



D A L L A S
POLICE & FIRE
PENSION SYSTEM



MINUTES SUMMARY
Board Meeting
Thursday, December 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, December 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 8:31 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 Chairman made Committee appointments.
2. The Board authorized the sale of private assets in the target portfolio at the pricing levels discussed with the Board, subject to final approval of the Executive Director. The Board authorized the Executive Director to negotiate and return to the Board with respect to DPFP's interest in the Lone Star CRA Fund.
3. The Board (1) adopted the Board Principles for Changes to DROP Policy and (2) directed staff to immediately cease DROP distributions except those necessary to satisfy required minimum distribution payments and prepare for the Board's consideration at the next regularly scheduled Board meeting, or sooner, definitive changes to the DROP Policy consistent with the Board Principles, to provide for payment of DROP distributions.

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4. Staff reviewed the City of Dallas proposals with respect to DPFPP with the Board.
5. The Board approved the contracts of HillCo Partners and Locke Lord, LLP as presented. The Board authorized the Executive Director and General Counsel to prepare and cause to be submitted to legislative counsel a bill reflecting the current plan together with the proposed plan amendments including additional funding requirements for the City of Dallas as specified by the Board.
6. Staff briefed the Board on the status of the Plan amendment election.
7. NEPC, DPFPP's investment consultant, presented the Third Quarter 2016 Investment Performance Analysis.
8. The Board and staff reviewed the investment reports.
9. The Board approved liquidating Eagle Asset Management, Mitchell Group, RREEF, Ashmore Emerging Markets Debt Fund, Ashmore Emerging Markets Local Currency Bond Fund, GMO, Putnam and JPMorgan Infrastructure Investments Fund in the next portfolio rebalancing which will cause certain allocations to further breach the lower bound of the target ranges.
10. No discussion was held on legal issues.
11. The Chair of the ad hoc Governance Committee reported that a committee meeting is scheduled for December 9, 2016.
12. Staff discussed the 2016 Annual Benefit and DROP Statements with the Board, as well as the Financial Condition Letter from the actuary.
13. The Board granted survivor benefits under the provisions of Plan Section 6.06(p).
14. A Board member reported on open government training that he had completed.
15. The Board approved the Education and Travel Policy and Procedure as amended.

D. BRIEFING ITEM

1. The Board heard member and pensioner comments.

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2. The Executive Director's report was presented.

The regular Board meeting was adjourned at 3:35 p.m.

SUPPLEMENTAL POLICE AND FIRE PENSION BOARD MEETING

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

The meeting was reconvened at 3:35 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. Staff presented the draft 2016 Benefit Statement and the draft 2016 DROP Statement for Members and Pensioners.

The Supplemental Board meeting was adjourned at 3:36 p.m.

Dallas Police and Fire Pension System
Thursday, December 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, Jennifer S. Gates, Erik Wilson, Tho T. Ho, Gerald D. Brown, Clint Conway, Kenneth Sprecher
Present at 8:33	Brian Hass
Present at 8:51	Philip T. Kingston
Present at 8:52	Scott Griggs
Absent:	None

Staff

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

Others

Chuck Campbell, Jarrett Vitulli, Dale Addeo, Rhett Humphreys, Jeff Williams (by telephone), Rocky Joyner (by telephone), Deborah Brigham (by telephone), Clint Smith (by telephone), Robert Miller (by telephone), Jimmy C. Davis, Larry Goldsmith, Jerry M. Rhodes, Chuck Swaner, Danny Campbell, W. G. Huffman, R. B. Parrish, Julian Bernal, Andy Acord, Thomas Belcher, Patrick Lewter, Michael Flusche, Ron Acker, Jimmy Hyles, Joel Lavender, Roger Garcia, Bryant E. Tilley, A. D. Donald, Larry Williams, Kathy Kresse, Richard Kresse, Stephen Robinson, Steve Potrykus, Gerardo Guardiola, David Dodson, Jaime Castro, William Paris, Leon Hollins, Shawn Gary, Mary Warren, Delisa Seals, Irene Arista, James Parnell, Daniel Wojcik, B. V. Bailey, Tom Payne, B. Robison, J. McGuire, Elvis Benson, Steve Myers, Rudolf Fernandez, Robert Benitez, William A. Wells, Shbrone Mims, Jerome Zabochnik, Jim Mitchell, Dan Schroeder, M. Feist, J. Shannon, Steve Alexander, L. M. Otero, J. Moon, Lori Brown, K. Bell, Bill Rolley, Ken Kalthoff, Arthur Hollingsworth, Monica Hernandez, Mel Sayavedra, Claudia Lauer, Tristan Hallman, Jason Trahan, Jasin Lee, Edward Scott, Zaman Hemani, Cynthia Watson, Brett Shipp, Troy Larkins, Andrea Rega, Sandy Moncada, John Thompson, Steve Pickett, Charles Caster, Steve Stewart, Susan Oakey, Ben Russell, Roy Hernandez, Phil Fleming

