



D A L L A S
POLICE & FIRE
PENSION SYSTEM



MINUTES SUMMARY
Board Meeting
Thursday, April 14, 2016

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees was held at 8:30 a.m. on Thursday, April 14, 2016, 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 as amended, subject to the final review of the staff.

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. The Board met with the Executive Director to review performance over the past year and approved a salary increase.
2. The Board adopted the changes to the actuarial assumptions as presented by Segal and modified the actuarial smoothing method by resetting the actuarial value of assets to the January 1, 2016 market value of assets and began a 5-year smoothing period for future years.
3. Adopted the Investment Policy Statement as a comprehensive replacement for all previous investment policies.
4. In accordance with the Fixed Income structure study, the Board approved terminating the position in Mondrian to fund a short duration core bond manager.
5. Approved an initial investment of \$50,000,000 to the Income Research + Management (IR+M) 1-3 year strategy within DFPF's short duration core fixed income sub-asset allocation.

MINUTES SUMMARY
Board Meeting
Thursday, April 14, 2016

6. Approved a commitment of \$5 million each to Industry Ventures Secondary Fund VIII and Industry Ventures Partnership Holdings IV within the Private Equity asset class.
7. Approved the extension of the North Texas Opportunity Fund, LP.
8. The Board and staff reviewed the monthly investment reports.
9. Representatives from BDO, DPEP's external independent audit firm, presented their audit plan for the year ended December 31, 2015.
10. The Board and staff discussed the annual 2015 budget review.
11. The Chairman presented a performance award for Employee of the Quarter, First Quarter 2016, to Ryan Wagner, Investment Analyst.
12. The Board and staff discussed the disability recall process.
13. Approved continuance of a pensioner's disability benefit with no further recalls.
14. Legal counsel briefed the Board on legal issues. No motion was made.
15. Updates were given on the ad hoc committees.
16. Approved decommissioning of the hot site after a successful test of cloud based disaster recovery.
17. Received and filed reports by Board and staff members on due diligence meetings, seminars and/or conferences attended.

D. BRIEFING ITEMS

1. Heard member and pensioner comments.
2. The Executive Director's report was presented.

The meeting was adjourned at 5:05 p.m.

MINUTES SUMMARY
Board Meeting
Thursday, April 14, 2016

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 5:05 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. The investment reports were presented.
2. The annual 2015 supplemental budget review was presented.

The Supplemental Board meeting was adjourned at 5:06 p.m.

Dallas Police and Fire Pension System
Thursday, April 14, 2016
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 at 8:30	Samuel L. Friar, Lee M. Kleinman, Joseph P. Schutz, Kenneth S. Haben, Erik Wilson, Tho T. Ho, Gerald D. Brown, Clint Conway, John M. Mays
Present at 8:34	Brian Hass
Present at 8:40	Philip T. Kingston
Present at 8:58	Scott Griggs

Staff

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

Others

Rocky Joyner, Keith Stronkowsky, Jeff Roberts, Ed Ingalls, Matt Drasser, Ken Wallace, Justin Burden, Arthur Hollingsworth, John McGuire, Jill Svoboda, Rachel Pierson, Ken Sprecher, A. D. Donald, Keith Allen, Rick Salinas, Ron Pinkston, Jim Aulbaugh, Mike Jones, John T. Williams, Grant Edmondson, Dennis Johnson

* * * * *

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 retired police officers, Max H. Abney and Ronnie C. Hawthorne, active firefighter, Marco A. Davila and retired firefighters, J. B. Allen and James T. Stewart.

* * * * *

**Regular Board Meeting
Thursday, April 14, 2016**

B. CONSENT AGENDA

- 1. Approval of Minutes**
 - a. Regular meeting of March 10, 2016
 - b. Special meeting of March 24, 2016
- 2. Approval of Refunds of Contributions for the Month of March 2016**
- 3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for April 2016**
- 4. Approval of Survivor Benefits**
- 5. Approval of Service Retirements**
- 6. Approval of Alternate Payee Benefits**
- 7. Approval of Payment of Military Leave Contributions**
- 8. Approval of Payment of DROP Revocation 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.

* * * * *

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Performance review of the Executive Director

The Board went into a closed executive session – personnel at 8:32 a.m.

The meeting was reopened at 10:12 a.m.

After discussion, Mr. Conway made a motion to approve a \$30,000 salary increase for the Executive Director. Mr. Hass seconded the motion, which passed by the following vote:

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

**Regular Board Meeting
Thursday, April 14, 2016**

* * * * *

The meeting was recessed at 10:13 a.m.

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

* * * * *

2. Actuarial experience study

Segal Consulting, DPF's actuary, presented the results of their actuarial experience study for DPF for the five-year period of January 1, 2010 to December 31, 2014 and recommended the Board consider modifying certain assumptions.

After discussion, Mr. Brown made a motion to adopt the changes to the actuarial assumptions as presented by Segal and to modify the actuarial smoothing method by resetting the actuarial value of assets to the January 1, 2016 market value of assets and begin a 5-year smoothing period for future years. Mr. Kingston seconded the motion, which was unanimously approved by the Board.

