AGENDA

Date: May 5, 2017

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, May 11, 2017, in the Second Floor Board Room at 4100 Harry Hines Boulevard, Dallas, Texas.** 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 April 13, 2017

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

3. **Approval of Activity in the Deferred Retirement Option Plan (DROP) for May 2017**

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 **Approval of Payment of Previously Withdrawn Contributions**

9. **Denial of Unforeseen Emergency Requests**

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

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

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

2. **Consideration of possible Deferred Retirement Option Plan (DROP) account distributions in accordance with DROP Policy Addendum**

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

3. **Legal issues**

   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.

   a. Police Officer and Firefighter pay lawsuits
   b. Potential claims involving fiduciaries and advisors
   c. Eddington et al. v. DPFP
   d. Rawlings v. DPFP
   e. DPFP v. Columbus A. Alexander III
   f. Degan et al. v. DPFP (Federal suit)
   g. Education and Travel Policy and Procedure

4. **Violation of federal law (USERRA) by the City of Dallas**

5. **Possible changes to Education and Travel Policy and Procedure**

6. **North Texas Opportunity Fund**

7. **Investment reports**

8. **Quarterly financial reports**

9. **Recognition of outgoing Trustee**

10. **Investment of Excess Cash**

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

- **a.** PRB: MET Online Core Training: Actuarial Matters
- **b.** PRB: MET Online Core Training: Benefits Administration
- **c.** PRB: MET Online Core Training: Risk Management
- **d.** PRB: MET Online Core Training: Ethics
- **e.** PRB: MET Online Core Training: Governance
- **f.** PRB: MET Online Core Training: Investments

12. Unforeseeable Emergency Requests from DROP Members

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.078 of the Texas Government Code.

D. BRIEFING ITEMS

1. Reports and concerns of active members and pensioners of the Dallas Police and Fire Pension System

2. Executive Director's report

- **a.** Future Education and Business Related Travel
- **b.** Future Investment Related Travel
- **c.** Associations' newsletters
  - NCPERS Monitor (April 2017)
  - NCPERS Monitor (May 2017)
  - NCPERS PERSist (Spring 2017)

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.

DALLAS POLICE & FIRE PENSION SYSTEM

ITEM #A

MOMENT OF SILENCE

In memory of our Members and Pensioners who recently passed away

(April 6, 2017 – May 1, 2017)

NAME	ACTIVE/ RETIRED	DEPARTMENT	DATE OF DEATH
Robert H. Dunn	Retired	Fire	Apr. 6, 2017
B. T. Beddingfield	Retired	Police	Apr. 10, 2017
Thomas P. Poole	Retired	Police	Apr. 10, 2017
Arthur J. Jones	Retired	Police	Apr. 11, 2017
Jim G. Farr	Retired	Police	Apr. 12, 2017
Roy G. Box	Retired	Fire	Apr. 14, 2017
Reginald S. Kay	Retired	Police	Apr. 14, 2017
Mansell L. Hall	Retired	Police	Apr. 16, 2017
Finis O. Triplett	Retired	Police	Apr. 30, 2017
J. R. Reeves	Retired	Fire	May 1, 2017

Dallas Police and Fire Pension System
Thursday, April 13, 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 8:31	Samuel L. Friar, Kenneth S. Haben, Joseph P. Schutz, Brian Hass, Erik Wilson, Tho T. Ho, Gerald D. Brown, Clint Conway, Kenneth Sprecher
Present at 8:32	Jennifer S. Gates
Present at 8:53	Philip T. Kingston
Present at 9:07	Scott Griggs
Absent:	none

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

Others Chuck Campbell, Jeff Williams (by telephone), Ron Pastore, Mark Morrison, Bohdy Hedgcock (by telephone), Michael Yang, Jill Svoboda, Rachel Pierson, Ron Weimer, Larry Goldsmith, Paul Jarvis, Gilbert Travis, David Elliston, Ennis Hill, Lloyd D. Brown, Joseph Freeze, Dale Erves, Paul Ellzey, David Dodson, Rick Salinas, Larry Williams, Lingburge Williams, Tom Moore, Julian Bernal, H. Holland, H. R. Andrews, A. D. Donald, Jerry M. Rhodes, Jesse Hill, Jerry Minter, William A. Paris, Jr., Sal Morales, Joel Lavender, Gart S. Beck, Phillip Murray, Sandy Alexander, Wally Guerra, Mike Grimm, Jake Shannon, Brittany Jeffers, Monica Hernandez, Thomas Costley, Ken Kalthoff, Chris Kang, Tristan Hallman, Zaman Hemani, Josh Womack, James Rose

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

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A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of active police officers, Timothy B. Casey and Mitchell L. Hamm, retired police officers, James L. Almond, Daniel H. Davis, J. L. Angell, Timothy R. Vought, Gary B. Price, Leonard L. Duncan, Jr., J. Harold Jones, and retired firefighters, Joseph E. Dempsey, Billy M. Bardwell, and Randall L. Dixon.

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
   e. Regular meeting of March 9, 2017

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

3. **Approval of Estate Settlements**

4. **Approval of Survivor Benefits**

5. **Approval of Service Retirements**

6. **Approval of Alternate Payee Benefits**

7. **Approval of Payment of Military Leave Contributions**

8. **Denial of Unforeseen Emergency Requests**

After discussion, Mr. Brown made a motion to approve the items on the Consent Agenda, subject to the final review of the staff. Mr. Haben 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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C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Trustee election

a. Certify election results
b. Call for a run-off election and approve related ballot material, if necessary

a. Ms. Gottschalk stated that at the January 12, 2017 meeting, the Board called an election to fill four Trustee positions that expire on June 1, 2017. Voting for the 2017 Trustee Election began on Friday, March 24, 2017 at 8:00 a.m. and ended at 12:00 p.m. on Friday, April 7, 2017. The Board's Trustee Election Procedures require that the Board certify the results of the election.

Kenneth Sprecher received a majority of the votes cast for Police Pensioner Trustee Place #1 and is elected as Police Pensioner Trustee Place #1 for the term of office from June 1, 2017 through May 31, 2021.

Larry D. Williams received a majority of the votes cast for Fire Pensioner Trustee Place #1 and is elected as Fire Pensioner Trustee Place #1 for the term of office from June 1, 2017 through May 31, 2021.

The results of the 2017 Trustee Election, as reported by Election America, Inc. and the Pension System Executive Director, are shown in Minute Book Number 45, page ________.

Kenneth Haben was unopposed for Police Trustee Place P-1; therefore, according to the Trustee Election Procedures, no election was held for that trustee place and he is deemed elected as Police Trustee, Place P-1 for the term of office from June 1, 2017 through May 31, 2021.

Samuel Friar was unopposed for Fire Trustee Place F-1; therefore, according to the Trustee Election Procedures, no election was held for that trustee place and he is deemed elected as Fire Trustee, Place F-1 for the term of office from June 1, 2017 through May 31, 2021.

b. No run-off election was needed, since one candidate in each Place received a majority of the votes cast in the election.

After discussion, Mr. Conway made a motion to certify the Trustee Election results. Mr. Schutz seconded the motion, which was unanimously approved by the Board. Messrs. Griggs and Kingston were not present when the vote was taken.

Election-America
In the business of perfection

Election-America, Inc.
1775 Eye Street NW, Suite 1150
Washington, DC 20006
Phone: (202) 360-4420
Toll Free: (866) 514-2995
services@election-america.com

Official Declaration of the Vote
2017 DPFPS Trustee Election
Certified Results

Provided by Election-America, Inc.

2017 DPFPS Trustee Election

Race	Candidate	Votes
Fire Pensioner Trustee, Place 1	Jerry T. Minter	184
	Larry D. Williams	303
	Total	*487*

Police Pensioner Trustee, Place 1	Thomas D. Bowers	88
	Kenneth Sprecher	373
	Joseph Thompson	188
	Total	*649*

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2. Discussion and possible action on Legislative Matters

a. Status of DPFP plan legislation
b. Other pension-related legislative issues
c. Consideration of Board support for proposal to reallocate sales tax from DART

Staff updated the Board on the status of the City's and DPFP's proposed plans at the legislature as well as status of the discussions between the City and DPFP. Jeff Williams, of Segal Consulting, DPFP's actuary, was available by telephone to answer questions.

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

Based on the Board's direction at the March 13, 2017 Board meeting, staff proposed a resolution for consideration of Board support for a proposal to reallocate sales tax from Dallas Area Rapid Transit (DART).

After discussion, Mr. Sprecher made a motion to adopt the proposed resolution. Mr. Griggs seconded the motion, which was passed by the following vote:
For: Sprecher, Griggs, Friar, Haben, Schutz, Hass, Ho, Brown, Conway, Kingston
Against: Gates, Wilson

The Board resolution is shown below.

> RESOLVED, that the Board of Trustees of the Dallas Police and Fire Pension System supports increased funding from the City of Dallas in order to ensure the solvency of DPFP through any means the City of Dallas deems appropriate which may include the use of a portion of sales taxes currently required to be paid to the Dallas Area Rapid Transit.

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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 DPFP'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

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.

After discussion, Mr. Sprecher made a motion to adjust the 5% volatility allowance down to 3% in order to allow an excess liquidity amount for DROP distributions. The motion failed for the lack of a second.

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

After discussion, Mr. Kingston made a motion to certify the reserve amount of $952,058,521, the excess liquidity amount of $0.00, and pass a resolution that, as a result, no amounts are available for pro-rata distribution in April 2017 under Section 5 of the DROP Policy Addendum adopted by the Board on January 12, 2017. Mr. Schutz seconded the motion, which was approved by the Board by the following vote:
For: Kingston, Schutz, Friar, Haben, Griggs, Hass, Gates, Wilson, Ho, Brown, Conway
Against: Sprecher

The Resolution is shown in Minute Book 45 on Pages __.

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The meeting was recessed at 9:55 a.m.

The meeting was reconvened at 10:07 a.m.

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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

Approved April 13, 2017

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 $952,058,521, 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.

Approved April 13, 2017

4. Legal issues

- **a.** Police Officer and Firefighter pay lawsuits
- **b.** Potential claims involving fiduciaries and advisors
- **c.** Eddington et al. v. DPFP
- **d.** Rawlings v. DPFP
- **e.** DPFP v. Columbus A. Alexander III
- **f.** Degan et al. v. DPFP (Federal suit)

The Board went into a closed executive session – legal at 10:07 a.m., which included all 12 Trustees.

The meeting was reopened at 10:32 a.m.

No motion was made.

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Mr. Wilson left the meeting at 10:32 a.m.

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5. AEW portfolio review

Ron Pastore and Mark Morrison, of AEW, updated the Board on the status and plans for DPFP's investments in RED Consolidated Holdings ("RCH"), Camel Square, and Creative Attractions.

The Board went into a closed executive session – real estate at 10:53 a.m.

The meeting was reopened at 2:02 p.m.

Mr. Wilson was not present for this item.

Mr. Griggs left the meeting at 1:03 p.m.

No motion was made.

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6. Clarion Partners: 1210 South Lamar

Bohdy Hedgcock, of Clarion Partners, updated the Board by telephone on the sale of the 1210 South Lamar multifamily investment.

The Board went into closed executive session – real estate at 10:53 a.m.

The meeting was reopened at 2:02 p.m.

Messrs. Griggs and Wilson were not present for this item.

No motion was made.

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7. NEPC: Real estate portfolio review

Michael Yang, NEPC, DPFP's investment consultant, presented an overview of the real estate allocation including a detailed review of separate account holdings.

The Board went into closed executive session – real estate at 10:53 a.m.

The meeting was reopened at 2:02 p.m.

Messrs. Griggs and Wilson were not present for this item.

No motion was made.

Mr. Kingston left the meeting at 2:02 p.m.

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The meeting was recessed at 2:02 p.m.

The meeting was reconvened at 2:14 p.m.

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8. Investment reports

Staff reviewed the investment performance and rebalancing reports for the period ending March 31, 2017 with the Board.

No motion was made.

Messrs. Griggs, Kingston, and Wilson were not present for this item.

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9. Executive Director Authority under Investment Policy Statement

Ms. Gottschalk stated that the current Investment Policy Statement (IPS), which was approved in May 2016, included asset class targets and ranges. Pursuant to the IPS, staff has authority to rebalance to the upper and lower bounds of the target asset class ranges with the investment consultant's approval.

At the November 2016 Board meeting, it was noted that since several asset classes were at or below the lower bound of the target range, rebalancing certain asset classes below the lower bound of the range would be required. At that meeting, the Board approved a motion allowing staff and the investment consultant, for a six-month period ending with the April 13, 2017 Board meeting, to (i) rebalance outside the target ranges set forth in the IPS or (ii) terminate managers for rebalancing purposes, in both situations where prior approval of the Board is not possible due to timing and it is the Executive Director's determination that such rebalancing is in DPFP's best interest, provided that if such actions are taken, the Board is advised at the next regularly scheduled Board meeting.

After discussion, Mr. Conway made a motion to extend the Executive Director's authority for an additional five-month period ending with the September 8, 2017 Board meeting, the motion approved by the Board at the November 2016 meeting to (i) rebalance outside the target ranges set forth in the IPS or (ii) terminate managers for rebalancing purposes, in both situations where prior approval of the Board is not possible due to timing and it is the Executive Director's determination that such rebalancing is in DPFP's best interest, provided that if such actions are taken, the Board is advised at the next regularly scheduled Board meeting. Mr. Brown seconded the motion, which was unanimously approved by the Board. Messrs. Griggs, Kingston, and Wilson were not present for this item.

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10. 2016 audit plan

Jill Svoboda, and Rachel Pierson, of BDO, DPFP's external independent audit firm, were present to discuss their audit plan for the year ended December 31, 2016.

No motion was made.

Messrs. Griggs, Kingston, and Wilson were not present for this item.

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11. Annual 2016 budget review

Ms. Loveland reviewed actual expenses as compared to the budget for the calendar year 2016.

No motion was made.

Messrs. Griggs, Kingston, and Wilson were not present for this item.

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12. Employee recognition – First Quarter 2017

a. Employee Service Award
b. Employee of the Quarter award

a. Mr. Friar and Ms. Gottschalk presented Employee Service Awards to Annette Matthews, Retirement Counselor, for ten years of service, Patricia McGennis, Benefits Manager, for fifteen years of service, and Carol Huffman, Executive Secretary, for forty years of service.

12. Employee recognition – First Quarter 2017 (continued)

DALLAS POLICE & FIRE PENSION SYSTEM

CERTIFICATE OF SERVICE

Presented to

Annette Matthews

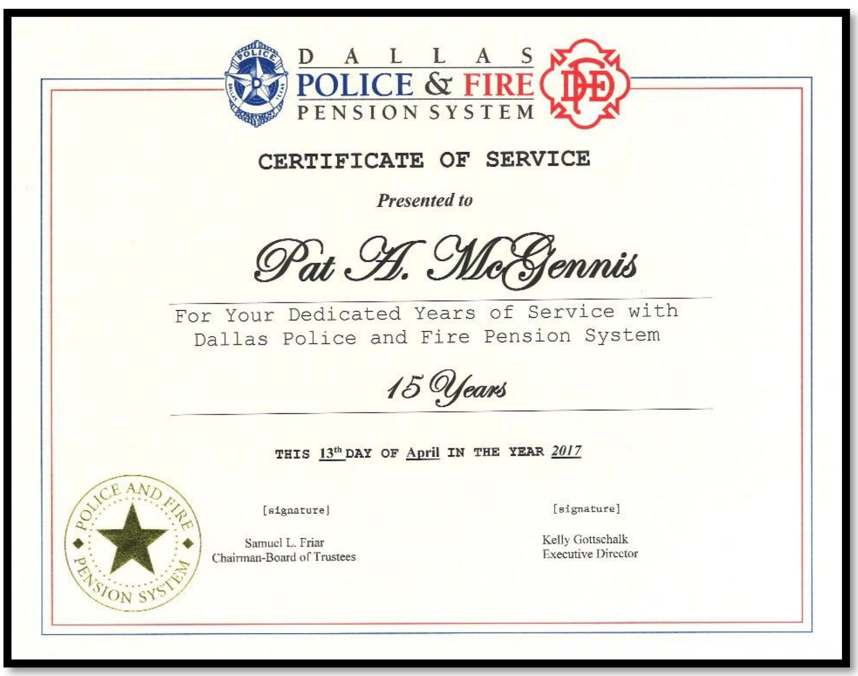
For Your Dedicated Years of Service with
Dallas Police and Fire Pension System

10 Years

THIS 13th DAY OF April IN THE YEAR *2017*

[signature]
Samuel L. Friar
Chairman-Board of Trustees

[signature]
Kelly Gottschalk
Executive Director



DALLAS POLICE & FIRE PENSION SYSTEM

CERTIFICATE OF SERVICE

Presented to

Pat A. McGennis

For Your Dedicated Years of Service with
Dallas Police and Fire Pension System

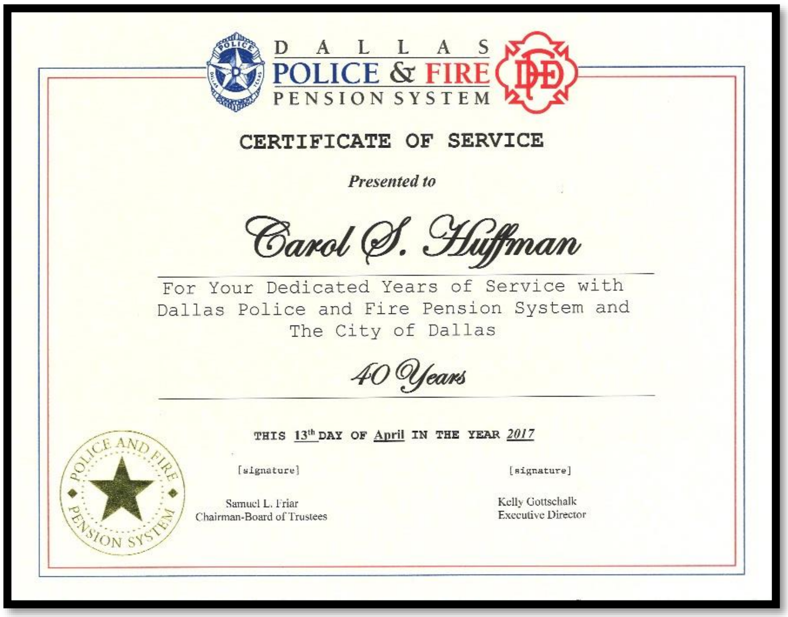
15 Years

THIS 13th DAY OF April IN THE YEAR *2017*

[signature]
Samuel L. Friar
Chairman-Board of Trustees

[signature]
Kelly Gottschalk
Executive Director

12. Employee recognition – First Quarter 2017 (continued)


DALLAS POLICE & FIRE PENSION SYSTEM

CERTIFICATE OF SERVICE

Presented to

Carol S. Huffman

For Your Dedicated Years of Service with Dallas Police and Fire Pension System and The City of Dallas

40 Years

THIS 13th DAY OF April IN THE YEAR 2017

[signature]
Samuel L. Friar
Chairman-Board of Trustees

[signature]
Kelly Gottschalk
Executive Director

POLICE AND FIRE PENSION SYSTEM

b. Mr. Friar and Ms. Gottschalk presented a performance award for Employee of the Quarter, First Quarter 2017, to Kimberly L. Boone, Administrative Clerk.


