



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



**MINUTES SUMMARY**  
**Board Meeting**  
**Thursday, December 10, 2015**

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees was held at 8:30 a.m. on Thursday, December 10, 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. Authorized Clarion to hold the Four Leaf property while continuing diligence on site improvements and to actively market the site.
2. Directed staff to monitor developments at BTG Pactual to ensure that the situation does not negatively affect the operations of the BTG Pactual Timberland Investment Group or their ability to manage the DPFPP portfolio.
3. Authorized Hearthstone to consummate the sale of the Nampa property, subject to the final approval of the Executive Director. Received and filed the Spring Valley update.
4. Authorized AEW to continue working on DPFPP's behalf on a transaction involving Akard Place.
5. Consented to The Townsend Group's change of ownership consent and authorized the Executive Director to perform all necessary acts, exercise all appropriate discretion to consummate, and execute the contract amendment.

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6. Approved the application for an on-duty disability pension, subject to a two-year recall and an Annual Earnings Test Review.
7. Approved liquidation of the WRH Global Securities Pooled Trust portfolio and directed the Executive Director to either maintain proceeds for liquidity or utilize proceeds for leverage reduction.
8. Received and filed the Third Quarter 2015 Investment Performance Analysis and Second Quarter 2015 Private Markets Review from NEPC, LLC, DPF's general investment consultant.
9. Received and filed the hedge funds educational presentation by NEPC.
10. Received and filed the briefing by the Long-Term Financial Stability Sub-committee.
11. Staff presented the results of their member communications review. The Board voted to distribute the DPF newsletters online only beginning in March 2016.
12. Received and filed the investment reports.
13. Legal counsel briefed the Board on legal issues. No motion was made.
14. Directed staff to make arrangements for a three-day off-site workshop located within approximately a one-hour driving distance from the metroplex for October 17-19, 2016.
15. Received and filed reports by Board and staff members on due diligence meetings, seminars and/or conferences attended.
16. Received and filed the staff briefing on the 2015 Personalized Benefit Statement and Deferred Retirement Option Plan (DROP) Statement for Members of the Dallas Police & Fire Pension System.
17. Provided further direction to staff with respect to the review of DPF's legislative consultants.
18. Received the legal counsel's briefing on the Pension Review Board's (PRB's) Minimum Educational Requirements and reporting, as well as the recent appointments to the PRB.
19. The Chairman discussed Ad hoc committees and stated that each committee will give a report to the full Board on a bi-monthly basis. He removed himself from the Long-Term Financial Stability Sub-committee and appointed Lee Kleinman instead, effective January 1, 2016.

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**E. BRIEFING ITEMS**

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

The meeting was adjourned at 4:36 p.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 4:36 p.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 investment reports.
2. Received and filed the staff briefing on the 2015 Personalized Benefit Statement and Deferred Retirement Option Plan (DROP) Statement for Members of the Dallas Police & Fire Supplemental Fund.

The Supplemental Board meeting was adjourned at 4:37 p.m.

In previous months, the Asset Distribution by Advisor Report was attached to the Minutes Summary. DPFP 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.

**Police and Fire Pension System**  
**Thursday, December 10, 2015**  
**8:30 a.m.**  
**4100 Harry Hines Blvd., Suite 100**  
**Second Floor Board Room**  
**Dallas, TX**

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

**ROLL CALL**

**Board Members**

Present: Samuel L. Friar, Joseph P. Schutz, Scott Griggs, Brian Hass, Kenneth S. Haben, Erik Wilson, Tho T. Ho, Gerald D. Brown, Clint Conway, John M. Mays, Philip T. Kingston

Absent: Lee M. Kleinman (on City business)

**Staff**

Kelly Gottschalk, Joshua Mond, James Perry, Summer Loveland, John Holt, Corina Terrazas, Carlos Ortiz, Pat McGennis, Ryan Wagner, Milissa Romero, Christina Wu, Linda Rickley

