

AGENDA



Date: April 2, 2021

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, April 8, 2021, via telephone conference for audio at 214-271-5080 access code 588694 or Toll-Free (US & CAN): 1-800-201-5203 and Zoom meeting for visual <https://us02web.zoom.us/j/88238407787?pwd=UXNLWHISTTMvM3FFcDMxeTBzWm9EQT09> Passcode: 031410.** Items of the following agenda will be presented to the Board:

A. MOMENT OF SILENCE

B. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of March 11, 2021

2. Approval of Refunds of Contributions for the Month of March 2021

- 3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for April 2021**
- 4. Approval of Estate Settlements**
- 5. Approval of Survivor Benefits**
- 6. Approval of Service Retirements**
- 7. Approval of Payment of Military Leave Contributions**

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Chairman's Discussion Item

Reopening Status

- 2. Trustee Terms Expiring**
- 3. Legislative Update**
- 4. Monthly Contribution Report**

- 5. Board approval of Trustee education and travel**
 - a. Future Education and Business-related Travel
 - b. Future Investment-related Travel
- 6. Board Members' reports on meetings, seminars and/or conferences attended**
- 7. Communication Plan Phase 1 Budget Increase**
- 8. Portfolio Update**
- 9. Private Asset Cash Flow Projection Update**

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.072 of the Texas Government Code

10. Real Estate Overview – AEW

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.072 of the Texas Government Code.

11. Lone Star Investment Advisors Update

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.071 of the Texas Government Code.

12. Legal issues - In accordance with Section 551.071 of the Texas Government Code, the Board will meet in executive session to seek and receive the advice of its attorneys about pending or contemplated litigation or any other legal matter in which the duty of the attorneys to DFPF and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws.

13. Personnel - Investment Staff

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.074 of the Texas Government Code.

D. BRIEFING ITEMS

- 1. Public Comment**
- 2. Executive Director's report**
 - a. Associations' newsletters**
 - NCPERS Monitor (April 2021)
 - b. Open Records**

The term "possible action" in the wording of any Agenda item contained herein serves as notice that the Board may, as permitted by the Texas Government Code, Section 551, in its discretion, dispose of any item by any action in the following non-exclusive list: approval, disapproval, deferral, table, take no action, and receive and file. At the discretion of the Board, items on this agenda may be considered at times other than in the order indicated in this agenda.

At any point during the consideration of the above items, the Board may go into Closed Executive Session as per Texas Government Code, Section 551.071 for consultation with attorneys, Section 551.072 for real estate matters, Section 551.074 for personnel matters, and Section 551.078 for review of medical records.



ITEM A

MOMENT OF SILENCE

In memory of our Members and Pensioners who recently passed away

| NAME | ACTIVE/ RETIRED | DEPARTMENT | DATE OF DEATH |
|----------------------|--------------------|------------|---------------|
| Brooks S. Lovejoy | Retired | Police | Feb. 26, 2021 |
| David A. Jenkins | Retired | Police | Mar. 2, 2021 |
| David C. Clark | Active | Police | Mar. 3, 2021 |
| Thurman E. Jett | Retired | Fire | Mar. 6, 2021 |
| Michael A. Logan | Retired | Police | Mar. 20, 2021 |
| Robert B. Blackshear | Retired | Fire | Mar. 28, 2021 |

Regular Board Meeting – Thursday, April 8, 2021

**Dallas Police and Fire Pension System
Thursday, March 11, 2021
8:30 a.m.
Via telephone conference**

Regular meeting, William F. Quinn, Chairman, presiding:

ROLL CALL

Board Members

Present at 8:33 a.m. William F. Quinn, Nicholas A. Merrick, Armando Garza, Michael Brown, Robert B. French, Gilbert A. Garcia, Kenneth Haben, Tina Hernandez Patterson, Mark Malveaux, Allen R. Vaught

Absent: Steve Idoux

Staff

Kelly Gottschalk, Josh Mond, Kent Custer, Brenda Barnes, John Holt, Cynthia Thomas, Ryan Wagner, Michael Yan, Milissa Romero

Others

Lori Messer, Leandro Festino, Aaron Lally, Sidney Kawanguzi

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The meeting was called to order at 8:33 a.m.

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A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of active police officer Mitchell A. Penton, retired police officer Gerald L. Harrell, and retired firefighters V. P. Bruzzese, Billy W. Taylor, Hugh B. Wesson, Harry D. Morris, Ray F. Reed, Jimmy L. Flanagan, Bobby G. Hamilton, Brian K. Allen.

No motion was made.

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**Regular Board Meeting
Thursday, March 11, 2021**

B. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of February 11, 2021

2. Approval of Refunds of Contributions for the Month of February 2021

3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for March 2021

4. Approval of Estate Settlements

5. Approval of Service Retirements

6. Approval of Alternate Payee Benefits

After discussion, Mr. Garza made a motion to approve the minutes of the meeting of February 11, 2021. Mr. Vaught seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Haben made a motion to approve the remaining items on the Consent Agenda, subject to the final approval of the staff. Mr. Garza 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. Peer Compensation Review

Lori Messer of Logic Compensation Group presented the results of the Peer Compensation Review.

The Board directed the Executive Director to bring salary and benefit recommendations to the Board in the fall of 2021.

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**Regular Board Meeting
Thursday, March 11, 2021**

2. Audit Committee Recommendation for Audit Firm

In 2015, the Board gave direction to conduct a competitive selection process for specific service providers, including DPF’s audit firm, every five years unless the Board explicitly waives or extends the requirement. In November 2019, the Board extended, for one year, the requirement to conduct a selection process for auditing services to allow BDO to perform the 2019 audit. In order to comply with the Board’s direction, staff conducted a Request for Proposal (RFP) for audit services to begin with the 2020 audit.

Mr. Quinn, Chairman of the Audit Committee, briefed the Board on the recent Audit Committee meeting and the results of the RFP process for audit firm services.

After discussion, Mr. Quinn made a motion to approve the Audit Committee’s recommendation to offer BDO a three-year contract extension to provide audit services. Mr. Garcia seconded the motion, which was unanimously approved by the Board.

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3. Report on Professional Services Provider Meetings

The Professional Services Committee met March 1, 2021 with the investment consultant, Meketa. The Committee Chair reported to the Board that Meketa had positive remarks regarding the team, staff and Trustees and no concerns were brought forth by Meketa.

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4. Legislative Update

Staff briefed the Board on pension bills that had been filed which may bear on DPF.

After discussion, Mr. Garza made a motion to authorize staff to work with DPF’s legislative consultants to oppose the legislation proposed with respect to DPF’s plan. Mr. Quinn seconded the motion, which was unanimously approved by the Board.

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5. Monthly Contribution Report

The Executive Director reviewed the Monthly Contribution Report.

No motion was made.

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**Regular Board Meeting
Thursday, March 11, 2021**

6. Board Members’ reports on meetings, seminars and/or conferences attended

- a. Future Education and Business-related Travel
- b. Future Investment-related Travel

The Board and staff discussed future Trustee education. There was no future Trustee business-related travel or investment-related travel scheduled.

After discussion, Mr. Quinn made a motion to approved Mr. Haben’s request to attend the TEXPERS 2021 Legislative Workshop. Mr. Garza seconded the motion, which was unanimously approved by the Board.

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7. Portfolio Update

Investment staff briefed the Board on recent events and current developments with respect to the investment portfolio.

No motion was made.

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8. Report on Investment Advisory Committee

The Investment Advisory Committee met on March 2, 2021. The Committee Chair and Investment Staff commented on Investment Advisory Committee observations and advice.

No motion was made.

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9. Investment Policy Statement

Staff reviewed proposed revisions to the Investment Policy Statement at the February 11, 2021 Board meeting and at the March 2, 2021 meeting of the Investment Advisory Committee (IAC). Staff discussed subsequent changes to the proposed revisions.

After discussion, Mr. Garcia made a motion to approve the proposed Investment Policy Statement revisions as proposed. Mr. Haben seconded the motion, which was unanimously approved by the Board.

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**Regular Board Meeting
Thursday, March 11, 2021**

10. Asset Allocation Review

Section 6.A.2 of the Investment Policy Statement provides that a formal asset allocation study will be conducted as directed by the Board, but at least every three years. The last formal asset allocation study was conducted in 2018.

Leandro Festino, Managing Principal, and Aaron Lally, Principal - Meketa Investment Group reviewed the 2018 process and key inputs for the 2021 asset allocation study.

No motion was made.