CERTIFICATE OF APPRECIATION

DALLAS POLICE & FIRE PENSION SYSTEM

This certifies that

Kimberly L. Boone

In Recognition of Outstanding Performance
Has Been Duly Selected to Receive This Certificate as

Employee of the Quarter – 1st Quarter 2017

Given on
April 13, 2017

[signature]
Executive Director

No motion was made.

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

a. BTIG Value Manager Event/Berkshire Hathaway Shareholders Meeting
b. Developing Managerial Skills
c. TEXPERS Annual Conference

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

a. BTIG Value Manager Event/Berkshire Hathaway Shareholders Meeting

Mr. Schutz

b. Developing Managerial Skills

Mr. Schutz

c. TEXPERS Annual Conference

Messrs. Friar, Haben, Brown

No motion was made.

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14. Unforeseeable Emergency Requests from DROP Members

There were no Unforeseeable Emergency Requests from DROP members requiring Board action.

No discussion was held.

No motion was made.

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15. Amendment of Group Trust Declaration

Staff briefed the Board on a technical amendment to the Group Trust Declaration.

After discussion, Mr. Brown made a motion to adopt the proposed amendment to the Group Trust Declaration. Mr. Haben seconded the motion, which was

15. Amendment of Group Trust Declaration (continued)

unanimously approved by the Board. Messrs. Griggs, Kingston, and Wilson were not present for this item.

After discussion, Mr. Brown made a motion to adopt the proposed amendment to the Group Trust Declaration. Mr. Haben seconded the motion, which was unanimously approved by the Board. Messrs. Griggs, Kingston, and Wilson were not present for this item.

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16. Performance review of the Executive Director

The Board went into closed executive session – personnel at 3:23 p.m.

The meeting was reopened at 4:26 p.m.

After discussion, Mr. Conway made a motion to approve a $10,000 salary increase and a one-time bonus of $10,000. Mr. Ho seconded the motion, which was unanimously approved by the Board. Messrs. Griggs, Kingston, and Wilson were not present for this item.

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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 (March 2017)
- NCPERS PERSist (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. Haben and a second by Mr. Ho, the meeting was adjourned at 4:27 p.m.

____
Samuel L. Friar
Chairman

ATTEST:

____
Kelly Gottschalk
Secretary

DISCUSSION SHEET

ITEM #C1

Topic: **Discussion and possible action on Legislative Matters**

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

Discussion:

a. Staff will update the Board on the status of the DPFP plan legislation.

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

DISCUSSION SHEET

ITEM #C2

Topic: **Consideration of possible Deferred Retirement Option Plan (DROP) account distributions in accordance with DROP Policy Addendum**

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

Discussion:

a. Staff will present 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 DPFP'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

DISCUSSION SHEET

ITEM #C2
(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. Staff will present 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 will discuss the possible effects of payment of excess liquidity amounts on the efficient administration of DPFP.

Staff Recommendation:

a. **Certify** the reserve amount.

b. **Certify** the excess liquidity amount.

c. To be provided at the meeting.

DISCUSSION SHEET

ITEM #C3

Topic: **Legal issues**

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.

a. Police Officer and Firefighter pay lawsuits
b. Potential claims involving fiduciaries and advisors
c. Eddington et al. v. DPFP
d. Rawlings v. DPFP
e. DPFP v. Columbus A. Alexander III
f. Degan et al. v. DPFP (Federal suit)
g. Education and Travel Policy and Procedure

Discussion: Counsel will brief the Board on these issues.

DISCUSSION SHEET

ITEM #C4

Topic: **Violation of federal law (USERRA) by the City of Dallas**

Discussion: Pursuant to the Uniform Services Employment and Reemployment Act (USERRA), members who have returned from military service and continued their employment are entitled to make the contributions they did not make while they were on military leave in order to receive pension credit for the time they spent on military leave. USERRA provides that when members make such contributions to receive pension credit, the employer is required to make its share of contributions to the plan for that military leave time that the member is “buying back.”

DPFP has tried for over a year to collect such contributions from the City. The amount owed by the City is $1,407,421. The City contends that it is not required to make such contributions. USERRA specifically provides rights to pension plans against employers who refuse to make required contributions.

Staff Recommendation: Staff requests direction from the Board on how to address the City’s continuing violation of federal law.

DISCUSSION SHEET

ITEM #C5

Topic: **Possible changes to Education and Travel Policy and Procedure**

Discussion: Staff is proposing the following changes to the policy and procedure covering education and travel related expenses to address the approval of travel and reimbursement of expenses for Trustees.

1. Currently, the policy requires that Chairperson and Executive Director approval be obtained prior to incurring expenses related to educational conferences or training sessions. The proposed changes would require that the Board approve plans for such expenses in advance of the educational conferences or training sessions taking place.

2. Materials for any new conference/session which is not already on the list of planned future conferences/sessions would be required to be submitted to the Executive Director at least two weeks prior to a Board meeting in order for the conference/session to be included on the agenda for Board review.

3. Any business related travel, such as meetings with the city of Dallas or legislative meetings, would not require Board approval, but would require joint approval by the Chairperson and Executive Director prior to travel (including local travel) if related expenses are to be reimbursed.

4. A Trustee who is eligible to receive reimbursement from the city of Dallas for an educational course should seek reimbursement from the City prior to seeking reimbursement from DPFP.

DISCUSSION SHEET

ITEM #C5
(continued)

Staff is also proposing that the Mileage Reimbursement Policy as amended through April 28, 2004 be repealed as the provisions of this policy have been incorporated into the Education and Travel Policy and Procedure.

Staff Recommendation: **Approve** the Education and Travel Policy and Procedure as amended and **approve** the repeal of the Mileage Reimbursement Policy.

DALLAS POLICE & FIRE PENSION SYSTEM

EDUCATION AND TRAVEL
POLICY AND PROCEDURE

As Amended Through ~~December 8, 2016~~

DALLAS POLICE AND FIRE PENSION SYSTEM

EDUCATION AND TRAVEL POLICY AND PROCEDURE
Adopted March 9, 1989
As amended through ~~December 8, 2016~~

A. POLICY

The policy of the Dallas Police and Fire Pension System (DPFP) is to:

1. Provide for a Board Education Plan which outlines the Board's educational goals and addresses compliance with the Texas Pension Review Board's (PRB) Minimum Educational Training (MET) Program for trustees and system administrators of Texas defined benefit public retirement systems.

2. Reimburse Board Trustees and staff members, as approved by the Board, for the cost of meals, accommodations, transportation and other expenses associated with travel activities relating to the operation of DPFP. Costs incurred by Trustees in the conduct of City of Dallas business unrelated to pension business, as opposed to expenses reimbursable under this policy, will be reimbursed in accordance with the appropriate City of Dallas policy and are not to be reimbursed by DPFP.

3. Arrange travel using the most economical means reasonably available.

4. Monitor travel expenses to adhere to budgeted amounts as approved by the Board.

B. PURPOSE

The purpose of this policy is to:

1. Outline a Board Education Plan that addresses the Board's educational goals, identifies topics that Trustees and staff should be educated on, and provides for compliance with the requirements of the PRB's MET Program.

2. Define the procedure for travel and conference/training registration approvals, arrangements, documentation, and reimbursement.

3. Establish general policies and guidelines for determining allowable expenses and processing travel expenses.

B. **PURPOSE** (continued)

This policy does not address the approval of Trustee travel related to the monitoring of investment consultants and investment managers associated with DPFP's investment portfolio. Such approval is addressed in the Investment Policy Statement.

C. **BOARD EDUCATION PLAN**

1. At minimum, Trustees and the Executive Director are to comply with the training requirements of the PRB's MET Program. The objective of such training is to cover the fundamental competencies necessary for the Trustees and Executive Director to successfully discharge their duties, as well as allow them to gain expertise in additional areas related to their duties. The number of hours and frequency of training should follow the requirements as set forth by the PRB and the content should be aligned with the required content areas of the PRB, including but not limited to the following: fiduciary matters, governance, ethics, investments, actuarial matters, benefits administration, risk management, compliance, legal and regulatory matters, pension accounting, custodial issues, plan administration, Texas Open Meetings Act, and the Texas Public Information Act.

2. A designated staff member shall maintain records of attendance for educational activities for each Trustee and the Executive Director, notating which activities qualify as a PRB approved source for the MET Program. These records are to be utilized to meet the compliance reporting requirements of the MET Program.

3. Trustee and staff attendance of educational activities beyond those sponsored by PRB approved sources should be related to core topics which support the role of a public fund trustee and/or staff person, as applicable (e.g. finance, defined benefit plans, legislative issues, retirement counseling, financial reporting, or any of the areas noted in paragraph C.1. above).

D. PROCEDURE

1. Travel arrangements shall be made by a designated staff member, upon the request of the individual Trustee or staff member attending a conference, training, or meeting. The designated staff member will assist with all necessary arrangements, including registration, airline reservations, car rental, hotel and any other arrangements requiring reservation. In order for staff to assist with such arrangements, a Travel Profile form should be completed by any individual requesting travel reservations.

2. A Trustee or staff member may request the method of transportation that best meets his/her needs and the requirements of the education or business purpose, however the request will be subject to consideration of economic feasibility based on all available options. The staff member designated to assist in arranging travel shall perform a search of all reasonably available options for transportation and lodging prior to booking in order to best manage expenditures.

3. Charges for registration and travel reserved in advance of the travel date shall be made by a designated staff person using the DPFP credit card unless otherwise pre-approved by the Executive Director.

4. All expenses associated with any travel shall be documented on the Expense Report form (see Appendix A).

An explanation of the form is as follows:

a. Dates

A separate column on the Expense Report is to be utilized for each day of the expense period.

b. Registration Fees

(1) DPFP will reimburse actual expenses incurred in registering for a conference/training or meeting. If the attendee pays the registration fee, an original or electronic (email) receipt must be furnished for reimbursement purposes.

D. **PROCEDURE (continued)**

(2) Registration costs are authorized only to the extent necessary for the purpose of the conference/training or meeting; expenses for golf tournaments or other extracurricular activities offered in connection with a conference/training or meeting are the responsibility of the individual.

c. Airfare

(1) If a reduced airfare may be obtained by traveling a day earlier or later than required for event attendance (i.e. staying an additional night), *and* the cost of all additional travel expenses (hotel, meals, rental car, local transportation, etc) is offset by the savings in airfare, DPFP will reimburse additional lodging, local transportation, rental car, and meal expenses incurred. The reimbursement for travel expense for the additional day will be limited to the savings in airfare (i.e. the difference between 1) the airfare that would have been incurred based on travel dates required for event attendance and 2) the actual rate paid for the airfare). Support for the amount of cost differential shall be obtained by the staff person assisting with booking travel and shall be included with the Expense Report for record keeping purposes.

(2) For all flights, DPFP will reimburse a coach or economy class airfare. First-class or business-class seats may be allowed only if coach seats are not available and no other flight can be substituted.

(3) Expenses incurred to change or cancel a flight will be reimbursed by DPFP.

(4) Upon completion of air travel, a copy of the boarding pass and/or itinerary must be submitted with the Expense Report.

d. Mileage

(1) Expenses relating to the use of personal vehicles for business travel shall be reimbursed at the current standard mileage rate as released by the Internal Revenue Service for use in computing the deductible costs of operating an automobile for business purposes.

D. PROCEDURE (continued)

d. Mileage (continued)

(2) If multiple individuals are traveling together by car, DPFP will reimburse mileage to the person who owns the vehicle.

(3) Mapquest.com, Map.com, or some equivalent online map service should be used to calculate mileage for reimbursement purposes.

(4) Mileage to and from DPFP's office when the origin or end point is the Trustee's home will not be reimbursed for days when a Trustee is compensated by the City. If a Trustee is not compensated by the City in the form of pay or time on the day of commuting to or from the DPFP office for a meeting, such mileage may be submitted for reimbursement. Any mileage which is being reimbursed by the City is not reimbursable by DPFP. Mileage to and from DPFP's office from a Trustee's workplace is reimbursable.

(5) The total reimbursement for vehicular transportation shall in no case exceed the amount that would be incurred using air transportation. Documentation of airfare used for cost comparison shall be attached to the Education/Travel Request Form.

~~(5)~~(6) For staff, on a normal workday, only the mileage traveled which is in excess of the number of miles from the staff person's residence to the DPFP office is reimbursable.

e. Local transportation

Actual expenses incurred for taxis or other local transportation service will be reimbursed. The original or electronic (email) receipt must be provided for reimbursement.

f. Car Rental

DPFP will reimburse for rental cars under the following guidelines:

(1) Whenever possible, the least expensive mode of transportation to and from the airport will be used, including shuttles, taxis, or other forms of local transportation.

D. PROCEDURE (continued)

f. Car Rental (continued)

(2) Rental car expenses will not be reimbursed if an individual opts to rent a car rather than use less expensive, reasonably available modes of transportation to and from the airport. Reimbursement of the amount that would have been expended on a shuttle or taxi will be made with documentation of established rates.

(3) Fuel and mileage costs incurred shall be reimbursed. An original or electronic (email) receipt must be provided for reimbursement. Whenever possible, the individual will return the rental car with a full tank of gas to avoid paying inflated prices for fill-up by the rental agency.

(4) DPFP will not reimburse for the cost of any collision waiver or liability policy purchased in conjunction with the rental of a car. DPFP is self-insured and additional insurance is unnecessary.

(5) If a car is rented for personal use beyond the required period for business usage, reimbursement will be made on a pro-rata basis for the period required to attend the conference/training or meeting.

g. Lodging

(1) Reimbursement shall be made for actual expenses incurred for the period required to attend the conference/training or meeting, to include any additional lodging in accordance with paragraph C.4.c.(1).

(2) Original hotel receipts must be furnished for reimbursement.

(3) If one or more other persons accompany the individual and the hotel rate is higher than that charged for single occupancy, the lodging receipt shall indicate both the amount charged and the single occupancy rate. The person authorized to incur expenses shall pay the difference.

(4) Any personal expenses, such as in-room movies, fitness room access, dry cleaning, etc. are the responsibility of the individual.

D. PROCEDURE (continued)

h. Business Services

(1) All actual internet access expenses pursuant to DPFP business will be reimbursed. The Trustee or staff member incurring the expense shall annotate any receipts listing such expenses to indicate which expenses were incurred related to DPFP business.

(2) Miscellaneous business expenses such as facsimile transmissions, courier service and overnight delivery service will be reimbursed. Original or electronic (email) receipts will be required for reimbursement.

i. Tips

All tips must be itemized daily.

j. Meals

(1) DPFP shall reimburse for meals based on actual expenses supported by receipts.

(2) If receipts are not available from the provider, but the individual confirms the cost, DPFP will reimburse actual costs not to exceed $25 for a meal.

(3) DPFP will not reimburse expenses for alcoholic beverages.

(4) DPFP will not reimburse expenses for meals purchased in lieu of meals provided by a conference sponsor.

(5) A meal purchased for a non-DPFP Trustee or staff person with the express purpose of conducting business may be reimbursed.

(6) Notation of all attendees of meals is required to be made on the receipt provided. If an attendee is a non-DPFP Trustee or staff, their business relationship to DPFP must be noted.

(7) Itemized, original or electronic (email) receipts will be required for reimbursement.

D. PROCEDURE (continued)

k. Baggage Fees

Fees charged to check baggage on flights will be reimbursed

l. Parking

Parking expenses are eligible for reimbursement. Original or electronic (email) receipts are to be furnished, if available. Terminal (short-term) parking at Dallas Fort Worth International Airport will not be reimbursed for a period exceeding two nights. Long-term parking is to be used in instances of travel exceeding a two-night stay.

m. Tolls

Fees charged for tolls will be reimbursed. Original or electronic (email) receipts are to be furnished, if available.

n. Other Expenses

(1) Taxes

Sales and other taxes paid are reimbursable.

(2) Insurance

Flight insurance and fees for traveler's checks will not be reimbursed.

(3) Educational Materials

Expenditures for books or other materials required to be purchased for an educational course will be reimbursed. Original or electronic (email) receipt is required for reimbursement.

(4) Incidentals

Items other than those mentioned above will not be reimbursed.

D. **PROCEDURE (continued)**

5. Insurance Coverage

a. While a Trustee or staff member is driving their privately owned vehicle on DPFP business, their auto insurance is primary. Any DPFP insurance will be secondary and will come into use only after the primary policy has paid out to its limits.

b. DPFP will provide legal defense and pay all settlements or judgments of claims or suits arising from an accident involving the use of a privately owned vehicle while conducting DPFP business, subject to the following conditions:

(1) DPFP coverage will be in excess of any other automobile liability insurance that provides coverage for a staff's or Trustee's vehicle while being used to conduct DPFP business.

(2) The staff must be in the scope of DPFP employment at the time of the accident, or the Board member must be a current Trustee at the time of the accident.

(3) The individual must notify their supervisor or the Executive Director, as applicable, of any automobile accident while conducting DPFP business as soon as possible.

(4) The individual must notify his/her insurance carrier of the accident as soon as possible.

(5) The individual must cooperate in the DPFP investigation and defense of any claim or suit related to their accident.

(6) DPFP will reimburse the staff or Trustee for the physical damage deductible under comprehensive and collision coverage due to damage to a staff person's or Trustee's vehicle arising out of the use of the vehicle while in the scope of DPFP business. The maximum reimbursement will be $1,000 whether or not the individual has physical damage insurance coverage on the vehicle. All claims for the reimbursement of the deductible must include supporting documentation.