**Regular Board Meeting
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The meeting was called to order at 8:31 a.m.

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A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officers, Foy W. Page and Leonard E. Jez, and retired firefighters, W. B. Busby and Hermon A. Inmon, Jr.

No motion was made.

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B. CONSENT AGENDA

- 1. Approval of Minutes**
 - a. Regular meeting of November 10, 2016
 - b. Emergency meeting of November 15, 2016
- 2. Approval of Refunds of Contributions for the Month of November 2016**
- 3. Approval of Estate Settlements**
- 4. Approval of Survivor Benefits**
- 5. Approval of Service Retirements**
- 6. Approval of Alternate Payee Benefits**

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, Hass, and Kingston were not present when the vote was taken.

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**Regular Board Meeting
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C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Committees of the Board and possible Committee appointments

Mr. Friar appointed Police Pensioner Trustee Ken Sprecher to the Audit Committee.

No motion was made.

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2. Possible action on sale of private assets

- a. Possible secondary sale
- b. Possible action on Lone Star CRA Fund

Jarrett Vitulli and Dale Addeo with Evercore, and Rhett Humphreys, with NEPC, and staff were present to outline the marketing process and discuss the bids that were received.

The Board went into closed executive session – legal at 8:59 a.m.

The meeting was reopened at 9:22 a.m.

After discussion, Mr. Brown made a motion to authorize the sale of private assets in the target portfolio at the pricing levels discussed with the Board, subject to the final approval of the Executive Director. Mr. Ho seconded the motion, which was approved by the Board by the following vote:

For: Messrs. Brown, Ho, Friar, Haben, Schutz, Hass, Wilson, Conway, Sprecher, Ms. Gates

Against: Messrs. Griggs, Kingston

After discussion, Mr. Griggs made a motion to authorize the Executive Director to negotiate and return to the Board with respect to DFPF’s interest in the Lone Star CRA Fund. Mr. Kingston seconded the motion, which was unanimously approved by the Board.

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3. Possible changes to DROP Policy

The Board went into closed executive session – legal at 9:25 a.m.

The meeting was reopened at 11:09 a.m.

Board Principles are located in Minute Book Number 44 on Page 201.

After discussion, Mr. Griggs made a motion to (1) adopt the Board Principles for Changes to the DROP Policy and (2) direct staff to immediately cease DROP distributions except those necessary to satisfy required minimum distribution payments and prepare for the Board’s consideration at the next regularly scheduled Board meeting, or sooner, definitive changes to the DROP Policy consistent with the Board Principles, to provide for payment of DROP distributions. Mr. Wilson seconded the motion, which was approved by the following vote:

For: Messrs. Griggs, Wilson, Friar, Haben, Schutz, Hass, Ho, Brown, Kingston, Sprecher, Ms. Gates

Against: None

Abstain: Mr. Conway

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The meeting was recessed at 11:10 a.m.

The meeting was reconvened at 11:16 a.m.

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Regular Board Meeting Thursday, December 8, 2016

Board Principles for Changes to DROP Policy

The Board of Trustees of the Dallas Police and Fire Pension System hereby adopts the following principles to be followed by DPFP staff in preparing definitive changes to the DROP Policy (the "Policy") for consideration by the Board at the next Board meeting.