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11. Fourth Quarter 2020 Investment Performance Analysis and Third Quarter 2020 Private Markets & Real Assets Review

Leandro Festino, Managing Principal and Aaron Lally, Principal of the Meketa Investment Group and Investment Staff reviewed investment performance.

No motion was made.

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12. Natural Resources Portfolio Review - Forest Investment Associates & BTG Pactual

Staff provided an overview of the Natural Resources portfolio and the strategy for DPF's timber holdings managed by Forest Investment Associates and BTG Pactual.

The Board went into closed executive session at 11:14 a.m.

The meeting was reopened at 11:28 a.m.

No motion was made.

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**Regular Board Meeting
Thursday, March 11, 2021**

13. Lone Star Investment Advisors Update

Investment Staff updated the Board on recent performance, operational, and administrative developments with respect to DPFIP investments in funds managed by Lone Star Investment Advisors.

The Board went into closed executive session at 11:14 a.m.

The meeting was reopened at 11:28 a.m.

No motion was made.

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14. Legal issues - In accordance with Section 551.071 of the Texas Government Code, the Board will meet in executive session to seek and receive the advice of its attorneys about pending or contemplated litigation or any other legal matter in which the duty of the attorneys to DPFIP and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws.

The Board went into closed executive session at 11:14 a.m.

The meeting was reopened at 11:28 a.m.

No motion was made.

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D. BRIEFING ITEMS

1. Public Comments

Prior to commencing items for Board discussion and deliberation, the Chairman extended an opportunity for public comment. No one requested to speak to the Board.

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**Regular Board Meeting
Thursday, March 11, 2021**

2. Executive Director's report

- a. Associations' newsletters
 - NCPERS Monitor (March 2021)
 - NCPERS PERSist (Winter 2021)
- b. Open Records
- c. Education Update

The Executive Director's report was presented.

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Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Quinn and a second by Mr. Haben, the meeting was adjourned at 11:31 a.m.

William F. Quinn
Chairman

ATTEST:

Kelly Gottschalk
Secretary



DISCUSSION SHEET

ITEM #C1

Topic: Chairman's Discussion Item

Reopening Status

Discussion: The Chairman will brief the Board on this item.

Regular Board Meeting – Thursday, April 8, 2021



DISCUSSION SHEET

ITEM #C2

Topic: Trustee Terms Expiring

Discussion: As required by the Trustee Election Procedures, this agenda item is intended to notify the Board that the terms of the following Trustees expire on August 31, 2021:

Steve Idoux, Mayoral Appointee
Mark Malveaux, Mayoral Appointee
Allen Vaught, Mayoral Appointee

No Trustee election is required in 2021 since all Trustees whose terms are expiring are Mayoral Appointees.

Regular Board Meeting – Thursday, April 8, 2021



DISCUSSION SHEET

ITEM #C3

Topic: Legislative Update

Discussion: Staff will brief the Board on pension bills that have been filed which may bear on DPFP.

Regular Board Meeting – Thursday, April 8, 2021



DISCUSSION SHEET

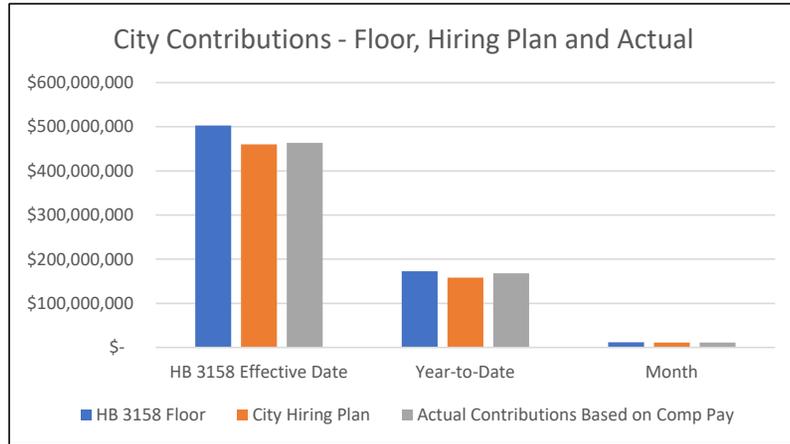
ITEM #C4

Topic: Monthly Contribution Report

Discussion: Staff will review the Monthly Contribution Report.

Regular Board Meeting – Thursday, April 8, 2021

Contribution Tracking Summary - April 2021 (February 2021 Data)



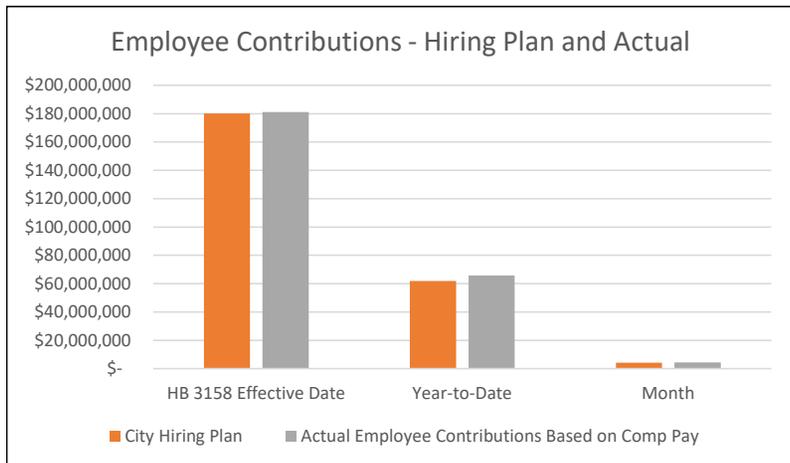
Actual Comp Pay was 101% of the Hiring Plan estimate since the effective date of HB 3158.

In the most recent month Actual Comp Pay was 105% of the Hiring Plan estimate and 97% of the Floor amount.

The Hiring Plan Comp Pay estimate increased by 3.03% in 2021. The Floor increased by 2.76%.

Through 2024 the HB 3158 Floor is in place so there is no City Contribution shortfall.

The combined actual employees was 162 less than the Hiring Plan for the pay period ending March 2, 2021. Fire was over the estimate by 25 fire fighters and Police under by 187 officers.



Employee contributions exceeded the Hiring Plan estimate for the month, the year and since inception.

There is no Floor on employee contributions.

Contribution Summary Data

| City Contributions | | | | | | | |
|---|---|----------------------|-------------------------|---|---|---|---|
| Feb-21 | Number of Pay Periods Beginning in the Month | HB 3158 Floor | City Hiring Plan | Actual Contributions Based on Comp Pay | Additional Contributions to Meet Floor Minimum | Comp Pay Contributions as a % of Floor Contributions | Comp Pay Contributions as a % of Hiring Plan Contributions |
| Month | 2 | \$ 11,764,000 | \$ 10,827,692 | \$ 11,391,025 | \$ 372,975 | 97% | 105% |
| Year-to-Date | | \$ 172,352,000 | \$ 158,275,385 | \$ 168,229,572 | \$ 4,196,134 | 98% | 106% |
| HB 3158 Effective Date | | \$ 502,699,000 | \$ 460,415,769 | \$ 463,286,781 | \$ 39,485,926 | 92% | 101% |
| <p><i>Due to the Floor through 2024, there is no cumulative shortfall in City Contributions Does not include the flat \$13 million annual City Contribution payable through 2024. Does not include Supplemental Plan Contributions.</i></p> | | | | | | | |

| Employee Contributions | | | | | | | |
|--|---|-------------------------|--|--|--|---|--|
| Feb-21 | Number of Pay Periods Beginning in the Month | City Hiring Plan | Actual Employee Contributions Based on Comp Pay | Actual Contribution Shortfall Compared to Hiring Plan | Actuarial Valuation Contribution Assumption | Actual Contributions as a % of Hiring Plan Contributions | Actual Contributions as a % of Actuarial Val Assumption |
| Month | 2 | \$ 4,236,923 | \$ 4,457,132 | \$ 220,209 | \$ 4,236,924 | 105% | 105% |
| Year-to-Date | | \$ 61,933,846 | \$ 65,678,612 | \$ 3,744,766 | \$ 61,933,852 | 106% | 106% |
| HB 3158 Effective Date | | \$ 180,162,692 | \$ 181,147,692 | \$ 985,000 | \$ 175,053,490 | 101% | 103% |
| Potential Earnings Loss from the Shortfall based on Assumed Rate of Return | | | | \$ (593,968) | | | |
| <p><i>Does not include Supplemental Plan Contributions.</i></p> | | | | | | | |