D. PROCEDURE (continued)

6. Filing for Reimbursements

a. An Expense Report, along with applicable receipts, shall be submitted to the staff person designated to assist with travel, preferably within ten working days, but in no case later than sixty days after completion of a trip.

b. Only original or electronic (email) receipts shall be submitted. Copies are not acceptable. Receipts should be legible and reflect the reimbursement dollar amount.

c. All Expense Reports will be reviewed and approved by the Executive Director and Chief Financial Officer, or their designee.

d. DPFP staff will maintain all records and reports pursuant to this policy.

e. Reimbursement payments will typically be issued within 10 business days of receipt of a completed Expense Report and all supporting documentation, but never prior to completion of review and approval by executive staff.

7. Approval of Travel and Reimbursements

a. Travel will only be approved if the purpose of the trip is to transact official DPFP business or attend educational conferences or training sessions necessary to promote the efficient conduct of DPFP's business.

b. For any Trustee educational related travel, including day-trip travel (i.e. travel outside of Dallas County which allows an individual to depart and return on the same day), or educational conferences or courses which may not include travel, ~~Chairperson and Executive Director~~Board approval is required to be obtained prior to the travel or educational item taking place. Planned travel and education must be reported on an Education/Travel Request form and provided to the staff person designated to maintain travel/education records. Trustees on unapproved travel may not be covered by DPFP's liability insurance.

D. PROCEDURE (continued)

c. A listing of all upcoming Trustee education and business related travel and education which does not involve travel~~l~~, shall be included as a component of the Executive Director's Report in the Board meeting agenda, noting planned attendance of individual Trustees. ~~The inclusion of this report in Board meeting materials evidences the Chairperson and Executive Director's approval of such travel.~~A Board motion is required for approval of the report. In order for a training, meeting,~~ or~~ conference, or course to be included in the Executive Director's report~~ placed on the list,~~ it ~~it~~ must be ~~approved by the Chairperson and~~submitted to the Executive Director at least two weeks prior to a Board meeting. ~~A Trustee may request pre-approval from the Chairperson and Executive Director to attend a training, meeting, or conference which is not on the approved list.~~ Any such request must be supported by a program or other evidence of the opening and closing dates, times, location and general content/purpose.

d. Any business related travel by a Trustee, such as meetings with the city of Dallas or legislative meetings, does not require Board approval, but requires joint approval of the Chairperson and Executive Director prior to travel (including local travel) if related expenses are to be reimbursed. A request must be made by submission of an Education/Travel request form.

e. A Trustee who is eligible to receive reimbursement from the city of Dallas for an educational course must seek reimbursement from the city prior to seeking reimbursement from DPFP. If the city denies reimbursement and the expense is later submitted to DPFP, evidence of the city's denial must be provided with the Education/Travel Request form. ~~Written approval of the Chairperson and Executive Director is to be maintained with the Education/Travel Request form if such travel is requested and the date of the travel occurs prior to the next Board meeting.~~

~~e.~~**f.** Staff members must schedule authorized travel and conference/training registration with the staff person designated to assist with travel coordination.

D. PROCEDURE (continued)

~~d.~~g. A staff member's supervisor shall approve, in writing, the travel, including day-trip travel, in advance of any registration or travel being booked. Such request must be supported by a program or other evidence of the opening and closing dates, times, location and general content. Supervisor approval is subject to available funds in accordance with the annual budget as approved by the Board. Any costs which exceed the annual budget for staff travel and education must be approved by the Executive Director before expenses are incurred. Such approval is subject to available funds based on upon the overall operating budget as approved by the Board. Staff on unapproved travel may not be covered by DPFP's liability insurance.

~~e.~~h. As a component of the annual budget, an allocation shall be made to each individual Trustee for education related travel and conference/event registration/materials. Expenditures will be monitored for each Trustee's budget throughout the year, with available balances provided to the Trustees quarterly, at minimum. For the year in which a Trustee's term ends, the Trustee's allocated budget for that year will be prorated from the beginning of the year through the scheduled end of the Trustee's term. If the Trustee is subsequently reelected during that year, the Trustee's budget will be increased to the full amount for the year. For the year in which any new Trustee begins to serve, the Trustee's allocated budget will be prorated from the Trustee's start date through the end of the year.

~~f.~~i. Staff shall allocate a separate travel and registration amount in the budget for expenditures in connection with specified professional education programs approved by the Board (i.e. Wharton and Harvard investments related workshops or similar, approved courses). Each Trustee and the Executive Director may attend one such program in any two year period to the extent that budgeted amounts are available. A Trustee may attend additional programs to the extent budgeted amounts are available, with written pre-approval from the Chairperson and Executive Director. If more than six Trustees request to attend such a program in any one year, attendance will be approved according to order of request, with preference given to 1) Trustees who have not yet attended the initial "basic" course, and 2) Trustees who did not attend such a program the prior year.

APPROVED on **December 8, 2016** the Board of Trustees of the Dallas Police and Fire Pension System.

[signature]

Samuel L. Friar
Chairman

Attested:

[signature]

Kelly Gottschalk
Secretary

DALLAS POLICE & FIRE PENSION SYSTEM

EDUCATION AND TRAVEL POLICY AND PROCEDURE

As Amended Through

DALLAS POLICE AND FIRE PENSION SYSTEM

EDUCATION AND TRAVEL POLICY AND PROCEDURE
Adopted March 9, 1989
As amended through

A. <u>POLICY</u>

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B. <u>PURPOSE</u>

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D. PROCEDURE (continued)

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D. PROCEDURE (continued)

d. Mileage (continued)

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D. PROCEDURE (continued)

f. Car Rental (continued)

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g. Lodging

(1) Reimbursement shall be made for actual expenses incurred for the period required to attend the conference/training or meeting, to include any additional lodging in accordance with paragraph C.4.c.(1).

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(3) If one or more other persons accompany the individual and the hotel rate is higher than that charged for single occupancy, the lodging receipt shall indicate both the amount charged and the single occupancy rate. The person authorized to incur expenses shall pay the difference.

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D. PROCEDURE (continued)

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All tips must be itemized daily.

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D. PROCEDURE (continued)

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D. PROCEDURE (continued)

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b. DPFP will provide legal defense and pay all settlements or judgments of claims or suits arising from an accident involving the use of a privately owned vehicle while conducting DPFP business, subject to the following conditions:

(1) DPFP coverage will be in excess of any other automobile liability insurance that provides coverage for a staff's or Trustee's vehicle while being used to conduct DPFP business.

(2) The staff must be in the scope of DPFP employment at the time of the accident, or the Board member must be a current Trustee at the time of the accident.

(3) The individual must notify their supervisor or the Executive Director, as applicable, of any automobile accident while conducting DPFP business as soon as possible.

(4) The individual must notify his/her insurance carrier of the accident as soon as possible.

(5) The individual must cooperate in the DPFP investigation and defense of any claim or suit related to their accident.

(6) DPFP will reimburse the staff or Trustee for the physical damage deductible under comprehensive and collision coverage due to damage to a staff person's or Trustee's vehicle arising out of the use of the vehicle while in the scope of DPFP business. The maximum reimbursement will be $1,000 whether or not the individual has physical damage insurance coverage on the vehicle. All claims for the reimbursement of the deductible must include supporting documentation.

D. **PROCEDURE (continued)**

6. Filing for Reimbursements

a. An Expense Report, along with applicable receipts, shall be submitted to the staff person designated to assist with travel, preferably within ten working days, but in no case later than sixty days after completion of a trip.

b. Only original or electronic (email) receipts shall be submitted. Copies are not acceptable. Receipts should be legible and reflect the reimbursement dollar amount.

c. All Expense Reports will be reviewed and approved by the Executive Director and Chief Financial Officer, or their designee.

d. DPFP staff will maintain all records and reports pursuant to this policy.

e. Reimbursement payments will typically be issued within 10 business days of receipt of a completed Expense Report and all supporting documentation, but never prior to completion of review and approval by executive staff.

7. Approval of Travel and Reimbursements

a. Travel will only be approved if the purpose of the trip is to transact official DPFP business or attend educational conferences or training sessions necessary to promote the efficient conduct of DPFP's business.

b. For any Trustee educational related travel, including day-trip travel (i.e. travel outside of Dallas County which allows an individual to depart and return on the same day), or educational conferences or courses which may not include travel, Board approval is required to be obtained prior to the travel or educational item taking place. Planned travel and education must be reported on an Education/Travel Request form and provided to the staff person designated to maintain travel/education records. Trustees on unapproved travel may not be covered by DPFP's liability insurance.

D. PROCEDURE (continued)

c. A listing of all upcoming Trustee education and business related travel and education which does not involve travel, shall be included as a component of the Executive Director's Report in the Board meeting agenda, noting planned attendance of individual Trustees. A Board motion is required for approval of the report. In order for a training, meeting, conference, or course to be included in the Executive Director's report it must be submitted to the Executive Director at least two weeks prior to a Board meeting. Any such request must be supported by a program or other evidence of the opening and closing dates, times, location and general content/purpose.

d. Any business related travel by a Trustee, such as meetings with the city of Dallas or legislative meetings, does not require Board approval, but requires joint approval of the Chairperson and Executive Director prior to travel (including local travel) if related expenses are to be reimbursed. A request must be made by submission of an Education/Travel request form.

e. A Trustee who is eligible to receive reimbursement from the city of Dallas for an educational course must seek reimbursement from the city prior to seeking reimbursement from DPFP. If the city denies reimbursement and the expense is later submitted to DPFP, evidence of the city's denial must be provided with the Education/Travel Request form.

f. Staff members must schedule authorized travel and conference/training registration with the staff person designated to assist with travel coordination.

D. **PROCEDURE (continued)**

g. A staff member's supervisor shall approve, in writing, the travel, including day-trip travel, in advance of any registration or travel being booked. Such request must be supported by a program or other evidence of the opening and closing dates, times, location and general content. Supervisor approval is subject to available funds in accordance with the annual budget as approved by the Board. Any costs which exceed the annual budget for staff travel and education must be approved by the Executive Director before expenses are incurred. Such approval is subject to available funds based on upon the overall operating budget as approved by the Board. Staff on unapproved travel may not be covered by DPFP's liability insurance.

h. As a component of the annual budget, an allocation shall be made to each individual Trustee for education related travel and conference/event registration/materials. Expenditures will be monitored for each Trustee's budget throughout the year, with available balances provided to the Trustees quarterly, at minimum. For the year in which a Trustee's term ends, the Trustee's allocated budget for that year will be prorated from the beginning of the year through the scheduled end of the Trustee's term. If the Trustee is subsequently reelected during that year, the Trustee's budget will be increased to the full amount for the year. For the year in which any new Trustee begins to serve, the Trustee's allocated budget will be prorated from the Trustee's start date through the end of the year.

i. Staff shall allocate a separate travel and registration amount in the budget for expenditures in connection with specified professional education programs approved by the Board (i.e. Wharton and Harvard investments related workshops or similar, approved courses). Each Trustee and the Executive Director may attend one such program in any two year period to the extent that budgeted amounts are available. A Trustee may attend additional programs to the extent budgeted amounts are available, with written pre-approval from the Chairperson and Executive Director. If more than six Trustees request to attend such a program in any one year, attendance will be approved according to order of request, with preference given to 1) Trustees who have not yet attended the initial "basic" course, and 2) Trustees who did not attend such a program the prior year.

APPROVED on **December 8, 2016** the Board of Trustees of the Dallas Police and Fire Pension System.

[signature]

Samuel L. Friar
Chairman

Attested:

[signature]

Kelly Gottschalk
Secretary

DALLAS POLICE & FIRE PENSION SYSTEM

Mileage Reimbursement Policy

As Amended through April 28, 2004

MILEAGE REIMBURSEMENT POLICY

Adopted November 12, 1998
Amended through April 28, 2004

A. Purpose

Trustees and staff members may be required to use their personal vehicles in the performance of their System-related job duties. This policy is established to outline the rules, reporting requirements, and reimbursement procedures for business usage of personal vehicles. This policy governs mileage that is not reimbursed under the "Continuing Education and Investment Research Expense Policy and Procedures."

B. Definition

Excess mileage is the difference from point of departure to point of arrival minus the number of miles from your residence to the System office. Reimbursements will be based on excess mileage if authorized System-related use of a personal vehicle occurs en route as a staff member drives to and from home on a normal workday. Excess mileage also applies in circumstances when a staff member, on official travel, is traveling from home to a work-related destination other than the normal work location or is traveling to home from a work-related destination other than the normal work location. All business mileage should be calculated based upon the most direct route possible.

C. Mileage Reimbursement for Staff Members

If a staff member is authorized to use his/her personal vehicle to travel to another location to work on System business, to deliver or pick up material to or from another location, to purchase supplies for the System Office, to attend meetings related to System business outside of the System Office, or to conduct other System-related business outside of the System office, the System will reimburse for actual mileage or excess mileage, as appropriate under the following circumstances:

1. The System will reimburse for actual mileage if the travel is conducted during work hours and the staff member leaves from and returns to the System office.

2. If a staff member is authorized to use her/his personal vehicle for System business, the System will reimburse for excess mileage if the delivery is done while driving to or from home.

C. Mileage Reimbursement for Staff Members (continued)

Example: Your normal travel distance to the office from your home is 10 miles. You are directed to drive to the Police Academy in your personal vehicle for a Rookie Presentation. The distance from your home to the Police Academy is 12 miles and the distance from the Police Academy to the Pension Office is 13 miles. The System will reimburse the staff member for 15 miles. (12 + 13 = 25 miles total driven less the 10 normal miles driven equals 15 excess miles driven).

D. Mileage Reimbursement for Trustees

Members of the Board of Trustees may submit requests for mileage reimbursement for travel from their normal workplace to the Pension System office or other location (and vice versa) for the performance of Pension System-related business. Mileage to and from a Trustee's home is considered commuting expense and is not eligible for reimbursement.

E. Other Guidelines

1. Individuals are encouraged to combine trips, when possible and practical, to minimize use of personal vehicles on System-related business. Vendor delivery services should be utilized, when possible, to avoid and minimize use of personal vehicles. If business-related travel is combined with personal business or personal lunch travel and results in no additional miles driven, the mileage is not eligible for reimbursement.

2. Individuals using their personal vehicles for authorized System-related business will be reimbursed at the standard mileage rate established by the Internal Revenue Service and as modified from time to time. In addition, all tolls and parking charges incurred during the conduct of System-related business will be reimbursed.

3. The System does not provide insurance coverage for any individual who uses his or her personal vehicle for business purposes. The mileage reimbursement under this policy is provided to cover the cost of fuel, maintenance, repairs, and insurance while on System-related business.

4. Since the System assumes no responsibility beyond making available a mileage reimbursement allowance, it is the individual's responsibility to protect against damage to his/her vehicle and legal liability by carrying at least the minimum amount of liability insurance required by the State of Texas on the vehicle(s) used for business purposes.

F. Approval

1. All business usage of a personal vehicle by staff members should be authorized in advance by the individual's manager.

2. Request by staff members for reimbursement of mileage shall be submitted on a form approved by the Administrator within the first week of each calendar month for the previous month's mileage. (Note: If total mileage for the month is 10 miles or less, mileage can be carried over to the next month's reimbursement request.)

3. The mileage reimbursement form shall be signed by the employee making the request and such employee's supervisor.

4. The Accounting Manager will review all requests for reimbursement under this policy. The Accounting Manager will approve the request for reimbursement after confirming the accuracy of the calculation and that the reimbursement conforms to this policy.

APPROVED on April 28, 2004 by the Board of Trustees of the Dallas Police and Fire Pension System.

[signature]

Gerald Brown
Chairman

ATTEST:

[signature]

Richard L. Tettamant
Secretary

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C6

Topic: **North Texas Opportunity Fund**

Discussion: The North Texas Opportunity Fund, LP commenced in May 2000 and is approaching the extended expiration of the fund on May 12, 2017. The manager requests that the limited partners consent to a one-year extension to continue managing the remaining investment, Irving Holdings, Inc., in a fund structure rather than distributing in kind.

To save fund costs, the manager is also requesting an amendment to substitute an annual audit of the one remaining holding in place of an audit at the fund level.

An additional amendment confirming that the partnership would not call any additional capital is also being included.

This extension of the fund is the eighth extension requested by the manager under the terms of the limited partnership and requires approval of two-thirds of the limited partners. The partnership ceased payment of management fees to the Investment Manager July 1, 2013.

Staff Recommendation: **Approve** the extension and **authorize** the Executive Director to negotiate and execute documentation and perform all necessary acts and exercise all appropriate discretion to facilitate the extension and amendments.

DALLAS POLICE & FIRE PENSION SYSTEM

INVESTMENT RECOMMENDATION

Date:	May 11, 2017
To:	DPFP Board
From:	Investments Staff
Subject:	North Texas Opportunity Fund 8th Extension

Recommendation

Investments staff recommends approving the North Texas Opportunity Fund extension, which extends the duration of the fund by one year from May 12, 2017 to May 11, 2018. Staff also recommends approving the additional proposed amendments to a) substitute an audit of the one remaining holding in place of a fund level audit and b) confirm the partnership will not call any additional capital.

Executive Summary

The General Partner of the North Texas Opportunity Fund is requesting an eighth extension of the fund term to maintain a fund structure for efficient management of the remaining investment, Irving Holdings, Inc. As part of the extension, the General Partner is requesting to substitute the Irving Holdings, Inc. annual audit in place of a fund level audit.

Performance

DPFP has funded the full $10 million commitment made to the North Texas Opportunity Fund, which began in May of 2000. DPFP has received a net $8.8 million in distributions from the fund, resulting in a Distributions to Paid in Capital ratio of 0.88. DPFP's current value in the fund is approximately $1.4 million based on preliminary December 31, 2016 reporting, resulting a net Total Value to Paid in Capital ratio of 1.02 and an IRR since inception of 0.06% on the investment.

Process

Staff reviewed the contract, performance, history, and holdings of the North Texas Opportunity Fund. Staff also analyzed the underlying financial statements of the remaining asset, Irving Holdings, Inc. Staff met with the General Partner several times and conducted multiple phone calls for answers to questions related to performance, outlook for Irving Holdings, Inc. operations and alternatives to the extension. Staff also consulted with NEPC, who themselves spoke with staff and reviewed documents and financial reports, to gain a further understanding of the alternatives.