**Others**

Gary Lawson, Richard Brown, Martin Rosenberg, David Confer, Stacey Magee, Courtney Cahill, Ron Pastore (by telephone), Mark Morrison (by telephone), Mark Porath (by telephone), Bryce Brunsting (by telephone), Todd Rosa (by telephone) Dennis Bush (by telephone), Seth Bancroft, Rhett Humphreys, Keith Stronkowsky, Jeff Roberts, Cheryl Hunt, William Hunt, Ken Sprecher, George D. Payne, Stephen D. Jones, Gary S. Beck, Dan Wojcik, Wes Johnson, Darrell Dugan, Jerry M. Rhodes, Nancy Kirkpatrick, Larry Lewis, A. D. Donald, Steve Myers, Michael Bell, John T. Williams, Sherryl L. Scott, Jim Aulbaugh, Ron Pinkston, Sandy Alexander, Ryan Sawyer, Ashley Lee, Jason Trahan, Steve Thompson

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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 active police officer, Steven J. McKee, retired police officers, Richard C. Baumgardner, Guy D. Benningfield, Norman D. Cates, Ray Hawkins, Ronald G. Heath, Ronnie N. Mason, Clarke I. Maxwell, J. R. Morrow and Ivan R. Stephens, and retired firefighter, Billy M. Peacock, who recently passed away.

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**B. CONSENT AGENDA**

**1. Approval of Minutes**

Regular meeting of November 12, 2015

- 2. Approval of Refunds of Contributions for the Month of November 2015**
- 3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for December 2015**
- 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 Previously Withdrawn Contributions**
- 9. Approval of Payment of DROP Revocation Contributions**
- 10. Approval of Payment of Military Leave Contributions**

After discussion, Mr. Brown made a motion to approve the items on the Consent Agenda, subject to the final review of the staff. Mr. Mays 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. Clarion: Four Leaf**

Ms. Gottschalk stated that at the June 18, 2015 meeting, the Board engaged Clarion Partners to take over the investment management of Four Leaf, a 110-acre acre site located in Glendale, Arizona, as of August 1, 2015. The property was previously

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**1. Clarion: Four Leaf (continued)**

internally managed by DPFPS staff. Clarion, represented by David Confer, Managing Director, Stacey Magee, Director, and Courtney Cahill, Senior Associate, discussed their review of Four Leaf and provided recommendations on strategic alternatives for the investment. The Townsend Group, represented by Richard Brown, Principal, and Martin Rosenberg, Principal, was also present to provide input and a recommendation.

The Board went into a closed executive session – real estate at 8:37 a.m.

The meeting was reopened at 9:08 a.m.

Clarion recommended that DPFPS continue to hold the Asset, while undertaking a number of steps to improve its marketability, limit risk, control costs, and explore potential exit options. Staff and Townsend concurred with Clarion’s recommendation.

After discussion, Mr. Gerald Brown made a motion to authorize Clarion to hold the Four Leaf property while continuing diligence on site improvements and to actively market the site. Mr. Haben seconded the motion, which was unanimously approved by the Board.

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**2. BTG Pactual Asset Management**

Investment Staff stated that BTG Pactual Timberland Investment Group (“BTG TIG”) manages a \$65 million timberland portfolio for DPFPS with properties in Texas, Brazil, Uruguay and South Africa. In 2013, BTG TIG purchased Regions Timberland Group, the original manager of the DPFPS account since inception in 2006. On November 25, 2015, Andre Santos Esteves, the CEO of BTG Pactual Group, the parent company of BTG Pactual Asset Management, was detained for questioning in connection with a corruption scandal surrounding the Brazilian state-run oil company Petrobras. Mr. Esteves has resigned as CEO and Chairman of the Board at BTG Pactual.

Staff and Townsend reviewed this matter with the Board and provided a recommendation to monitor developments to ensure that the situation does not negatively affect operations or BTG’s ability to manage DPFPS’s portfolio.

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**2. BTG Pactual Asset Management (continued)**

After discussion, Mr. Mays made a motion to direct staff to monitor developments at BTG Pactual to ensure that the situation does not negatively affect the operations of BTG TIG or their ability to manage the DFPF portfolio. Mr. Brown seconded the motion, which was unanimously approved by the Board.

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**3. Hearthstone**

- a. Nampa update
- b. Spring Valley update

a. At the August 27, 2015 meeting, the Board approved several recommendations from Hearthstone, which included listing the Nampa property for sale. Hearthstone, represented by Mark Porath, Bryce Brunsting, Todd Rosa, and Dennis Bush, participated by telephone to discuss a potential sale of the property. The Townsend Group was present and provided a recommendation.

b. Hearthstone also provided an update on the Spring Valley property, which is 6,000 acres of land zoned for residential development located in Eagle, Idaho.

