



D A L L A S
POLICE & FIRE
PENSION SYSTEM



MINUTES SUMMARY
Board Meeting
Thursday, November 10, 2016

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees was held at 8:30 a.m. on Thursday, November 10, 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. The Board met with a short list of candidates for the Interim Police Pensioner Trustee position and appointed Kenneth Sprecher to fill the remainder of the term, which ends on May 31, 2017.
2. The Board voted to include at least one emerging manager in each manager search conducted in the future and asked the Governance Committee to consider what should be the qualifications of emerging managers, report back to the Board, and then refer the matter to the Investment Advisory Committee for the review of the Investment Policy Statement in May 2017.
3. Staff and NEPC presented updated monthly and quarterly investment reports, which could replace the monthly investment oversight reports currently prepared by Maples Fund Services. The Board voted to terminate the Maples Fund services contract.
4. The Board and staff reviewed the investment reports.

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5. The Chief Financial Officer presented the third quarter 2016 financial statements.
6. Staff discussed the status of the plan amendment election and the related Member meetings.
7. Representatives from Locke Lord, LLP, and HillCo Partners, the System's legislative consultants, were present to discuss the 2016 state and federal election outcomes and 2017 legislative issues.
8. The Chairman and Executive Director, on behalf of the Board, presented a plaque of appreciation to John M. Mays for his dedicated service on the Board of Trustees. Mr. Mays served as Police Trustee from June 1981 through November 2000, and as Police Pensioner Trustee from June 2001 through October 2016.
9. The Board amended the Investment Policy Statement to allow staff and the investment consultant for the next six months to rebalance outside the target ranges or terminate managers in situations where prior approval of the Board is not possible and it is the Executive Director's determination that such rebalancing is in DFPF's best interest. Staff is to report to the Board monthly on the actions taken.
10. The Board approved the Calendar Year 2017 Combined Pension Plan budget with the changes discussed, including eliminating funding for the Marco proxy voting service.
11. The Board approved the 2017 Board meeting calendar, subject to the final approval of the Executive Director.
12. Board members reported on meetings, seminars and/or conferences attended.
13. No report was given on the ad hoc committee of the Board.
14. Legal counsel briefed the Board on legal issues.
15. NEPC, DFPF's investment consultant, presented the Second Quarter 2016 Private Markets & Real Assets Review.

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 5:15 p.m.

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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 5:15 p.m.

A. CONSENT AGENDA

Approved by the Board, 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 Board approved the Calendar Year 2017 Supplemental Plan budget.

The Supplemental Board meeting was adjourned at 5:16 p.m.

Dallas Police and Fire Pension System
Thursday, November 10, 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, Kenneth Sprecher
Present at 8:38	Jennifer S. Gates, Erik Wilson
Present at 8:57	Scott Griggs
Absent:	Philip T. Kingston

Staff

Kelly Gottschalk, Josh Mond, Summer Loveland, John Holt, Damion Hervey, Ryan Wagner, Milissa Romero, Christina Wu, Linda Rickley

Others

Chuck Campbell, Daniel Wojcik, Steve Zuczek, Keith Stronkowsky, Michael Yang, Sen. John Whitmire, Gardner Pate, Neftali Partida, Crystal Ford, Neal T. "Buddy" Jones, Clint Smith, John M. Mays, Linda Mays, W. G. Huffman, Jerry Fuller, Alba Antrobus, Jerry M. Rhodes, George D. Payne, Tom Payer, Rick Salinas, Mitchell Smith, Michael Bell, Joel Lavender, Hoyt Hubbell, H. Holland, Keith Allen, Jim Aulbaugh, Monica Hernandez, Tomas Austley, Lori Brown, Bob Hawman, Sandy Alexander, Brendon Marus, Edward Scott, Alex Boyd, Mary Walsh, Josh Womack, Audrea Rega, Sandy Aloncada

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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 officers Jack B. Cobb, Jack T. Hearn, Arthur P. Willis, and Warren Horton, Jr., and retired firefighters Kenneth R. Strader and J. T. Alexander.