Reference Information

City Contributions: HB 3158 Bi-weekly Floor and the City Hiring Plan Converted to Bi-weekly Contributions

| | HB 3158 Bi-weekly Floor | City Hiring Plan-Bi-weekly | HB 3158 Floor Compared to the Hiring Plan | Hiring Plan as a % of the Floor | % Increase/ (decrease) in the Floor | % Increase/ (decrease) in the Hiring Plan |
|------|-------------------------|----------------------------|---|---------------------------------|-------------------------------------|---|
| 2017 | \$ 5,173,000 | \$ 4,936,154 | \$ 236,846 | 95% | | |
| 2018 | \$ 5,344,000 | \$ 4,830,000 | \$ 514,000 | 90% | 3.31% | -2.15% |
| 2019 | \$ 5,571,000 | \$ 5,082,115 | \$ 488,885 | 91% | 4.25% | 5.22% |
| 2020 | \$ 5,724,000 | \$ 5,254,615 | \$ 469,385 | 92% | 2.75% | 3.39% |
| 2021 | \$ 5,882,000 | \$ 5,413,846 | \$ 468,154 | 92% | 2.76% | 3.03% |
| 2022 | \$ 6,043,000 | \$ 5,599,615 | \$ 443,385 | 93% | 2.74% | 3.43% |
| 2023 | \$ 5,812,000 | \$ 5,811,923 | \$ 77 | 100% | -3.82% | 3.79% |
| 2024 | \$ 6,024,000 | \$ 6,024,231 | \$ (231) | 100% | 3.65% | 3.65% |

The HB 3158 Bi-weekly Floor ends after 2024

Employee Contributions: City Hiring Plan and Actuarial Val. Converted to Bi-weekly Contributions

| | City Hiring Plan Converted to Bi-weekly Employee Contributions | Actuarial Valuation Assumption Converted to Bi-weekly Employee contributions | Actuarial Valuation as a % of Hiring Plan |
|------|--|--|---|
| 2017 | \$ 1,931,538 | \$ 1,931,538 | 100% |
| 2018 | \$ 1,890,000 | \$ 1,796,729 | 95% |
| 2019 | \$ 1,988,654 | \$ 1,885,417 | 95% |
| 2020 | \$ 2,056,154 | \$ 2,056,154 | 100% |
| 2021 | \$ 2,118,462 | \$ 2,118,462 | 100% |
| 2022 | \$ 2,191,154 | \$ 2,191,154 | 100% |
| 2023 | \$ 2,274,231 | \$ 2,274,231 | 100% |
| 2024 | \$ 2,357,308 | \$ 2,357,308 | 100% |

The information on this page is for reference. The only numbers on this page that may change before 2025 are the Actuarial Valuation Employee Contributions Assumptions for the years 2020-2024 and the associated percentage.

Reference Information - Actuarial Valuation and GASB 67/68 Contribution Assumptions

Actuarial Assumptions Used in the Most Recent Actuarial Valuation - These assumptions will be reevaluated annually & may change.

City Contributions are based on the Floor through 2024, the Hiring Plan from 2025 to 2037, after 2037 an annual growth rate of 2.75% is assumed
 Employee Contributions for 2018 are based on the 2017 actual employee contributions inflated by the growth rate of 2.75% and the Hiring Plan for subsequent years until 2038, when the 2037 Hiring Plan is increased by the 2.75 growth rate for the next 10 years

Actuarial/GASB Contribution Assumption Changes Since the Passage of HB 3158

| | Actuarial Valuation | GASB 67/68 |
|--|---------------------|------------|
| YE 2017 (1/1/2018 Valuation) | | |
| 2018 Employee Contributions Assumption - based on 2017 actual plus growth rate not the Hiring Plan Payroll | \$ (2,425,047) | * |
| 2019 Estimate (1/1/2019 Valuation) | | |
| 2019 Employee Contribution Assumption | \$ 9,278 | * |

**90% of Hiring Plan was used for the Cash Flow Projection for future years in the 12/31/2017 GASB 67/68 calculation. At 12-31-17, 12-31-18 and 12-31-2019 this did not impact the pension liability or the funded percentage.*

The information on this page is for reference. It is intended to document contribution related assumptions used to prepare the Actuarial Valuation and changes to those assumptions over time, including the dollar impact of the changes. Contribution changes impacting the GASB 67/68 liability will also be included.

| City Hiring Plan - Annual Computation Pay and Numbers of Employees | | | | | | |
|---|-----------------|----------------|-----------------|---------------------|------------|------------|
| Year | Computation Pay | | | Number of Employees | | |
| | Hiring Plan | Actual | Difference | Hiring Plan | Actual EOY | Difference |
| 2017 | \$ 372,000,000 | Not Available | Not Available | 5,240 | 4,935 | (305) |
| 2018 | \$ 364,000,000 | \$ 349,885,528 | \$ (14,114,472) | 4,988 | 4,983 | (5) |
| 2019 | \$ 383,000,000 | \$ 386,017,378 | \$ 3,017,378 | 5,038 | 5,104 | 66 |
| 2020 | \$ 396,000,000 | \$ 421,529,994 | \$ 25,529,994 | 5,063 | 4,988 | (75) |
| 2021 | \$ 408,000,000 | | | 5,088 | | |
| 2022 | \$ 422,000,000 | | | 5,113 | | |
| 2023 | \$ 438,000,000 | | | 5,163 | | |
| 2024 | \$ 454,000,000 | | | 5,213 | | |
| 2025 | \$ 471,000,000 | | | 5,263 | | |
| 2026 | \$ 488,000,000 | | | 5,313 | | |
| 2027 | \$ 507,000,000 | | | 5,363 | | |
| 2028 | \$ 525,000,000 | | | 5,413 | | |
| 2029 | \$ 545,000,000 | | | 5,463 | | |
| 2030 | \$ 565,000,000 | | | 5,513 | | |
| 2031 | \$ 581,000,000 | | | 5,523 | | |
| 2032 | \$ 597,000,000 | | | 5,523 | | |
| 2033 | \$ 614,000,000 | | | 5,523 | | |
| 2034 | \$ 631,000,000 | | | 5,523 | | |
| 2035 | \$ 648,000,000 | | | 5,523 | | |
| 2036 | \$ 666,000,000 | | | 5,523 | | |
| 2037 | \$ 684,000,000 | | | 5,523 | | |

| Comp Pay by Month - 2021 | Annual Divided by 26 Pay Periods | Actual | Difference | 2020 Cumulative Difference | Number of Employees EOM | Difference |
|--------------------------|----------------------------------|---------------|------------|----------------------------|-------------------------|------------|
| January | \$ 30,461,538 | \$ 31,291,360 | \$ 829,821 | \$ 829,821 | 4960 | (128) |
| February | \$ 30,461,538 | \$ 31,355,435 | \$ 893,897 | \$ 1,723,718 | 4926 | (162) |
| March | | | | \$ 1,723,718 | | |
| April | | | | \$ 1,723,718 | | |
| May | | | | \$ 1,723,718 | | |
| June | | | | \$ 1,723,718 | | |
| July | | | | \$ 1,723,718 | | |
| August | | | | \$ 1,723,718 | | |
| September | | | | \$ 1,723,718 | | |
| October | | | | \$ 1,723,718 | | |
| November | | | | \$ 1,723,718 | | |
| December | | | | \$ 1,723,718 | | |



DISCUSSION SHEET

ITEM #C5

Topic: Board approval of Trustee education and travel

- a. Future Education and Business-related Travel
- b. Future Investment-related Travel

Discussion:

- a. Per the Education and Travel Policy and Procedure, planned Trustee education and business-related travel and education which does not involve travel requires Board approval prior to attendance.

Attached is a listing of requested future education and travel noting approval status.

- b. Per the Investment Policy Statement, planned Trustee travel related to investment monitoring, and in exceptional cases due diligence, requires Board approval prior to attendance.

There is no future investment-related travel for Trustees at this time.

