



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



**MINUTES SUMMARY**  
**Board Meeting**  
**Thursday, March 9, 2017**

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees was held at 8:30 a.m. on Thursday, March 9, 2017, 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**

The February Board meeting minutes (Item B1) will be revised and presented to the Board at the April 13, 2017 meeting. Items B2 – B7 were 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 certified the Executive Director's report of trustee applicant names to be placed on the 2017 Trustee election ballot.
2. Staff updated the Board on the status of the DPFP plan legislation and briefed the Board on pension bills that have been filed which may bear on DPFP.
3. The Board and staff considered possible Deferred Retirement Option Plan (DROP) account distributions in accordance with the DROP Policy Addendum. Based on the certified reserve amount and the certified excess liquidity amount of \$0.00, the Board passed a resolution that, as a result, no amounts are available for pro-rata distribution in March 2017 under Section 5 of the Addendum.
4. The Board and legal counsel discussed legal issues.

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5. NEPC, DPFP's investment consultant, presented the Fourth Quarter 2016 Investment Performance Analysis and Third Quarter 2016 Private Markets & Real Assets Review and discussed the current cash allocation.
6. The Board authorized the sale of Sungate, subject to the final approval of terms by the Executive Director.
7. The Board and staff reviewed the investment reports.
8. The Board approved the proposed increase in the budget for liability insurance for 2017.
9. The Board authorized the Executive Director to enter into an agreement to sell DPFP's interest in the CDK Multi-Family Fund.
10. The Board approved continuance of two On-Duty, Combined Pension Plan, Group B disability benefits, with the requirement to undergo future medical examination(s) every two-years until reaching the age of 50. Both pensioners are subject to the Annual Earnings Test Review, as they were hired and suffered a disability after May 1, 1990.

The Board determined that a third disability Pensioner can return to the former department. The Pensioner's disability pension will continue to be paid until the date before the Pensioner returns to the active payroll of the department.

11. The Board postponed the discussion of possible revisions to or repeal of certain Board policies.
12. Brief updates were provided on the Governance ad hoc committee and the Professional Services Committee.
13. The Information Technology Manager reviewed the System's Business Continuity Plan.

**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 2:11 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 2:11 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**

The Board and staff reviewed the investment reports.

The Supplemental Board meeting was adjourned at 2:12 p.m.

**Dallas Police and Fire Pension System**  
**Thursday, March 9, 2017**  
**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, Jennifer S. Gates, Erik Wilson, Tho T. Ho, Gerald D. Brown, Clint Conway, Kenneth Sprecher

Present at 8:40 Philip T. Kingston

Present at 8:59 Scott Griggs

Absent: None

**Staff**

Kelly Gottschalk, Josh Mond, Summer Loveland, John Holt, Damion Hervey, Ryan Wagner, Milissa Romero, Christina Wu, Greg Irlbeck, Linda Rickley, Cynthia Thomas, Ann Matthews, Trish Wiley, Aimee Crews

**Others**

Chuck Campbell, John Turner, Ben Mesches, Jason Jordan, Jeff Williams (by telephone), Rhett Humphreys, Michael Yang, Tony L. Speck, Larry Goldsmith, Jimmy C. Davis, Gilbert Travis, Lloyd D. Brown, Paul Jarvis, James H. Freeman, Thomas Belcher, Joe Don Philpott, Danny Millaway, Joseph Stephens, Nita Stephens, Thomas Moorman, Tony Moore, James David Elliston, Thomas M. Payne, Joel Lavender, Larry D Williams, Ennis Hill, William A. Paris, Jr., Thomas Bowers, Jr., Jill S. Muncy, David Henry, Julian Bernal, Jerry Minter, Rick Salinas, Dale Erves, Michael Adamek, Jerry M. Rhodes, Frank Ruspoli, Sharon L. Mosley, Sam Carr, Aaron Anderson, D. K. Brown, A. D. Donald, Armando Garza, Dan Wojcik, Ann T. Robinson, David Dodson, Philip Braun, Roy Ferguson, Gary S. Beck, James Hoyt Hubbell, Phillip Murray, David Williams, Charles V. Hale, Michael Gomez, Jim Aulbaugh, Sandy Alexander, Thomas Costley, Monica Hernandez, Phil Fleming, Lori Brown, Zaman Hemani, Ken Kalthoff, Tristan Hallman, Mike Grimm, Tom Fox, Chris Kang, Josh Womack, Tanya Eiserer, Robert Benites, Charles James, Trey Larkins, Andrea Rega, Sandy Moncada, Greg T. Johnson, Rebecca Lopez, Mike Botsford

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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, Jimmy D. Holt, Jack T. Swafford, Kenneth B. Wolfe, and retired firefighters, John E. Abernathy, W. F. Haygood, L. A. Hiller, W.E. Montgomery, and W. E. Rieves.

