

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 13, 2014 - Thursday, October 16, 2014
8212 Barton Club Drive
Austin, Texas**

Special meeting, George J. Tomasovic, Chairman, presiding:

ROLL CALL

Board Members

Present: Gerald D. Brown, Samuel L. Friar, Kenneth S. Haben, Lee M. Kleinman, John M. Mays, George J. Tomasovic, Richard A. Salinas, Joseph P. Schutz, Daniel W. Wojcik

Absent: Tennell Atkins, Scott Griggs, Philip T. Kingston

Staff

Don Rohan, Brian Blake, Summer Loveland, Josh Mond, John Holt, Pat McGennis, Linh Ho, Ryan Wagner, Milissa Schmidt, Christina Wu, Greg Irlbeck, Linda Rickley, Laura Banda

Others

Ken Cooley, Jon Donahue, Brent Kroener, Marshall Edwards, Brigid Seay, Amanda Cooley, Chris Hanson, Mike Ebert, Steve Maun, Richard W. Brown, Martin Rosenberg, Jeff Leighton, Prashant Tewari (by telephone), Steve Coyle, Paul Boneham, William "Billy" Brown, Scott Fowler, Nicolas Rubio, Mary Peters, Rhett Humphreys, Keith Stronkowsky, Sean Gill, Tim McCusker, Bruce Zimmerman, Oliver Williams, Melanie Arnold, Gary Lawson, A. D. "Gus" Fields, Texas State Representative Robert Alonzo, David Driscoll, David Kent, Janie Shaw, Bill Miller, Buddy Jones, Clint Smith, Senator John Whitmire, Gardner Pate, David Waks

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The meeting was called to order at 12:00 p.m. on Monday, October 13, 2014.

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REAL ASSET INVESTMENTS

1. RiverView property site visit

The Board took a property tour of RiverView, a 302-unit apartment complex in Austin, Texas, one of DFPF's investments managed by CDK Realty Advisors.

No motion was made.

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The meeting was recessed at 2:00 p.m.

The meeting was reconvened at 2:55 p.m. (See Item 17 on page 8 of minutes.)

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

The meeting was reconvened at 5:01 p.m.

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OPENING SESSION

2. History and future of the Texas Pension Review Board

Christopher Hanson, Executive Director of the Pension Review Board (PRB), was present to discuss the history and future of the PRB. Mr. Hanson also discussed the new trustee training requirements that become effective in 2015.

After discussion, Mr. Salinas made a motion to receive and file the PRB presentation. Mr. Brown seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 5:58 p.m. on Monday, October 13, 2014

The meeting was reconvened at 8:00 a.m. on Tuesday, October 14, 2014

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REAL ASSET INVESTMENTS (continued)

3. CDK Realty Advisors portfolio review

Ken Cooley, Jon Donahue, Brent Kroener, and Marshall Edwards, Principals, of CDK Realty Advisors, updated the Board on the strategy and progress of the properties and investments managed for DPF.

After discussion, Mr. Brown made a motion to receive and file the CDK presentation. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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REAL ASSET INVESTMENTS (continued)

4. RED Consolidated Holdings, LLC portfolio review

Michael Ebert and Steve Maun, Managing Partners, were present to review the history and structure of RED Consolidated Holdings (RCH).

After discussion, Mr. Brown made a motion to receive and file the RED presentation. Mr. Haben seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 10:39 a.m.

The meeting was reconvened at 11:02 a.m.

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5. Reports of The Townsend Group

- a. Role as consultant
- b. Townsend View of the World
- c. Implementing Strategic Real Estate Allocation Plan
- d. Performance reporting methodology
- e. Second Quarter 2014 Performance Report

Richard Brown, Principal, Martin Rosenberg, Principal, and Jeff Leighton, Analyst, from The Townsend Group, the System's real asset investment consultant, were present to discuss Townsend's role as real asset consultant, Townsend's View of the World, implementation of the strategic real estate allocation plan, performance reporting methodology and the second quarter 2014 performance report. Mr. Prashant Tewari, of Townsend, also spoke to the Board via telephone.

After discussion, Mr. Salinas made a motion to receive and file the reports and recommendations of the Townsend Group. Mr. Wojcik seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 11:45 a.m.

The meeting was reconvened at 12:51 p.m.