Rationale

Staff recommends approving the extension and other amendments. The General Partner receives no compensation for managing the fund or the asset. The General Partner has also expressed an intent to distribute shares in kind in the event the fund term is not extended. It is more efficient to allow the General Partner to conduct fund operations and manage the asset with no compensation than for

DPFP to receive the shares in kind and attempt to monetize the asset as a direct owner of a private company. The audit substitution saves the fund unnecessary fees as the other fund assets are immaterial and the Irving Holdings, Inc. audit will provide assurance over the accuracy of the net asset value of the fund as reported to staff and our custodian.

NEPC, LLC

To: Dallas Police and Fire Pension System

From: NEPC Private Markets

Date: May 5, 2017

Subject: Request to Extend Duration of North Texas Opportunity Fund LP

Issue

North Texas Opportunity Fund was originally scheduled to terminate on May 10, 2010. Since then, the General Partner has requested seven one-year extensions, and has now requested an eighth. The Fund is in the liquidating stage but still has one core remaining asset, Irving Holdings, Inc., aka Yellow Checker, yet to be fully realized.

The General Partner of the Fund is requesting a one-year extension of the Fund. The Fund can be extended for one additional year through May 11, 2018 if the General Partner receives consent from 2/3 of Limited Partners' interest. DPF represents 37.6% of total LP interests.

Recommendation

We are recommending that DPF agree to the extension as presented by the General Partner. The acceptance of the extension will allow the manager to continue its goal of selling the remaining asset which is in the best interests of the limited partner investors. DPF's portion of the remaining net assets is $1.4 million as of the unaudited December 31, 2016 financial statement. Additionally, the manager is no longer charging a management fee so there is no additional cost to DPF to allow the General Partner to harvest the remaining portfolio company. It should be noted that at this time last year, the GP expected the remaining Irving Holdings to be liquidated by the end of 2016, with no material progress made toward that goal.

Foundation for the Recommendation

In forming our recommendation, NEPC performed the following activities:

1. Discussions with DPFP Staff
2. Reviewed the Cover Letter for the Written Consent of Limited Partner of North Texas Opportunity Fund LP
3. Reviewed the Written Consent of Limited Partner of North Texas Opportunity Fund LP
4. Reviewed the Unaudited Financial Statements of North Texas Opportunity Fund LP as of December 31, 2016.

DISCUSSION SHEET

ITEM #C7

Topic: **Investment reports**

Discussion: Review of investment reports.

J.P.Morgan

Dallas Police and Fire Pension System - Net of Fees V1

Returns By Category
As of March 2017

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
Dallas Police And Fire Group Trust	**2,106,416,188**	**100.00**	**(0.11)**	**0.31**	**0.31**	**2.89**	**(3.29)**	**1.03**		**01-Jan-1995**
Equity	**492,844,888**	**23.40**	**1.28**	**2.22**	**2.22**	**4.33**				**01-Jan-2016**
MSCI AC 66.7%/EM 16.7%/R3000+3 16.7%			1.24	7.35	7.35	16.92				
Excess Return			*0.05*	*(5.13)*	*(5.13)*	*(12.59)*				
Global Equity	**174,300,075**	**8.27**	**2.08**	**7.86**	**7.86**	**16.22**	**5.96**	**9.44**		**01-Jul-2009**
MSCI ACWI			1.29	7.05	7.05	15.69	5.65	8.97		
Excess Return			*0.79*	*0.81*	*0.81*	*0.53*	*0.31*	*0.47*		
Private Equity	**318,544,813**	**15.12**	**0.85**	**(0.51)**	**(0.51)**	**(1.76)**				**01-Jan-2016**
Russell 3000 +3%			0.32	6.52	6.52	21.61				
Excess Return			*0.53*	*(7.02)*	*(7.02)*	*(23.36)*				
Fixed Income	**230,411,028**	**10.94**	**(2.25)**	**(1.20)**	**(1.20)**	**7.39**				**01-Jan-2016**
Fixed Income Blended			0.32	2.63	2.63	8.91				
Excess Return			*(2.57)*	*(3.82)*	*(3.82)*	*(1.51)*				
Global Bonds	**62,014,764**	**2.94**	**1.07**	**4.56**	**4.56**	**0.68**				**01-Jan-2016**
Barclays Global Aggregate			0.15	1.76	1.76	(1.90)				
Excess Return			*0.92*	*2.80*	*2.80*	*2.58*				
High Yield	**78,252,816**	**3.71**	**(0.09)**	**3.77**	**3.77**	**23.01**				**01-Jan-2016**
Barclays Global High Yield			0.06	3.18	3.18	13.25				
Excess Return			*(0.15)*	*0.59*	*0.59*	*9.76*				
Bank Loans	**57,068,161**	**2.71**	**0.26**	**1.57**	**1.57**	**12.94**				**01-Jan-2016**
S&P Leveraged Loan Index			(0.16)	0.16	0.16	7.33				

Performance shown is net of manager fees

J.P.Morgan

Dallas Police and Fire Pension System - Net of Fees V1

Returns By Category
As of March 2017

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
Excess Return			*0.42*	*1.41*	*1.41*	*5.61*				
EM Debt	**18,650,794**	**0.89**	**2.87**	**8.12**	**8.12**	**17.74**				**01-Jan-2016**
EM Debt Blended			1.35	5.18	5.18	7.26				
Excess Return			*1.53*	*2.94*	*2.94*	*10.48*				
Private Debt	**14,424,494**	**0.68**	**(14.05)**	**(20.48)**	**(20.48)**	**(17.74)**				**01-Jan-2016**
Barclays Global High Yield +2%			0.23	3.68	3.68	15.51				
Excess Return			*(14.28)*	*(24.16)*	*(24.16)*	*(33.25)*				
Global Asset Allocation (GAA)	**137,536,999**	**6.53**	**1.43**	**3.39**	**3.39**	**16.05**	**4.39**	**4.45**		**01-Jul-2007**
GAA Blended			0.72	4.05	4.05	7.00	2.95	4.87		
Excess Return			*0.72*	*(0.66)*	*(0.66)*	*9.04*	*1.44*	*(0.42)*		
Absolute Return	**38,391,543**	**1.82**	**2.13**	**0.45**	**0.45**					**01-Jun-2016**
HFRX Absolute Return Index			0.25	0.65	0.65					
Excess Return			*1.88*	*(0.20)*	*(0.20)*					
Risk Parity	**77,716,960**	**3.69**	**1.06**	**4.46**	**4.46**	**13.50**				**01-Jan-2016**
MSCI ACWI 60%/Barclays Global Aggregate 40%			0.84	4.91	4.91	8.39				
Excess Return			*0.22*	*(0.45)*	*(0.45)*	*5.11*				
GTAA	**21,428,496**	**1.02**	**1.58**	**4.91**	**4.91**	**10.16**				**01-Jan-2016**
MSCI ACWI 60%/Barclays Global Aggregate 40%			0.84	4.91	4.91	8.39				
Excess Return			*0.75*	*0.00*	*0.00*	*1.77*				
Real Assets	**934,605,933**	**44.37**	**(0.48)**	**(0.63)**	**(0.63)**	**(2.94)**				**01-Jan-2016**

Performance shown is net of manager fees

J.P.Morgan

Dallas Police and Fire Pension System - Net of Fees V1

Returns By Category
As of March 2017

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
Natural Resources	**262,994,846**	**12.49**	**0.19**	**(0.39)**	**(0.39)**	**2.43**	**3.42**	**5.87**		**01-Jul-2009**
Infrastructure	**171,691,691**	**8.15**	**2.66**	**2.48**	**2.48**	**(2.50)**	**(1.84)**			**01-Jul-2012**
S&P Global Infrastructure Index			3.41	7.95	7.95	11.68	4.30			
Excess Return			*(0.76)*	*(5.46)*	*(5.46)*	*(14.19)*	*(6.14)*			
Real Estate	**499,919,396**	**23.73**	**(1.74)**	**(1.69)**	**(1.69)**	**(5.36)**				**01-Jan-2016**
NCREIF Property			1.55	1.55	1.55	7.27				
Excess Return			*(3.29)*	*(3.24)*	*(3.24)*	*(12.63)*				
Control/Holding Account	**421,017,340**	**19.99**	**0.06**	**0.19**	**0.19**	**0.50**	**0.24**	**0.21**		**01-Jan-1994**
Merrill Lynch 3 Month US T-BILL			0.02	0.10	0.10	0.36	0.17	0.14	0.68	
Excess Return			*0.04*	*0.09*	*0.09*	*0.14*	*0.07*	*0.07*		
Master Loans	**(110,000,000)**	**(5.22)**								**01-Mar-2014**

Performance shown is net of manager fees

J.P.Morgan

Dallas Police and Fire Pension System - Net of Fees V1

Equity

As of March 2017

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
Dallas Police And Fire Group Trust	**2,106,416,188**	**100.00**	**(0.11)**	**0.31**	**0.31**	**2.89**	**(3.29)**	**1.03**		**01-Jan-1995**
Equity	**492,844,888**	**23.40**	**1.28**	**2.22**	**2.22**	**4.33**				**01-Jan-2016**
MSCI AC 66.7%/EM 16.7%/R3000+3 16.7%			1.24	7.35	7.35	16.92				
Excess Return			*0.05*	*(5.13)*	*(5.13)*	*(12.59)*				
Global Equity	**174,300,075**	**8.27**	**2.08**	**7.86**	**7.86**	**16.22**	**5.96**	**9.44**		**01-Jul-2009**
MSCI ACWI			1.29	7.05	7.05	15.69	5.65	8.97		
Excess Return			*0.79*	*0.81*	*0.81*	*0.53*	*0.31*	*0.47*		
Eagle Asset Management	23	0.00								28-Feb-2005
OFI	83,586,126	3.97	2.12	9.55	9.55	17.87	5.49	10.21		01-Sep-2007
MSCI ACWI			1.29	7.05	7.05	15.69	5.65	8.97		
Excess Return			*0.83*	*2.50*	*2.50*	*2.19*	*(0.16)*	*1.24*		
Pyramis Global Advisors (Fidelity)	162,814	0.01								01-Apr-2002
RREEF REIT	88,420	0.00								01-Jan-1999
Sustainable Asset Management	28,706	0.00								30-Nov-2008
Walter Scott and Partners	90,433,986	4.29	2.05	6.62	6.62	11.21	5.80	8.45		01-Dec-2009
MSCI ACWI			1.29	7.05	7.05	15.69	5.65	8.97		
Excess Return			*0.76*	*(0.43)*	*(0.43)*	*(4.48)*	*0.14*	*(0.52)*		
Private Equity	**318,544,813**	**15.12**	**0.85**	**(0.51)**	**(0.51)**	**(1.76)**				**01-Jan-2016**
Russell 3000 +3%			0.32	6.52	6.52	21.61				
Excess Return			*0.53*	*(7.02)*	*(7.02)*	*(23.36)*				

Performance shown is net of manager fees

J.P.Morgan

Dallas Police and Fire Pension System - Net of Fees V1

Equity
As of March 2017

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
Bankcap Partners	10,872,589	0.52	90.27	90.27	90.27	87.43	23.10	14.16		01-Feb-2007
Hudson Clean Energy Partners LP	13,501,582	0.64	0.00	0.00	0.00	(25.04)	(8.01)	(11.72)		01-Aug-2009
Huff Alternative Fund LP	31,971,636	1.52	0.00	1.09	1.09	12.99	2.51	4.09		01-Jun-2001
Huff Energy Fd	131,208,655	6.23	0.00	0.00	0.00	19.14	(13.35)	(2.84)		31-Dec-2006
Industry Ventures Partnership Holdings IV LP	516,441	0.02	0.00	0.00	0.00					15-Jul-2016
Lone Star CRA Fund LP	60,331,833	2.86	0.00	0.00	0.00	(36.55)	(20.64)	(7.13)		01-Jul-2008
Lone Star Growth Capital	10,750,759	0.51	0.00	0.00	0.00	(15.40)	(12.23)	2.19		31-Dec-2006
Lone Star Opportunities Fund V LP	54,328,102	2.58	0.00	0.00	0.00	(36.23)	(9.95)	10.62		01-Jan-2012
North Texas Opportunity Fund LP	2,098,971	0.10	(54.05)	(54.05)	(54.05)	(58.41)	(34.56)	(26.50)		01-Aug-2000
Pharos Capital	2,849,525	0.14	0.00	0.00	0.00	(50.29)	(18.72)	(6.54)		30-Aug-2005
Yellowstone Energy Ventures II LP	114,719	0.01	0.02	0.02	0.02	(12.02)	(42.31)	(33.23)		01-Sep-2008

Performance shown is net of manager fees

J.P.Morgan

Dallas Police and Fire Pension System - Net of Fees V1

Fixed Income

As of March 2017

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
Dallas Police And Fire Group Trust	**2,106,416,188**	**100.00**	**(0.11)**	**0.31**	**0.31**	**2.89**	**(3.29)**	**1.03**		**01-Jan-1995**
Fixed Income	**230,411,028**	**10.94**	**(2.25)**	**(1.20)**	**(1.20)**	**7.39**				**01-Jan-2016**
Fixed Income Blended			0.32	2.63	2.63	8.91				
Excess Return			*(2.57)*	*(3.82)*	*(3.82)*	*(1.51)*				
Global Bonds	**62,014,764**	**2.94**	**1.07**	**4.56**	**4.56**	**0.68**				**01-Jan-2016**
Barclays Global Aggregate			0.15	1.76	1.76	(1.90)				
Excess Return			*0.92*	*2.80*	*2.80*	*2.58*				
Brandywine Investment Management	62,014,764	2.94	1.07	4.56	4.56	1.11	0.43	1.97		01-Jan-2005
Barclays Global Aggregrate Index			0.15	1.76	1.76	(1.90)	(0.39)	0.38	3.34	
Excess Return			*0.92*	*2.80*	*2.80*	*3.01*	*0.82*	*1.59*		
High Yield	**78,252,816**	**3.71**	**(0.09)**	**3.77**	**3.77**	**23.01**				**01-Jan-2016**
Barclays Global High Yield			0.06	3.18	3.18	13.25				
Excess Return			*(0.15)*	*0.59*	*0.59*	*9.76*				
Loomis Sayles Global Opportunity	78,252,816	3.71	(0.09)	3.87	3.87	24.78	4.01	6.99		01-Nov-1998
70% Merrill High Yield / 30% JPM Emerging Markets			(0.05)	3.07	3.07	14.35	4.96	6.37	7.19	
Excess Return			*(0.04)*	*0.80*	*0.80*	*10.43*	*(0.94)*	*0.62*		
Bank Loans	**57,068,161**	**2.71**	**0.26**	**1.57**	**1.57**	**12.94**				**01-Jan-2016**
S&P Leveraged Loan Index			(0.16)	0.16	0.16	7.33				
Excess Return			*0.42*	*1.41*	*1.41*	*5.61*				
Loomis Sayles Senior Floating Rate and Fixed Income Trust	57,068,161	2.71	0.26	1.57	1.57	12.94	3.86			01-Nov-2013
S&P Leveraged Loan Index			(0.16)	0.16	0.16	7.33	(0.14)			
Excess Return			*0.42*	*1.41*	*1.41*	*5.61*	*4.00*			

Performance shown is net of manager fees

J.P.Morgan

Dallas Police and Fire Pension System - Net of Fees V1

Fixed Income

As of March 2017

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
EM Debt	**18,650,794**	**0.89**	**2.87**	**8.12**	**8.12**	**17.74**				**01-Jan-2016**
EM Debt Blended			1.35	5.18	5.18	7.26				
Excess Return			*1.53*	*2.94*	*2.94*	*10.48*				
Ashmore Emerging Markets Local Currency Bond Fund	18,650,794	0.89	2.87	7.89	7.89	9.09	(1.89)	(1.54)		01-Mar-2011
JP Morgan GBI-EM Global Diversified			2.31	6.50	6.50	5.47	(2.68)	(1.62)		
Excess Return			*0.56*	*1.39*	*1.39*	*3.62*	*0.79*	*0.08*		
Private Debt	**14,424,494**	**0.68**	**(14.05)**	**(20.48)**	**(20.48)**	**(17.74)**				**01-Jan-2016**
Barclays Global High Yield +2%			0.23	3.68	3.68	15.51				
Excess Return			*(14.28)*	*(24.16)*	*(24.16)*	*(33.25)*				
Highland Capital Management Note Due 12-31-2017	6,215,935	0.30	0.00	0.00	0.00	4.40	1.47	13.21		01-Dec-2006
Highland Crusader Fund LP	2,639,807	0.13	4.44	(2.38)	(2.38)	(6.29)	(6.30)	(2.83)		01-Aug-2003
Lone Star Partners VII LP	8	0.00								01-Jul-2011
Lone Star Fund VIII LP	14	0.00								01-Jun-2013
Lone Star Fund IX	121	0.00								01-Apr-2015
Oaktree Fund IV & 2x Loan Fund	162,273	0.01	0.00	(85.32)	(85.32)	(84.92)	(50.84)	(32.61)		01-Jan-2002
Riverstone Credit Partners LP	5,406,335	0.26	1.54	1.54	1.54					01-Jun-2016

Performance shown is net of manager fees

J.P.Morgan

Dallas Police and Fire Pension System - Net of Fees V1

Asset Allocation
As of March 2017

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
Dallas Police And Fire Group Trust	**2,106,416,188**	**100.00**	**(0.11)**	**0.31**	**0.31**	**2.89**	**(3.29)**	**1.03**		**01-Jan-1995**
Global Asset Allocation (GAA)	**137,536,999**	**6.53**	**1.43**	**3.39**	**3.39**	**16.05**	**4.39**	**4.45**		**01-Jul-2007**
GAA Blended			0.72	4.05	4.05	7.00	2.95	4.87		
Excess Return			*0.72*	*(0.66)*	*(0.66)*	*9.04*	*1.44*	*(0.42)*		
Absolute Return	**38,391,543**	**1.82**	**2.13**	**0.45**	**0.45**					**01-Jun-2016**
HFRX Absolute Return Index			0.25	0.65	0.65					
Excess Return			*1.88*	*(0.20)*	*(0.20)*					
Bridgewater-Pure Alpha Major Markets	38,391,543	1.82	2.13	0.45	0.45					01-Jul-2016
Risk Parity	**77,716,960**	**3.69**	**1.06**	**4.46**	**4.46**	**13.50**				**01-Jan-2016**
MSCI ACWI 60%/Barclays Global Aggregate 40%			0.84	4.91	4.91	8.39				
Excess Return			*0.22*	*(0.45)*	*(0.45)*	*5.11*				
Bridgewater	41,100,372	1.95	(0.10)	3.61	3.61	11.67	3.78	4.28		01-May-2007
Putnam Total Return	36,616,588	1.74	2.38	5.53	5.53	14.49	2.48	3.86		01-Dec-2009
GTAA	**21,428,496**	**1.02**	**1.58**	**4.91**	**4.91**	**10.16**				**01-Jan-2016**
MSCI ACWI 60%/Barclays Global Aggregate 40%			0.84	4.91	4.91	8.39				
Excess Return			*0.75*	*0.00*	*0.00*	*1.77*				
GMO	21,428,496	1.02	1.58	4.91	4.91	10.16	1.59	3.88		01-May-2007