No motion was made.

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**B. CONSENT AGENDA**

**1. Approval of Minutes**

- a. Regular meeting of February 9, 2017
- b. Special meeting of February 14, 2017
- c. Special meeting of February 20, 2017
- d. Special meeting of February 27, 2017

**2. Approval of Refunds of Contributions for the Month of February 2017**

**3. Approval of Estate Settlements**

**4. Approval of Survivor Benefits**

**5. Approval of Service Retirements**

**6. Approval of Alternate Payee Benefits**

**7. Unforeseen Emergency Request Denials**

After discussion, Mr. Brown made a motion to approve the items on the Consent Agenda, except all of the February minutes, subject to the final approval of the staff, with the February minutes to be revised as directed and presented to the Board at the April Board meeting. Mr. Haben 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. Certification of applications for Trustee for 2017 Trustee election ballot**

At the January 12, 2017 meeting of the Board, the Board called for an election to fill the four Trustee positions whose terms expire on June 1, 2017:

<b><u>Incumbent</u></b>	<b><u>Place</u></b>
Kenneth Haben	Police Trustee (Place P-1)
Samuel Friar	Fire Trustee (Place F-1)
Gerald Brown	Fire Pensioner Trustee (Place 1)
Kenneth Sprecher	Police Pensioner Trustee (Place 1)

Ms. Gottschalk stated that Applications for Trustee candidacy were made available from 8:00 a.m. on February 13, 2017, through 4:00 p.m. on February 28, 2017 to members who are interested in running for an expiring term. She also stated that the following persons have met the qualifications to be placed on the ballot for the Trustee election, provided that they attend the required Trustee candidate class:

<b><u>Police Positions</u></b>	<b><u>Fire Positions</u></b>
<b><u>Police Place 1 (P-1)</u></b> Kenneth Haben - Incumbent	<b><u>Fire Place 1 (F-1)</u></b> Samuel Friar - Incumbent
<b><u>Police Pensioner, Place 1</u></b> Thomas D. Bowers, Jr. Kenneth Sprecher - Incumbent Joseph Thompson	<b><u>Fire Pensioner, Place 1</u></b> Jerry T. Minter Larry D. Williams

The voting period is scheduled from 8:00 a.m. on Friday, March 24, 2017, through 12:00 p.m. on Friday, April 7, 2017.

After discussion, Mr. Conway made a motion to certify the Executive Director's report of trustee applicant names to be placed on the ballot. Mr. Schutz seconded the motion, which was unanimously approved by the Board. Messrs. Griggs and Kingston were not present when the vote was taken.

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**2. Discussion and possible action on Legislative Matters**

- a. Status of DPFPP plan legislation
- b. Other pension-related legislative issues

Staff updated the Board on the status of the City's and DPFPP's proposed plans at the legislature as well as status of the discussions between the City and DPFPP. Jeff Williams, of Segal Consulting, DPFPP's actuary, participated by telephone.

Staff briefed the Board on pension bills that have been filed which may bear on DPFPP.

No motion was made.

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**3. Consideration of possible Deferred Retirement Option Plan (DROP) accounts distribution in accordance with DROP Policy Addendum**

- a. Certification of reserve amount
- b. Certification of excess liquidity amount
- c. Determination of distribution amount

a. The Staff presented the components of the reserve amount calculated in accordance with the DROP Policy Addendum for the Board's consideration. The reserve amount is used in determining whether DROP distributions are available for payment to eligible members for the current month and considers the following obligations that are essential to DPFPP's efficient administration:

- i. No less than 12 months of monthly annuity benefit payments, less monthly contributions for the same period;
- ii. No less than 12 months of anticipated operating expenses;
- iii. No less than 12 months of Minimum Annual Distributions pursuant to the DROP Policy Addendum;
- iv. All anticipated Required Minimum Distributions for the coming year;
- v. All outstanding indebtedness; and

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**3. Consideration of possible Deferred Retirement Option Plan (DROP) accounts distribution in accordance with DROP Policy Addendum (continued)**

- vi. All outstanding capital commitments for existing private market investments as well as no less than 12 months of other anticipated investment-related expenditures.
  
- b. The Staff presented the determination of the excess liquidity amount calculated in accordance with the DROP Policy Addendum for the Board's consideration. The excess liquidity amount represents the amount of total liquid assets in excess of 1) the reserve amount, and 2) the Minimum Annual Distributions to be paid for the current month.
  
- c. The Staff discussed the possible effects of payment of excess liquidity amounts on the efficient administration of DPFP.

The meeting was recessed at 10:54 a.m.

The meeting was reconvened at 10:57 a.m.

