Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 19, 2015 - Thursday, October 22, 2015
304 Houston Street
Ft. Worth, Texas

Special meeting, Samuel L. Friar, Chairman, presiding:

ROLL CALL

Board Members

Present:	Samuel L. Friar, Lee M. Kleinman, Joseph P. Schutz, Brian Hass, Kenneth S. Haben, Eric Wilson, Tho T. Ho, Gerald D. Brown, Clint Conway, John M. Mays
Absent:	Scott Griggs, Philip Kingston
Staff	Kelly Gottschalk, Joshua Mond, James Perry, Summer Loveland, John Holt, Pat McGennis, Ryan Wagner, Milissa Schmidt, Christina Wu, Greg Irlbeck, Linda Rickley, Carol Huffman
Others	Ken Sprecher, Hank Kim, James P. Owen, Tom Iannucci, Tim McCusker, Mark Cintolo, Rhett Humphreys, Keith Stronkowsky, Gary Lawson, Gus Fields, Tyler Kim, Mark Weir, Jonathan Berger, Ryan O'Connell, Kamal Bhatia, Richard Walsh, Richard Brown, Jeff Leighton, Martin Rosenberg, Jeff Roberts, Erich Kelly, The Honorable Dan Flynn, Susan Flynn, David Kent, Janie Shaw, Neal T. "Buddy" Jones, R. C. "Clint" Smith, Senator John Whitmire, Gardner Pate, Yuniedth Midence Steen

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The meeting was called to order at 4:00 p.m. on Monday, October 19, 2015.

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OPENING SESSION

1. **The State of DPFP**

   Kelly Gottschalk, Executive Director, provided a brief overview of her assessment of the state of DPFP after six months with the organization.

   No motion was made.

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OPENING SESSION (continued)

2. The State of Pensions – A National Perspective

Hank Kim, Executive Director and Counsel, NCPERS, gave a presentation on the nationwide state of pension plans and various legislative actions around the country.

No motion was made.

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The meeting was recessed at 5:06 p.m. on Monday, October 19, 2015

The meeting was reconvened at 5:45 p.m. on Monday, October 19, 2015

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3. Cowboy Ethics

James P. Owens, Founder, Center for Cowboy Ethics and Leadership, delivered a presentation titled *Standing Tall in an Upside-Down World.*

No motion was made.

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The meeting was recessed at 8:40 p.m. on Monday, October 19, 2015

The meeting was reconvened at 8:30 a.m. on Tuesday, October 20, 2015

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OPENING SESSION (continued)

4. Governance

Tom Iannucci, President, Cortex Applied Research, discussed Cortex's findings and recommendations based on their review of the Board's current governance policies and procedures. Cortex had conducted interviews with current and former trustees and senior staff members and had reviewed all current written policies.

OPENING SESSION (continued)

4. Governance (continued)

The meeting was recessed at 9:47 a.m.

The meeting was reconvened at 10:07 a.m.

No motion was made.

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GENERAL INVESTMENTS

5. Overview of System Debt

Staff provided an overview to the Board of Trustees of DPFP's outstanding debt and other obligations. The presentation included a snapshot of outstanding balances and terms. Potential implications of the debt and other obligations in a risk, liquidity and portfolio context also were discussed.

No motion was made.

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The meeting was recessed at 11:45 a.m.

The meeting was reconvened at 11:53 a.m.

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6. Liquidity and the Implications for Potential Asset Allocation

Participating in a panel discussion were Tim McCusker, CIO, Partner, NEPC, LLC, Mark Cintolo, Consultant – Asset Allocation, NEPC, LLC, Rhett Humphreys, Partner, NEPC, LLC, Keith Stronkowsky, Senior Consultant, NEPC, LLC, Gary Lawson, Partner, Strasburger & Price, LLP, and Gus Fields, Of Counsel, Strasburger & Price, LLP. The panel discussed liquidity considerations, assumptions, projections and impacts. Based on understanding of the liquidity, liabilities and goals of the Plan, the Board discussed various asset allocation structure alternatives. Implementation options and challenges were also discussed.