Performance shown is net of manager fees

J.P.Morgan

Dallas Police and Fire Pension System - Net of Fees V1

Real Assets
As of March 2017

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
Dallas Police And Fire Group Trust	**2,106,416,188**	**100.00**	**(0.11)**	**0.31**	**0.31**	**2.89**	**(3.29)**	**1.03**		**01-Jan-1995**
Real Assets	**934,605,933**	**44.37**	**(0.48)**	**(0.63)**	**(0.63)**	**(2.94)**				**01-Jan-2016**
Natural Resources	**262,994,846**	**12.49**	**0.19**	**(0.39)**	**(0.39)**	**2.43**	**3.42**	**5.87**		**01-Jul-2009**
Infrastructure	**171,691,691**	**8.15**	**2.66**	**2.48**	**2.48**	**(2.50)**	**(1.84)**			**01-Jul-2012**
S&P Global Infrastructure Index			3.41	7.95	7.95	11.68	4.30			
Excess Return			*(0.76)*	*(5.46)*	*(5.46)*	*(14.19)*	*(6.14)*			
J.P. Morgan AIRRO II	4,181,328	0.20	(6.59)	(6.59)	(6.59)	(19.03)	(13.45)			01-Mar-2014
JP Morgan Global Maritime Investment Fund	26,677,041	1.27	0.00	0.00	0.00	(36.34)	(16.04)	(41.14)		01-Jun-2010
JP Morgan IIF Tax-Exempt LP	30,174,026	1.43	0.36	(0.49)	(0.49)	0.63	1.28	3.48		01-Oct-2007
JPM Asian Infras And Related Resources Oppor Fd	23,687,717	1.12	24.32	23.30	23.30	23.76	5.30	6.23		01-Aug-2008
LBJ Infrastructure Group Holdings LLC	44,346,035	2.11	0.00	0.00	0.00	0.00	0.00	0.00		01-Jun-2010
NTE Mobility Partners	42,625,545	2.02	0.00	0.00	0.00	0.00	0.00	0.00		01-Dec-2009
Real Estate	**499,919,396**	**23.73**	**(1.74)**	**(1.69)**	**(1.69)**	**(5.36)**				**01-Jan-2016**
NCREIF Property			1.55	1.55	1.55	7.27				
Excess Return			*(3.29)*	*(3.24)*	*(3.24)*	*(12.63)*				

Performance shown is net of manager fees

J.P.Morgan

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DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C8

Topic: **Quarterly financial reports**

Discussion: The Chief Financial Officer will present the first quarter 2017 financial statements.

DISCUSSION SHEET

ITEM #C9

Topic: **Recognition of outgoing Trustee**

Discussion: The Chairman and Executive Director, on behalf of the Board, will present a plaque of appreciation to Gerald Brown for his dedicated service on the Board of Trustees as Fire Pensioner Trustee since June 1, 2013. His last day of service will be May 31, 2017. He previously served on the Board for 28 years as an active Fire Trustee.

DISCUSSION SHEET

ITEM #C10

Topic: **Investment of Excess Cash**

Discussion: Staff will discuss the possibility of initiating searches for new investment managers in order to prepare for future rebalancing of the portfolio. The cash allocation remains above target due to uncertainty around legislation and timing of potential capital commitment requirements. NEPC, DPFP's investment consultant, has recommended that they begin to work with staff on the process of manager searches to grow the allocations to Emerging Market Equity, Emerging Market Debt and Bank Loans.

DISCUSSION SHEET

ITEM #C11

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

Discussion:

a. **Conference:** **PRB: MET Online Core Training: <u>Actuarial Matters</u>** KS
Dates: April 5, 2017
Location: http://www.prb.state.tx.us/

b. **Conference:** **PRB: MET Online Core Training: <u>Benefits Administration</u>** KS
Dates: April 20, 2017
Location: http://www.prb.state.tx.us/

c. **Conference:** **PRB: MET Online Core Training: <u>Risk Management</u>** KS
Dates: April 20, 2017
Location: http://www.prb.state.tx.us/

d. **Conference:** **PRB: MET Online Core Training: <u>Ethics</u>** KS
Dates: April 21, 2017
Location: http://www.prb.state.tx.us/

e. **Conference:** **PRB: MET Online Core Training: <u>Governance</u>** KS
Dates: April 27, 2017
Location: http://www.prb.state.tx.us

DISCUSSION SHEET

ITEM #C11
(continued)

f.	**Conference:**	**PRB: MET Online Core Training: Investments**	KS
	Dates:	May 4, 2017	
	Location:	http://www.prb.state.tx.us/	

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C12

Topic: **Unforeseeable Emergency Requests from DROP Members**

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.078 of the Texas Government Code.

Discussion: The Executive Director will review with the Board for their consideration any applications under the DROP Unforeseeable Emergency Policy that have not been approved.

Staff Recommendation: To be provided at the meeting.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #D1

Topic: **Reports and concerns of active members and pensioners of the Dallas Police and Fire Pension System**

Discussion: This is a Board-approved open forum for active members and pensioners to address their concerns to the Board and staff.

DISCUSSION SHEET

ITEM #D2

Topic: **Executive Director's report**

a. Future Education and Business Related Travel
b. Future Investment Related Travel
c. Associations' newsletters

- NCPERS Monitor (April 2017)
- NCPERS Monitor (May 2017)
- NCPERS PERSist (Spring 2017)

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

Future Education and Business Related Travel
Regular Board Meeting – May 11, 2017

1. **Conference:** **NCPERS 2017 Annual Conference & Exhibition**
   Dates: May 21 – 24, 2017
   Location: Hollywood, FL
   Est. Cost: $3,000

2. **Conference:** **IFEBP: New Trustee Institute: Level I: Core Concepts**
   Dates: June 26-28, 2017
   Location: San Diego, CA
   Est. Cost: $3,100

3. **Conference:** **IFEBP: Advance Trustee and Administrators Institute**
   Dates: June 26-28, 2017
   Location: San Diego, CA
   Est. Cost: $3,100

4. **Conference:** **TEXPERS 2017 Summer Educational Forum**
   Dates: August 13 – 16, 2017
   Location: San Antonio, TX
   Est. Cost: TBD

5. **Conference:** **Wharton: Refresher Workshop in Core Investment Concepts**
   Dates: September 24, 2017
   Location: Philadelphia, PA
   Est. Cost: $1,000

* New/No one has signed up

6. **Conference:** **Wharton: Advanced Investments Management**
   Dates: September 25-28, 2017
   Location: Philadelphia, PA
   Est. Cost: $6,000

7. **Conference:** **IFEBP: New Trustee Institute: Level I: Core Concepts**
   Dates: October 21-23, 2017
   Location: Las Vegas, NV
   Est. Cost: $3,100

8. **Conference:** **IFEBP: New Trustee Institute: Level II: Concepts in Practice**
   Dates: October 21-22, 2017
   Location: Las Vegas, NV
   Est. Cost: $2,700

9. **Conference:** **NCPERS Public Safety Employees' Pension & Benefits Conference**
   Dates: October 29 – November 1, 2017
   Location: San Antonio, TX
   Est. Cost: TBD

10. **Conference:** **PRB: MET Online Core Training: Benefits Administration**
    Dates: Anytime on line
    Location: http://www.prb.state.tx.us/

11. **Conference:** **PRB: MET Online Core Training: Risk Management**
    Dates: Anytime on line
    Location: http://www.prb.state.tx.us/

* New/No one has signed up

12. Conference: **PRB: MET Online Core Training:** **__Ethics__**
Dates: Anytime on line
Location: http://www.prb.state.tx.us/

13. Conference: **PRB: MET Online Core Training:** **__Governance__**
Dates: Anytime on line
Location: http://www.prb.state.tx.us/

14. Conference: **PRB: MET Online Core Training:** **__Actuarial Matters__**
Dates: Anytime on line
Location: http://www.prb.state.tx.us/

15. Conference: **PRB: MET Online Core Training:** **__Fiduciary Matters__**
Dates: Anytime on line
Location: http://www.prb.state.tx.us/

* New/No one has signed up

Future Investment Related Travel
Regular Board Meeting – May 11, 2017

NONE

* New/No one has signed up

THE NCPERS
MONITOR

The Latest in Legislative News APRIL 2017

In This Issue

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At this webinar, we'll hear Segal Consulting experts answer an important question: What's in it for local and state governments if they adopt retirement savings plans modeled on NCPERS' Secure Choice Pension Plan, and what is the payoff for the federal government?

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It would appear that the demise or delay of the legislative effort to repeal and replace the Affordable Care Act will result in an acceleration of the timetable on tax reform legislation. That's one major issue being discussed now among the House GOP Leadership.

Do Not Resuscitate Medicare Provisions Of Trump Health Care Bill, NCPERS Urges Hill

The American Health Care Act is officially dead, but concern lives on that its proposed treatment of the Medicare program could be resuscitated in future legislation.

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NCPERS joined with four other national organizations on March 21 to urge leaders of the House of Representatives to protect and improve Medicare as they deliberate alternatives to the Republican health care reform bill. President Trump and House Speaker Paul Ryan opted to withdraw the bill March 24 after it became clear that it lacked support from even the GOP majority.

A key provision of the Republican health care reform bill would have driven up Medicare spending by $43 billion by making changes in payments to hospitals that serve a disproportionate share of low-income patients, according to a Congressional Budget Office analysis. The ripple effects of this would be reversed years of improvements in Medicare's once-precarious financial condition, NCPERS said in a joint letter, which was addressed to Speaker of the House Paul Ryan (R-WI) and House Democratic Leader Nancy Pelosi (D-CA) and delivered to all members of the House of Representatives.

A recent study by the Henry J. Kaiser Family Foundation found that Medicare's Hospital Insurance Trust Fund (Part A) gained additional years of solvency with the 2010 enactment of the Affordable Care Act, the Obama Administration's signature legislation. The ACA accomplished this in part by cutting Medicare spending growth in half, despite faster growth in enrollment.

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NCPERS Executive Directors Corner

April 18 Webinar Will Spotlight How Secure Choice Plans Yield Medicaid Savings

"Retirement security for all" has been NCPERS' rallying cry for years. We are committed as an organization to educating ourselves and others to the advantages of NCPERS' forward-looking approach to solving the nation's retirement crisis. On April 18, we will be doing just that at a webinar we're co-hosting with Segal Consulting on their new Medicaid Savings research.

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At this webinar, we'll hear Segal Consulting experts answer an important question: What's in it for local and state governments if they adopt retirement savings plans modeled on NCPERS' Secure Choice Pension Plan, and what is the payoff for the federal government? Segal has found that states can save significantly on their Medicaid costs by making a Secure Choice plan available to residents working in the private sector who don't currently participate in a retirement program.

The speakers in this webinar will discuss the status of Secure Choice plans and Segal's analysis on Medicaid savings, and will go over key considerations for states looking to embark on expanding retirement access for private sector employees. Please click here to sign up for this informative session, which is free to all NCPERS members.

NCPERS has worked steadfastly to advance the Secure Choice Pension Plan because this model leverages the states' strong track record in providing retirement savings vehicles. The new breed of plans extend the states' expertise, but not their guarantees, for the benefit of private sector workers. This approach has come under attack in the U.S. House of Representatives and U.S. Senate. But we aren't about to let politically motivated arguments drown out the voices of our colleagues who have studied, analyzed, developed, tested, improved, or enacted Secure Choice legislation over the past five years. The 30 states that are blazing the way are truly the laboratories of change in our federal system of government.

"Retirement security for all" has been NCPERS' rallying cry for years. We are committed as an organization to educating ourselves and others to the advantages of NCPERS' forward-looking approach to solving the nation's retirement crisis.

Public pension beneficiaries have fought to protect access to a time-tested and guaranteed approach to retirement savings because they know it works. Americans employed in the private sector have largely been stripped of this critical benefit. We all know the story of how corporate sponsorship of traditional defined-benefit pension plans has been declining steadily for three decades. Yet the replacement – the vaunted 401(k) plan – is proving to be far less effective than many hoped.

We couldn't be more forceful in our rejection of the implied message in the shift toward defined contribution plans: "Sorry, buddy, you're on your own."

We're not on our own. We, the people, are the government, and the government has a proper role to play in strengthening income and retirement security for all Americans. We are vigorous advocates for a public role, often in partnership with the private sector, to solve our most pressing problems, Retirement security is surely one of them. ◆

Congressional Agenda Post-Health Care Debate

By Tony Roda

Well, now what do we do?

This question has been asked many times in Washington this week. The inability of the House Republican Leadership and President Trump to muster enough votes to pass the American Health Care Act (AHCA) has led to a momentary policy void.

It would appear that the demise or delay of the legislative effort to repeal and replace the Affordable Care Act will result in an acceleration of the timetable on tax reform legislation. That's one major issue being discussed now among the House GOP Leadership. President Trump said recently that he would like to move on tax reform and infrastructure simultaneously.

But before Congress can get to either item two major clouds are on the horizon: (1) the vote in the Senate to confirm Neil Gorsuch

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MEDICARE CONTINUED FROM PAGE 1

“In general, Medicare has controlled health spending better than commercial plans and has been the source of affordable, accessible, and high quality care for millions of Americans,” the joint letter said. In addition to NCPERS, signers included American Heart Association, National Association of Police Organizations, Illinois Public Pension Fund Association, and Metropolitan Alliance of Police.

“Medicare has been a critical lifeline for Americans since bipartisan majorities enacted the program in 1965,” the letter stated. Today, “Medicare provides not only health and wellness but also financial security and peace of mind.” In all, Medicare covers 57 million people, including those over age 65 and younger people who are disabled.

In considering health reform legislation, “we ask that Congress observe the principle long observed by healthcare providers to ‘first, do no harm,’” the letter said. ◆

CONGRESSIONAL AGENDA CONTINUED FROM PAGE 3

to the U.S. Supreme Court; and (2) the expiration of the stop-gap, federal spending bill known as the Continuing Resolution (or “CR”) on April 28. The outcome of these two matters will recast the political dynamic yet again.

Infrastructure legislation is perhaps more crucial to the success of the Trump presidency than any other piece of legislation. That’s because infrastructure projects generate jobs and President Trump has promised jobs – lots and lots of jobs for Americans. President Trump has promised a $1 trillion infrastructure bill. The question on infrastructure legislation is always how to pay for it. Raising the excise tax on gasoline has been taboo among most Republicans for the past two decades. Using appropriated funds would be politically impossible and would add dollar-for-dollar to the deficit. The best of the politically-challenged alternatives seems to be raising funds in the bond market. In the past, proposals have been floated on trying to incentivize the use of monies in pension funds for infrastructure spending. We may see those efforts revived in the coming months. This bears watching.

On tax reform there are questions on whether the path to its enactment has been made more difficult due to the demise of the AHCA. Some have argued that it is and some disagree. The AHCA was supposed to yield approximately $1 trillion in budget savings over 10 years that would have made it much easier to keep tax reform legislation revenue neutral. Others have said that the health care-related tax savings were always going to be segregated to health care reform and were not contemplated as part of the overall mix on tax reform.

Regardless of who is correct on that point, it now appears that the Trump Administration is drafting its own version of tax reform. It’s unclear if this will be a comprehensive reform proposal, a policy statement, bullet-type descriptions of changes to the code, or some combination thereof. Whatever it is, the Trump Administration’s input is likely to slow the legislative process on tax reform.

In addition, major divisions exist within the Republican ranks on how to address key components of tax reform, including the taxation of cross-border transactions (e.g., Speaker Ryan’s border adjustment tax). A second defeat for the GOP on a major legislative priority would be devastating politically. This argues for a more deliberate pace on tax reform than what we saw on health care.

In the retirement area, House Republicans are seriously considering making it a requirement that all new contributions to defined contribution plans (e.g., IRAs, 401(k), 457(b) and 403(b) plans) be made under the rules related to Roth accounts. Those rules require that contributions be made with after-tax dollars but are tax-free at distribution. This proposal was part of the 2014 tax reform legislation drafted by then-Chairman of the Ways and Means Committee Dave Camp (R-MI). According to Joint Tax Committee estimates from 2014, such a change applied only to IRAs and in conjunction with repealing the income restrictions on Roth accounts, would raise $16.7 billion over 10 years. Identifying sources of new revenue is critical to the goal of lowering tax rates while ensuring that the overall tax reform legislation is revenue neutral. The Roth expansion proposal warrants attention by our community.

Finally, red flags have been raised in previous tax reform proposals over provisions in the code that are unique to public pension plans, including the pick up of employee contributions, the exemption of 457(b) plans from the 10 percent early withdrawal penalty, and the annual contribution limits for 457(b) and 403(b) plans. In addition to these matters, we will remain vigilant on any attempts to add the Public Employee Pension Transparency Act (PEPTA) or the annuity accumulation plan proposal to tax reform legislation.

As always, please be assured that NCPERS will keep its members up to date on these major policy issues. ◆

__Tony Roda__ is a partner at the Washington, D.C. law and lobbying firm Williams & Jensen, where he specializes in legislative and regulatory issues affecting state and local pension plans. He represents NCPERS and individual pension plans in California, Ohio, Tennessee and Texas.

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2017 Conferences

May

NCPERS Accredited Fiduciary Program (Modules 1&2 and 3&4)
May 20 – 21, 2017
The Diplomat Hotel
Hollywood, FL

Trustee Educational Seminar (TEDS)
May 20 – 21, 2017
The Diplomat Hotel
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Annual Conference & Exhibition
May 21 – 24, 2017
The Diplomat Hotel
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September

Public Pension Funding Forum
September 10 – 12
Stanford University
Palo Alto, CA

October

Public Safety Employees Pension & Benefits Conference
Oct 1 – 4, 2017
Hyatt Regency San Antonio
San Antonio, TX

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THE NCPERS
MONITOR
The Latest in Legislative News
MAY 2017

In This Issue

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The House of Representatives has passed legislation to derail regulatory guidance that enables the states to provide retirement plans for workers whose employers don't offer this crucial benefit.