1. The Board has been presented with cash flow scenarios that indicate there is a strong possibility that DPFP will not be able to satisfy in the near term all monthly annuity payments, anticipated DROP requests and ongoing cash needs, including a prudent level of cash reserves for operating expenses, indebtedness, investment-related expenditures as noted in Paragraph 3 below (the "Cash Requirements") through existing liquid assets. Given this strong possibility, the Board recognizes its duty to balance the interests of fulfilling the terms of the Plan and satisfying immediate DROP requests against the need to pay future annuity payments, satisfy the Cash Requirements, and preserve asset value to the maximum extent possible by disposing of its illiquid asset holdings in a prudent and efficient manner.
2. The Board believes that dealing with these competing interests falls within its power to adjust withdrawals from DROP accounts consistent with efficient administration as set forth in Section 6.14(e) of the Plan. While the term "efficient administration" is not defined in the Plan, the Board has the power to interpret such terms pursuant to Section 3.01(s) of the Plan and Texas law. As such, the Board has full authority to adopt the Motion passed today and to adopt these principles.
3. The Policy should provide that the Board will maintain a reserve of liquid assets consisting of all outstanding indebtedness, amounts to provide for capital commitments for investments and, initially 12 months of monthly benefit payments and operating expenses. These reserves amounts may change over time as the Board determines how long it may take to sell assets in a prudent manner.
4. The Policy should provide for a fair and equitable manner by which Retirees shall be given an opportunity to withdraw amounts from DROP, providing Retirees a fair amount of notice and details of the revised DROP Policy.
5. The Policy should provide that the Board and staff will work with its investment consultant to dispose of such assets in a prudent and efficient manner, seeking to achieve sales in as short a time as possible to satisfy DROP distribution requests, while minimizing, to the greatest extent possible, discounts on such sales.
6. The Policy should provide that any distributions required to be made under federal tax law shall be made to any member by the end of any applicable year.
7. The Policy should provide for similar hardship exceptions to those described in Section 457(d)(1)(A)(iii) of the Internal Revenue Code and the Treasury Regulations and guidance promulgated thereunder.
8. The Policy should provide that it is the intention of the Board to repeal the changes at the earliest date upon which the Board determines that doing so is not necessary to balance the interests described in Paragraph 1.

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4. Discussion and possible action on City of Dallas pension proposals

The Board went into closed executive session – legal at 12:24 p.m.

The meeting was reopened at 1:31 p.m.

Staff reviewed the City of Dallas proposals with respect to DFPF with the Board. Jeff Williams, Rocky Joyner, and Deborah Brigham, all of Segal Consulting, DFPF’s actuary, participated by telephone.

No motion was made.

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5. Possible action on legislative matters

- a. Approval of contracts for HillCo Partners and Locke Lord, LLP
- b. Approval of possible legislation

Ms. Gottschalk stated that DFPF has been presented with new contracts for services by its legislative consultants, HillCo Partners and Locke Lord, LLP. Staff discussed the need for such contracts with the Board. Clint Smith, of HillCo Partners, and Robert Miller, of Locke Lord, LLP, participated telephonically to answer questions from the Board.

After discussion, Mr. Griggs made a motion to approve the contracts of HillCo Partners and Locke Lord, LLP as presented. Mr. Kingston seconded the motion, which was unanimously approved by the Board. Mr. Wilson was not present when the vote was taken.

After discussion, Mr. Kingston made a motion to authorize the Executive Director and General Counsel to prepare and cause to be submitted to legislative counsel a bill reflecting the current plan together with the proposed plan amendments, including additional funding requirements for the City of Dallas as specified by the Board. Mr. Griggs seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 2:49 p.m.

The meeting was reconvened at 3:00 p.m.

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6. Update and possible action on Plan amendment election

The staff briefed the Board on the status of the Plan amendment election.

No motion was made.

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7. NEPC: Third Quarter 2016 Investment Performance Analysis

Mr. Humphreys, of NEPC, presented the Third Quarter 2016 Investment Performance Analysis.