After discussion, Mr. Kingston made a motion to certify the reserve amount of \$885,962,471, the excess liquidity amount of \$0.00, and pass a resolution that, as a result, no amounts are available for pro-rata distribution in March 2017 under Section 5 of the DROP Policy Addendum adopted by the Board on January 12, 2017. Mr. Griggs seconded the motion, which was approved by the Board by the following vote:

For: Kingston, Griggs, Friar, Haben, Schutz, Hass, Gates, Wilson, Ho, Brown, Conway

Against: Sprecher

The Resolution is shown in Minute Book 45 on Pages 6 & 7.

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**Resolution**

WHEREAS, the Board of Trustees adopted a DROP Policy Addendum at its meeting of January 12, 2017 to ensure that distribution of DROP accounts was consistent with the efficient administration of the System;

WHEREAS, Section 2.c. of the Addendum provides that the Board is to certify a "Reserve Amount" that is necessary to satisfy obligations essential to the efficient administration of the System, including obligations relating to outstanding indebtedness;

WHEREAS, Section 2.b. recognizes that the Reserve Amount will vary as the needs associated with the obligations comprising the Reserve Amount change and that it should include amounts necessary to ensure the System can satisfy its obligations in a prudent and efficient manner;

WHEREAS, the System currently has outstanding indebtedness in connection with its interest in Red Consolidated Holdings (RCH), and the terms of such debt require that the System maintain a certain level of assets;

WHEREAS, the Board has been presented with information that reveals that failure to maintain the required level of assets under the System would have an adverse impact on the System's interest in RCH that would be inconsistent with the efficient and prudent administration of the System;

WHEREAS, the Board has been presented with information by staff that sets forth a recommended Reserve Amount that includes an amount that the staff believes is reasonably necessary to ensure that the level of the System's assets do not fall below the level required under the outstanding indebtedness in connection with the System's interest in RCH;

WHEREAS, the Board otherwise finds that the recommended Reserve Amount is consistent with an appropriate liquidity reserve that should be retained by the System in its present circumstances;

WHEREAS, Section 3.b. of the Addendum provides that the Board is to certify an "Excess Liquidity Amount", which is equal to the amount that the total liquid assets

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held by the System exceed the Reserve Amount as of the date the Board certifies the Reserve Amount and any minimum annual distributions as described in Section 7 of the Addendum;

WHEREAS, Section 5.a of the Addendum provides that the Excess Liquidity Amount certified by the Board will be available for pro-rata distribution to eligible DROP participants that have made a valid request under the terms of the Addendum;

WHEREAS, the Board has been presented with information by staff that shows that the total liquid assets of the System will not exceed the Reserve Amount and the amount of minimum annual distributions, and thus no Excess Liquidity Amount is available for pro-rata distribution; and

WHEREAS, Section 7.c of the Addendum provides that the unavailability of the pro-rata distribution does not impact the minimum annual distributions under Section 7 of the Addendum;

NOW THEREFORE, BE IT RESOLVED that, pursuant to the Section 2.c. of the Addendum, the Board certifies a Reserve Amount equal to \$885,962,471, which is the amount that the Board determines is necessary to satisfy the obligations essential to the System's efficient administration and includes amounts necessary for the System to retain an adequate level of total assets to ensure contractual obligations under outstanding indebtedness related to the System's interest in RCH are satisfied;

RESOLVED further that, pursuant to Section 3.b. of the Addendum, the Board certifies an Excess Liquidity Amount of \$0.00, as total liquid assets held by the System do not exceed the Reserve Amount certified by the Board, and as a result, no amounts are available for pro-rata distribution under Section 5 of the Addendum.

RESOLVED further that the Board also acknowledges that the minimum annual distributions will still proceed and be unaffected by this action as provided under Section 7.c. of the Addendum.

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**4. Legal issues**

- a. Police Officer and Firefighter pay lawsuits
- b. Potential claims involving fiduciaries and advisors
- c. 2014 Plan amendment election and litigation
- d. 2016 Plan amendment litigation
- e. Rawlings v. Dallas Police and Fire Pension System
- f. DFPF v. Columbus A. Alexander III
- g. Degan et al. v. DFPF Board of Trustees (Federal suit)

Mr. Brown made a motion that the Council Member Trustees be excluded from the closed session discussion of the Rawlings v. Dallas Police and Fire Pension System lawsuit (the Mayor’s lawsuit), but not from the remainder of the closed session discussion of legal issues. Mr. Haben seconded the motion, which was approved by the following vote:

For: Brown, Haben, Friar, Schutz, Hass, Ho, Conway, Sprecher  
Against: Griggs, Gates, Wilson, Kingston

The Board went into closed executive session – legal at 11:05 a.m. which included all 12 Trustees.

