



D A L L A S
POLICE & FIRE
PENSION SYSTEM



MINUTES SUMMARY
Board Meeting
Thursday, September 8, 2016

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

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. BTG Pactual reviewed the DPFPP portfolio and discussed their hold-sell recommendations on the portfolio with the Board.
2. Forest Investment Associates (FIA) reviewed the DPFPP portfolio and discussed their hold-sell recommendations on the portfolio with the Board.
3. NEPC, DPFPP's investment consultant, presented the Second Quarter 2016 Investment Performance Analysis and First Quarter 2016 Private Markets and Real Assets Review.
4. Based on the recommendation of the actuary, Segal Consulting, the Board did not approve an ad hoc annual adjustment for retirees, disabled members, or beneficiaries of members who began membership on or after January 1, 2007.
5. Legal counsel briefed the Board on legal issues.
6. The Board and staff reviewed the investment reports.

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7. Segal Consulting reviewed the results of the additional analysis requested by the Board during the August 18, 2016 Special meeting. The Board continued discussion of possible Plan amendments. The Board amended the Plan to remove the provision allowing Members in Active DROP to transfer money out of their DROP account.
8. Updates were given on the ad hoc committees of the Board.
9. The Board and staff discussed plans for the 2016 annual workshop. The Board directed the staff to cancel the plans for a workshop in October and make plans for a workshop to be held in Spring 2017.

D. BRIEFING ITEM

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

The regular Board meeting was adjourned at 5:10 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 5:10 p.m.

A. CONSENT AGENDA

Approved, subject to the final review of the staff.

B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

The investment reports were presented.

The Supplemental Board meeting was adjourned at 5:10 p.m.

Dallas Police and Fire Pension System
Thursday, September 8, 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, Kenneth S. Haben, Joseph P. Schutz, Brian Hass, Tho T. Ho, Gerald D. Brown, Clint Conway, John M. Mays
Present at 8:33	Erik Wilson
Present at 8:43	Scott Griggs
Present at 8:46	Jennifer S. Gates
Absent:	Philip T. Kingston

Staff

Kelly Gottschalk, Josh Mond, Summer Loveland, John Holt, Damion Hervey, Kelly Dean, Pat McGennis, Ryan Wagner, Milissa Romero, Christina Wu, Greg Irlbeck, Linda Rickley

Others

Chuck Campbell, Dr. Mike Clutter, Jon Sokol, Jon Callaghan, Bob Hagler, Jim McBride, Rhett Humphreys, Michael Yang, Rob Gauss (by telephone), Rocky Joyner, Jeff Williams, Richard Langley, Joel Lavender, David Williams, Roman Kilgore, Ed McFadden, Jerry M. Rhodes, C. J. Delapaz, B. A. Fassett, A. D. Donald, Shbrone Mims, Michael Jones, Bill Ingram, Thomas White, Alan Southard, Michael Aylward, Ken Sprecher, Jim Aulbaugh, Tom Payne, Mark Mladenka, Mark Underwood, Dan Wojcik, Joshua Groves, Robert McKlemurry, Thomas Belcher, Rebecca Oliver, Jeff Patterson, Larry William, Luther Moore, Francisco Rivera, J. S. Parney, Diana Espinoza, Ron Catlin, Michael Igo, Robert Benitez, Christopher Chumbley, Michael Chinchilla, Jeff Pursley, Mike Hoyt, Carol Berry, Jaime Castro, Gerardo Guardiola, H. Holland, Elton Garrett, Armando Rodriguez, Frank T. Duncan, Rick Salinas, George D. Payne, C. M. Barney, Kelly Swindle, Edward Scott, Tristan Hallman, John Wells

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

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**Regular Board Meeting
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A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officers, William E. Chambers and Jerry G. Pollard, and retired firefighter, Ernest E. Coston.

No motion was made.

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B. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of August 11, 2016
Special meeting of August 18, 2016

2. Approval of Refunds of Contributions for the Month of August 2016

3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for September 2016

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

9. Spouse Wed After Retirement (SWAR)

After discussion, Mr. Brown made a motion to approve the items on the Consent Agenda, subject to the final approval of the staff. Mr. Hass seconded the motion, which was unanimously approved by the Board. Messrs. Griggs and Wilson, and Ms. Gates were not present when the vote was taken.

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B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. BTG Pactual portfolio review

Bob Hagler, Head of Investment Strategy and International Portfolio Manager, and Jim McBride, Head of Distribution, of BTG Pactual, who manages an \$80 million portfolio of domestic and international timber for DPFP, presented a review of the portfolio and discussed their hold-sell recommendations on the portfolio with the Board. The target allocation for Natural Resources (Timber/Agriculture) was lowered from 10% to 5% in the recent asset allocation update. Based on this change, at staff's direction, BTG conducted a hold-sell analysis on a property-by-property basis, with the goal of reducing the size of the portfolio and ensuring that any properties that will remain in the portfolio meet or exceed risk-adjusted return expectations for the asset class. Rhett Humphreys and Michael Yang, of NEPC, DPFP's investment consultants, were present to discuss their recommendation.

The Board went into a closed executive session – real estate at 9:20 a.m.

