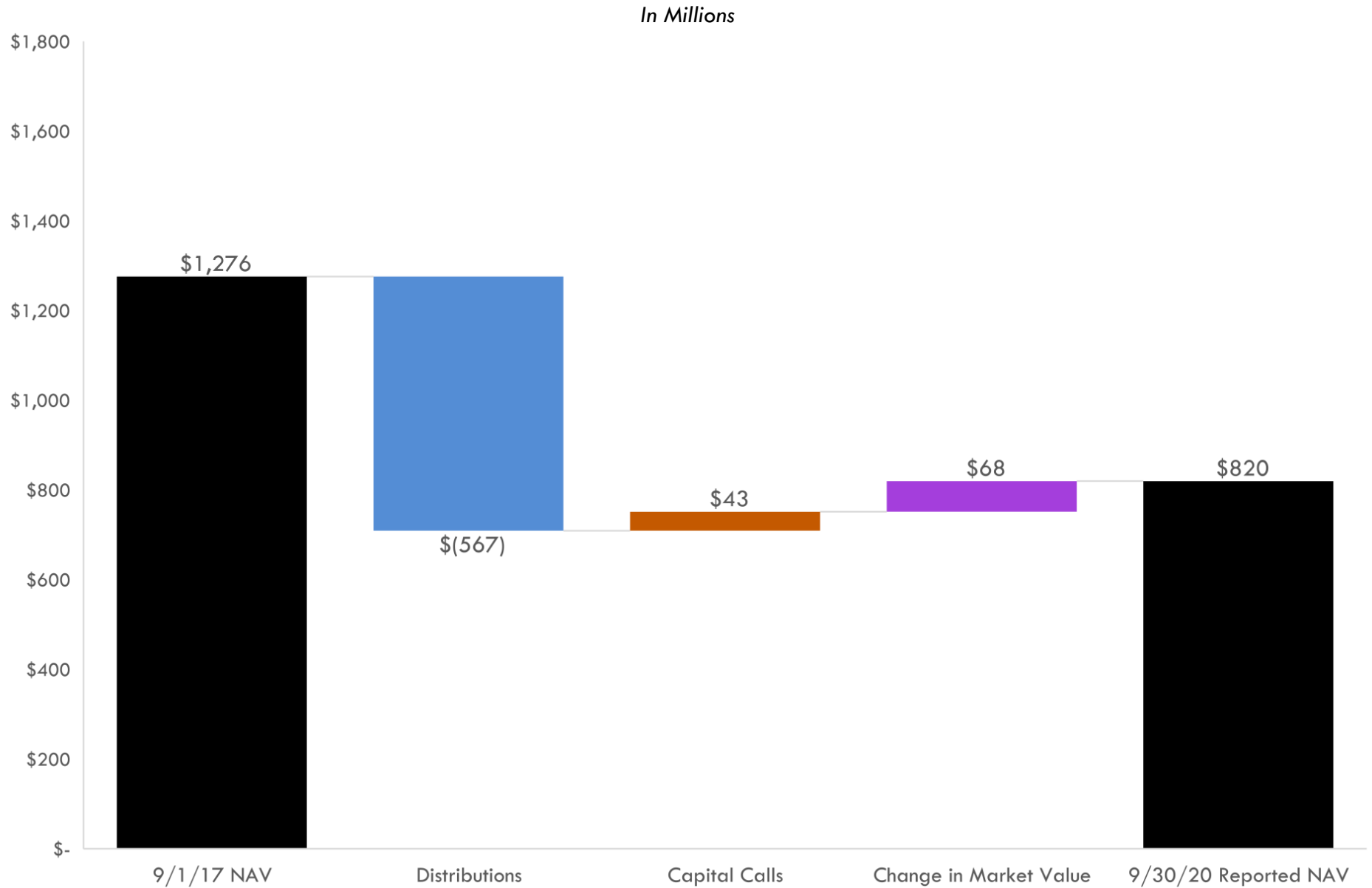
- Staff estimates capital calls and cash distributions from the Private Asset portfolio, built up by individual asset.
- DFPF has more control over direct investments in Real Estate and Natural Resources, therefore should have more accuracy in forecasting cash flows based on planned sales. Private Equity fund investments are controlled by GP's, therefore DFPF has little or no control over outcome – Staff incorporates GP insights but often uses an even distribution schedule over 2-4 years with these investments.
- **Cash flow estimates are inherently imprecise as they are often subject to events & forces outside of the manager's control. There is even less certainty now in the projections given recent market volatility.** Many in-process sales have been put on hold.