No motion was made.

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8. Investment reports

Staff reviewed the investment performance and rebalancing reports for the period ending November 30, 2016 with the Board.

No motion was made.

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9. Approval of rebalancing and investment manager changes

Ms. Gottschalk stated that the Investment Policy Statement requires approval of the Board to terminate a manager. Additionally, the Investment Policy Statement provides target ranges for asset classes, beyond which rebalancing may not occur. Staff believes further rebalancing of the portfolio needs to occur which will cause more asset classes to fall below the lower bound of the target ranges and several managers will need to be liquidated. Staff and NEPC reviewed the recommended changes with the Board.

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9. Approval of rebalancing and investment manager changes (continued)

After discussion, Mr. Conway made a motion to approve liquidating Eagle Asset Management, Mitchell Group, RREEF, Ashmore Emerging Markets Debt Fund, Ashmore Emerging Markets Local Currency Bond Fund, GMO, Putnam and JPMorgan Infrastructure Investments Fund in the next portfolio rebalancing which will cause certain allocations to further breach the lower bound of the target ranges. Mr. Brown seconded the motion, which was unanimously approved by the Board. Mr. Griggs was not present when the vote was taken.

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10. 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
- e. 2016 Plan amendment litigation

No discussion was held on legal issues.

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11. Ad hoc committee report

Mr. Schutz, Chair of the ad hoc Governance Committee, reported that a committee meeting is scheduled for December 9, 2016.

No motion was made.

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12. 2016 Annual Benefit Statements and Deferred Retirement Option Plan (DROP) Statements for Members of the Dallas Police & Fire Pension System

- a. Annual Statements
- b. Financial Condition Letter

Staff discussed the 2016 Annual Benefit and DROP Statements with the Board, as well as the Financial Condition Letter that will accompany the Annual Statements.

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12. 2016 Annual Benefit Statements and Deferred Retirement Option Plan (DROP) Statements for Members of the Dallas Police & Fire Pension System (continued)

No motion was made.

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13. Determination of Handicap Status of Dependent Child

The Board discussed an application for survivor benefits under the provisions of Plan Section 6.06(p).

After discussion, Mr. Kingston made a motion to grant survivor benefits under the provisions of Plan Section 6.06(p). Mr. Griggs seconded the motion, which was unanimously approved by the Board.

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

Open Meetings Act, Public Information Act

Mr. Sprecher reported on the above required Trustee training that he had completed.

No motion was made.

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15. Possible changes to Education and Travel Policy and Procedure

Ms. Loveland discussed a proposed change to the policy and procedures covering education and travel related expenses to address the proration of individual Trustee budgets in the year a Trustee's term begins or ends. This change is based upon discussion in the November 10 Board meeting.

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15. Possible changes to Education and Travel Policy and Procedure (continued)

For the year in which a Trustee's term ends, the Trustee's allocated budget for that year would be prorated from the beginning of the year through the scheduled end of the Trustee's term. If the Trustee is subsequently reelected in that year, the Trustee's budget would be increased to the full amount for the year. For the year in which any new Trustee begins to serve, the Trustee's allocated budget would be prorated from the Trustee's start date through the end of the year.

After discussion, Mr. Griggs made a motion to approve the Education and Travel Policy and Procedure as amended. Mr. Kingston seconded the motion, which was unanimously approved by the Board.

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D. 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.

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2. Executive Director's report

- a. DROP update
- b. Public relations firm
- c. Future Education and Business Related Travel
- d. Future Investment Related Travel
- e. Associations' newsletters
 - NCPERS Monitor (November 2016)
 - TEXPERS Outlook (November 2016)
 - TEXPERS Pension Observer (Fall 2016)

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

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ADDENDUM

10. Legal issues

f. Rawlings vs. Dallas Police and Fire Pension System

No discussion was held on legal issues.

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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. Griggs, the meeting was adjourned at 3:35 p.m.

[signature]

Samuel L. Friar
Chairman

ATTEST:

[signature]

Kelly Gottschalk
Secretary

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