The meeting was recessed at 12:31 p.m.

The meeting was reconvened at 1:15 p.m.

GENERAL INVESTMENTS (continued)

6. Liquidity and the Implications for Potential Asset Allocation (continued)

Under the terms of Section 551.071 of the Texas Government Code, the Board went into a closed session – legal at 1:15 p.m. on Tuesday, October 20.

The meeting was reopened at 2:00 p.m. on Tuesday, October 20.

No motion was made.

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The meeting was recessed at 2:52 p.m.

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

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7. Reporting and Benchmarking

Tyler Kim, Global Head and Chief Information Officer, and Mark Weir, Senior Vice President, of Maples Fund Services, were present to solicit feedback regarding information that the Board finds useful in evaluating the performance and risks of the Plan. This feedback will be utilized to tailor reports to the information most useful to the Board.

No motion was made.

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8. Educational Session: Credit and Capital Structures

Jonathan Berger, CEO of Birch Grove Capital LP, presented an educational session on Credit and Capital Structures that provided a brief overview of the investment grade and below investment grade corporate credit markets. The overview also provided a comparison of the capital structures of investment grade and below investment grade corporations. Mr. Berger also discussed structured credit investing as it relates to senior secured loans. Ryan O'Connell, Managing Director, Birch Grove, also was present.

No motion was made.

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The meeting was recessed at 4:00 p.m.

The meeting was reconvened at 6:00 p.m.

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GENERAL INVESTMENTS (continued)

9. OFI – Global Markets Overview

Kamal Bhatia, Senior Vice President, Head of Investment Strategies and Solutions, OppenheimerFunds, provided an educational presentation on global market economies and outlooks. Richard Walsh, Vice President, Senior Relationship Manager, OFI Global Asset Management, also was present.

No motion was made.

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The meeting was recessed at 8:30 p.m. on Tuesday, October 20, 2015

The meeting was reconvened at 8:30 a.m. on Wednesday, October 21, 2015

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REAL ASSET INVESTMENTS

10. Current Real Estate Investment Structure

Richard Brown, Principal, and Jeff Leighton, Associate, of The Townsend Group, DPFP's real asset consultant, discussed the current composition of the DPFP real estate portfolio and the strategic outlook for each segment of the portfolio. Staff reviewed each individual investment in the real estate portfolio.

Under the terms of Section 551.072 of the Texas Government Code, the Board went into a closed executive session – real estate at 9:05 a.m. on Wednesday, October 21.

The meeting was reopened at 10:20 a.m. on Wednesday, October 21.

The meeting was recessed at 10:20 a.m.

The meeting was reconvened at 10:30 a.m.

REAL ASSET INVESTMENTS (continued)

10. Current Real Estate Investment Structure (continued)

The Board went into a closed executive session – real estate at 10:30 a.m. on Wednesday, October 21.

The meeting was reopened at 10:52 a.m. on Wednesday, October 21.

No motion was made.

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11. The Townsend Group

The Townsend Group discussed the following topics:

a. Townsend View of the World
b. Second Quarter 2015 Performance Report

No motion was made.

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The meeting was recessed at 11:32 a.m.

The meeting was reconvened at 12:14 p.m.

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GENERAL INVESTMENTS (continued)

12. Overview of Contractual Structures

Jeff Roberts, Senior Consultant, NEPC, LLC, provided an educational session with a brief overview of various contractual structures that may be utilized by pension plans in their investment programs. The structures were explained with a focus on liquidity, legal obligations, control and cost. Examples of types of assets that utilize a certain type of structure were provided with a discussion of suitability. Rhett Humphreys and Keith Stronkowsky, of NEPC, also were present.

No motion was made.

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The meeting was recessed at 1:21 p.m.

The meeting was reconvened at 1:35 p.m.