# Private Asset Bridge Chart – Since 9/30/16



*Numbers may not foot due to rounding.*

# Private Asset Bridge Chart – Since 9/1/17 (New Board Formation)



*Numbers may not foot due to rounding.*

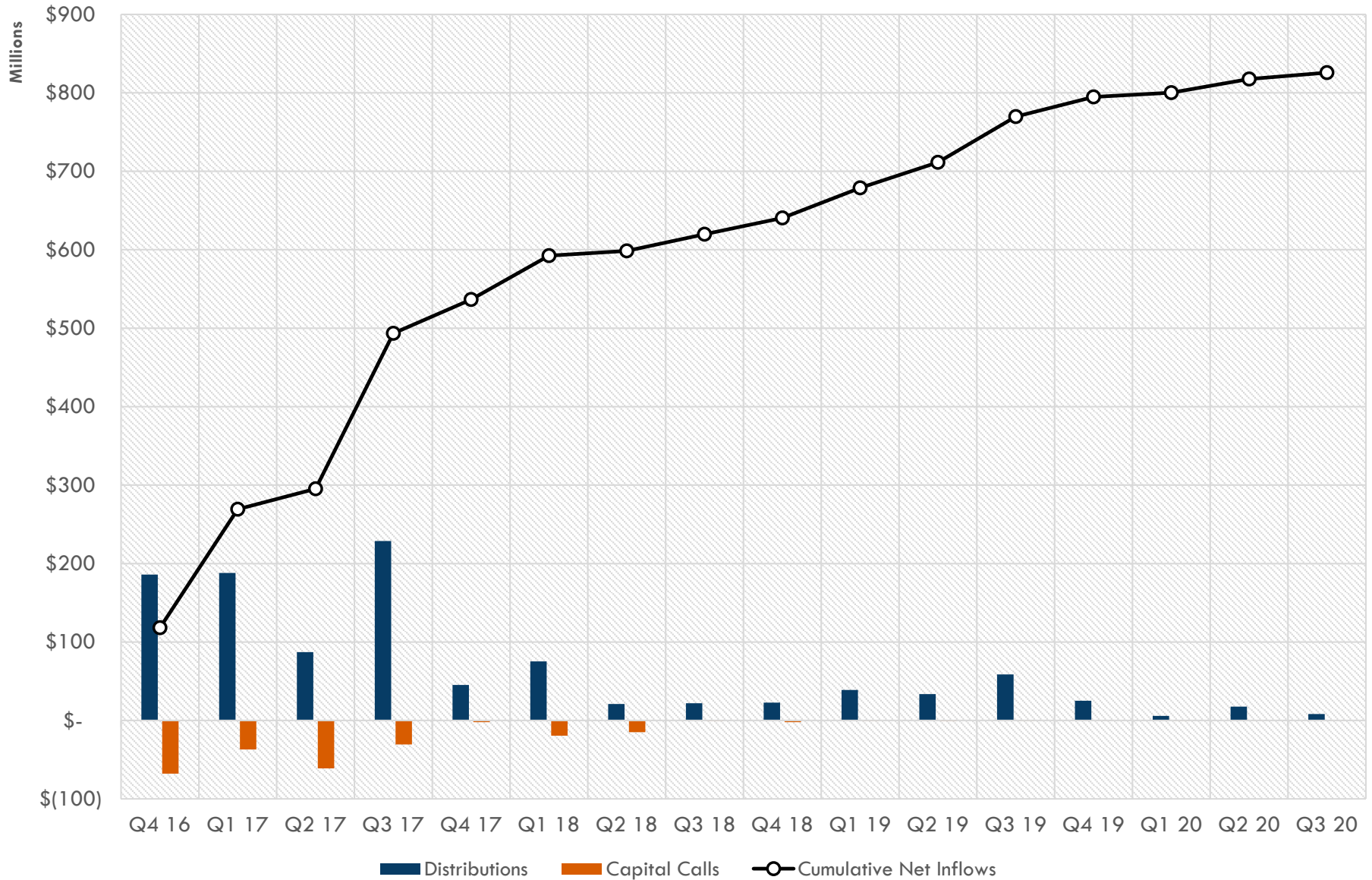
# Private Asset Quarterly Cash Flows – Q3 2020