No motion was made.

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**Regular Board Meeting
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B. CONSENT AGENDA

- 1. Approval of Minutes**
 - a. Regular meeting of October 13, 2016
 - b. Special meeting of October 18, 2016, 1:00 p.m.
 - c. Special meeting of October 18, 2016, 6:00 p.m.
 - d. Special meeting of October 20, 2016
- 2. Approval of Refunds of Contributions for the Month of October 2016**
- 3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for November 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**

After discussion, Mr. Haben made a motion to approve the items on the Consent Agenda, subject to the final approval of the staff. Mr. Brown 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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C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Appointment of Interim Police Pensioner Trustee

Ms. Gottschalk stated that Police Pensioner John Mays resigned from the Board, effective on October 13, 2016. The Plan requires the Board to appoint a police retiree to the open position to serve the remainder of the term, which ends on May 31, 2017. A sub-committee of the Board interviewed those who submitted a letter of interest. The Board interviewed the following candidates for the Interim Police

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1. Appointment of Interim Police Pensioner Trustee (continued)

Pensioner Trustee in alphabetical order at the November 10 meeting: Kenneth Sprecher, Daniel Wojcik, and Steve Zuczek.

Ms. Gates and Mr. Wilson were present during all of the interviews. Mr. Griggs was present during the interviews of Messrs. Wojcik and Zuczek.

Mr. Friar asked the Board for nominations. Mr. Schutz made a motion to appoint Kenneth Sprecher as the Interim Police Pensioner Trustee for the remainder of the term, which ends on May 31, 2017. Mr. Griggs seconded the nomination.

Mr. Haben made a motion to appoint Dan Wojcik as the Interim Police Pensioner Trustee for the remainder of the term, which ends on May 31, 2017. The motion died for the lack of a second.

No further nominations were made.

The Board voted unanimously to approve the previous motion to appoint Kenneth Sprecher as the Interim Police Pensioner Trustee position to fill the remainder of the term, which ends on May 31, 2017.

Following the vote, Kenneth Sprecher completed the Oath of Office form and began acting in the role of Police Pensioner Trustee.

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The meeting was recessed at 9:37 a.m.

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

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2. Emerging managers

The Board previously requested staff and NEPC to provide additional research to the Board regarding the possible establishment of an emerging manager policy for DFPF's due diligence and investment selection process. Staff and NEPC have researched various industry-wide definitions for "emerging manager" and possible methods to implement a program for DFPF. Keith Stronkowsky, Senior Consultant, of NEPC, and staff presented their considerations for the program.

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2. Emerging managers (continued)

Mr. Friar asked the Governance Committee to consider what should be the qualifications of emerging managers, report back to the Board, and then refer the matter to the Investment Advisory Committee for the review of the Investment Policy Statement in May 2017.

The Board directed staff to include at least one emerging manager in each manager search conducted in the future.

No motion was made.

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

The meeting was reconvened at 10:36 a.m.

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3. Monthly and quarterly investment reporting

Staff and NEPC presented the updated monthly and quarterly investment reports. As a potential cost savings measure, these updated investment reports could replace the current monthly investment oversight reports provided by Maples Fund Services. The updated monthly reports, which staff would prepare, focus on asset allocation, liquidity and monthly portfolio investment activity and would be complemented by the monthly flash performance report prepared by JP Morgan, DFPF's custody bank. NEPC's quarterly performance report, which is the source for DFPF's official investment performance calculations, has been enhanced for ease of use while providing a greater focus on return attribution and overall risk exposure.

After discussion, Ms. Gates made a motion to terminate Maples Fund Services contract with a 60-day notice. Mr. Wilson seconded the motion, which was unanimously approved by the Board.

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4. Investment reports

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

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4. Investment reports (continued)

No motion was made.