Congress Dusts Off Obscure Law To Shut Down Auto-IRA Safe Harbor

Department of Labor guidance that gave cities and counties flexibility to create retirement plans for private-sector employees has been repealed as part of a Republican push to undo Obama-era regulations.

Photo Illustration © 2017, Depositphotos

President Trump signed H.J.Res.67 into law April 13, reversing DOL guidance that took effect three months earlier. The resolution's enactment means that cities and other political subdivisions that create auto-enrollment retirement plans for private sector workers are no longer guaranteed a safe harbor from Employee Retirement Incomes Security Act (ERISA) restrictions. A related resolution aimed at state-run auto IRAs remained pending at press time.

The resolution, introduced Feb. 7 by Rep. Francis Rooney (R-FL), was pushed through both chambers of Congress without a hearing, with only an hour of debate in the House of Representatives and with no debate at all in the Senate.

Republican lawmakers accomplished this by dusting off the rarely used Congressional Review Act of 1996 (CRA) to scrap the DOL guidance. The CRA provides a shortcut for Congress and the president to repeal any federal regulation within 60 legislative days of its implementation. The current congressional leadership and the Trump administration have used the CRA to repeal a number of Obama-era regulations during the short window of time it provides.

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NCPERS **Executive Directors Corner**

Urge Your Senators to Keep ERISA Safe Harbor Guidance for Auto-IRAs

Photo Illustration © 2017, Depositphotos

NCPERS has worked tirelessly for years to educate public policymakers on the important work the states are doing to provide retirement savings options for all Americans. Now we stand at a flexion point and we urgently need you to join us in making your voice heard.

The House of Representatives has passed legislation to derail regulatory guidance that enables the states to provide retirement plans for workers whose employers don't offer this crucial benefit. The resolution accomplishes this by eliminating a so-called safe harbor under the Employee Retirement Income Security Act (ERISA). The action has now shifted to the Senate, and we need you to reach out to your Senators promptly to tell them to vote "NO" on eliminating the safe harbor under H.J. Res. 66/ S.J.Res.32.

The threat is serious. Both chambers of Congress have already passed a related resolution that revokes ERISA guidance cities and counties that want to create retirement plans for private-sector workers. The state-focused resolution has a broader reach, imperiling programs that are well underway in seven states and under consideration in approximately 30 more states.

The need is real, too. A staggering 55 million working Americans – half of the private-sector workforce—lack access to retirement programs at work, and this affects all of us. Our social safety nets could be shredded if we allow millions of Americans to enter retirement poorly prepared to support themselves. Advocates of public pensions understand better than most how years of diligent savings can provide a modest but secure financial future, making us exceptionally well positioned to tell this story.

The need is real, too. A staggering 55 million working Americans – half of the private-sector workforce—lack access to retirement programs at work, and this affects all of us.

At issue is the Department of Labor's August 2016 guidance designed to facilitate the creation of public-private partnerships to expand workplace retirement savings options, typically through the creation of individual retirement accounts in which employees are automatically enrolled (Auto-IRAs) The guidance clarifies that the new plans, like other IRAs, would be exempt from certain ERISA requirements.
The states have studied and analyzed public/private solutions to the retirement savings crisis for years, and have provided momentum for the Auto-IRA approach ever since NCPERS published a seminal paper on the topic in 2011. The states have held hearings, debated the topic, and enacted laws to create these programs. The Department of Labor, under President Obama, followed the Administrative Procedures Act in developing and promulgating guidance. Yet the Senate, with a simple majority vote, could wipe away this progress.

Please take the time to write to both of your Senators to let them know of you want solutions, not roadblocks, in resolving America's retirement savings crisis. Let them know that fast-tracking the resolution to the Senate floor, with no committee review and no hearings, is undemocratic. Remind them that discarding the DOL's safe harbor guidance would hinder significant progress being made by the states to provide alternatives for working Americans.

Your involvement is absolutely crucial in helping us lift up our fellow Americans to have a safe, secure, and dignified retirement. ◆

CONGRESS CONTINUED FROM PAGE 1

The president's action is a setback for cities and counties, but the fight is far from over. The fact remains that 55 million Americans – half of all private sector workers between 18 and 64 – work for employers that don't offer retirement plans.

Three major cities—New York, Philadelphia, and Seattle—are already analyzing how to use auto-IRAs to help residents fill an ever-expanding retirement security gap.

Philadelphia's controller, Alan Butkovitz, told *Pensions & Investments* March 30 that he intended to press forward despite the resolution's Senate passage that day. New York City Mayor Bill DiBlasio joined with the city's public advocate, the speaker of the City Council, and a council member to express disappointment, saying women and people of color would be disproportionately affected.

H.J.Res.67 sped through the House in eight days, and was approved Feb. 15. It was taken up by the Senate March 29 as S.J.Res.33 and passed the next day.

A similar resolution to revoke the ERISA safe harbor for state-operated auto-enrollment IRAs has been passed in the House, but not the Senate, and the clock is running out. The stakes are even higher for this measure, H.J.Res 66, which was also introduced by Rep. Rooney on Feb. 7 and passed by the House on Feb. 15. The Senate has taken no action its version, S.J.Res.32, since receiving the House measure on Feb. 16.

Since 2012, 40 states have take begun to consider, study or implement legislation to establish state-facilitated retirement savings programs, according to the Georgetown University Center for Retirement Initiatives. California, Connecticut, Illinois, Maryland and New Jersey are moving toward implementation of auto-IRA laws enacted in 2015 and 2016. Oregon and Washington are preparing to enroll their first participants this year. NCPERS' model Secure Choice Pension proposal of 2011 was the catalyst for the wave of state initiatives. ◆

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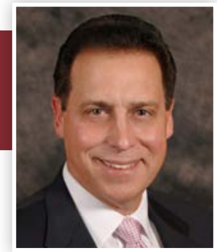
The Voice for Public Pensions

Spring 2017 | Volume 30 | Number 2

Message from the President



Daniel Fortuna
NCPERS President

I am excited to preside over my first NCPERS Annual Conference & Exhibition (ACE) Program as president of this great organization. Held May 20- 24, 2017, in Hollywood, Florida. During these uncertain times, it is more important than ever for us to come together as the public pension community.

We have been continually improving and adding new valuable educational programing to our flagship event. TEDS is a pre-conference staple in the NCPERS curriculum for new and novice trustees who are seeking a better understanding of their new role as trustees of a pension fund. NCPERS Accredited Fiduciary (NAF) is a new accreditation program launched at last year's ACE, designed for experienced trustees. In January 2017, we had our inaugural class of NAF matriculate and 17 public pension trustees and staff earned the Accredited Fiduciary (AF) designation.

At this year NAF all four modules will be offered simultaneously: This year's ACE program is designed to inform attendees of the issues facing the public pension community and give you the tools to face these issues. NCPERS will address these issues of public pension plans, with the following ACE highlights:

Module 1
Governance and the Board's Role

Module 2
Investment, Finance, and Accounting

Module 3
Legal, Risk Management, and Communication

Module 4
Human Capital

Pension Investment Challenges & Opportunities- The complexities and challenges that public plan investment professionals face are

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In This Issue

Emerging Markets: The Leading Edge of a Sustained Recovery

By Warren Skillman

Emerging markets (EM) posted its best U.S. dollar-based return since 2012, ending a five-year run of being out of favor. 2016 also marked the first time value stocks outperformed the market since early 2010. Beginning last spring, we felt the EM asset class was poised for prolonged recovery—one led by a rotation into lower-valued, out-of-favor countries, sectors, industries and companies. The last twelve months featured many such stories with notable recoveries in Brazil and Russia as well as rebounds in EM Energy and Materials. However, we believe the building blocks for a more durable move toward value and rotation back to emerging markets remain firmly in place and should gain momentum in 2017.

Valuation dispersions in the EM asset class are notable. As shown below, the spread between the average price-to-book valuation of the least expensive one-third of the MSCI EM Index to most expensive one-third hit record levels in late 2015 into early 2016, only recently rolling over slightly. In the context of strengthening global growth led by the U.S. and ongoing improvements in EM profitability and earnings power, we are likely at the leading edge of the rotation.

When you broaden the lens to assess relative return potential across the global equity space, there's a strong argument for a greater allocation to EM in order to capitalize on burgeoning earnings and margin improvement—both of which could also drive multiple expansion. For example, the EM asset class looks cheap relative to the U.S. on a price-to-earnings basis when adjusted for normalized

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Performance Reversal for Emerging Markets Value

	1 Year	3 Year	5 Year
MSCI EM Value Index	15.48%	-3.04%	0.24%
S&P 500 Index	11.96%	8.87%	14.66%
MSCI EM Index	11.60%	-2.13%	1.73%
MSCI EAFE Index	1.00%	-1.63%	6.50%
Brazil	66.75%	-5.39%	-6.21%
Russia	55.93%	-3.82%	0.69%
EM Energy	38.53%	-5.02%	-4.04%
EM Materials	30.25%	-6.60%	-5.45%

Source: Factset as of 12/31/2016. Returns greater than one year are annualized. Sorted by one-year returns. Countries and sectors based on MSCI EM Index.

Co-investments Demystified

By Andrew Beaton

Co-investments are an efficient way to maximize returns from a portfolio of private equity fund investments. As co-investments do not generally incur fees and carried interest charged by the GP, they can reduce overall costs and thereby improve net returns to the LP. However, co-investments also offer other benefits to portfolio construction such as shortening the J-curve, controlling the investment pace and emphasizing particular geographies, industries or lead sponsors/GPs. Diversification by lead sponsor can be particularly important.

A private equity co-investment is a direct investment in a company made alongside and on the same terms as a lead general partner ("sponsor"). A co-investment opportunity generally arises when the amount of capital required to make an investment is greater than usually provided by the lead sponsor alone. Sponsors generally prefer to invite their LPs to co-invest rather than share the opportunity with rival sponsor in order to retain control and maintain track record attribution. However, LPs need to respond quickly to an invitation to invest and demonstrate both the expertise and experience necessary to evaluate the opportunity.

Avoiding co-investment pitfalls

Co-investing should not be a part-time endeavor; it requires the same dedication as direct investment. Like all investment activity, co-investment should be undertaken in a rigorous way by an experienced team and not carried out on a part-time basis by individuals who have multiple responsibilities. Spending just part of their time on co-investment will likely lead to poor investment decisions and may damage the relationship with the sponsor if it causes delays, thus frustrating transaction execution.

> *"Here lies an issue; all investments must be made on their merits alone and not based on a sponsor relationship the LP is seeking to preserve"*

These potential pitfalls demonstrate the need for dedicated and experienced investment professionals, suggesting that smaller investors seeking the cost advantages of co-investment should pool their resources with other investors and mandate a dedicated external team to undertake co-investment activity. Although this has a cost, it should avoid poor decision-making and has the added advantage of increasing the pool of sponsor relationships from which to source co-investment opportunities, so improving selection.

The 'adverse selection' argument

There is some "received wisdom" that co-investing should be avoided because of so-called "adverse selection", the assertion that co-investments, either because of their greater size (and hence being outside the scope and expertise of the sponsor) or for other reasons, will under-perform the average private equity investment, including all of the opportunities that are not offered as co-investments. A deeper analysis of the adverse selection argument raises the question as to whether, if adverse selection exists, why does it exist? It could be owing to either or both of two reasons: (i) co-investments offered are inherently of lower quality; and/or (ii) the co-investor chooses poorer investments systematically.

As to whether co-investments offered are of inherently lower quality, there is little, if any, industry-wide data to support this somewhat cynical view. However, this hypothesis can be tested by simply looking at a sponsor's historical track record and comparing the performance of investments where co-investors were brought in and where they were not. Anecdotally, GPs state that they would not deliberately offer less attractive deals to an LP co-investor, if only to preserve the relationship with the LP and ensure a commitment to the next fund. As one sponsor stated, "Why would we want to spend the first hour of a fund-raising meeting talking about the co-investment that went wrong?" In conclusion, a well-conceived co-investment strategy with careful, disciplined execution can be an attractive addition to a private equity investment portfolio.

For informational purposes only. This material is intended solely to provide general information to parties seeking sources of private equity capital or seeking to sell a limited partnership interest. Nothing herein constitutes an offer to sell or a solicitation of an offer to purchase any security, or a recommendation or advice about an investment. ◆

__Andrew Beaton__ is a Managing Director and Co-head of Co-investment at Capital Dynamics. He has 29 years of private equity and investment management experience. Prior to joining Capital Dynamics, Andrew co-founded a private equity firm focused on mid-market consumer companies. He also held a number of senior positions in Europe and the US with GE Capital before becoming chief executive of GE's European private equity activities. Earlier in his career, Andrew spent four years at 3i. Andrew holds a Bachelor's degree in Management Science (Honors) from the University of Manchester Institute of Science and Technology and is a member of the Institute of Chartered Accountants of Scotland.

Chinese equities: Over the great wall

By Bin Shi

After years of underperforming developed markets, emerging markets (EM) equities are looking stronger and investors are slowly increasing their allocations. But many investors still remain on the sidelines when it comes to Chinese equities despite what we believe are underappreciated opportunities.

Investor concern about China's debt and slowing growth are major factors holding back allocations to Chinese equity markets, and the complex Chinese equity share structure also plays a role. An additional concern is the expected slowdown in China's GDP growth rate, from double digits a few years ago to an expected 6.5 percent to 7 percent in 2016. We believe that China's GDP growth will continue to slow, which should not overly worry investors.

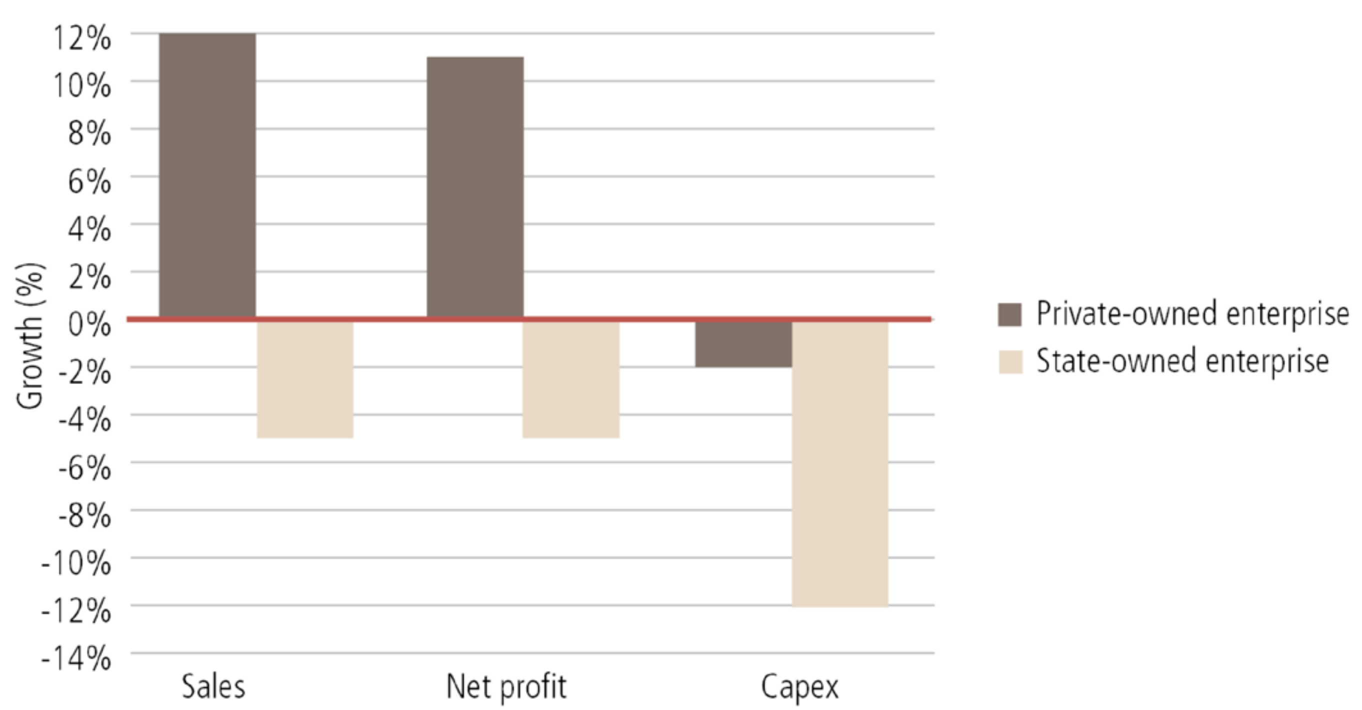
Leverage has increased rapidly in China over the last several years, reaching 260 percent of its gross domestic production (GDP) by 2015. China's corporate debt is concentrated in old-economy companies, while new-economy companies are growing quickly, financing growth internally with little or no debt.

Much of the drag on China's economy is centered in its state-owned enterprises (SOEs), where much of its debt resides. In contrast, privately owned companies (POCs) in China are expanding with little or no debt. These companies are heavily concentrated in the new-economy consumer-driven sectors that we believe will continue to grow at a faster pace than developed markets over the next several years. Until recently, it was difficult to invest in some Chinese private-sector equities.

CONTINUED ON PAGE 13

__Bin Shi__ has been a member of the UBS Global Emerging Market and Asia Pacific Equities team since 2006. Based in Hong Kong, Bin is country analyst and portfolio manager for China with a focus on Chinese stocks listed on both the overseas and domestic Chinese stock exchanges. Prior to joining UBS, Bin spent three years as Head of Int'l Business and portfolio manager with Boshi Fund Management Co., one of China's largest mutual fund companies. Prior to that, he worked in the US for eight years as portfolio manager and analyst for several US mutual fund firms.

Private vs. State, ex financials—2015



Source: FactSet, Macquarie Research as of May 2016.

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Building Asset Allocations by Investing in Infrastructure

Initiatives to improve infrastructure in the US are helping to create investment opportunities for public pension plans, even as they improve communities.