* * * * *

The meeting was recessed at 11:29 a.m.

The meeting was reconvened at 11:35 a.m. Mr. Griggs was not present.

* * * * *

3. Investment Policy Statement

At the March 10, 2016 Board meeting, staff updated the Board on the process for and status of drafting a new Investment Policy Statement. Staff and the Governance Committee presented the draft Investment Policy Statement, which has been reviewed by Champion Capital Research and NEPC. The Investment Policy Statement describes, in detail, the roles and responsibilities of the Board, Investment Advisory Committee, Executive Director, staff, consultants, investment managers and the investment custodian. The new Investment Policy Statement is intended to be a comprehensive document, and therefore would replace the current investment related policies, as follows:

**Regular Board Meeting
Thursday, April 14, 2016**

3. Investment Policy Statement (continued)

Brokerage Policy & Procedure, Derivatives Investment Guidelines for External Money Managers, Investment Implementation Policy, Investment Policy, Investment Structure Policy, Manager Selection & Monitoring Policy Excluding Real Estate, New Investment Registration Process, Potential Investment Review Process, Real Estate Investment Procedures & Guidelines, Strategic Investment Policy, Supplemental Investment Policy.

After discussion, Mr. Hass made a motion to have staff work with the investment consultant to determine the dollar amount threshold by asset class and sub asset class that requires a Board member to participate in due diligence. Mr. Mays seconded the motion, which failed by the following vote:

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

Mr. Mays made a motion to terminate the investment policies listed above and adopt the Investment Policy Statement, as amended, as a comprehensive replacement for all previous investment policies. Mr. Haben seconded the motion, which was unanimously approved by the Board. Messrs. Griggs, Kleinman, Kingston, and Wilson were absent when the vote was taken.

The Board directed the staff to present a timeline procedure for the Investment Advisory Committee at the May 12, 2016 regular Board meeting.

* * * * *

The meeting was recessed at 2:13 p.m.

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

* * * * *

4. Fixed Income structure study

Mr. Perry stated that the liquid Fixed Income portfolio's target allocation increased from 15% to 28% when the asset allocation was approved at the March 10, 2016 Board meeting. Keith Stronkowsky, Senior Consultant, of NEPC, Mr. Perry and Ms. Romero presented the structure study which explained the build-out of the liquid portion of the Fixed Income portfolio and discussed each of the sub-asset classes in detail, such as which managers to retain or eliminate, the reasonable number of managers in each sub-asset class and the expected timeline to complete the build-out.

**Regular Board Meeting
Thursday, April 14, 2016**

4. Fixed Income structure study (continued)

After discussion, Mr. Brown made a motion that in accordance with the Fixed Income structure study, the Board approve terminating the position in Mondrian in order to fund a short duration core bond manager. Mr. Mays seconded the motion, which was unanimously approved by the Board. Messrs. Griggs, Kleinman, Kingston, and Wilson were absent when the vote was taken.

* * * * *

5. Income Research & Management

NEPC and staff conducted a search for a high quality short duration core bond manager to fill this sub-allocation under the Fixed Income allocation, and staff selected Income Research + Management (IR+M) to present their 1-3 Year Strategy to the Board. NEPC concurred with staff's selection.

After IR+M's presentation and discussion, Mr. Brown made a motion to approve an initial investment of \$50,000,000 to the Income Research + Management (IR+M) 1-3 year strategy within DPF's short duration core fixed income sub-asset allocation. Mr. Haben seconded the motion, which was unanimously approved by the Board. Messrs. Griggs, Kleinman, Kingston, and Wilson were absent when the vote was taken.

* * * * *

6. Industry Ventures

NEPC has recommended a \$10 million allocation to venture/secondaries as part of the Private Markets Review and 2016 Strategic Investment Plan presented at the March 10, 2016 Board meeting. NEPC and staff reviewed several private equity funds involved with venture capital and secondaries and staff selected Industry Ventures to present their Secondary Fund VIII and Partnership Holdings IV offerings. NEPC concurred with staff's selection.

After the Industry Ventures presentation and discussion, Mr. Schutz made a motion to approve a commitment of \$5 million each to Industry Ventures Secondary Fund VIII and Industry Ventures Partnership Holdings IV within the Private Equity asset class, and authorize the Executive Director to negotiate and execute documentation, and perform all necessary acts and exercise all appropriate discretion to facilitate these investments. Mr. Mays seconded the motion, which was unanimously approved by the Board. Messrs. Griggs, Kleinman, Kingston, and Wilson were absent when the vote was taken.