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REAL ASSET INVESTMENTS (continued)

6. Effects of demographic changes on real estate investing

Paul Boneham, Executive Vice President, Transactions, and Stephen Coyle, Senior Vice President, Portfolio Manager, of Bentall Kennedy, one of DPFP's global real estate investment managers, provided a presentation discussing the effects of demographic changes on real estate investing.

After discussion, Mr. Salinas made a motion to receive and file the Bentall Kennedy presentation. Mr. Wojcik seconded the motion, which was unanimously approved by the Board.

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(See Item 17 on page 9 of minutes.)

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7. Real estate valuation

Billy Brown, Director, and Scott Fowler, Managing Director, of Alvarez & Marsal Real Estate Advisory Services, LLC, discussed the process of estimating the fair value of real estate assets through appraisals, including consideration of frequency, methodologies used, and data sources.

After discussion, Mr. Brown made a motion to receive and file the discussion by Alvarez & Marsal Real Estate Advisory Services, LLC. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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GENERAL INVESTMENTS

8. Fixed income educational session

Mr. Blake, Assistant Administrator – Investments, presented a brief overview of fixed income investments and answered questions from the Board.

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GENERAL INVESTMENTS (continued)

8. Fixed income educational session (continued)

After discussion, Mr. Salinas made a motion to receive and file the educational session. Mr. Haben seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 4:51 p.m.

The meeting was reconvened at 8:15 p.m.

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REAL ESTATE INVESTMENTS (continued)

9. Private investment in transportation infrastructure: political and business rationale

Mary Peters, former U.S. Department of Transportation Secretary, and Nicolas Rubio, President of Cintra US, discussed the rationale, challenges, and opportunities regarding private investment in transportation infrastructure. Ms. Peters is the owner of Mary E. Peters Consulting Group, LLC, and is an advisor to Cintra US.

After discussion, Mr. Salinas made a motion to receive and file the presentation. Mr. Wojcik seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 9:12 p.m. on Tuesday, October 14, 2014

The meeting was reconvened at 8:03 a.m. on Wednesday, October 15, 2013

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GENERAL INVESTMENTS (continued)

10. Reports of NEPC

- a. Role as Consultant
- b. Second Quarter Investment Performance Analysis
- c. Performance Reporting Methodology
- d. Active vs. Passive Strategies
- e. Global Asset Allocation – Risk Parity
- f. Emerging Manager Programs – Defining, Developing and Implementing
- g. Private Equity Overview
- h. Portfolio Structure and Strategy Discussion

Rhett Humphreys, Partner, Tim McCusker, Chief Investment Officer, Keith Stronkowsky, Senior Consultant, and Sean Gill, Partner – Alternative Assets, of NEPC, DFPF’s general investment consultant, discussed the topics listed above.

The meeting was recessed at 9:45 a.m.

The meeting was reconvened at 10:06 a.m.

After discussion, Mr. Brown made a motion to receive and file the reports of NEPC. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 12:04 p.m.

The meeting was reconvened at 1:00 p.m.

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11. UTIMCO asset allocation

Bruce Zimmerman, CEO and CIO of The University of Texas Investment Management Company (UTIMCO), discussed UTIMCO’s current asset allocation for the endowment. UTIMCO is one of the largest endowments in the country at approximately \$34.7 billion in assets.

After discussion, Mr. Salinas made a motion to receive and file the presentation by Mr. Zimmerman. Mr. Wojcik seconded the motion, which was unanimously approved by the Board.

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GENERAL INVESTMENTS (continued)

12. Effects of demographic, geopolitical and environmental change on agricultural investing

Oliver Williams, President, and Melanie Arnold, Portfolio Manager, of Hancock Agricultural Investment Group, who manage a \$121 million portfolio of permanent and row crops for DPFP, discussed the effects of demographic, geopolitical and environmental changes on agricultural investments.

After discussion, Mr. Haben made a motion to receive and file the Hancock presentation. Mr. Salinas seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 2:24 p.m.

The meeting was reconvened at 2:39 p.m.

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ADMINISTRATIVE AND LEGAL ISSUES

13. Pension Benefits Team review

- a. Changing demographics
- b. Implementing pension changes

Mr. Rohan, Interim Administrator, and Ms. McGennis, Benefits Manager, reviewed the changing demographics of DPFP regarding membership, retirements, DROP and benefit payments and the possible impact on cash flow. They also discussed how changes will be implemented in the event that the Active Members pass the Plan changes in the upcoming Plan amendment election.