<b>TOTAL CAPITAL CALLS &amp; CONTRIBUTIONS</b>		<b>\$70,000</b>
Industry Ventures IV	Capital Call	\$70,000
<b>TOTAL DISTRIBUTIONS</b>		<b>\$8,169,606</b>
AEW	RCH Notes Distribution	\$6,960,000
Hearthstone	Spring Valley	\$250,000
Bentall Kennedy	Vista 7 Income	\$525,000
Forest Investments Associates	Timber Income	\$200,000
L&B	Kings Harbor Income	\$176,222
Riverstone	Fund Distribution	\$58,384

Numbers may not foot due to rounding.



# Private Asset Quarterly Cash Flows – Since 9/30/16

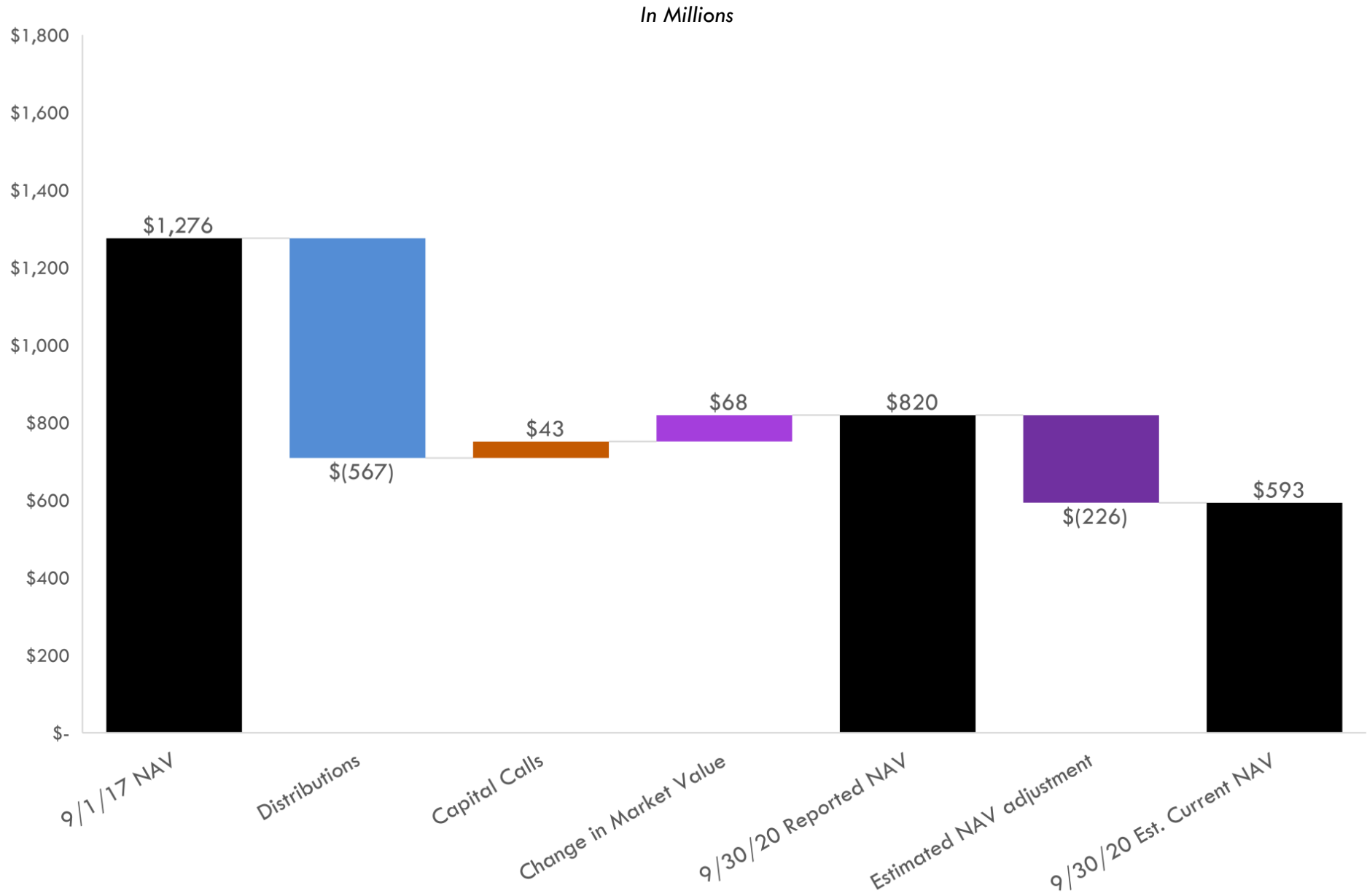


## Private Asset Lagged NAV Adjustment

- Due to a lag in the reporting of private market valuations, the **“Reported NAV”** on many Private Markets is stale and still based on 2019 values or 2020 statements that have not been adjusted for changes in market value. Due to 2020 market volatility, these reported NAVs may not represent a realistic picture of current market values.
- In order to get a more accurate and real-time picture of asset allocation and future distribution activity, Staff estimated Private Market values by selectively discounting the reported NAVs on asset-by-asset basis (**“Estimated Current NAV”**). Heavier discounts were applied to Private Equity assets with energy and energy services exposure.
  - In cases where DFPF has received updated valuations in 2020 that reflect the current market environment, values have typically dropped 10-20% and we have removed any additional market value adjustments.
  - The model assumes no investment growth from the Current NAV.
  - The current blended market value adjustment of 27.6% compares with an adjustment of 30.4% in April 2020.

	Reported (Lagged) NAV	Market Value Adjustment	Estimated Current NAV
Private Equity	292,786,007	-51.4%	142,338,416
Private Debt	5,840,691	0.0%	5,840,691
Infrastructure	43,468,424	0.0%	43,468,424
Natural Resources	123,179,243	-4.4%	117,800,365
Real Estate	354,293,919	-19.9%	283,863,532
<b>TOTAL PRIVATE ASSETS</b>	<b>819,568,284</b>	<b>-27.6%</b>	<b>593,311,428</b>