Regular Board Meeting – Thursday, April 8, 2021

**Future Education and Business Related Travel & Webinars
Regular Board Meeting – April 8, 2021**

ATTENDING APPROVED

- 1. Conference:** NCPERS 2021 Legislative Conference Webcast
Dates: April 20, 2021
Location: Virtual
Est. Cost: Complimentary

- 2. Conference:** TEXPERS Annual Conference KH 12/10/2020
Dates: May 21-26, 2021
Location: Austin, TX
Cost: TBD

- 3. Conference:** TEXPERS Summer Conference
Dates: August 29-31, 2021
Location: San Antonio, TX
Cost: TBD



DISCUSSION SHEET

ITEM #C6

Topic: Board Members' reports on meetings, seminars and/or conferences attended

Discussion: **Conference:** **TEXPERS 2021 Legislative Workshop** **KH**
Dates: March 30-31, 2021
Location: Austin, TX

Regular Board Meeting – Thursday, April 8, 2021



DISCUSSION SHEET

ITEM #C7

Topic: **Communication Plan Phase 1 Budget Increase**

Discussion: At the February Board Meeting the Board authorized a not-to-exceed amount of \$20,000 to complete the assessment phase of the development of a communication plan framework. FleishmanHillard has notified us that the estimated cost for the assessment phase is \$25,000. The deliverable from the assessment phase is a PowerPoint framework of a communication plan. This framework will be presented to the Board. Further work, currently estimated between \$30,000 to \$40,000, will be required to develop the details of the communication plan. Finally, implementing the communication plan will require additional funding, the amount of which will depend on the communication plan that is implemented.

Staff

Recommendation: **Increase** the not-to-exceed amount by \$5,000 for the first phase of the communication plan to \$25,000.

Regular Board Meeting – Thursday, April 8, 2021



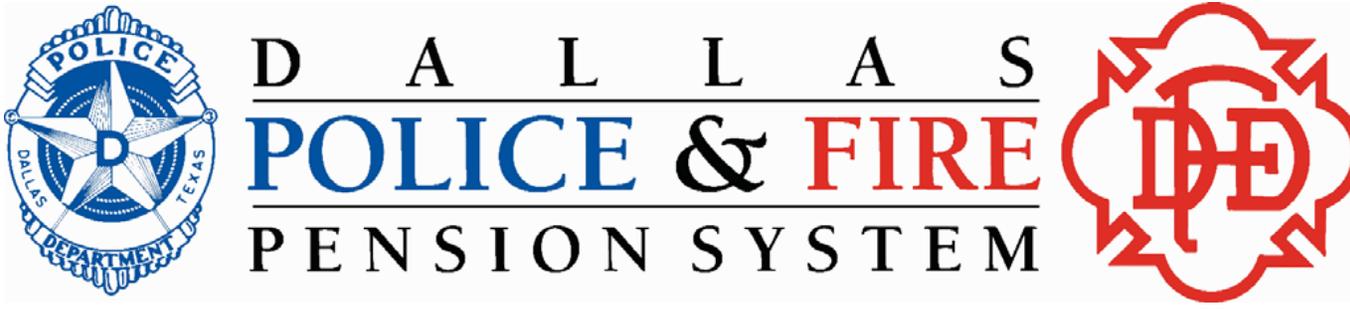
DISCUSSION SHEET

ITEM #C8

Topic: Portfolio Update

Discussion: Investment Staff will brief the Board on recent events and current developments with respect to the investment portfolio.

Regular Board Meeting – Thursday, April 8, 2021



Portfolio Update

April 8, 2021

Adjusted Asset Allocation

In this view staff adjusts reported private market values to roughly estimate the impact of events that have not yet been recognized.

| DPFP Asset Allocation Using Stressed Private Market Values | 3/26/21 NAV | Adjustments | | Adj. NAV 3/26/21 | | Target | | Variance | |
|--|--------------|-------------|---------------|------------------|---------------|--------------|---------------|-------------|--------------|
| | | \$ mil. | % of NAV | \$ mil. | % | \$ mil. | % | \$ mil. | % |
| Equity | 946 | -48 | -5.1% | 897 | 46.7% | 1,057 | 55.0% | -159 | -8.3% |
| Global Equity | 685 | 0 | 0.0% | 685 | 35.6% | 768 | 40.0% | -84 | -4.4% |
| Emerging Markets | 64 | 0 | 0.0% | 64 | 3.3% | 192 | 10.0% | -128 | -6.7% |
| Private Equity* | 197 | -48 | -24.6% | 149 | 7.7% | 96 | 5.0% | 53 | 2.7% |
| Fixed Income | 600 | 0 | 0.0% | 600 | 31.2% | 672 | 35.0% | -72 | -3.8% |
| Safety Reserve - Cash | 120 | 0 | 0.0% | 120 | 6.3% | 58 | 3.0% | 63 | 3.3% |
| Safety Reserve - ST IG Bonds | 217 | 0 | 0.0% | 217 | 11.3% | 231 | 12.0% | -14 | -0.7% |
| Investment Grade Bonds | 75 | 0 | 0.0% | 75 | 3.9% | 77 | 4.0% | -2 | -0.1% |
| Global Bonds (liquidated, to be reallocated) | | 0 | | 0 | 0.0% | 77 | 4.0% | -77 | -4.0% |
| Bank Loans | 72 | 0 | 0.0% | 72 | 3.8% | 77 | 4.0% | -5 | -0.2% |
| High Yield Bonds | 74 | 0 | 0.0% | 74 | 3.9% | 77 | 4.0% | -2 | -0.1% |
| Emerging Mkt Debt | 36 | 0 | 0.0% | 36 | 1.9% | 77 | 4.0% | -41 | -2.1% |
| Private Debt* | 6 | 0 | 0.0% | 6 | 0.3% | 0 | 0.0% | 6 | 0.3% |
| Real Assets* | 479 | -56 | -11.6% | 424 | 22.1% | 192 | 10.0% | 232 | 12.1% |
| Real Estate* | 305 | -56 | -18.2% | 250 | 13.0% | 96 | 5.0% | 153 | 8.0% |
| Natural Resources* | 132 | 0 | 0.0% | 132 | 6.9% | 96 | 5.0% | 36 | 1.9% |
| Infrastructure* | 42 | 0 | 0.0% | 42 | 2.2% | 0 | 0.0% | 42 | 2.2% |
| Total | 2,025 | -104 | -5.1% | 1,921 | 100.0% | 1,921 | 100.0% | 0 | 0.0% |
| Safety Reserve ~\$270M=30 mo net CF | 337 | 0 | 0.0% | 337 | 17.6% | 288 | 15.0% | 49 | 2.6% |
| *Private Mkt. Assets w/NAV Discount | 682 | -104 | -15.2% | 578 | 30.1% | 288 | 15.0% | 290 | 15.1% |

Source: JP Morgan Custodial Data, Staff Estimates and Calculations
Numbers may not foot due to rounding

data is preliminary

Investment Activity

- Liquidation of private market assets remains the top focus.
 - Received \$46 million in distributions year to date.
 - Another \$19 million from in process sales expected through end of June.
- Staff continuing evaluation of and engagement with end-of-life private equity funds.
- Redeploying \$17 million from recent private market distributions: \$2 million each to Investment Grade Bonds and Bank Loans, and \$13 million to Passive Global Equity.
- Significant progress with Meketa on Asset Allocation and Small Cap search. Planning meeting with Investment Advisory Committee.
- CIO, Kent Custer, to depart April 30. The collaborative Investment Team process will continue to ensure robust investment monitoring and progress on key initiatives.

2021 Investment Review Plan*

| | |
|------------|--|
| January ✓ | • Real Estate Reviews: Vista 7, King's Harbor, & Museum Twr. |
| February ✓ | • Real Estate: Clarion Presentation |
| March ✓ | • Natural Resources: Staff Portfolio Review - Forest Investment Associates and BTG Pactual |
| April | • Real Estate: AEW Presentation |
| May | • Natural Resources: Hancock Presentation |
| July | • Infrastructure: Staff review of AIRRO and JPM Maritime |
| August | • Staff review of Private Equity and Debt |
| Sept. | • Public Equity Manager Reviews |
| October | • Fixed Income Manager Reviews |

*Presentation schedule is subject to change.

Staff presentations targeted for 15 minutes, Manager presentations 30 – 60 minutes.



DISCUSSION SHEET

ITEM #C9

Topic: **Private Asset Cash Flow Projection Update**

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.072 of the Texas Government Code

Discussion: Staff will provide the quarterly update on the private asset cash flow projection model first discussed at the February 2018 Board meeting. The cash flow model projects estimated contributions to, and distributions from, private assets through the end of 2023. These estimates are intended to assist the Board in evaluating the expected time frame to reduce DFPF's exposure to these assets and the implications for the public asset redeployment, overall asset allocation, and expected portfolio risk and return.