The Board went into a closed executive session – real estate at 3:00 p.m.

The meeting was reopened at 3:17 p.m.

Hearthstone recommended that the Nampa property be sold. Staff and Townsend concurred with this recommendation.

After discussion, Mr. Brown made a motion to authorize Hearthstone to consummate the sale of the Nampa property, subject to the final approval of the Executive Director. Mr. Kingston seconded the motion, which was unanimously approved by the Board.

Mr. Brown made a motion to receive and file the Spring Valley update. Mr. Ho seconded the motion, which was unanimously approved by the Board.

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**4. AEW – Akard Place**

AEW, who assumed the investment management of DFPF’s interest in RED Consolidated Holdings (“RCH”) in April of 2015, participated by telephone to provide an update on Akard Place, a RCH land holding located in Dallas, TX, and seek further direction from the Board. AEW representatives were Ron Pastore and Mark Morrison.

The Board went into a closed executive session – real estate at 9:11 a.m.

The meeting was reopened at 10:06 a.m.

After discussion, Mr. Haben made a motion to authorize AEW to continue working on DFPF’s behalf on a transaction involving Akard Place. Mr. Hass seconded the motion, which passed by the following vote:

For: Haben, Hass, Wilson, Schutz, Ho, Brown, Conway, Mays  
Against: Griggs, Kingston  
Abstain: Friar

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The meeting was recessed at 10:08 a.m.

The meeting was reconvened at 10:17 a.m.

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**5. The Townsend Group – change of ownership consent**

Investment Staff stated that on October 15, 2015, it was announced that NorthStar Asset Management (NYSE: NSAM) would acquire a majority ownership of The Townsend Group, DFPF’s real asset consultant. The transaction is expected to close in the first quarter of 2016 following satisfaction of all closing conditions. Per the Investment Management Agreement between DFPF and The Townsend Group, DFPF is required to consent to the ownership change. The Townsend Group was present and answered questions on the transaction.

After discussion, Mr. Haben made a motion to consent to The Townsend Group’s change of ownership consent and authorize the Executive Director to perform all necessary acts, exercise all appropriate discretion to consummate, and execute the contract amendment. Mr. Kingston seconded the motion, which was unanimously approved by the Board.



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**6. Closed Session – Board serving as Medical Committee**

The Board went into a closed executive session – medical at 10:19 a.m.

The meeting was reopened at 10:23 a.m.

After discussion, Mr. Brown made a motion to approve the application for an on-duty disability pension, subject to a two-year recall and an Annual Earnings Test Review. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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**7. W.R. Huff Asset Management: Huff Global Pooled**

Based on a recent account review, NEPC and Staff recommended liquidating the investment in the W.R. Huff Asset Management Huff Global Pooled Trust and redeploying these funds.

After discussion, Mr. Brown made a motion to approve liquidation of the WRH Global Securities Pooled Trust portfolio and direct the Executive Director to either maintain proceeds for liquidity or utilize proceeds for leverage reduction. Mr. Kingston seconded the motion, which was unanimously approved by the Board.

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**8. NEPC: Third Quarter 2015 Investment Performance Analysis and Second Quarter 2015 Private Markets Review**

Rhett Humphreys, Partner, Keith Stronkowsky, Senior Consultant, and Jeff Roberts, Senior Research Consultant – Private Markets, of NEPC, DFP's general investment consultant, presented the Third Quarter 2015 Investment Performance Analysis and Second Quarter 2015 Private Markets Review.

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

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**9. Asset allocation education – Hedge funds**

As a continuation of the asset allocation process, Seth Bancroft, CFA, Research Consultant, of NEPC, DPF’s general investment consultant, provided an educational session on hedge fund investments.

After discussion, Mr. Brown made a motion to receive and file the hedge funds educational presentation by NEPC. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 2:11 p.m.

The meeting was reconvened at 2:18 p.m.

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**10. Long – Term Financial Stability Sub-committee**

Mr. Hass, Sub-committee Chair, gave an overview in open session of the sub-committee’s process.

The Board went into a closed executive session – legal at 10:42 a.m.

The meeting was reopened at 11:49 a.m.