**Regular Board Meeting
Thursday, April 14, 2016**

* * * * *

7. North Texas Opportunity Fund extension

Messrs. Perry and Irlbeck reviewed the background of the North Texas Opportunity Fund, LP. The fund commenced in May 2000 and is approaching the expiration of its term on May 13, 2016. The manager requests that DPFPP consent to a one-year extension in order to wind down the remaining assets in the fund and maximize investors' return. This extension of the fund is the seventh extension requested by the manager under the terms of the limited partnership and requires approval of two-thirds of the limited partners. The partnership ceased payment of management fees to the manager on July 1, 2013. DPFPP committed and funded \$10 million to the fund, and has received \$8.8 million in distributions, earning an IRR since inception of 3.56%. Staff and NEPC both recommended granting the extension.

After discussion, Mr. Conway made a motion to approve the extension and authorize the Executive Director to negotiate and execute documentation and perform all necessary acts and exercise all appropriate discretion to facilitate the extension. Mr. Brown seconded the motion, which was unanimously approved by the Board. Messrs. Griggs, Kleinman, Kingston, and Wilson were absent when the vote was taken.

* * * * *

The meeting was recessed at 3:22 p.m.

The meeting was reconvened at 3:30 p.m.

* * * * *

8. Investment reports

Mr. Perry reviewed the investment performance and rebalancing reports, for the period ending March 31, 2016, with the Board.

No motion was made.

* * * * *

9. 2015 audit plan

Jill Svoboda, Partner, and Rachel Pierson, Manager, of BDO, DPFPP's external independent audit firm, were present and discussed their audit plan for the year ended December 31, 2015.

**Regular Board Meeting
Thursday, April 14, 2016**

No motion was made.

* * * * *

10. Annual 2015 budget review

Ms. Loveland reviewed actual expenses as compared to the budget for the calendar year 2015.

No motion was made.

* * * * *

11. Employee recognition – First Quarter 2016

Mr. Friar and Ms. Gottschalk presented the performance award for Employee of the Quarter, First Quarter 2016, to Ryan Wagner, Investment Analyst.

No motion was made.



* * * * *

**Regular Board Meeting
Thursday, April 14, 2016**

12. Disability recall process

The Board went into a closed executive session – medical at 1:40 p.m.

The meeting was reopened at 2:10 p.m.

No motion was made.

* * * * *

13. Disability recall

The Board went into a closed executive session – medical at 1:40 p.m.

The meeting was reopened at 2:10 p.m.

After discussion, Mr. Brown made a motion to approve continuance of this on-duty disability, Combined Pension Plan, Group B disability benefit, with no further recalls. Officer 2016-1-R is subject to the Annual Earnings Test Review as he was hired and suffered a disability after May 1, 1990. Mr. Haben seconded the motion, which passed by the following vote:

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

* * * * *

14. Legal issues

- a. Police Officer and Firefighter pay lawsuits
- b. Potential claims involving fiduciaries and advisors

No discussion was held. No motion was made.

* * * * *

15. Ad hoc committee reports

Mr. Hass, Chair of the Long-Term Financial Stability Sub-committee, and Mr. Schutz, Chair of the Governance Sub-committee, gave updates on the ad hoc committees. Mr. Mond reported on the Legal Search Sub-committee.

No motion was made.

**Regular Board Meeting
Thursday, April 14, 2016**

* * * * *

16. Business continuity update

John Holt, IT Manager, provided an update on the business continuity plan to the Board. The update included a discussion of hot site options.

After discussion, Mr. Conway made a motion to approve decommissioning of the hot site after successful testing of cloud based disaster recovery. Mr. Brown seconded the motion, which was unanimously approved by the Board. Messrs. Griggs, Kleinman, Kingston, and Wilson were absent when the vote was taken.

* * * * *

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

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

a. IFEBP: Investments Institute

Messrs. Friar, Conway

b. Society of Pension Professionals

Messrs. Schutz, Brown, Irlbeck, Ms. Wu

c. House Pension Public Hearing

Messrs. Kingston, Schutz, Ms. Gottschalk

d. TEXPERS Basic Trustee Training Course

Mr. Conway

e. TEXPERS Annual Conference

Messrs. Friar, Haben, Schutz, Mays, Brown, Conway, Ho, Hass, Perry, Mond, Irlbeck, Wagner, Scoggins, Mmes. Gottschalk, Loveland, Wu, Romero

f. Merit Energy Annual Meeting

Messrs. Haben, Perry, Irlbeck, Ms. Wu

No motion was made.

**Regular Board Meeting
Thursday, April 14, 2016**

* * * * *

D. BRIEFING ITEMS

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

The Board received comments during the open forum.

No motion was made.

* * * * *

2. Executive Director's report

- a. Associations' newsletters
 - NCPERS Monitor (March 2016)
 - NCPERS Monitor (April 2016)
 - NCPERS PERSist (Spring 2016)
 - TEXPERS Outlook (April 2016)
- b. Future Education and Business Related Travel
- c. Future Investment Related Travel

The Executive Director's report was presented. No motion was made.

* * * * *

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. Brown, the meeting was adjourned at 5:05 p.m.

[signature]

Samuel L. Friar
Chairman

ATTEST:

[signature]

Kelly Gottschalk
Secretary