



D A L L A S
POLICE & FIRE
PENSION SYSTEM



MINUTES SUMMARY
Board Meeting
Thursday, October 8, 2015

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

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

A. MOMENT OF SILENCE

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

B. CONSENT AGENDA

Approved, subject to the final review of the staff.

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Engaged Maples Fund Services for reporting purposes, and authorized the Executive Director to execute documentation, perform all necessary acts, and exercise all appropriate discretion to facilitate this service.
2. Approved and authorized the Executive Director to execute documentation and perform all necessary acts to liquidate the investments with Allianz Global EcoTrends and Energy Opportunities Capital Management.
3. Received and filed the monthly investment reports.
4. Regarding the proposed 2016 budget, directed staff to address any proposed amendments, present the amended budget to the Board at the November 12, 2015 Board meeting, and authorized the posting of the amended budget to www.dpfp.org for member review.
- 5a. The Chairman presented the Employee Service Award for 25 years of service to Linda Rickley, Board Coordination/Human Resources Manager.
- 5b. The Chairman presented a performance award for Employee of the Quarter, Third Quarter 2015, to John Holt, Information Technology Manager.

MINUTES SUMMARY
Board Meeting
Thursday, October 8, 2015

6. Received and filed reports by Board and staff members on due diligence meetings, seminars and/or conferences attended.
7. Received and filed the discussion of the annual workshop plans.
8. Received and filed the update on legal issues.
9. Directed staff to provide notice to retirees who are deferring their monthly benefit payment into DROP and having DPFP make a variety of payments on their behalf that the process is being phased out as of March 31, 2016.

E. BRIEFING ITEMS

1. Received comments during the open forum for members and pensioners.
2. Received and filed the Executive Director's report.

The meeting was adjourned at 10:25 a.m.

SUPPLEMENTAL POLICE AND FIRE PENSION BOARD MEETING

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

The meeting was reconvened at 10:25 a.m.

A. CONSENT AGENDA

Approved, subject to the final review of the staff.

B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Received and filed the monthly investment reports.
2. Regarding the proposed 2016 budget, directed staff to address any proposed amendments, present the amended budget to the Board at the November 12, 2015 Board meeting, and authorized the posting of the amended budget to www.dpfp.org for member review.

MINUTES SUMMARY
Board Meeting
Thursday, October 8, 2015

SUPPLEMENTAL POLICE AND FIRE PENSION BOARD MEETING (continued)

The Supplemental Board meeting was adjourned at 10:26 a.m.

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

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

Regular meeting, Lee Kleinman, Vice Chairman, presiding:

ROLL CALL

Board Members

Present: Lee M. Kleinman, Joseph P. Schutz, Brian Hass, Kenneth S. Haben, Erik Wilson, Tho T. Ho, Gerald D. Brown, Clint Conway, John M. Mays, Philip T. Kingston

Absent: Samuel L. Friar, Scott Griggs

Staff Kelly Gottschalk, Joshua Mond, James Perry, Summer Loveland, Corina Terrazas, Carlos Ortiz, Ryan Wagner, Milissa Schmidt, Christina Wu, Greg Irlbeck, Linda Rickley, Kevin Killingsworth

Others Gary Lawson, Rick Salinas, Jerry M. Rhodes, Angela Petrovic, Jim Aulbaugh

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

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A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officer, Roger D. Houston, and retired firefighter, Terry B. Thurman, who recently passed away.

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B. CONSENT AGENDA

1. Approval of Minutes

- a. Regular meeting of September 10, 2015
- b. Special meeting of September 17, 2015

**Regular Board Meeting
Thursday, October 8, 2015**

- 2. Approval of Refunds of Contributions for the Month of September 2015**
- 3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for October 2015**
- 4. Transfer Funds from DROP to 401(k)**
- 5. Approval of Estate Settlements**
- 6. Approval of Survivor Benefits**
- 7. Approval of Service Retirements**
- 8. Approval of Alternate Payee Benefits**
- 9. Approval of Payment of Military Leave Contributions**
- 10. Approval Payment of DROP Revocation Contributions**

After discussion, Mr. Brown made a motion to approve the minutes of the regular meeting of September 10, 2015 and the special meeting of September 17, 2015, subject to the final review of the staff. Mr. Schutz seconded the motion, which was unanimously approved by the Board.

Mr. Conway made a motion to approve the remaining items on the Consent Agenda, subject to the final review of the staff. Mr. Brown seconded the motion, which was unanimously approved by the Board.

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C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Investment Reporting – Maples Fund Services

At the September 24, 2015 Investment Advisory Committee (IAC) meeting, Maples Fund Services presented and reviewed a Consolidated Portfolio Reporting Package.

**Regular Board Meeting
Thursday, October 8, 2015**

1. Investment Reporting – Maples Fund Services (continued)

Mr. Perry, Chief Investment Officer, reviewed the Consolidated Portfolio Reporting Package proposed by Maples Fund Services with the Board. The reporting package is recommended as a tool to quickly see graphically the impact of individual managers on asset class performance as well as how the portfolio is allocated and performing relative to benchmarks and goals. The insight gained from these reports aids trustees in the performance of their fiduciary duty and in having well-informed discussions with staff and consultants regarding the structure and risk profile of the portfolio.

After discussion, Mr. Schutz made a motion to accept the IAC recommendation to engage Maples Fund Services for reporting purposes, and authorize the Executive Director to execute documentation, perform all necessary acts, and exercise all appropriate discretion to facilitate this service. Mr. Brown seconded the motion, which was unanimously approved by the Board.