After discussion, Mr. Brown made a motion to receive and file the briefing by the Long-Term Financial Stability Sub-committee. Mr. Kingston seconded the motion, which was unanimously approved by the Board.

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**11. Member communications**

Staff presented the results of their member communications review based on discussions during the 2015 Annual Board/Staff Workshop and 2016 budget presentations.

After discussion, Mr. Haben made a motion to distribute the DPF newsletters online only beginning in March 2016. Mr. Hass seconded the motion, which passed by the following vote:

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**11. Member communications (continued)**

For: Haben, Hass, Ho, Brown, Conway, Kingston, Friar  
Against: Mays, Schutz

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**12. Investment reports**

Mr. Perry reviewed the investment performance and rebalancing reports with the Board.

After discussion, Mr. Haben 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. Brown seconded the motion, which was unanimously approved by the Board.

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**13. 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 3:31 p.m.

The meeting was reopened at 3:48 p.m.

Mr. Brown made a motion to receive and file the legal briefing. Mr. Kingston seconded the motion, which was unanimously approved by the Board.

**D. ADDENDUM**

**13. Legal issues**

- d. Dallas Morning News open records request

The Board went into a closed executive session – legal at 3:31 p.m.

The meeting was reopened at 3:48 p.m.

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**13. Legal issues (continued)**

**d. Dallas Morning News open records request (continued)**

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

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The meeting was recessed at 3:57 p.m.

The meeting was reconvened at 4:06 p.m.

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**14. 2016 Annual Board/Staff Workshop**

Staff requested further Board direction in order to make arrangements for the 2016 workshop venue.

After discussion, Mr. Mays made a motion to direct staff to make arrangements for a three-day off-site workshop located within approximately a one-hour driving distance from the metroplex for October 17-19, 2016. Mr. Kingston seconded the motion, which was unanimously approved by the Board.

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**15. 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. National Pension and Institutional Investor Summit**

Messrs. Brown, Schutz, Conway

**b. III: Defined Contribution Summit**

Mr. Haben

**c. Texans for Secure Retirement Meeting**

Mr. Brown

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

**d. Due Diligence: Townsend Group**

Messrs. Schutz, Wagner

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

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**16. 2015 Personalized Benefit Statement and Deferred Retirement Option Plan (DROP) Statement for Members of the Dallas Police & Fire Pension System**

Staff presented the draft 2015 Personalized Benefit Statement and the draft 2015 Personalized DROP Fire Pension Statement for Members and Pensioners, as well as the actuarial letter that will accompany the statements.

After discussion, Mr. Brown made a motion to receive and file the staff briefing on the 2015 Personalized Benefit Statement and DROP Statement for Members of the Dallas Police & Fire Pension System, as well as the actuarial letter that will accompany the statements. Mr. Ho seconded the motion, which was unanimously approved by the Board.

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**17. Service provider review**

At the November 12, 2015 Board meeting, the Board directed staff to begin the service provider review process by bringing to the Board DPFP's legislative consultants for review. The staff requested further guidance and clarification as to how the Board would like the review to be structured.

The Board provided direction. No motion was made.

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**18. Pension Review Board**

- a. Educational Requirements and PRB reporting
- b. Board appointments

Mr. Mond reviewed the Texas Pension Review Board’s Minimum Educational Requirements for Trustees and the recent recommendation by the PRB Education and Research Committee on reporting of compliance failures, as well as recent appointments to the PRB Board.

After discussion, Mr. Brown made a motion to receive and file the staff briefing on the Pension Review Board. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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**19. Ad hoc committees**

Mr. Friar discussed Ad hoc committees and stated that each committee will give a report to the full Board on a bi-monthly basis. He removed himself from the Long-Term Financial Stability Sub-committee and appointed Lee Kleinman in his place, effective January 1, 2016.

No motion was made.

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**D. BRIEFING ITEMS**

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

Received comments during the open forum for members and pensioners.

No motion was made.

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**2. Executive Director's report**

- a. Associations' newsletters
  - TEXPERS Outlook (December 2015)
- b. Future continuing education and investment research programs and conferences

Mr. Haben 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. Haben and a second by Mr. Mays, the meeting was adjourned at 4:36 p.m.

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Samuel L. Friar  
Chairman

**ATTEST:**

[signature]

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Kelly Gottschalk  
Secretary