

Dallas Police and Fire Pension System
Thursday, September 11, 2014
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

Regular meeting, George Tomasovic, Chairman, presiding:

ROLL CALL

Board Members

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

Absent: None

Staff

Don Rohan, Brian Blake, Summer Loveland, Joshua Mond, John Holt, Jerry Chandler, Corina Terrazas, Carlos Ortiz, Pat McGennis, Linh Ho, Ryan Wagner, Milissa Schmidt, Christina Wu, Greg Irlbeck, Linda Rickley, Kevin Killingsworth

Others

Gary Lawson, A. D. (Gus) Fields, David Kent, William R. Huff, Dwight Walker, Richard Brown, Martin Rosenberg, Jackson Harrell, James Florez, David Dunnigan, Matt Jacob, Chrysta Castaneda, Carrie Stallwitz, Joe Gimenez, Keith Allen, Richard Todd, Brian Hass, Dwight Walker, David Waks, Michelle Herczeg, Michael Barrett, Ron Pinkston, Steve Umlor, Jerry M. Rhodes, J. R. Aulbaugh, Max Swango

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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 the anniversary of September 11, 2001.

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B. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of August 19, 2014

- 2. Approval of Refunds of Contributions for the Month of August 2014**
- 3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for September 2014**
- 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. Approval of Previously Withdrawn Contributions**

After discussion, Mr. Brown made a motion to approve the items on the Consent Agenda, subject to final approval by the Interim Administrator. Mr. Atkins 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. Plan amendments election

a. Approval of proposed language

Mr. Rohan stated that at the August 19, 2014, meeting of the Board, Staff presented proposed amendments to the Pension Plan. Two amendment categories were included in the proposed amendments:

- 1) Amending the Board quorum requirement, and
- 2) Several changes to the Deferred Retirement Option Plan (DROP) and to benefits of Members hired on or after March 1, 2011.

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1. Plan amendments election (continued)

a. Approval of proposed language (continued)

After discussion at the August 19 meeting, the Board directed staff to prepare material based on the plan discussed, to be presented at the regular September Board meeting. Staff recommends the approved proposal be revised with the following:

- DROP Interest Rate Triggers
 - Current proposal: The DROP interest schedule would be subject to triggers to permit DROP the flexibility to react to changes in the Plan's actuarial funded ratio at any time after the effective date of the changes.
 - Proposed Revision: Provide that the triggers could apply only after the step down in the DROP interest rate to 5%. The triggers then could apply to change the default rate effective on or after October 1, 2018.
- "Undo" Closing Date
 - Current proposal: Members would be permitted to revoke a prior election to enroll in DROP at any time after the effective date of the change, but not after April 30, 2015.
 - Proposed Revision: Change the closing date for election of the revocation to June 30, 2015.

After discussion, Mr. Schutz made a motion to limit the DROP interest rate to DFP's annual rate of return, or the step-down amount, whichever is less. Mr. Kingston seconded the motion, which failed by the following vote:

For: Schutz, Kingston, Atkins, Kleinman

Against: Brown, Friar, Haben, Mays, Salinas, Tomasovic, Wojcik

After discussion, Mr. Kleinman made a motion to remove the upside triggers above 5% from the DROP interest rate proposed changes. Mr. Kingston seconded the motion, which failed by the following vote:

For: Kleinman, Kingston, Atkins, Brown

Against: Friar, Haben, Mays, Salinas, Schutz, Tomasovic, Wojcik

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1. Plan amendments election (continued)

a. Approval of proposed language (continued)

After discussion, Mr. Wojcik made a motion to approve the proposed revisions to the Plan amendment regarding the “DROP Undo” Closing Date – To change the closing date for election of the revocation to June 30, 2015. Mr. Salinas seconded the motion, which was approved by the following vote:

For: Wojcik, Salinas, Atkins, Brown, Friar, Haben, Mays, Schutz,
Tomasovic
Against: Kingston

After discussion, Mr. Wojcik made a motion to approve the proposed revisions to the Plan amendment regarding DROP interest rate triggers - To provide that the triggers could apply only after the step down in the DROP interest rate to 5%. The triggers then could apply to change the default rate effective on or after October 1, 2018. Mr. Salinas seconded the motion, which was approved by the following vote:

For: Wojcik, Salinas, Atkins, Friar, Haben, Kleinman, Mays,
Tomasovic
Against: Brown, Kingston, Schutz

After discussion, Mr. Kleinman made a motion to add a third amendment to the ballot to state that DFPF will recognize as spouses those persons who are legally married under the laws of Texas or any other state. Mr. Kingston seconded the motion, which failed by the following vote:

For: Kleinman, Kingston, Atkins, Schutz
Against: Brown, Friar, Haben, Mays, Salinas, Tomasovic, Wojcik

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The Board went into a closed legal session at 9:53 a.m.