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GENERAL INVESTMENTS (continued)

13. Private Equity

a. Current Portfolio Review
b. Secondary Sales Discussion

Mr. Roberts provided an overview of DPFP's current private equity portfolio, discussed general observations regarding the portfolio, and reviewed observations regarding potential secondary sales. Messrs. Humphreys and Stronkowsky also were present.

No motion was made.

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ADMINISTRATIVE ISSUES

14. DPFP Pension Benefits

a. Demographic Overview
b. Member Services and Outreach
c. Web Member Services Review
d. Required Annual Distribution (RAD)

a. John Holt, Information Technology Manager, reviewed the demographics of DPFP regarding membership, retirements, DROP and benefit payments.
b. Pat McGennis, Benefits Manager, reviewed DPFP service and outreach to members.
c. Mr. Holt provided an update on Web Member Services.
d. Ms. McGennis provided a presentation to the Board and provided statistics about the members and dollar amounts impacted by the Required Annual Distribution (RAD) requirements.

ADMINISTRATIVE ISSUES (continued)

14. DPFP Pension Benefits (continued)

No motion was made.

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The meeting was recessed at 2:32 p.m.

The meeting was reconvened at 2:49 p.m.

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15. Managed Medical Review Organization (MMRO)

Erich Kelly, Director, National Sales and Marketing, Managed Medical Review Organization (MMRO), described his company and services and addressed disability process related questions.

No motion was made.

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16. Professional Service Provider Renewals

Ms. Gottschalk presented a policy to review and evaluate professional service providers and recommended a timeline for review.

No motion was made.

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The meeting was recessed at 4:39 p.m.

The meeting was reconvened at 6:00 p.m.

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LEGISLATIVE ISSUES

17. Pensions

The Honorable Dan Flynn, Texas House of Representatives, Chairman of the House Committee on Pensions, spoke to the Board regarding pension systems in Texas, pension legislation activity in the 2015 Legislative session and what might transpire with respect to pensions in the 2017 Legislative session.

No motion was made.

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The meeting was recessed at 8:36 p.m. on Wednesday, October 21, 2015

The meeting was reconvened at 8:30 a.m. on Thursday, October 22, 2015

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ACTUARIAL ISSUES

18. Actuarial Science Basics

David Kent, FSA, EA, MAAA, Director, Retirement, Buck Consultants, and Janie Shaw, Senior Associate, Buck Consultants, DPFP's external actuarial firm, provided a presentation on the basics of actuarial valuations. Included were basic actuarial concepts such as how the member data, plan provisions, assets, assumptions, and cost method all converge in determining the Actuarial Accrued Liability as of a valuation date. They also addressed how the Actuarial Accrued Liability is used to determine the current funded position of the plan, as well as the adequacy of future anticipated contributions.

No motion was made.

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The meeting was recessed at 9:30 a.m.

The meeting was reconvened at 9:53 a.m.

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ADMINISTRATIVE ISSUES (continued)

19. Information Technology Update

Mr. Holt briefed the Board on the status of current information technology projects and future initiatives.

No motion was made.

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20. Audit Committee Effectiveness

Summer Loveland, Chief Financial Officer, discussed governance guidelines from the Government Finance Officers Association and other industry resources related to the establishment of an effective audit committee.

No motion was made.

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The meeting was recessed at 11:09 a.m.

The meeting was reconvened at 11:16 a.m.

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LEGISLATIVE ISSUES (continued)

21. Legislative Issues

Locke Lord, LLP, and HillCo Partners, the System's legislative consultants, introduced their respective firms and reviewed for the Board the services they provide. The firms looked back on the 2015 legislative session and looked forward to 2016 and 2017, including state and federal election races.

Representing Locke Lord were Senator John Whitmire, Of Counsel, Gardner Pate, Associate, and Yuniedth Midence-Steen, Governmental Affairs Consultant. Neal T. "Buddy" Jones and R. C. "Clint" Smith represented HillCo Partners.

No motion was made.

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Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Haben and a second by Mr. Brown, the meeting was adjourned at 12:13 p.m.

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Samuel L. Friar
Chairman

ATTEST:

[signature]

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Kelly Gottschalk
Secretary

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