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5. Quarterly financial reports

Ms. Loveland presented the third quarter 2016 financial statements.

No motion was made.

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The meeting was recessed at 2:31 p.m.

The meeting was reconvened at 2:37 p.m.

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6. Plan amendment election update

Ms. Gottschalk discussed the status of the plan amendment election and the related Member meetings.

No motion was made.

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7. Legislative update

Senator John Whitmire, Gardner Pate, Neftali Partida, and Crystal Ford, of Locke Lord, LLP, and Neal T. “Buddy” Jones and Clint Smith, of HillCo Partners, the System’s legislative consultants, were present to discuss the 2016 state and federal election outcomes and 2017 legislative issues. Additionally, the Board discussed a letter from Texas State Representative Dan Flynn to Dallas Mayor Mike Rawlings.

No motion was made.

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The meeting was recessed at 11:57 a.m.

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The meeting was reconvened at 12:02 p.m.

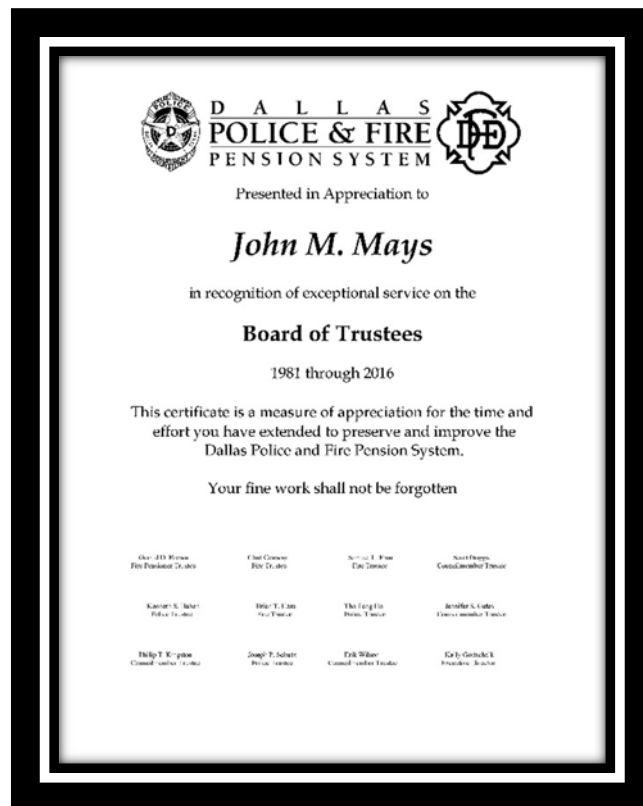
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8. Recognition of Former Trustee

The Chairman and Executive Director, on behalf of the Board, presented a plaque of appreciation to John M. Mays for his dedicated service on the Board of Trustees as Trustee.

Mr. Mays served as Police Trustee from June 1981 through November 2000, and as Police Pensioner Trustee from June 2001 through October 2016.

No motion was made.



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The meeting was recessed at 12:38 p.m.

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

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Messrs. Griggs and Wilson were not present when the meeting was reconvened and for the remainder of the meeting.

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9. Potential Investment Policy Statement changes

Ms. Gottschalk stated that the current Investment Policy Statement (IPS), which was approved in May 2016, included asset class targets and ranges. Pursuant to the IPS, staff has authority to rebalance to the upper and lower bound of the target asset class range with the investment consultant's approval. Several asset classes are at or near the lower bound of the target range, therefore rebalancing certain asset classes below the lower bound of the range will be required.

After discussion, Mr. Brown made a motion to allow staff and the consultant, for a six month period ending with the April 13, 2017 Board meeting, to (i) rebalance outside the target ranges set forth in the Investment Policy Statement or (ii) terminate managers for rebalancing purposes, in both situations where prior approval of the Board is not possible and it is the Executive Director's determination that such rebalancing is in DPF's best interest, provided that if such actions are taken, the Board is advised at the next regularly scheduled Board meeting. Mr. Haben seconded the motion, which was unanimously approved by the Board.