By The Standish Municipal Bond Team, A BNY Mellon Company

Photo Illustration © 2017, Depositphoto.com

From the Erie and Panama Canals to the first transcontinental railroad in the 19th century to the interstate highway system and the DARPA projects that created the internet in the 20th century, public -infrastructure projects have played a central role in the growth of the United States from a remote British colony into a superpower. Over the past quarter-century, however, funding for maintaining and expanding US infrastructure has remained flat or fallen as a share of overall public budgets in many of the jurisdictions that own and manage the country's road, bridges, water systems, airports and other essential drivers of economic growth. Meanwhile, the demands placed on its infrastructure have grown as the nation's population has climbed from 226 million in 1980 to 323 million today and its GDP has risen from $2.86 trillion to more than $18 trillion over the same time period.

In his recent speech before Congress, President Trump again touted his plan to rebuild the nation's neglected infrastructure. But while the White House seeks an expanded federal role in incentivizing projects, his proposed spending does not come close to the estimated $3.6 trillion in infrastructure spending that will be needed through 2020, according to the American Society of Civil Engineers. The new initiative is intended to complement to the municipal-bond market. States and municipalities already fund three-quarters of public spending on transportation and water infrastructure, largely by issuing bonds. These bonds offer investors portfolio diversification, attractive yields, stable credit quality and relatively low volatility and we expect issuance of $455bn annually.

For public pension funds and other institutional investors, infrastructure offers relatively low risk and low volatility, regular revenue streams and the opportunity to invest in socially responsible projects that bring benefits such as clean water or reduced carbon emissions to citizens.

While many public pension plans recognize both the need to rebuild infrastructure, as well as the investment opportunity that doing so presents, they have allocated relatively little capital to it, partly because doing so often requires investment in illiquid, private funds with high fees. Capital investments in infrastructure projects through private funds may be locked up for 10 or 15 years and are exposed to a wide range of political, regulatory and other risks that can derail projects' completion.

We believe a combination of taxable and nontaxable municipal bonds can offer an appealing alternative to private funds for investors seeking infrastructure exposure. While public-sector pension plans have not traditionally held large quantities of municipal securities, the liquidity, attractive yields, stable credit quality and relatively low volatility of these bonds deserve consideration from public plans who seek investment opportunities that will benefit their communities. ◆

*Headquartered in Boston, **Standish** serves fixed income investors and is the 7th largest municipal debt manager in the US. Standish traces its roots to 1933, when its predecessor firm, Standish, Ayer and Wood, Inc. began managing fixed income portfolios for US financial institutions, banks and insurance companies.*

NCPERS Leads Institutional Investor Group in U.S. Supreme Court Amicus Brief

By Robert D. Klausner, NCPERS General Counsel

NCPERS led a group of 75 national and international institutional investors as a friend of the court in the case of *CalPERS v. ANZ*, currently pending in the United States Supreme Court.

The Court is reconsidering the holding in an earlier case which established what is known as the American Pipe Rule, taking its name from a Supreme Court decision some decades ago. Under the American Pipe Rule, when one institutional investor files a class action to remedy violations of American securities laws, the filing of that one case acts to stop the running of the statute of limitations for all other investors in that particular company's stock. If the American Pipe Rule was set aside, it would mean that every institutional investor holding a particular stock would have to file its own individual case at the same time. For widely held issues, this would mean the filing of thousands of individual cases where now a single class action case protects every investor.

Recognizing the adverse effect on public pension plans and the risk of bringing the judicial system to a halt, both in this country and abroad, NCPERS and 75 other large institutional investors joined to file a friend of the court (amicus curiae) brief. The brief, which was written by Bernstein Litowitz Berger & Grossman and Klausner Kaufman Jensen & Levinson, focused the Court's attention on the vital role pension funds play in the economy and in the capital markets. The loss of the American Pipe Rule would make it more likely that pension funds could be victimized by corporate misconduct with the effective remedies of class action litigation. Such losses would ultimately increase the cost to taxpayers.

A ruling in the case is expected before the end of the Court's current session in June.

Florida supreme court strikes down unilateral reduction of pension and wage benefits

In a landmark labor decision, the Florida Supreme Court, by a vote of 5-1 (one justice not participating) struck down a lower appeals court decision, which had approved of unilateral reductions of wages and pension benefits enacted by the City of Miami, Florida in 2010.

The City, claiming financial distress, rejected offers from employee groups to make temporary modifications to wages and retirement benefits during a period when the City was under financial stress. The City rejected those efforts and made substantial wage and pension reductions to its 5,000 workers. In order to do this, the City unilaterally altered the terms of collective bargaining agreements.

A state public employee labor board upheld the City action as did a middle level appeals court. At the same time, the City of Hollywood, Florida made the same kind of unilateral changes to the labor agreements of its employees. The same state labor board upheld the changes but a different appeals court ruled for the Hollywood unions, finding the City had violated the employees' constitutional bargaining and contract rights.

To settle the dispute between the two appeals courts, the Florida Supreme Court accepted review. The Court upheld the Hollywood decision and reversed the Miami decision finding that the right to bargain and the right to contract were fundamental constitutionally protected rights. The Court held that a government could not unilaterally alter its contracts unless conditions were such that no other reasonable alternative was available. The Court noted that at the time Miami cuts its employees contracts, it also lowered taxes to curry favor with the voters in an election year.

The effect of the decision, which became final on March 17, 2017, is still being analyzed but the employee groups in both cities have claimed that the unconstitutional laws passed by their respective cities are void and of no effect, exposing both cities to millions of dollars in back pay and pension claims.

Walter E. Headley, Jr. Miami Lodge 20, FOP v. City of Miami, 2017 WL 819740 (Fla. 3/2/2017) ◆

This article is a regular feature of PERSIST. ***Robert D. Klausner****, a well-known lawyer specializing in public pension law throughout the United States, is General Counsel of NCPERS as well as a lecturer and law professor. While all efforts have been made to insure the accuracy of this section, the materials presented here are for the education of NCPERS members and are not intended as specific legal advice. For more information go to www.robertdklausner.com.*

A Representative Board IS Good Governance

By Brad Kelly & Peter Landers

Kentucky politicians chose to underfund its state pensions and direct money toward other state interests for 15 of the years between 1993 and 2016. A campaign commitment to improve Kentucky's struggling pensions, led Governor Matt Bevin to issue an order to remove the Chair of the Kentucky Retirement Systems. When faced with a lawsuit over his actions, he later decided to abolish the full Board of Trustees and replace it with a new Board of Directors with four new political appointees. The pension system press release stated, that it would "provide a more focused, expert vision and purpose" and "help promote and achieve greater transparency, expertise and efficiency." This is not an isolated issue and with the financial troubles of many public funds, boards are often criticized for not having "expert" or "professional" board trustees overseeing the funds' activities.

Photo Illustration © 2017, Depositphoto.com

It is universally accepted that board members of publicly traded companies should hold equity within the organization to have "skin in the game" and align their personal interests with the overall success and sustainability of the organization. The origin of this phrase is attributed to Warren Buffet himself, when he placed his own money into the first fund he ever created. Spencer Stuart's 2015 Board Index reported that 77% of the S&P 500 boards granted equity to their non-executive members, and 90% of the S&P 500 disclosed that they have share ownership guidelines for directors, "which are meant to align directors' interests with those of stockholders."

If this is normal practice in the private sector and an expectation of "good governance," then why are public funds pressured to replace their representative trustees with "expert" appointees that often don't have a financial connection to the funds' success? Representative trustees inherently have "skin in the game" because they are aligned financially to the sustainability of the fund. Therefore, public funds that retain aligned representative members on their boards, should naturally be viewed as practicing "good governance."

To help address the outcry for "expert" board members, fund trustees need to focus on their ongoing education, improving skills and overall effectiveness of their boards, as well as increasing value of their representative contributions. Credible representative trustees truly understand their fiduciary duties of loyalty, prudence and impartiality, and how to effectively fulfil their financial oversight, risk-management and human capital responsibilities. Although many states are now mandating that trustees obtain a minimum number of education hours per year, in today's environment and misguided criticisms, trustees need to proactively do more to safeguard their reputations, positions, and personal liability. To maintain their representative seats, and help safeguard the financial livelihood of themselves, their colleagues, and loved ones, trustees should consistently seek out education programs and certifications that enhance their oversight abilities and make it harder for the public and politicians to point fingers and lay blame.

Given the tough financial pressures of today, representative trustees with "skin in the game" and strong skill sets are genuinely what public pensions need. However, politicians like Governor Bevin want to replace these members with their less aligned appointees. Our two cents? Continue to take proactive steps forward in your skills development to ensure that this does not happen. ◆

__Brad Kelly__ and __Peter Landers__ are Partners at Global Governance Advisors (GGA) and the principal NCPERS Accredited Fiduciary (NAF) program developers and lecturers. GGA is a team of independent advisors that combines deep industry expertise with our ground-breaking Stakeholder Capital Management Platform (SCMP) - a SaaS suite of intelligent tools that EmPower™ you to make decisions quicker through deeper insights on critical issues related to governance, executive compensation, compensation design, and stakeholder management. Together, we deliver better corporate governance counsel and mitigate board risk through superior insights for pensions like no other firm today.

Secondary Markets Primed For High Quality Deal Flow

By Joe Goldrick

Looking back to 2016, secondary deal flow remained at healthy levels, but not quite hitting the highs of 2014. A persistently robust pricing environment, with buyout fund pricing hovering in the mid 90% range relative to net asset value (NAV) and venture in the mid-70s, supported higher market volumes and diversity of supply, with many Limited Partners opting to take advantage of favorable market conditions to sell off inventories of boom-year (2005-2008) vintage funds as they reached expiration. This was despite consistent quarterly increases in net asset values (NAV) since 2010. Adams Street Partners believes the pricing trend has been driven by the strength of the capital markets, the increasing availability of leverage in the secondary market, and a broadening competitive landscape.

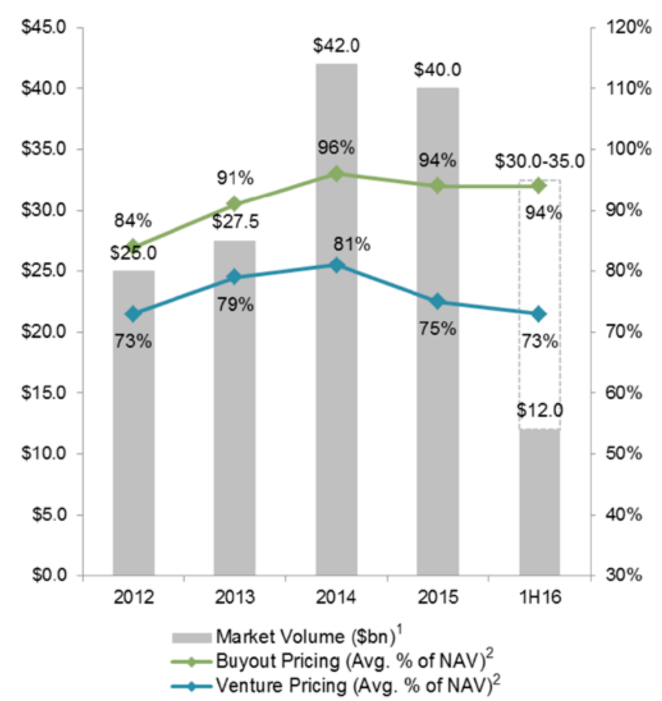
While Adams Street's secondary investment philosophy is constructed to transcend market cycles and environments, the Secondary Investment Team believes the current investment landscape is primed to provide a number of attractive characteristics that will support their ability to produce outsized returns, specifically increasing choice in deal type, growing inventory of maturing funds, and strengthening GP influence in secondary transactions.

Given Adams Street's focus on funds matured three to eight years (as opposed to older tail-end exposure) the firm believes this heavy supply of new investment opportunities will create a very attractive inventory of potential fund interests for sale over the next three to five years. Also, as a result of slowing M&A activity and the subsequent extended hold periods on assets, Adams Street believes its strategy of differentiation (focusing on growth-oriented deals, fundamental analysis, manager quality, and unique GP insights) positions the firm well to outperform competitors making bets on shorter-term capital markets movements. These market trends, and the increase in Adams Street-preferred deal flow, has been reflected in significant higher close ratios for Adams Street, with a close rate of 29% versus 24% in 2014, and 17% in 2015.

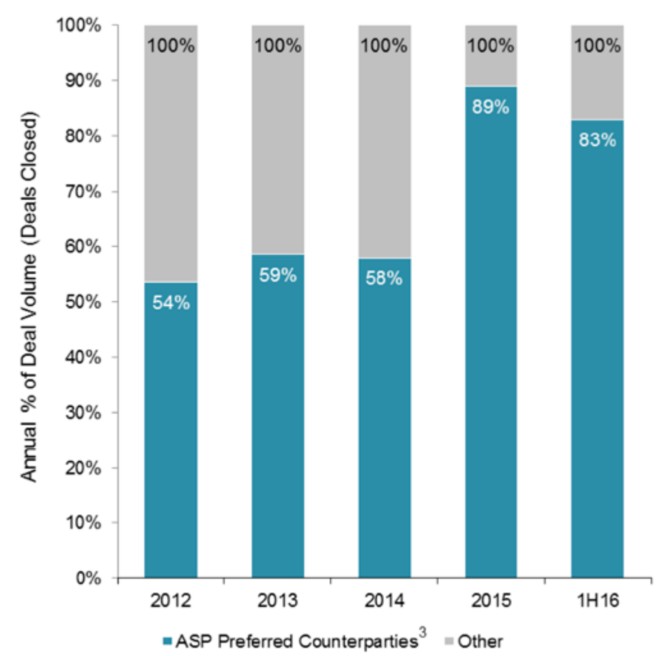
CONTINUED ON PAGE 14

Secondary Market Trends

Market Volume & Pricing Trend



Transaction Volume by Seller Type



Source: Greenhill Cogent, "Secondary Market & Trends Outlook" July 2016.

1. Market volume defined as total dollar value of all closed Secondary deals.
2. Secondary market pricing based on the average of the high first round bids received.
3. ASP preferred counterparties include Endowments/Foundations, General Partners, Pensions/SWFs and Fund-of Funds.

Outsourced Chief Investment Officer (OCIO) Solution

By Greta Tinaglia

The National Conference on Public Employee Retirement Systems (NCPERS) recently interviewed (NCPERS) recently interviewed Executive Director Greta Tinaglia from the Fulton County Public Schools pension board, and Delegated (OCIO) Solutions Director Janice Gonzalez from Aon Hewitt Investment Consulting about their experiences with Outsourced Chief Investment Officer (OCIO) mandates.

NCPERS: Outsourced Chief Investment Officer (OCIO) mandates seem to be getting more attention now. Can you talk a little about what they are?

Gonzalez: An OCIO has many of the same responsibilities as a traditional investment consultant, and also has the authority to make certain investment decisions, such as rebalancing and selecting investment managers. The decisions the OCIO can execute are limited, and the OCIO takes fiduciary responsibility for them. Another way of thinking about this is that the OCIO is delegated certain responsibilities for managing their client's portfolio.

Regarding mandates, OCIO specific mandates are not as common as traditional searches. However, we're beginning to see more RFP's with an 'open' submission format; an RFP format that creates an opportunity for both traditional consultants and OCIO providers to participate.

NCPERS: Why do public plan sponsors switch to an OCIO approach?

Tinaglia: For the Fulton County Public Schools, we started using an OCIO approach about a year ago. We were originally just looking to do an RFP for a traditional (investment) consultant, but we found the OCIO approach more compelling as we learned more about it. In the traditional approach, the consultants drive the decision-making process, but don't have accountability because they can't execute the portfolio. The OCIO approach gives our experts more authority and accountability.

Gonzalez: We also see other pension funds considering OCIO mandates because of resource constraints and investment goals. Midsized to smaller public pension funds are starting to consider the OCIO model for a more efficient process, for access to alternative investments typically reserved for larger pension funds, and for fee savings.

CONTINUED ON PAGE 16

Increasing GP Involvement

AHIC Relationship with Client Investment Committee

	Traditional/Advisory	Limited Discretion / Directive	Delegated – OCIO
Strategic Asset Allocation	Shared with Committee	Shared with Committee	Shared with Committee
Investment Policy	Shared with Committee	Shared with Committee	Shared with Committee
Tactical Investment Strategy (e.g., Medium-Term Views)	*Advisory*	Discretionary	Discretionary
Trading, Rebalancing, and Cash Flow Management	*Advisory*	Discretionary	Discretionary
Daily Monitoring	*Advisory*	Discretionary	Discretionary
Investment Manager Selection/ Termination	*Advisory*	Various Discretionary Levels	Discretionary
Reporting	Monthly Flash Reports (if needed); Quarterly Investment Reports; Manager Flash Reports	Daily access online; Monthly Flash Reports (if needed); Quarterly Investment Reports; Manager Flash Reports	Daily access online; Monthly Flash Reports (if needed); Quarterly Investment Reports; Manager Flash Reports

Committee Ownership ⟷ Delegation to OCIO

Customizable across spectrum of services

SECURE CHOICE PLANS CONTINUED FROM PAGE 1

numerous and daunting, and you shouldn't feel uneducated and exposed. Investment topics will include timely strategies, pitfalls to avoid, governance issues, and common challenges faced by trustees and staff.