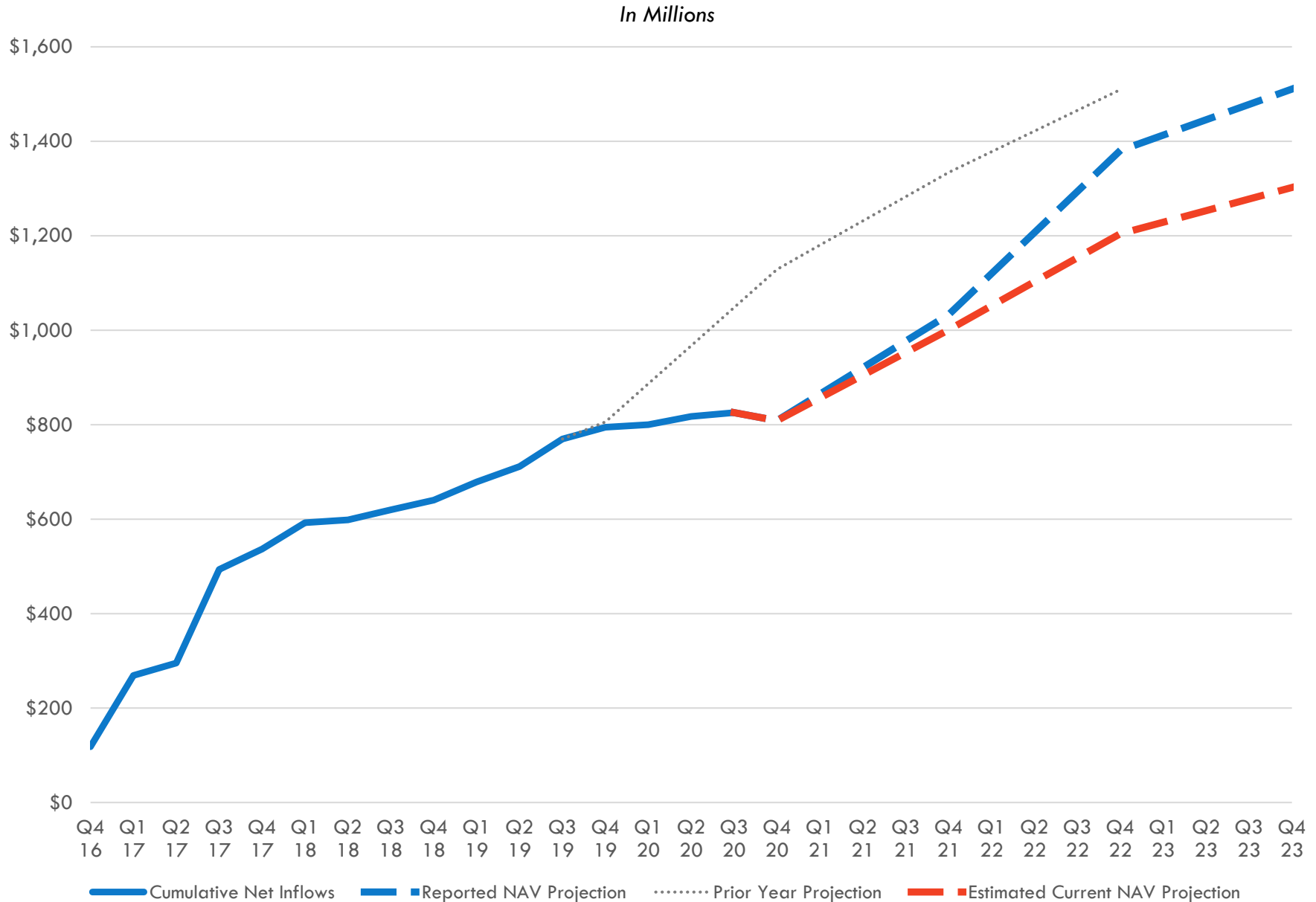
# Private Asset Lagged NAV Adjustment



Numbers may not foot due to rounding.

# Cumulative Actual and Projected Private Asset Net Inflows