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10. Discussion and approval of the 2017 Budget

Ms. Loveland stated that the 2017 Budget has been prepared in total for both the Combined Pension Plan and the Supplemental Plan and was presented in the Regular Board meeting on October 13, 2016. Total expenses are allocated to the Supplemental Plan based on unitization as reported by JPMorgan.

At the October Board meeting, the Board directed staff to make further budget reductions to be presented to the Board in November.

The revised proposed budget, net of expenses allocated to the Supplemental Plan, totals \$9.4M which is a decrease of 19.3% compared to the prior year budget and a decrease of 6.5% compared to the original 2017 budget proposal presented in October.

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10. Discussion and approval of the 2017 Budget (continued)

After discussion, Mr. Brown made a motion to approve the Calendar Year 2017 budget with the changes discussed, including eliminating funding for the Marco proxy voting service. Mr. Hass seconded the motion, which was unanimously approved by the Board.

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11. 2017 Board meetings

Staff presented the proposed 2017 Board meeting calendar.

After discussion, Mr. Ho made a motion to approve the 2017 Board meeting calendar, subject to the final approval of the Executive Director. Mr. Brown seconded the motion, which was unanimously approved by the Board.

Additionally, the Board directed staff to bring an amended Education and Travel Policy and Procedure back for review at the next Board meeting, reflecting changes for prorated budgets during partial Trustee service years.

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

- a. Society of Pension Professionals
- b. NCPERS Accredited Fiduciary Program Modules 3 & 4
- c. NCPERS Public Safety Conference
- d. Texans for Secure Retirement Symposium
- e. Society of Pension Professionals Annual Summit
- f. TEXPERS Basic Trustee Training Class
- g. PRB Meeting

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

- a. Society of Pension Professionals

Mr. Brown

- b. NCPERS Accredited Fiduciary Program Modules 3 & 4

Messrs. Friar, Haben

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**12. Board Members' reports on meetings, seminars and/or conferences attended
(continued)**

- c. NCPERS Public Safety Conference

Messrs. Friar, Haben

- d. Texans for Secure Retirement Symposium

Mr. Brown

- e. Society of Pension Professionals Annual Summit

Mr. Brown

- f. TEXPERS Basic Trustee Training Class

Messrs. Griggs, Kingston and Ms. Gates

- g. PRB Meeting

Messrs, Friar, Mond and Ms. Gottschalk

No motion was made.

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13. Ad hoc committee report

No report was given.

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The meeting was recessed at 3:55 p.m.

The meeting was reconvened at 4:01 p.m.

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14. Legal issues

- a. Police Officer and Firefighter pay lawsuits
- b. Potential claims involving fiduciaries and advisors
- c. 2014 Plan amendment election and litigation
- d. CDK Realty Advisors LP v. Dallas Police and Fire Pension System

The Board went into a closed executive session – legal at 4:01 p.m.

The meeting was reopened at 4:31 p.m.

No motion was made.

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Mr. Ho left the meeting at 4:30 p.m.

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15. NEPC: Second Quarter 2016 Private Markets & Real Assets Review

Michael Yang, Research Consultant for NEPC, DPFP’s investment consultant, presented the Second Quarter 2016 Private Markets & Real Assets reports.

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

No active member or pensioner requested to address the Board with concerns.

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2. Executive Director's report

- a. DROP update
- b. Future Education and Business Related Travel
- c. Future Investment Related Travel
- d. Associations' newsletters
 - TEXPERS Outlook (November 2016)

The Executive Director's report was presented.

No motion was made.

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Mr. Haben left the meeting at 5:14 p.m.

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Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Brown and a second by Ms. Gates, the meeting was adjourned at 5:15 p.m.

[signature]

Samuel L. Friar
Chairman

ATTEST:

[signature]

Kelly Gottschalk
Secretary

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