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2. Allianz Global EcoTrends and Energy Opportunities Capital Management

Mr. Perry stated that at the September 24, 2015 IAC meeting, staff and NEPC, general investment consultant, reviewed the rationale for recommending termination of Allianz Global EcoTrends and Energy Opportunities Capital Management.

Staff is recommending termination of Allianz Global EcoTrends and Energy Opportunities Capital Management from the Global Equity portfolio. These investment managers have demonstrated consistent underperformance relative to their benchmarks, as well as the ACWI global equity benchmark, and rank in the lower quartiles of global equity managers over the long term. Since inception, both investment managers achieved lower returns with higher volatility than the MSCI ACWI and are therefore detracting from performance while adding to the risk of the Global Equity portfolio.

After discussion, Mr. Schutz made a motion to accept the IAC recommendation to approve and authorize the Executive Director to execute documentation and perform all necessary acts to liquidate the investments with Allianz Global EcoTrends and Energy Opportunities Capital Management. Mr. Conway seconded the motion, which was unanimously approved by the Board.

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**Regular Board Meeting
Thursday, October 8, 2015**

3. Investment reports

Mr. Irlbeck reviewed the investment reports with the Board.

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

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4. Presentation and discussion of the 2016 Budget

Ms. Loveland presented the budget proposal for Calendar Year 2016.

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 on unitization as reported by JPMorgan.

The proposed 2016 budget, net of expenses allocated to the Supplemental Plan, totals \$9.6M, which is a decrease of 4.8% compared to the prior year budget. This reflects a reduction of \$23.1K from the initial budget as presented to the Administrative and Audit Advisory Committee (AAAC) on September 24, 2015, with changes made to Member educational programs and Board meetings expenses as discussed at the Committee meeting.

Proposed expense items which are projected to exceed the 2015 budget by more than 5% and \$5,000 were explained in the review comments accompanying the proposed budget. Material proposed decreases in individual line items were discussed.

After discussion, Mr. Mays made a motion to direct staff to address any proposed amendments, present the amended budget to the Board at the November 12, 2015 Board meeting, and authorize the posting of the amended budget to www.dpfp.org for member review. Mr. Brown seconded the motion, which was unanimously approved by the Board.

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**Regular Board Meeting
Thursday, October 8, 2015**

5. Employee recognition – Third Quarter 2015

- a. Employee Service Award
- b. Employee of the Quarter award

- a. Mr. Kleinman, Vice Chairman, and Ms. Gottschalk, Executive Director, presented the Employee Service Award to Linda Rickley, Board Coordination/Human Resources Manager, for 25 years of service.
- b. Mr. Kleinman and Ms. Gottschalk presented a performance award for Employee of the Quarter, Third Quarter 2015, to John Holt, Information Technology Manager.

Mr. Hass made a motion to receive and file the employee recognition awards. Mr. Brown seconded the motion, which was unanimously approved by the Board.



**Regular Board Meeting
Thursday, October 8, 2015**



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

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

a. Society of Pension Professionals

Messrs. Brown, Irlbeck

b. Wharton School: Refresher Workshop and Advanced Investments Management

Messrs. Friar, Kleinman, Wilson
Ms. Gottschalk

**Regular Board Meeting
Thursday, October 8, 2015**

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

c. Annual Texans for Secure Retirement Symposium

Messrs. Brown, Schutz

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

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7. Annual Board/Staff Workshop

Ms. Gottschalk discussed the updated workshop plans with the Board.

After discussion, Mr. Mays made a motion to receive and file the discussion of the annual workshop plans. Mr. Brown seconded the motion, which was unanimously approved by the Board.

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8. Legal issues

- a. Police Officer and Firefighter pay lawsuits**
- b. 2014 Plan amendment election and litigation**
- c. Potential claims involving real estate transactions**

The Board went into a closed executive session – legal at 9:40 a.m.

The meeting was reopened at 9:50 a.m.

No motion was made.

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**Regular Board Meeting
Thursday, October 8, 2015**

9. Deferred DROP Health Insurance and Other Deductions

Ms. Loveland stated that retirees deferring their monthly benefit payment into DROP are currently provided the option to have DFPF make a variety of payments on their behalf and subsequently debit the member's bank account for the amount of the payments. Such payments include health insurance premiums, contributions to the Burial Fund, Retired Firefighters Association, and Police and Firefighters museums. As the deduction is taken from the member's bank account, the deductions are not eligible for the Federal tax benefit which is applicable for up to \$3,000 of health insurance premiums deducted directly from a pension benefit. Once a member goes into payment status, such payments are deducted directly from their monthly benefit check and payment is made by DFPF to the various recipients.

Staff reviewed the administrative and financial implications of this process with the Board and presented the following options:

- a. Continue process in its current form.
- b. Phase out process through attrition and by not offering the option to new retiree DROP participants. Phase out would include lack of ability to re-enter the process once exited.
- c. Provide notice to participating members and phase out the process as described in **b.** with a future end date.

After discussion, Mr. Kingston made a motion to direct staff to provide notice to retirees and phase out the process with a future end date of March 31, 2016. Mr. Hass seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 9:59 a.m.

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

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**Regular Board Meeting
Thursday, October 8, 2015**

E. BRIEFING ITEMS

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

Received comments from a retiree.

No motion was made.

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2. Executive Director's report

- a. Long-term Financial Stability Sub-Committee update
- b. Future continuing education and investment research programs and conferences

Mr. Brown made a motion to receive and file the Executive Director's report. Mr. Mays seconded the motion, which was unanimously approved by the Board.

Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Ho and a second by Mr. Wilson, the meeting was adjourned at 10:25 a.m.

[signature]

Samuel L. Friar
Chairman

ATTEST:

[signature]

Kelly Gottschalk
Secretary

**Regular Board Meeting
Thursday, October 8, 2015**

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