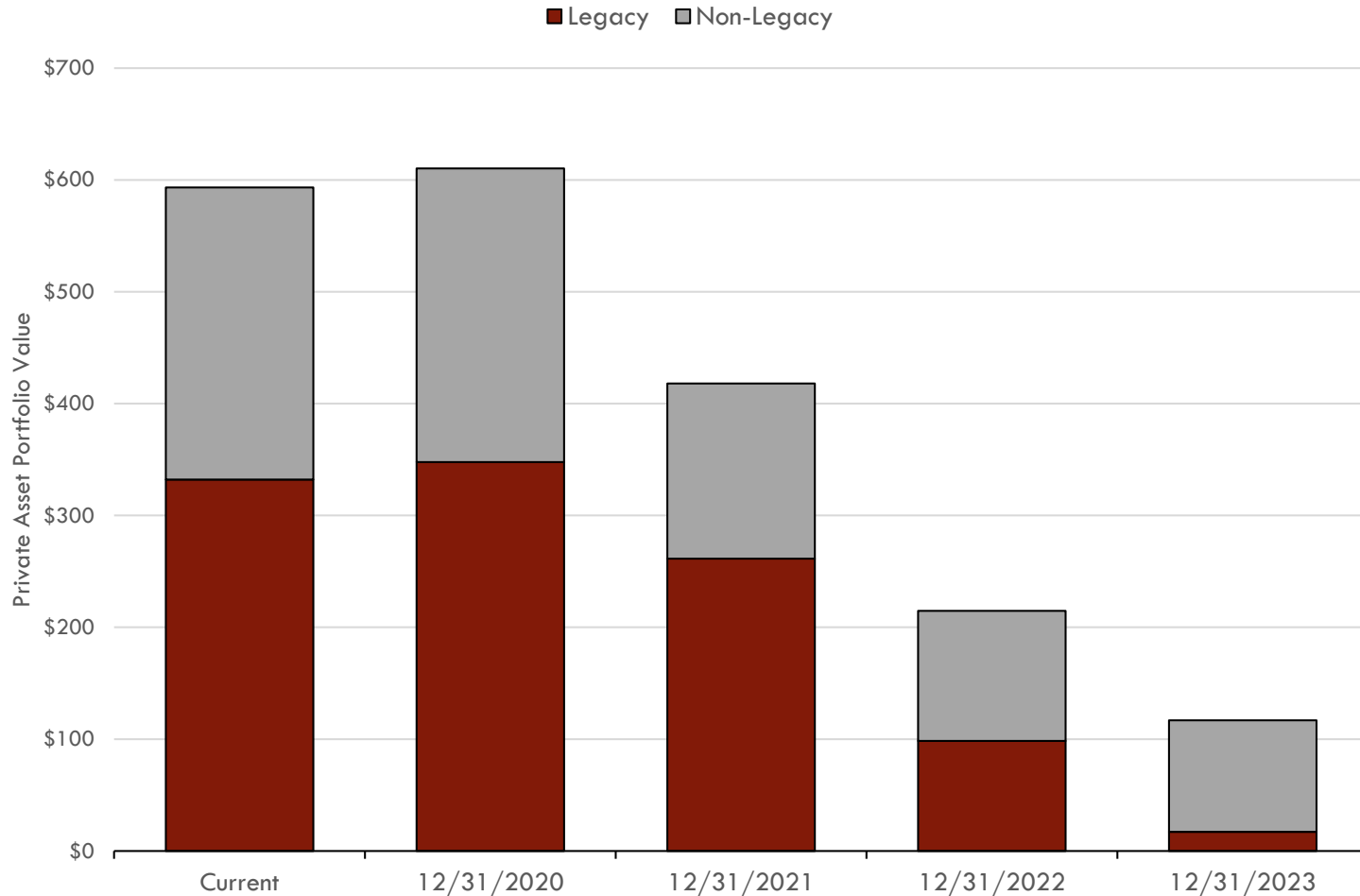
Private asset cash flow projections are based on either in-process/planned sales, if available, or a gradual disposition through 2023.