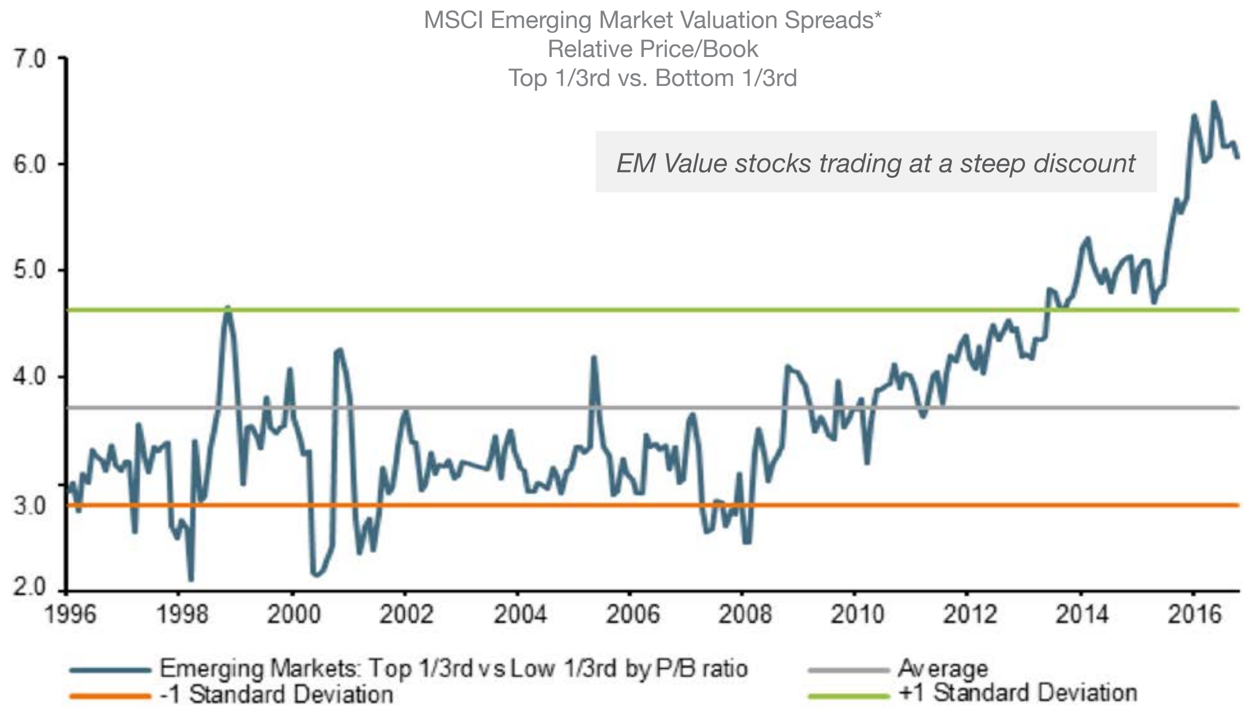
Administrator's Forum- Recognizing the need for small plan administrators to meet and discuss issues with peers who have similar challenges, this session is devoted to the needs of municipal and county public plan administrators and staff. This session will be moderated by a well-regarded executive director. Attendees will ask questions, discuss issues related to their funds, and learn how their peers are addressing mutual concerns.

Social Media Track, James Spellos, Meetings U- In these sessions, whether you are fully immersed in social media or still testing the waters, you will learn how to interact on various social media platforms and how to get the most of your online investments. In the digital age, social media is more important to members now more than ever. These sessions (Social Media 101 & 201) will give you fundamental information you need to be part of the social revolution.

As trustees, you can earn up to 16.5 continuing education (CE) credits with these sessions and more. For more information about the ACE program, please visit www.NCPERS.org/annconf. I look forward to seeing you at the 2017 ACE program in May! ◆

EMERGING MARKETS CONTINUED FROM PAGE 2

MSCI EM Index: Price-to-Book Value Dispersion



February 1996 — November 2016. Source: UBS Quanttitative Research. *The left-hand scale is the difference between the average P/B valuation for the most expensive third and the least expensive third for stocks in MSCI EM Index.

earnings (Shiller's price-to-earnings ratio), as shown below. We believe the potential for spread narrowing is meaningful. Incorporating a mixture of structural improvements and company-specific restructuring also helps underpin the ongoing opportunity in the asset class.

We think distinct improvements in export competitiveness, capital expenditure discipline, mergers and acquisitions and political reform will ultimately unlock this historic opportunity in emerging market value investing.

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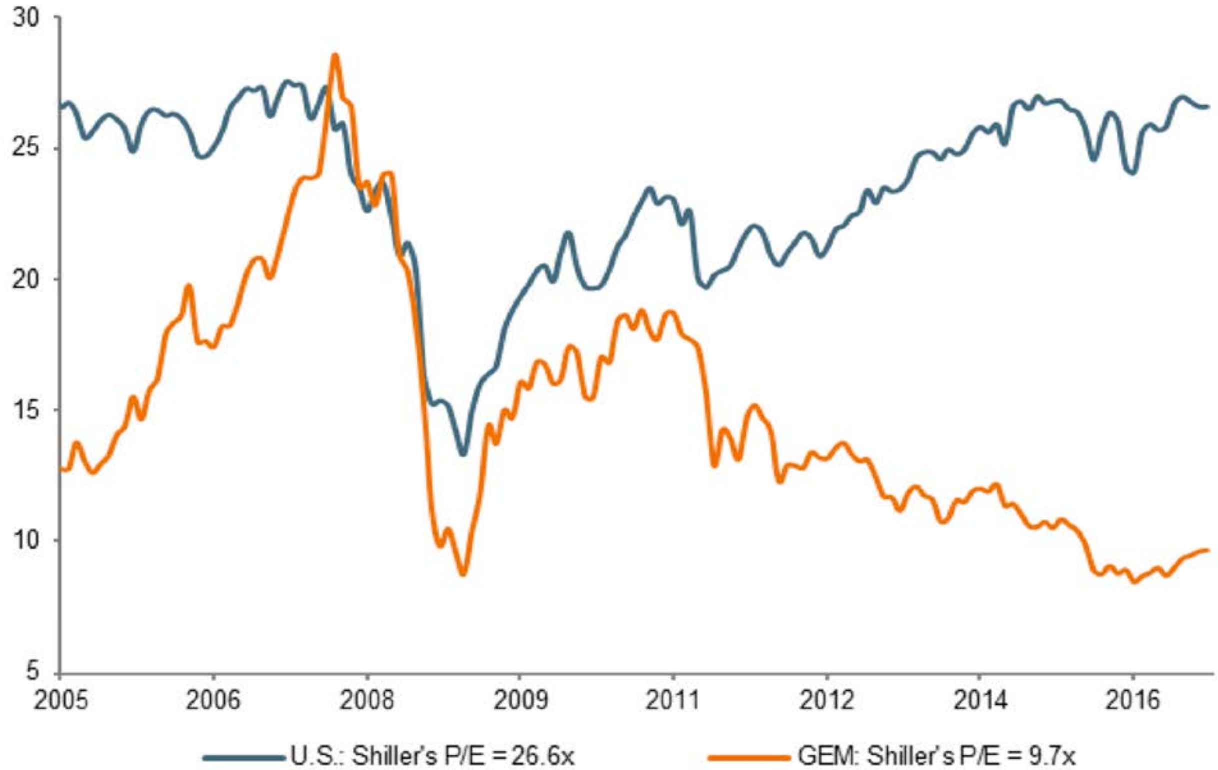
EMERGING MARKETS CONTINUED FROM PAGE 11

Performance Reversal for Emerging Markets Value



Source: Credit Suisse Research, Thomson Reuters, November 1, 2016.

Disclosures

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Warren Skillman *is the lead portfolio manager on The Boston Company's Emerging Markets Value strategy; his primary research responsibilities include Latin America, Europe, the Middle East and Africa. Prior to joining The Boston Company, Warren was a portfolio manager with Newgate Capital, where he headed Latin America and South Africa for its Global Emerging Markets strategy. Previously, Warren spent several years at State Street Global Advisors, where he held many roles, including Emerging Markets portfolio manager and Global Active Equity product analyst. Warren received a B.A. from Boston College and an M.S. in finance from the London School of Business.*

CHINESE EQUITIES CONTINUED FROM PAGE 4

New-economy Chinese equities are more open to foreign investors

It is important to understand the different classes of Chinese shares in order to understand the new opportunities in the market. A-shares are listed domestically on the Shanghai and Shenzhen stock exchanges. B-shares are listed on the domestic stock exchanges and also are open to foreign investors. H-shares are traded on the Hong Kong exchange. Red Chips are Chinese companies incorporated in Hong Kong or offshore locations like the Cayman Islands, and are usually controlled by or affiliated with the Chinese government. P-chips are privately owned companies (POCs) listed in Hong Kong. ADRs are Chinese companies available in the US on NASDAQ or NYSE exchanges.

Global investors gained much broader access to Chinese stock markets through the 2014 launch of the stock connect program between Shanghai and Hong Kong, which allows investors in either market to trade shares on the other market. Recently, the Shenzhen-Hong Kong stock connect opened China's second largest stock exchange to the Hong Kong exchange, making about 80 percent of China's market capitalization available to global investors, including many attractive POCs, A and H shares.

Currently, the Chinese equity market is dominated by SOCs, but their level is steadily dropping, while POCs are expanding. POCs dominate in the new economy of consumer-driven sectors where earnings growth has outpaced the developed markets. The private sector is poised for growth.

In the past two years, the MSCI China benchmark has increased the weight of ADRs representing new economy segments such as IT and healthcare sectors, especially in two large jumps at the end of 2015.

But we believe China equity benchmarks generally tend to be behind the curve and backward-looking when it comes to changing sector weights, which will put index investors at a disadvantage.

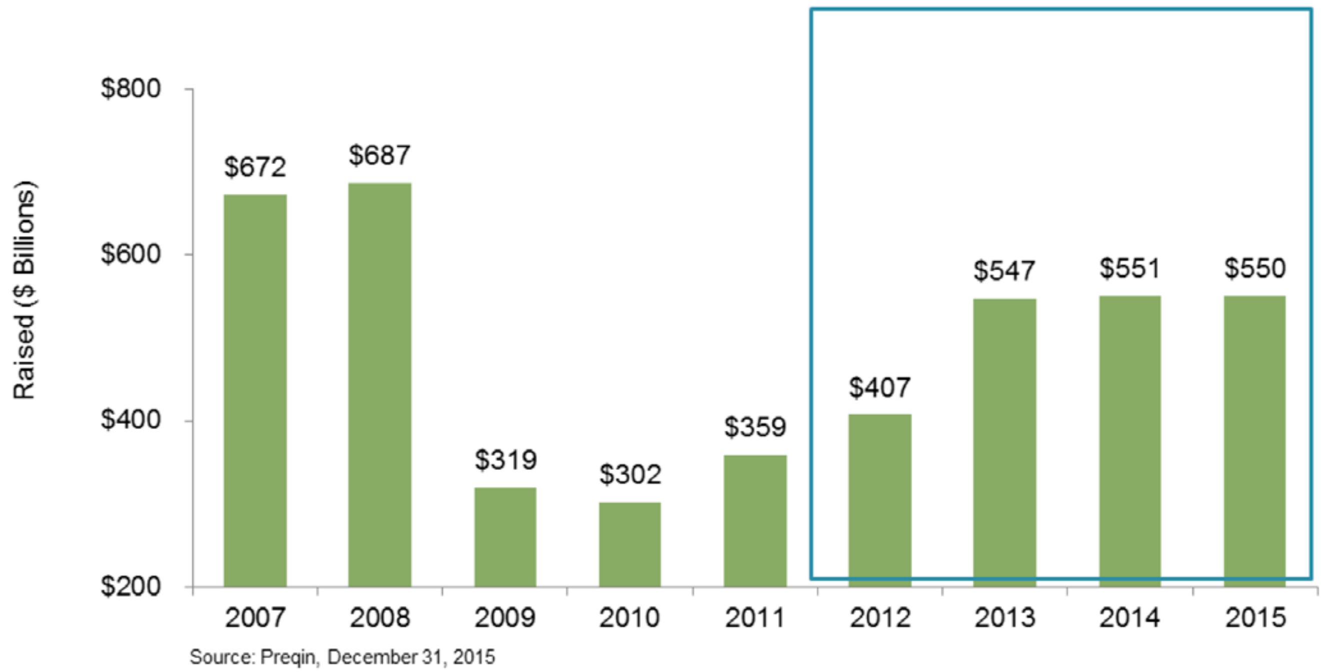
By just about every measure, POCs have done far better than SOEs in recent years. If you look at future growth indicators such as sales growth and cap-ex spending, POCs look much better than SOEs. Earnings growth has been much stronger for POCs than SOEs over the last five years, and we expect this trend to continue.

We believe Chinese market indices are behind the curve in recognizing the growing importance of private enterprise. We believe that investors should focus instead on identifying long-term winners early in the business cycle.

The views expressed are as of March 2107 and are a general guide to the views of UBS Asset Management. This document is a marketing communication and the information herein should not be considered investment advice or a recommendation to purchase or sell securities or any particular strategy or fund. Information and opinions have been provided in good faith and are subject to change without notice.

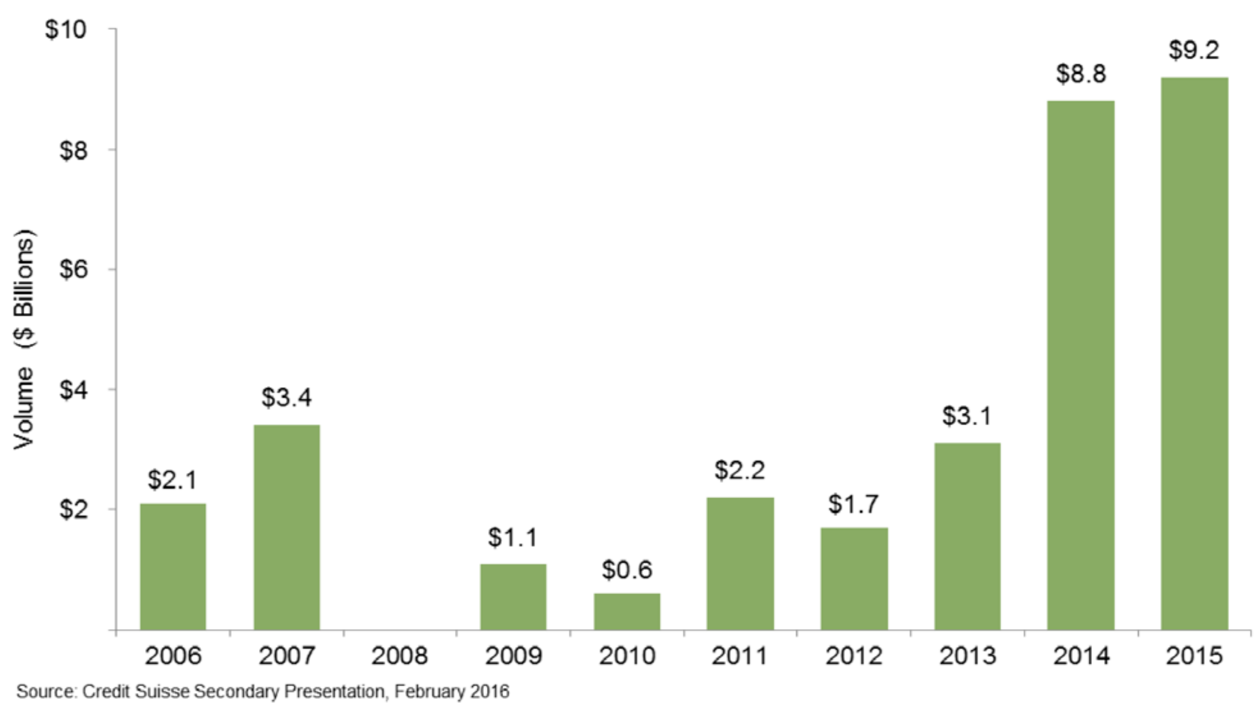
Attractive Pipeline of Opportunity

Aggregate Global Primary Capital



Increasing GP Involvement

GP-Led Secondary Transactions



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SECONDARY MARKETS CONTINUED FROM PAGE 11

Adams Street also considers the influence and role of GPs in the secondary market as vital to the success of a portfolio. Adams Street's closing ratios are tightly linked with the firm's broader platform of industry relationships built through its exposure to primary, secondary, and co-investments. GPs are rapidly recognizing the value of secondary transactions in their funds, and have clearly identified secondaries as a key tool to extract or preserve value in the construction of their limited partner base. In many cases, GPs are leading liquidity solutions for existing limited partners, and in others, they are restricting transfers to a select group of limited partners that can support their firm going forward.

In the face of these ever-evolving market trends, the secondary asset class is nonetheless well-positioned to provide sophisticated investors with attractive risk-adjusted investments if approached with a strategy like Adams Street's that can capitalize on such trends and should be viewed as core allocation within a private equity portfolio. ◆

Joe Goldrick *is Partner at Adams Street Partners, and is responsible for all aspects of the secondary business, including strategy, investments, fundraising and portfolio construction. He is primarily responsible for leading North American opportunities, and also covers Latin American secondary funds. Joe is also responsible for the management of Adams Street's secondary lender relationships, and is a member of the Secondary Investment Committee.*

Prior to joining Adams Street Partners, Joe was an investment banking analyst with Robert W. Baird & Co. Joe's prior work experience also includes positions with the City of Chicago Office of Budget and Management and Nuveen Investments, LLC.

Joe has a MBA from the University Of Chicago Booth School Of Business, and a BBA from the University of Notre Dame, where he graduated summa cum laude.

OCIO CONTINUED FROM PAGE 10

NCPERS: Did delegating investment responsibilities to an OCIO result in members of the board losing control?

Tinaglia: Yes and no. Yes, in the sense that the board no longer controls decisions about day-to-day issues like rebalancing and hiring and firing managers. But this has actually been good for the plan because these things are done more professionally by the OCIO provider. So the board actually has greater focus on the policy level, which we view as good governance.

NCPERS: What types of public plan sponsors do you think would be best-suited for an OCIO arrangement?

Tinaglia: We thought our plan size made us really well-suited. We're large enough so we felt like we needed to devote meaningful resources, but small enough so we didn't feel like it would be a good use of resources to build all the capabilities needed in-house.

Gonzalez: In the public sector, we've found that midsized to smaller ($1 billion or less in assets under management) pension funds with limited internal resources, investment expertise, and a need to reduce fees tend to be in the sweet spot for an OCIO.

NCPERS: How is the OCIO solution similar to or different from what you expected?

Tinaglia: It was a lot easier than what I expected. I knew we'd get some operational relief, but also thought there would be more bureaucracy. Also, it brought down our fees materially.

NCPERS: Thank you both for sharing your insights. ◆

Greta Tinaglia can be reached at Tinaglia@fultonschools.org and Janice Gonzalez can be reached at janice.gonzalez@Aonhewitt.com .

Calendar of Events 2017

May

NCPERS Accredited Fiduciary Program (Modules 1&2 and 3&4)
May 20 – 21
The Diplomat Hotel
Hollywood, FL

Trustee Educational Seminar (TEDS)
May 20 – 21
The Diplomat Hotel
Hollywood, FL

Annual Conference & Exhibition
May 21 – 24
The Diplomat Hotel
Hollywood, FL

September

Public Pension Funding Forum
September 10 – 12
Stanford University
Palo Alto, CA

October

NCPERS Accredited Fiduciary Program (NAF)
September 30 – October 1
San Antonio, TX

Public Safety Employees Pension & Benefits Conference
Oct 1 – 4
Hyatt Regency San Antonio
San Antonio, TX

The Voice for Public Pensions

The Monitor is published by the National Conference on Public Employee Retirement Systems.
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