The meeting was reopened at 10:20 a.m.

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b. Actuary’s letter

Section 8.01 (a)(2)(A) of the Plan requires a letter from the System’s Qualified Actuary stating to the Board that each amendment is actuarially sound. Staff provided the actuary’s letter to the Board.

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1. Plan amendments election (continued)

c. Set election schedule

Staff provided a proposed election schedule.

After discussion, Mr. Schutz made a motion to modify the proposed election schedule to begin the voting on October 20, 2014, and end the voting on November 3, 2014. Mr. Atkins seconded the motion, which was unanimously approved by the Board.

d. Call for election

After discussion, Mr. Wojcik made a motion to approve the ballot items as proposed at the August 19 meeting, with changes approved at this meeting, and call for the election. Mr. Atkins seconded the motion, which was unanimously approved by the Board.

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2. Annual adjustments for pensioners and survivors to be effective October 1, 2014

Mr. Rohan stated that the Combined Pension Plan, Section 6.12, provides for an automatic adjustment to base benefits being paid as of October 1 of each year to Active DROP Participants and Pensioners who first became Members of the DPFPP before January 1, 2007, and who:

- Enrolled in DROP or retired under Sections 6.01(e) or Section 6.02, or
- Were granted a disability pension under Subsection 6.04, other than Section 6.04(b), and periodic disability compensation under Section 6.05(b) (other than the last sentence of Subsection 6.05(b))

The adjustment is also payable to the Survivors of each group above.

The annual adjustment payable is equal to four percent (4.00%), not compounded, of each eligible Retiree's or Survivor's original base benefit.

In accordance with Plan Section 6.12 (c), Active DROP Participants and Retirees who first became Members of DPFPP on or after January 1, 2007, are not eligible for the automatic 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 the DPFPP's actuary that an ad hoc adjustment would not have an adverse effect on DPFPP's ability to meet all accrued benefit obligations.

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2. Annual adjustments for pensioners and survivors to be effective October 1, 2014 (continued)

DPFP is paying benefits to 7 Retirees who began Membership on or after January 1, 2007, and 2 beneficiaries of a member in this category. Data on the individuals eligible to receive an ad hoc adjustment, if granted, was forwarded to Buck Consultants, DPFP's actuarial consultant, for review and opinion as to whether the benefit adjustment may be paid under the provisions of Section 6.12(c). Buck's opinion and recommendation were provided at the meeting. A list of Pensioners and beneficiaries eligible for the ad hoc benefit adjustment was provided.

Pensioners receiving Old Plan benefits are not eligible for the annual adjustment, but will receive a base increase when the general pay increase is applied to the Active Member's pay schedule. The City of Dallas has scheduled such an increase effective on April 1, 2015.

Pensioners receiving the minimum benefit are not eligible to receive the increase in October of 2014, unless one of the above benefit increases is higher than their current minimum benefit.

After discussion, Mr. Mays made a motion to approve the annual adjustment effective October 1, 2014, and grant an ad hoc annual adjustment of 4% to the eligible Retirees who began membership on or after January 1, 2007, based on the opinion of the actuary that such payment would not have an adverse effect on DPFP's ability to meet all accrued benefit obligations. Mr. Wojcik seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 10:30 a.m.

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

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3. W. R. Huff Asset Management

- a. Huff Energy Fund -
- b. High yield bond account
- c. Huff Alternative Fund
- d. Extension of contract for Huff Alternative Fund

Messrs. Huff and Walker were present to represent W. R. Huff Asset Management. Mr. Huff discussed the Energy Fund and more current valuations, which will eventually reflect higher prices and higher Net Asset Value (NAV) for the fund. He then discussed the high yield fixed income account, and lastly, the Huff Alternative Fund.

Mr. Blake reported that NEPC, DPF's consultant, recommends that DPF extend the Huff Alternative Fund for one year.

After discussion, Mr. Brown made a motion to receive and file the W.R. Huff Asset Management presentation. Mr. Haben seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Kleinman made a motion to deny the request for a one-year extension of the Huff Alternative Fund and divest all Huff assets. Mr. Griggs seconded the motion, which failed by the following vote:

For: Kleinman, Griggs, Kingston

Against: Brown, Friar, Haben, Mays, Salinas, Schutz, Tomasovic, Wojcik

Mr. Griggs made a motion to deny the request for a one-year extension of the Huff Alternative Fund. Mr. Kleinman seconded the motion, which failed by the following vote:

For: Griggs, Kleinman, Kingston

Against: Brown, Friar, Haben, Mays, Salinas, Schutz, Tomasovic, Wojcik

Mr. Brown made a motion to approve a one-year extension to the Huff Alternative Fund, L.P. and authorize the Interim Administrator to execute documentation and perform all necessary acts and exercise all appropriate discretion to facilitate this extension. Mr. Wojcik seconded the motion, which was approved by the following vote:

For: Brown, Wojcik, Friar, Haben, Mays, Salinas, Schutz, Tomasovic

Against: Griggs, Kleinman, Kingston

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4. Asset valuation

The Board went into a closed executive session – legal at 11:38 a.m.