Council Member Trustees Griggs, Gates, Wilson, and Kingston left the closed executive session – legal at 11:24 a.m. during the discussion of the Rawlings lawsuit only. The remaining 8 Trustees were present for the discussion, as well as Ms. Gottschalk, Mr. Mond, Ms. Loveland, and outside legal counsel Chuck Campbell, John Turner, Ben Mesches, and Jason Jordan.

The meeting was reopened at 11:40 a.m.

No motion was made.

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**5. NEPC**

- a. Fourth Quarter 2016 Investment Performance Analysis
- b. Third Quarter 2016 Private Markets & Real Assets Review
- c. Current cash allocation

Rhett Humphreys and Michael Yang, of NEPC, DFPF’s investment consultants, presented the Fourth Quarter 2016 Investment Performance Analysis, the Third Quarter 2016 Private Markets & Real Assets Review, and discussed the current cash allocation.

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**5. NEPC (continued)**

No motion was made.

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The meeting was recessed at 1:25 p.m.

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

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Messrs. Kingston and Wilson left the meeting at 1:32 p.m.

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**6. Possible sale of Sungate**

The Board went into closed executive session – real estate at 11:41 a.m.

The meeting was reopened at 12:20 p.m.

After discussion, Mr. Haben made a motion to authorize the sale of Sungate, subject to the final approval of terms by the Executive Director. Mr. Conway seconded the motion, which was unanimously approved by the Board. Mr. Kingston was not present when the vote was taken.

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**7. Investment reports**

Staff reviewed the investment performance and rebalancing reports for the period ending February 28, 2017 with the Board.

No motion was made.

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**8. 2017 Budget adjustment – Insurance**

The staff briefed the Board on a change to anticipated expenditures for liability insurance coverage in 2017 as compared to the budgeted amount. Actual quotes were in excess of anticipated amounts. The increase is specific to fiduciary coverage and is related to recent legal filings against DPF.

	<u>2017 Budget</u>	<u>Proposed Revised Amount</u>
Liability insurance	\$ 372,000	\$ 447,667

After discussion, Mr. Conway made a motion to approve the proposed increase in the budget for liability insurance for 2017. Mr. Schutz seconded the motion, which was unanimously approved by the Board. Messrs. Kingston and Wilson were not present when the vote was taken.

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**9. CDK Multi-Family Fund**

The Board went into closed executive session – real estate at 11:41 a.m.

The meeting was reopened at 12:20 p.m.

The Board authorized a sale of DPF’s interest in the CDK Multi-Family Fund at the October 13, 2016 Board meeting. Staff provided the Board with an update to the terms of the potential sale.

After discussion, Mr. Haben made a motion to authorize the Executive Director to enter into an agreement to sell DPF’s interest in the CDK Multi-Family Fund. Mr. Conway seconded the motion, which was unanimously approved by the Board. Mr. Kingston was not present when the vote was taken.

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Mr. Conway left the meeting at 1:57 p.m.

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**10. Closed Session - Board serving as Medical Committee**

Disability recalls

The Board went into closed executive session – medical at 1:57 p.m.

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

After discussion, Mr. Brown made a motion to approve continuance of the on-duty, Combined Pension Plan, Group B disability benefits, for Police Officer 2017-3-R and Fire Officer 2017-5-R, with the requirement for both to undergo future medical examination(s) every two years until reaching the age of 50. Both are subject to the Annual Earnings Test Review, as they were hired and suffered a disability after May 1, 1990. Mr. Schutz seconded the motion, which was unanimously approved by the Board. Messrs. Conway, Kingston, and Wilson were not present for the vote.

After discussion, Mr. Brown made a motion to determine that Police Officer 2017-4-R can return to the Police department and to continue the disability pension until the date before the Pensioner returns to the active payroll of the former department. Mr. Schutz seconded the motion, which was unanimously approved by the Board. Messrs. Conway, Kingston, and Wilson were not present for the vote.

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**11. Possible revisions to or repeal of certain Board policies**

The Board postponed the discussion of possible revisions to or repeal of certain Board policies to the April regular Board meeting.

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**12. Ad hoc and permanent committee reports**

- a. Governance
- b. Professional Services Committee

Mr. Schutz, Governance Committee Chairman, gave a brief report. Mr. Haben, Chairman of the Professional Services Committee, reported to the Board on its meetings with the investment consultant, NEPC, and the outside legal counsel, Jackson Walker L.L.P.

No motion was made.

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**13. Business Continuity Review**

John Holt, IT Manager, reviewed the System's Business Continuity Plan and highlighted major features of the plan.

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**

The Board received comments during the open forum.

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
- c.** Associations' newsletters
  - NCPERS Monitor (February 2017)
  - TEXPERS Pension Observer (Winter 2017)

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. Brown and a second by Mr. Haben, the meeting was adjourned at 2:11 p.m.

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Samuel L. Friar  
Chairman

**ATTEST:**

[signature]

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Kelly Gottschalk  
Secretary



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