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D A L L A S
POLICE & FIRE
PENSION SYSTEM



Quarterly Private Asset Cash Flow Projection Update

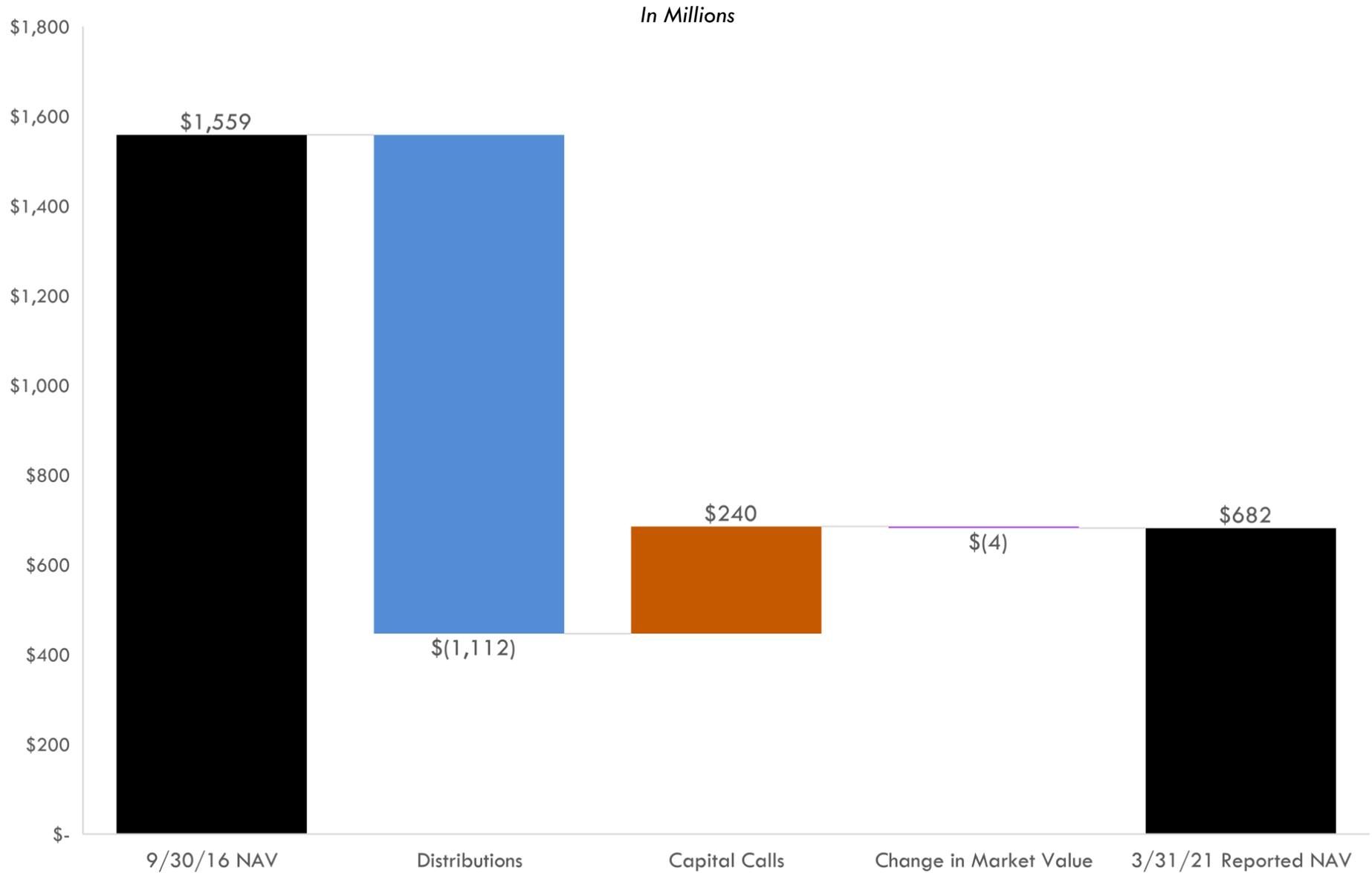
April 8, 2021

Private Asset Cash Flow Projections

Methodology Review

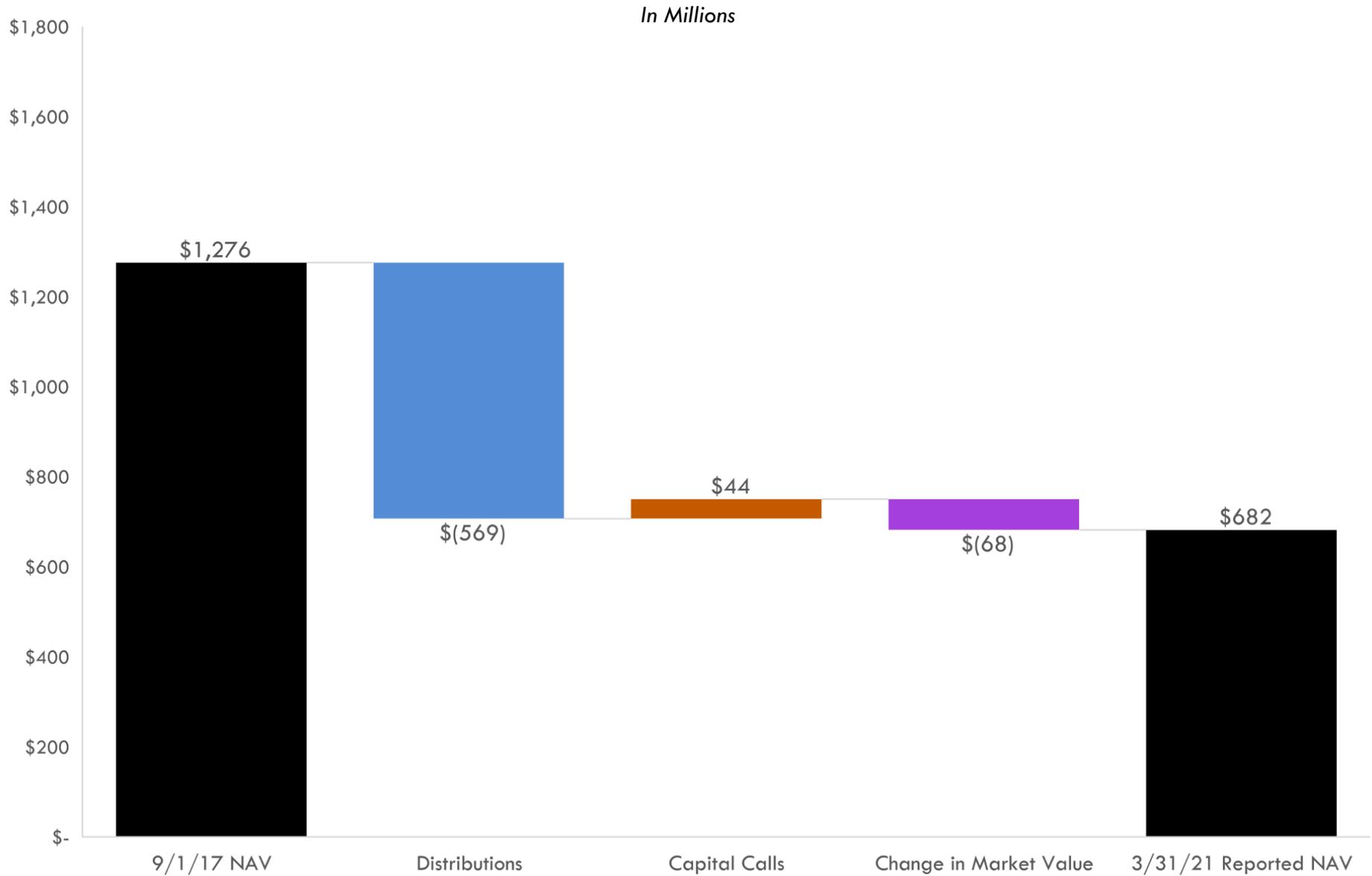
- Staff estimates capital calls and cash distributions from the Private Asset portfolio, built up by individual asset.
- DFPF has more control over direct investments in Real Estate and Natural Resources, therefore should have more accuracy in forecasting cash flows based on planned sales. Private Equity fund investments are controlled by GP's, therefore DFPF has little or no control over outcome – Staff incorporates GP insights but often uses an even distribution schedule over 2-3 years with these investments.
- **Cash flow estimates are inherently imprecise as they are often subject to events & forces outside of the manager's control.**

Private Asset Bridge Chart – Since 9/30/16



Numbers may not foot due to rounding.