The meeting was reopened at 9:57 a.m.

No motion was made.

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The meeting was recessed at 9:57 a.m.

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

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Mr. Mays left the meeting at 10:15 a.m.

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2. Forest Investment Associates portfolio review

Dr. Mike Clutter, Vice President and Director of U.S. Investments and Operations, Jon Sokol, Portfolio Manager, and Jon Callaghan, Senior Relationship Manager, of Forest Investment Associates (FIA), who manages a \$44 million portfolio of domestic timber for DPFP, presented a review of the portfolio and discussed their hold-sell recommendations on the portfolio with the

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2. Forest Investment Associates portfolio review (continued)

Board. The target allocation for Natural Resources (Timber/Agriculture) was lowered from 10% to 5% in the recent asset allocation update. Based on this change, at staff's direction, FIA conducted a hold-sell analysis on a property-by-property basis, with the goal of reducing the size of the portfolio and ensuring that any properties that will remain in the portfolio meet or exceed risk-adjusted return expectations for the asset class. Messrs. Humphreys and Yang, of NEPC, discussed their recommendation.

The Board went into a closed executive session – real estate at 8:49 a.m.

The meeting was reopened at 9:14 a.m.

No motion was made.

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3. NEPC: Second Quarter 2016 Investment Performance Analysis and First Quarter 2016 Private Markets & Real Assets Review

Messrs. Humphreys and Yang, of NEPC, presented the above reports.

No motion was made.

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4. Ad hoc annual adjustments for pensioners and beneficiaries

Ms. Gottschalk stated that in accordance with Plan Section 6.12 (c), active DROP participants and retirees who first became members of DFPF on or after January 1, 2007 are not eligible for the automatic annual benefit adjustment. However, the Board may determine each year whether and at what percentage to provide an ad hoc adjustment to benefit recipients in this group. Such determination requires the opinion of DFPF's actuary that an ad hoc adjustment would not have an adverse effect on DFPF's ability to meet all accrued benefit obligations. The actuary, Segal Consulting, provided a written recommendation stating that the Board not approve an ad hoc annual adjustment for retirees, disabled members, or beneficiaries of members who began membership on or after January 1, 2007.

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4. Ad hoc annual adjustments for pensioners and beneficiaries (continued)

After discussion, Mr. Ho made a motion not to approve an ad hoc annual adjustment for retirees, disabled members, or beneficiaries of members who began membership on or after January 1, 2007, based on the actuary's recommendation. Mr. Schutz seconded the motion, which was unanimously approved by the Board. Messrs. Brown, Griggs, Mays, and Wilson were not present when the vote was taken.

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5. Legal issues

- a. Police Officer and Firefighter pay lawsuits
- b. Potential claims involving fiduciaries and advisors
- c. 2014 Plan amendment election and litigation
- d. Open records lawsuits
- e. Tax Qualification Plan Amendments

The Board went into a closed executive session – legal at 11:57 a.m.

The meeting was reopened at 1:38 p.m.

No motion was made.

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The meeting was recessed at 1:38 p.m.

The meeting was reconvened at 1:47 p.m.

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6. Investment reports

Staff reviewed the investment performance and rebalancing reports for the period ending August 31, 2016 with the Board.

No motion was made.

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7. Possible Plan amendments

- a. Discussion of, and possible action on, Plan amendments
- b. Tax Qualification Plan amendments
- c. Discussion of next steps

Rocky Joyner and Jeff Williams, of Segal Consulting, DFPF's actuary, reviewed the results of the additional analysis requested by the Board during the August 18, 2016 Special meeting. The Board continued discussion of possible Plan amendments.

Mr. Griggs made a motion to amend Section 6.14(d) to read as follows, effective immediately:

Section 6.14(d). A Member may not receive a distribution from his or her DROP account while the Member is still in Active Service.

Mr. Hass seconded the motion, which was unanimously approved by the Board. Mr. Mays was not present when the vote was taken.

Mr. Griggs left the meeting at 2:23 p.m.

Mr. Brown left the meeting at 3:15 p.m.

Mr. Wilson left the meeting at 3:19 p.m.

The Board directed the staff to work with legal counsel and the actuary to:

- Draft the ballot and ballot explanation and proposed Plan language changes
- Meet with City officials over the next month to discuss the proposed Plan amendments and possible additional city funding
- Begin informational meetings for the members.

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The meeting was recessed at 4:11 p.m.

The meeting was reconvened at 4:22 p.m.

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8. Ad hoc committee reports

An update was given on the Governance ad hoc committee of the Board.

No motion was made.

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9. 2016 Board/staff workshop

The Board and staff discussed plans for the 2016 annual workshop. The Board directed the staff to cancel the plans for a workshop in October 2016 and make plans for a workshop to be held in Spring 2017.

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C. BRIEFING ITEMS

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

The Board heard member and pensioner comments.

No motion was made.

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2. Executive Director's report

- a.** Future Education and Business Related Travel
- b.** Future Investment Related Travel

The Executive Director's report was presented. 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. Ho, the meeting was adjourned at 5:10 p.m.

[signature]

Samuel L. Friar
Chairman

ATTEST:

[signature]

Kelly Gottschalk
Secretary