After discussion, Mr. Salinas made a motion to receive and file the staff presentation. Mr. Haben seconded the motion, which was unanimously approved by the Board.

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ADMINISTRATIVE AND LEGAL ISSUES (continued)

14. Business continuity virtualization project

Mr. Holt, IT Manager, discussed the System's virtualization project, including its purpose, impact on Business Continuity, and current status.

After discussion, Mr. Salinas made a motion to receive and file the staff presentation. Mr. Haben seconded the motion, which was unanimously approved by the Board.

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15. Internal controls

Ms. Loveland, Chief Financial Officer, presented a brief overview of internal controls in place at DPFP.

After discussion, Mr. Salinas made a motion to receive and file the internal controls presentation. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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16. Pension System governance

Mr. Mond, General Counsel, updated the Board on the search for a governance consultant and discussed the scope of the search.

After discussion, Mr. Salinas made a motion to receive and file the staff update. Mr. Haben seconded the motion, which was unanimously approved by the Board.

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17. Legal issues

The Board went into a closed executive session – legal at 2:55 p.m. on Monday, October, 13.

The meeting was reopened and recessed at 3:22 p.m. on Monday, October, 13. (See page 2 of minutes.)

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ADMINISTRATIVE AND LEGAL ISSUES (continued)

17. Legal issues (continued)

The Board went into a closed executive session – legal at 2:53 p.m. on Tuesday, October 14.

The meeting was reopened at 3:25 p.m. on Tuesday, October 14. (See page 4 of minutes.)

The Board went into a closed executive session – legal at 3:57 p.m. on Wednesday, October 15.

The meeting was reopened at 4:46 p.m. on Wednesday, October 15.

After discussion, Mr. Haben made a motion to receive and file the legal issues update. Mr. Wojcik seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 4:46 p.m.

The meeting was reconvened at 8:17 p.m.

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LEGISLATIVE ISSUES

18. Legislative update

Texas State Representative Roberto Alonzo discussed the political landscape in Texas.

After discussion, Mr. Salinas made a motion to receive and file the legislative update. Mr. Wojcik seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 8:39 p.m. on Wednesday, October 15, 2013

The meeting was reconvened at 8:05 a.m. on Thursday, October 16, 2013

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ACTUARIAL ISSUES

19. Actuarial issues

- a. Effect of changing the assumed interest rate
- b. RP-2014 mortality tables
- c. Impact of GASB 67 and 68

David Driscoll, Principal, David Kent, Director, Retirement Actuary, and Janie Shaw, Senior Associate, of Buck Consultants, were present and discussed a projection of year-end funding status based on data through August 31, 2014. Included was a cash flow analysis reflecting the impact of the proposed changes to the Deferred Retirement Option Plan (DROP) and an updated projection of the future Plan funding percentage.

Messrs. Driscoll, Kent, and Ms. Shaw discussed the future implementation for public pension plans and the impact of the new mortality tables recently released by The Society of Actuaries (SOA).

The Buck representatives also updated the Board on implementation of GASB Statement 67, *Financial Reporting for Pension Plans*, and GASB Statement 68, *Accounting and Financial Reporting for Pensions*.

After discussion, Mr. Salinas made a motion to receive and file the Buck presentation. Mr. Haben seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 9:26 a.m.

The meeting was reconvened at 10:02 a.m.

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LEGISLATIVE ISSUES (continued)

20. Legislative issues

- a. Upcoming elections
- b. Upcoming legislative sessions
- c. Changes in Texas House and Senate

Hillco Partners representatives Bill Miller, Founder, Neal T. "Buddy" Jones, Founder, and Clint Smith, Government Affairs Consultant, and Locke Lord LLP representatives Senator John Whitmire, Of Counsel, and Gardner Pate, Associate, discussed possible changes, prospects and outcomes for the 2014 state and federal elections and the impact on the 2015 legislative session. They also discussed the outlook for legislation pertaining to public pension plans in the 2015 session.

After discussion, Mr. Haben made a motion to receive and file the legislative update. Mr. Wojcik seconded the motion, which was unanimously approved by the Board.

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The Administrator stated that there was no further business to come before the Board. On a motion by Mr. Haben and a second by Mr. Wojcik, the meeting was adjourned at 11:16 a.m.

[signature]

George J. Tomasovic
Chairman

ATTEST:

[signature]

Donald C. Rohan
Secretary

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