Private Asset Bridge Chart – Since 9/1/17 (New Board Formation)



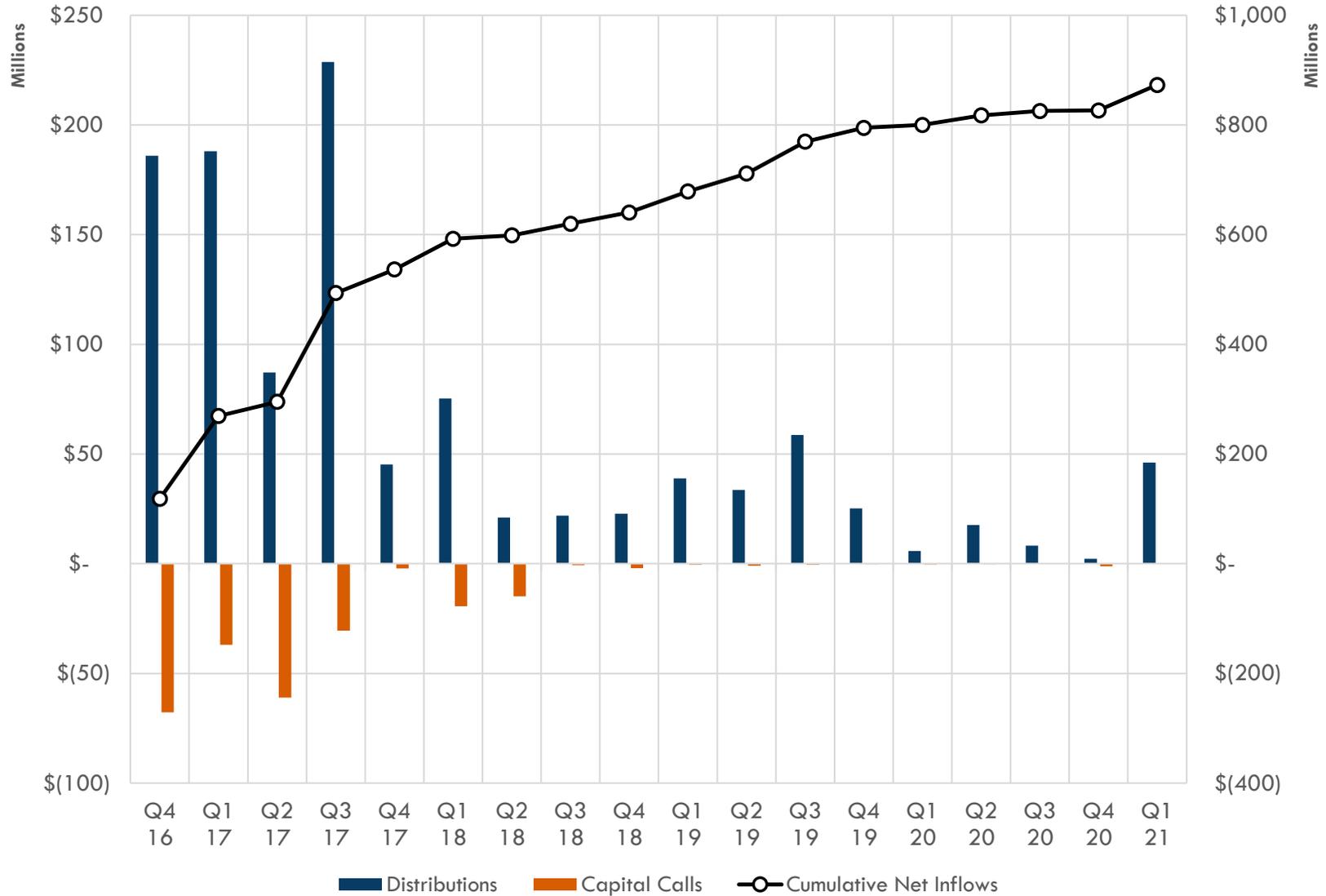
Numbers may not foot due to rounding.

Private Asset Quarterly Cash Flows – Q1 2021

| TOTAL CAPITAL CALLS & CONTRIBUTIONS | | \$127,423 |
|--|-----------------------|---------------------|
| Industry Ventures IV | Capital Call | \$125,000 |
| Hearthstone MSII | Capital Call | \$2,423 |
| TOTAL DISTRIBUTIONS | | \$46,144,837 |
| AEW | Camel Square Proceeds | \$25,439,255 |
| Hearthstone | Spring Valley Sale | \$15,375,000 |
| JPM Maritime | Distribution | \$1,794,117 |
| Museum Tower | Sale Distribution | \$1,300,000 |
| AEW | RED Pref - Rayzor | \$1,200,000 |
| Hancock | Income | \$1,000,000 |
| Riverstone | Distribution | \$36,465 |

Numbers may not foot due to rounding.

Private Asset Quarterly Cash Flows – Since 9/30/16

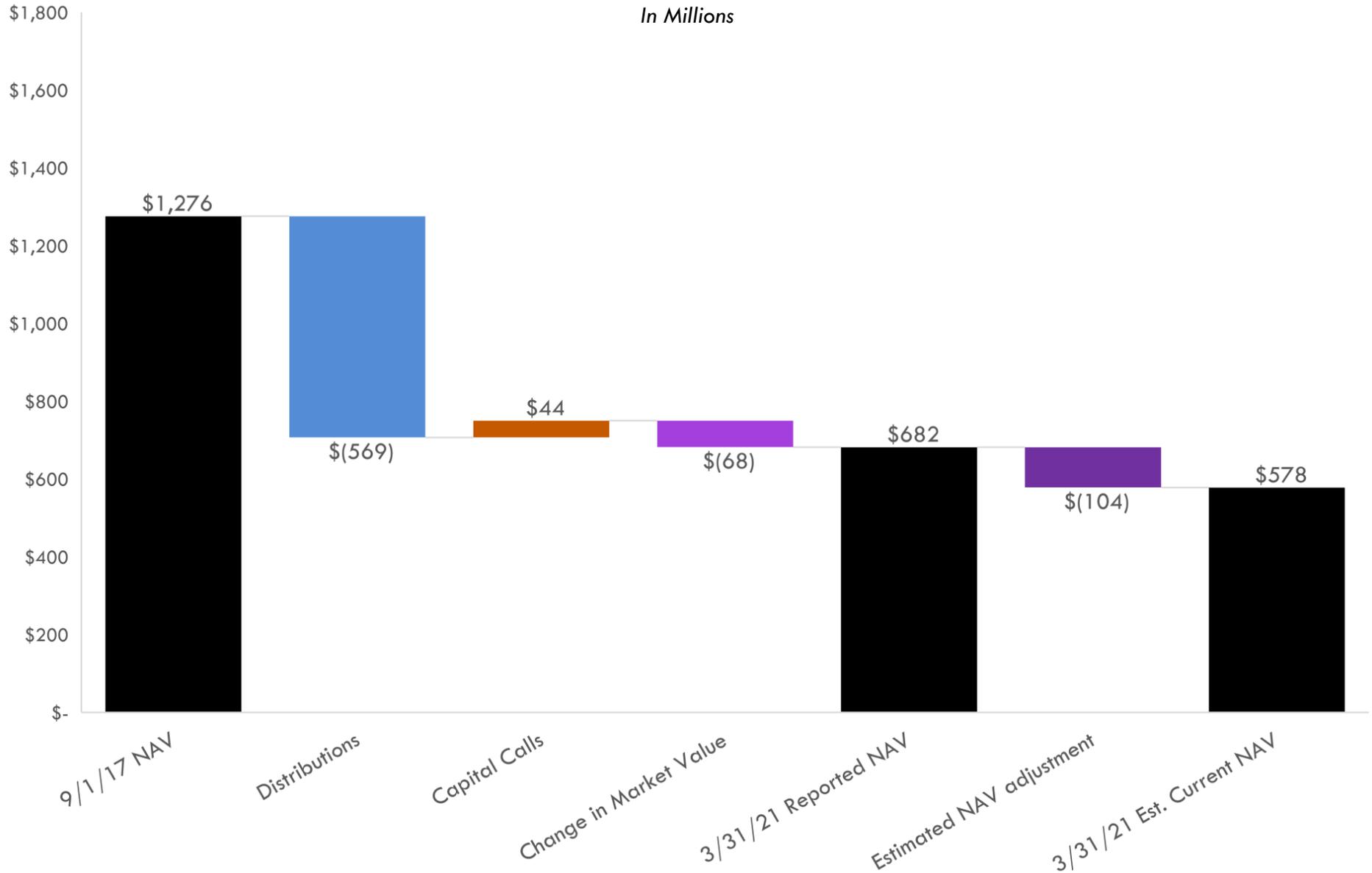


Private Asset Lagged NAV Adjustment

- Due to a lag in the reporting of private market valuations, the **“Reported NAV”** (DPFP carrying value as of 12/31/20 based on most recent statements reported to JPM) on many Private Markets is stale and based on 2019 values or 2020 statements that have not been adjusted for changes in market value. Due to 2020 market volatility, these reported NAVs may not represent a realistic picture of current market values.
- In order to get a more accurate and real-time picture of asset allocation and future distribution activity, Staff estimated Private Market values by selectively discounting/increasing the reported NAVs on asset-by-asset basis (**“Estimated Current NAV”**). Heavier discounts were applied to Private Equity assets with energy and energy services exposure.
 - In cases where DPFP has received updated valuations in 2020 that reflect the current market environment, values have typically dropped 10-20% and we have removed any additional market value adjustments.
 - The current blended market value adjustment of 15.2% compares with an adjustment of 30.4% in April 2020.
 - Compares to prior quarter Reported NAV of \$722M and Est. Current NAV of \$612M. Value adjustment has not changed since prior quarter, decrease in NAV due to in Q1 2021 distributions.