# Est. Current NAV - Private Asset Disposition Timeline & Composition

Private asset cash flow projections are based on either in-process/planned sales, if available, or a gradual disposition through 2023.

*In Millions*

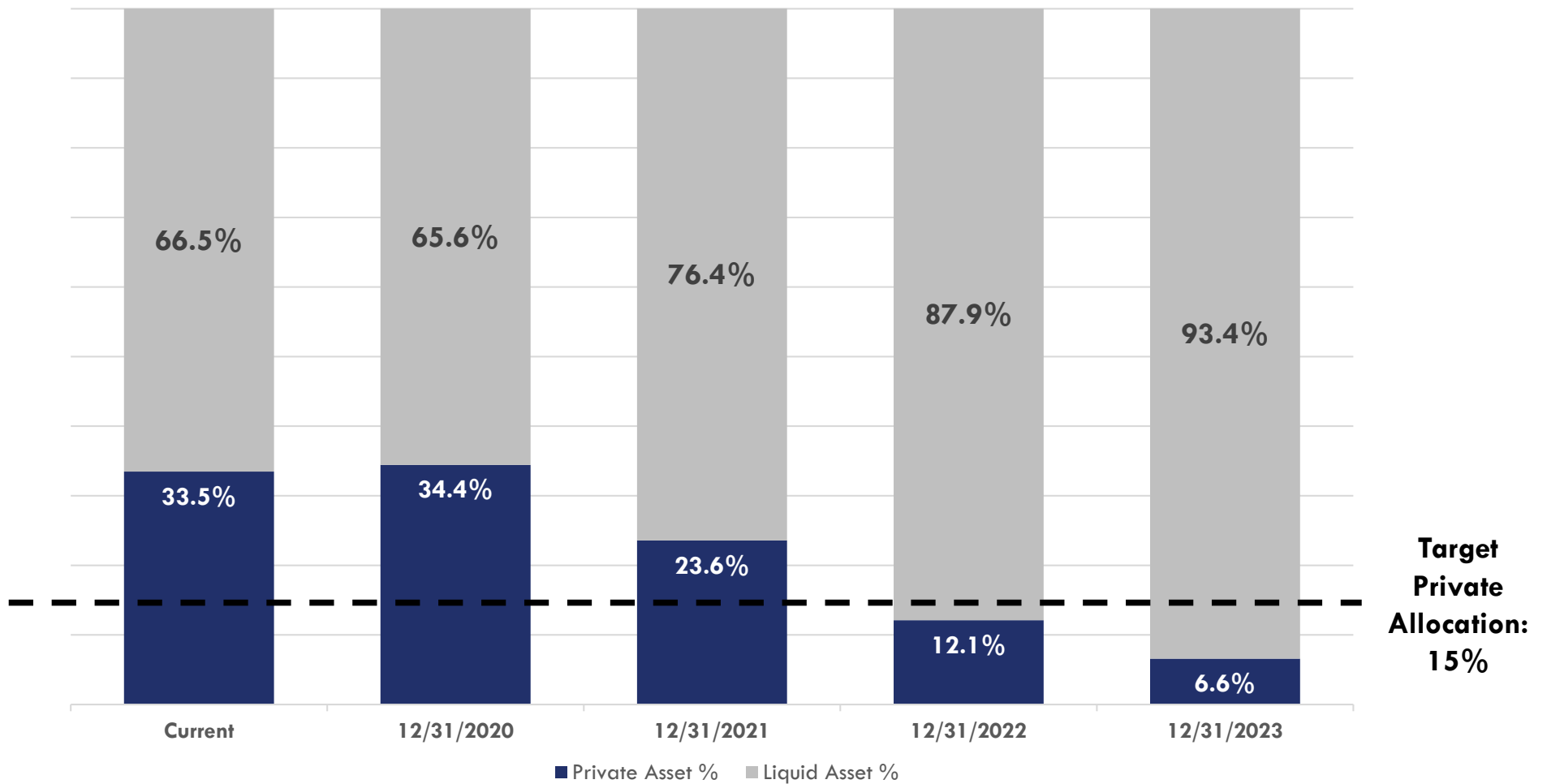


<b>Legacy NAV (M)</b>	\$332	\$348	\$261	\$98	\$17
<b>% of Private Portfolio</b>	56%	57%	63%	46%	15%
<b>% of DFPF Portfolio</b>	19%	20%	15%	6%	1%

# Est. Current NAV - Private Asset Allocation

Private asset cash flow projections are based on either in-process/planned sales, if available, or a gradual disposition through 2023.

Assumes 100% of private asset proceeds are reinvested into liquid investments and flat fund NAV





## **DISCUSSION SHEET**

### **ITEM #D10**

**Topic: 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.

**Discussion:** 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, October 8, 2020*



## **DISCUSSION SHEET**

### **ITEM #D11**

- 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 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, October 8, 2020*





## DISCUSSION SHEET

### ITEM #D12

**Topic:** **Widows and Children's Fund**

**Discussion:** The Widows and Children's Fund (Fund) is a non-profit organization operated by the City of Dallas. On behalf of the Fund, Chief Hall has requested information from DPFP to be used for the Fund's narrow purpose.

**Staff**

**Recommendation:** **Authorize** the Executive Director to provide the requested information to the Widows and Children's Fund.

*Regular Board Meeting – Thursday, October 8, 2020*



September 2, 2020