The meeting was reopened at 11:48 a.m.

After discussion, Mr. Mays made a motion to receive and file the report on the status of the asset valuation project. Mr. Haben seconded the motion, which was unanimously approved by the Board.

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5. The Townsend Group – Real Estate Portfolio

Richard Brown, Principal, and Martin Rosenberg, Principal, of The Townsend Group, discussed the timeline for the reallocation of the CDK real estate portfolio.

After discussion, Mr. Salinas made a motion to authorize the Townsend Group and staff to proceed with the process set forth in the timeline for the reallocation of the CDK real estate portfolio. Mr. Haben seconded the motion, which was unanimously approved by the Board.

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6. Investment and financial reports

The Board and staff reviewed the investment and financial reports.

After discussion, Mr. Salinas made a motion to receive and file the Group Trust Asset Allocation Report, Group Trust Weekly Unitization Report, JPMorgan DPFPS Performance - Preliminary Report Package, Group Trust Unaudited Statement of Plan Net Position, Group Trust Unaudited Statement of Net Assets Available for Benefits, and the Statement of Real Estate Holdings. Mr. Brown seconded the motion, which was unanimously approved by the Board.

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7. Selection of communications firm

Mr. Rohan stated that the Board directed staff to issue a Request for Information (RFI) on communications services. After reviewing submissions from several firms, Mr. Rohan identified three firms to make presentations to the Board regarding the services they offer. The selected firm will assist DPFPP with communications services on an as-needed basis and any other services as determined by the Board.

Representatives of the following three communications firms were present to discuss the services they may provide to DPFPP:

- 1) Allison+Partners, represented by Jackson Harrell, James Florez, David Dunnigan, and Matt Jacob
- 2) Canterbury Communications, represented by Chrysta Castaneda and Carrie Stallwitz
- 3) G3 Public Relations, represented by Joe Gimenez

After discussion, Mr. Griggs made a motion to select Allison+Partners to perform communications services for DPFPP and authorize the Interim Administrator to enter into an agreement for services. Mr. Kingston seconded the motion, which was approved by the following vote:

For: Atkins, Brown, Friar, Griggs, Kingston, Kleinman, Mays, Salinas,
Schutz, Tomasovic, Wojcik
Against: Haben

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The meeting was recessed at 1:04 p.m.

The meeting was reconvened at 1:14 p.m.

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8. Presentation and discussion of the 2015 Administrative and Professional Services Budgets

Ms. Loveland presented and discussed the initial proposal of the Calendar Year 2015 Administrative and Professional Services Budgets.

After discussion, Mr. Salinas made a motion to authorize the first reading at the October 9, 2014, regular meeting of the Board. Mr. Haben seconded the motion, which was unanimously approved by the Board.

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9. 2013 annual report

Mr. Rohan discussed the preliminary draft 2013 annual report with the Board.

After discussion, Mr. Salinas made a motion to approve publication of the 2013 Annual Report, subject to final review and approval by the Interim Administrator and legal counsel. Mr. Wojcik seconded the motion, which was unanimously approved by the Board.

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10. Staff and Board Members' reports on due diligence meetings, seminars and/or conferences attended

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

a. NEPC Portfolio Meeting

Messrs. Tomasovic, Wojcik, Rohan, Blake, Mond

b. The Future of Corporate Reform 2014

Mr. Friar

c. Mid-Sized Retirement & Healthcare Plan Management Conference

Mr. Wojcik

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

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11. Legal Issues

Police Officer and Firefighter pay lawsuits

No discussion was held. No motion was made.

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12. Annual Board/Staff Workshop

Staff discussed the workshop plans with the Board.

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 comments were received from active members or pensioners.

No motion was made.

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2. Administrator's report

Associations' newsletters

- NCPERS Monitor (September 2014)
- TEXPERS Outlook (September 2014)

No motion was made.

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Mr. Rohan stated that there was no further business to come before the Board. On a motion by Mr. Friar and a second by Mr. Haben, the meeting was adjourned at 3:09 p.m.

[signature]

George J. Tomasovic
Chairman

ATTEST:

[signature]

Donald C. Rohan
Secretary