| | Reported (Lagged) NAV | Market Value Adjustment | Estimated Current NAV |
|-----------------------------|--------------------------|----------------------------|--------------------------|
| Private Equity | 197,111,899 | -24.6% | 148,683,670 |
| Private Debt | 5,573,616 | 0.0% | 5,573,616 |
| Infrastructure | 41,912,442 | 0.0% | 41,912,442 |
| Natural Resources | 132,356,859 | 0.0% | 132,356,859 |
| Real Estate | 305,046,987 | -18.2% | 249,527,656 |
| TOTAL PRIVATE ASSETS | 682,001,803 | -15.2% | 578,054,243 |

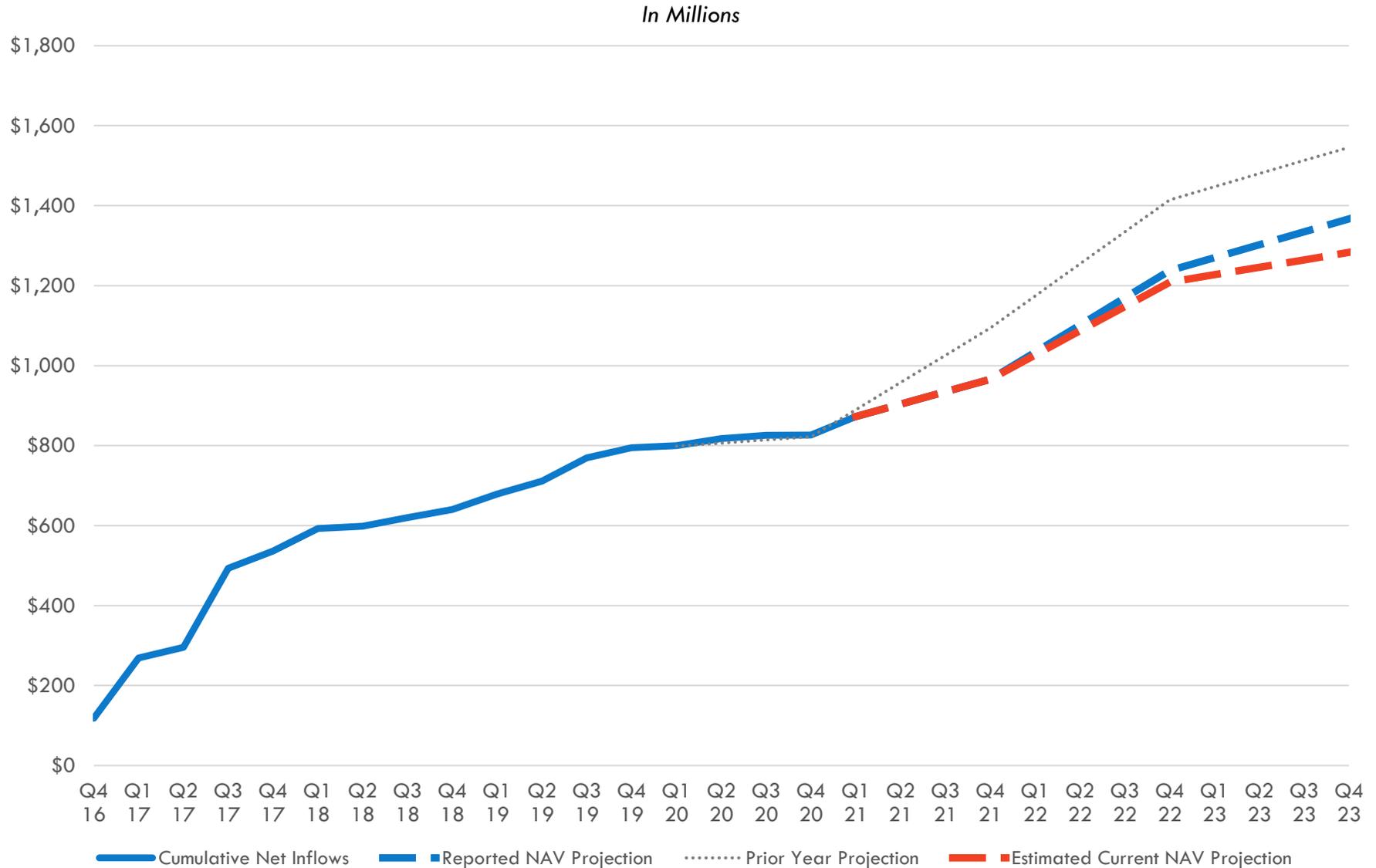
Private Asset Lagged NAV Adjustment



Numbers may not foot due to rounding.

Cumulative Actual and Projected Private Asset Net Inflows

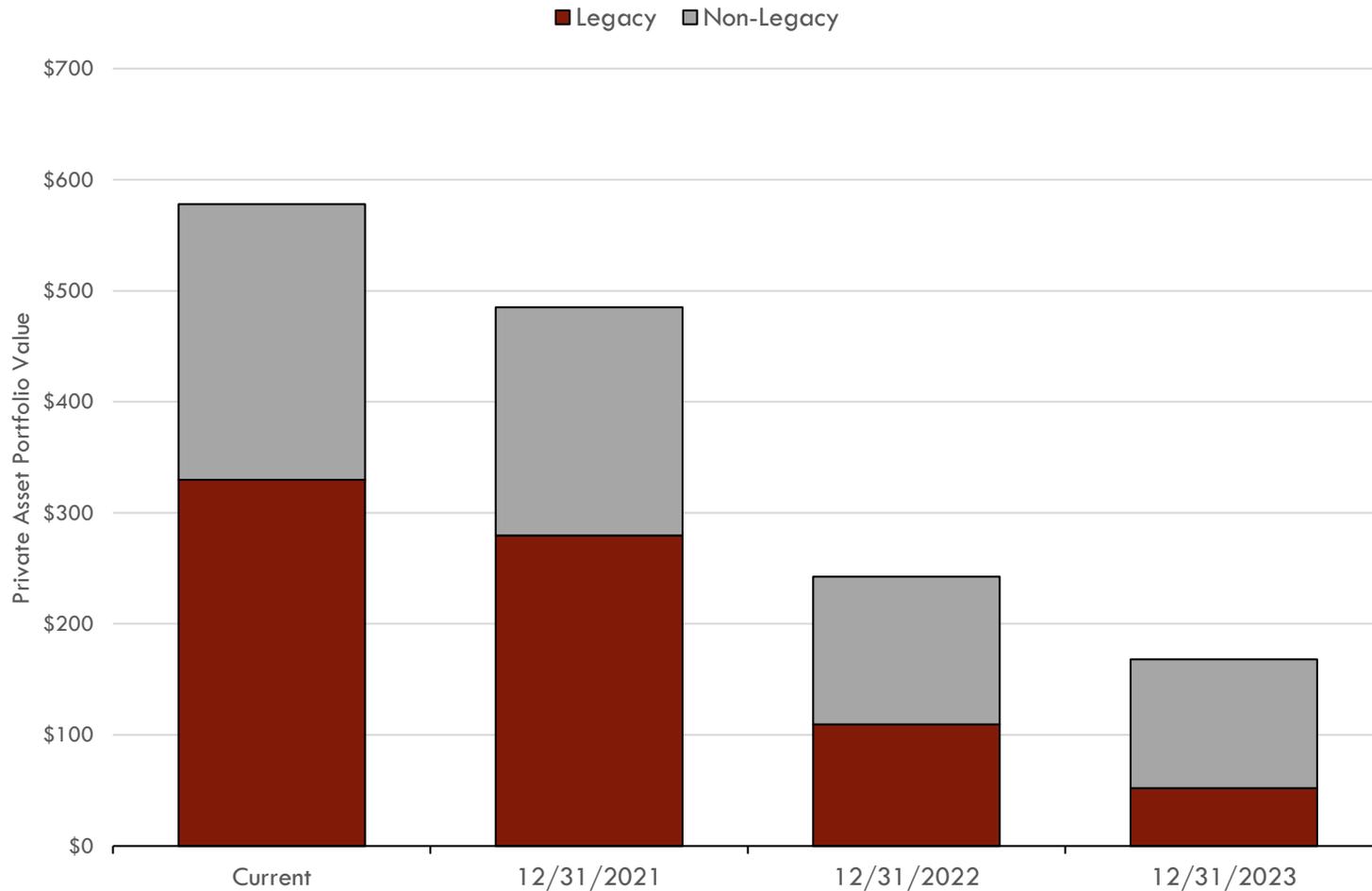
Private asset cash flow projections are based on either in-process/planned sales, if available, or a gradual disposition through 2023.