Kelly Gottschalk  
Executive Director  
Dallas Police and Fire Pension  
4100 Harry Hines Boulevard, Suite # 100  
Dallas, Texas 75219

Dear Ms. Gottschalk,

The Widows and Children's Fund is a non-profit organization that remembers widows, widowers and children of deceased police officers by providing gifts during the holiday season each year. This organization has been in existence since the 1970's.

Your assistance is needed to ensure that all deserving recipients receive a gift from the fund. It is requested that an updated list of names and addresses be provided to the organization. This will be used to determine any changes of home addresses, delivery addresses or the status of a recipient. This is an official program that is administered by the City of Dallas.

If you have any questions, please contact Detective Tommy Raley, of the Intelligence Unit. He can be reached at (214) 885-9374. Your assistance in supporting the Widows and Children's Fund and all of our members, active and retired, is appreciated.

Sincerely,

A handwritten signature in blue ink, appearing to be 'RH', enclosed in a blue circular scribble.

Renee Hall  
Chief of Police



## DISCUSSION SHEET

### ITEM #E1

**Topic:** Public Comment

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

*Regular Board Meeting – Thursday, October 8, 2020*



## DISCUSSION SHEET

### ITEM #E2

**Topic:** Executive Director's report

- a. Open Records
- b. Operational Response to COVID-19

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

*Regular Board Meeting – Thursday, October 8, 2020*