Est. Current NAV - Private Asset Disposition Timeline & Composition

Private asset cash flow projections are based on either in-process/planned sales, if available, or a gradual disposition through 2023.

In Millions

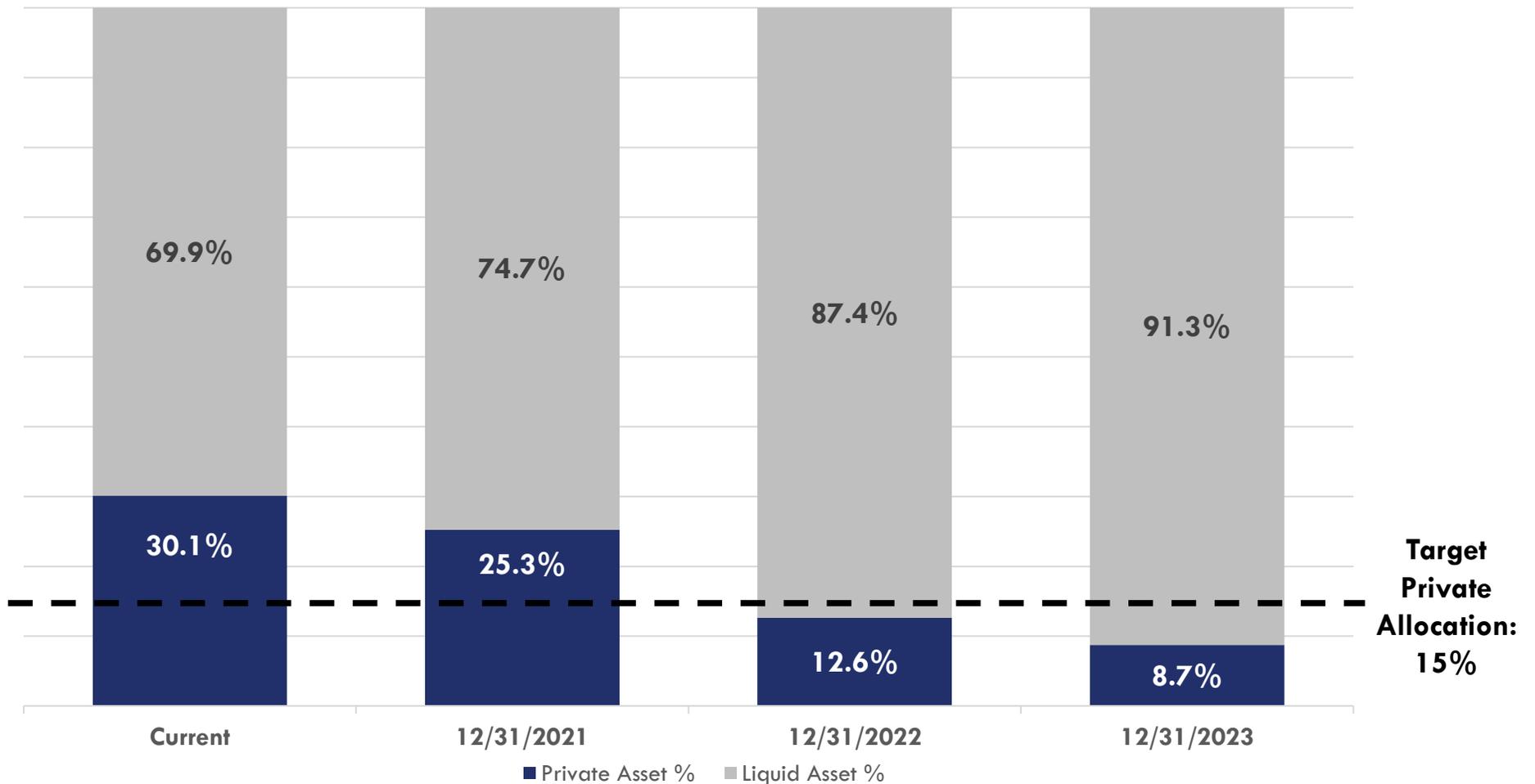


| | | | | |
|-------------------------------|-------|-------|-------|------|
| Legacy NAV (M) | \$330 | \$280 | \$110 | \$52 |
| % of Private Portfolio | 57% | 57% | 45% | 31% |
| % of DFPF Portfolio | 17% | 15% | 6% | 3% |

Est. Current NAV - Private Asset Allocation

Private asset cash flow projections are based on either in-process/planned sales, if available, or a gradual disposition through 2023.

Assumes 100% of private asset proceeds are reinvested into liquid investments and flat fund NAV





DISCUSSION SHEET

ITEM #C10

Topic: Real Estate Overview – AEW

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.072 of the Texas Government Code

Attendees: Ron Pastore - Senior Portfolio Manager, AEW Capital Management
Mark Morrison - Portfolio Manager, AEW Capital Management

Discussion: Representatives of AEW Capital Management (“AEW”) will update the Board on the status and plans for DPFP’s investments in RED Consolidated Holdings (“RCH”) and Camel Square, an office development in Phoenix. AEW took over management of these investments in February of 2015. AEW last presented to the Board in April 2020.

Staff

Recommendation: **Approve** the contribution of existing land at Camel Square into the redevelopment project, subject to final approval of the Executive Director.

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AEW Introduction

- AEW took over the management of 3 assets from CDK in 2015. Red Consolidated Holdings (RCH) and Camel Square remain.
- **RCH:**
 - 50/50 real estate operating company based in Phoenix, AZ. Holdings consist of operating retail and mixed-use properties with a concentration in Southwest.
 - Complex operating company with numerous underlying operating properties and partnerships with different partners, developmental properties and land holdings.
- **Camel Square:**
 - Wholly-owned 15.5-acre site located in Phoenix, AZ in the process of being redeveloped.
 - Rezoning approved in late 2019. Demolition, site work and parcel sales have commenced.
 - Redevelopment opportunity will be presented to DFPF Board for approval.



DISCUSSION SHEET

ITEM #C11

Topic: Lone Star Investment Advisors Update

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.071 of the Texas Government Code

Discussion: Investment Staff will update the Board on recent performance, operational, and administrative developments with respect to DFPF investments in funds managed by Lone Star Investment Advisors.

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DISCUSSION SHEET

ITEM #C12

Topic: Legal issues - In accordance with Section 551.071 of the Texas Government Code, the Board will meet in executive session to seek and receive the advice of its attorneys about pending or contemplated litigation or any other legal matter in which the duty of the attorneys to DFPF and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws.

Discussion: Counsel will brief the Board on these issues.

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DISCUSSION SHEET

ITEM #C13

Topic: Personnel – Investment Staff

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.074 of the Texas Government Code.

Discussion: Kent Custer, CIO, has resigned from DPFP effective April 30, 2021. The Executive Director will discuss staffing issues related to the investment function in closed session.

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DISCUSSION SHEET

ITEM #D1

Topic: Public Comment

Discussion: Comments from the public will be received by the Board.

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DISCUSSION SHEET

ITEM #D2

Topic: Executive Director's report

- a. Associations' newsletters
 - NCPERS Monitor (April 2021)
- b. Open Records

Discussion: The Executive Director will brief the Board regarding the above information.

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