

AGENDA



Date: January 6, 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, January 12, 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

- a.** Regular meeting of December 8, 2016
- b.** Special meeting of December 29, 2016

2. Approval of Refunds of Contributions for the Month of December 2016

- 3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for January 2017**
- 4. Approval of Estate Settlements**
- 5. Approval of Survivor Benefits**
- 6. Approval of Service Retirements**
- 7. Approval of Retirement Recission**
- 8. Approval of Alternate Payee Benefits**

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Possible changes to DROP Policy

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.

2. Discussion and possible action on Legislative Matters

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.** City of Dallas plan
- b.** DPFPP plan

3. Trustee Election Procedures Amendment

4. 2017 Trustee Election

- a.** Call for an election
- b.** Trustee Election schedule
- c.** Application for Trustee Candidacy packet

5. Investment reports

6. Bank of America update

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

7. Employee recognition – Fourth Quarter 2016

- a. Employee of the Quarter Award
- b. The William G. Baldree Employee of the Year Award

8. 2017 Budget adjustments

- a. Legal fees
- b. Actuarial services
- c. Legislative consultants
- d. Public relations

9. 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. 2014 Plan amendment election and litigation
- d. CDK Realty Advisors LP v. Dallas Police and Fire Pension System
- e. 2016 Plan amendment litigation
- f. Rawlings v. Dallas Police and Fire Pension System
- g. Museum Tower contractor dispute

10. Ad hoc committee report

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 (December 2016)
 - TEXPERS Outlook (December 2016)
 - TEXPERS Outlook (January 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.



ITEM #A

MOMENT OF SILENCE

In memory of our Members and Pensioners who recently passed away

(December 2, 2016 – January 5, 2017)

| NAME | ACTIVE/ RETIRED | DEPARTMENT | DATE OF DEATH |
|-------------------|--------------------|------------|---------------|
| Tracy L. Beard | Retired | Fire | Dec. 10, 2016 |
| Larry G. Davis | Retired | Fire | Dec. 10, 2016 |
| Gayle M. Tippit | Retired | Police | Dec. 13, 2016 |
| Earl D. Young | Retired | Fire | Dec. 15, 2016 |
| Ralph E. Anderson | Retired | Fire | Dec. 20, 2016 |
| Robert H. George | Retired | Police | Dec. 20, 2016 |

Regular Board Meeting – Thursday, January 12, 2017

Dallas Police and Fire Pension System
Thursday, December 8, 2016
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

Regular meeting, Samuel L. Friar, Chairman, presiding:

ROLL CALL

Board Members

| | |
|-----------------|---|
| Present at 8:30 | Samuel L. Friar, Kenneth S. Haben, Joseph P. Schutz, Jennifer S. Gates, Erik Wilson, Tho T. Ho, Gerald D. Brown, Clint Conway, Kenneth Sprecher |
| Present at 8:33 | Brian Hass |
| Present at 8:51 | Philip T. Kingston |
| Present at 8:52 | 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

Others

Chuck Campbell, Jarrett Vitulli, Dale Addeo, Rhett Humphreys, Jeff Williams (by telephone), Rocky Joyner (by telephone), Deborah Brigham (by telephone), Clint Smith (by telephone), Robert Miller (by telephone), Jimmy C. Davis, Larry Goldsmith, Jerry M. Rhodes, Chuck Swaner, Danny Campbell, W. G. Huffman, R. B. Parrish, Julian Bernal, Andy Acord, Thomas Belcher, Patrick Lewter, Michael Flusche, Ron Acker, Jimmy Hyles, Joel Lavender, Roger Garcia, Bryant E. Tilley, A. D. Donald, Larry Williams, Kathy Kresse, Richard Kresse, Stephen Robinson, Steve Potrykus, Gerardo Guardiola, David Dodson, Jaime Castro, William Paris, Leon Hollins, Shawn Gary, Mary Warren, Delisa Seals, Irene Arista, James Parnell, Daniel Wojcik, B. V. Bailey, Tom Payne, B. Robison, J. McGuire, Elvis Benson, Steve Myers, Rudolf Fernandez, Robert Benitez, William A. Wells, Shbrone Mims, Jerome Zabojnik, Jim Mitchell, Dan Schroeder, M. Feist, J. Shannon, Steve Alexander, L. M. Otero, J. Moon, Lori Brown, K. Bell, Bill Rolley, Ken Kalthoff, Arthur Hollingsworth, Monica Hernandez, Mel Sayavedra, Claudia Lauer, Tristan Hallman, Jason Trahan, Jasin Lee, Edward Scott, Zaman Hemani, Cynthia Watson, Brett Shipp, Troy Larkins, Andrea Rega, Sandy Moncada, John Thompson, Steve Pickett, Charles Caster, Steve Stewart, Susan Oakey, Ben Russell, Roy Hernandez, Phil Fleming

**Regular Board Meeting
Thursday, December 8, 2016**

* * * * *

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

* * * * *

A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officers, Foy W. Page and Leonard E. Jez, and retired firefighters, W. B. Busby and Hermon A. Inmon, Jr.

No motion was made.

* * * * *

B. CONSENT AGENDA

- 1. Approval of Minutes**
 - a. Regular meeting of November 10, 2016
 - b. Emergency meeting of November 15, 2016
- 2. Approval of Refunds of Contributions for the Month of November 2016**
- 3. Approval of Estate Settlements**
- 4. Approval of Survivor Benefits**
- 5. Approval of Service Retirements**
- 6. Approval of Alternate Payee Benefits**

After discussion, Mr. Haben made a motion to approve the items on the Consent Agenda, subject to the final approval of the staff. Mr. Brown seconded the motion, which was unanimously approved by the Board. Messrs. Griggs, Hass, and Kingston were not present when the vote was taken.

* * * * *

**Regular Board Meeting
Thursday, December 8, 2016**

**C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR
INDIVIDUAL CONSIDERATION**

1. Committees of the Board and possible Committee appointments

Mr. Friar appointed Police Pensioner Trustee Ken Sprecher to the Audit Committee.

No motion was made.

* * * * *

2. Possible action on sale of private assets

- a. Possible secondary sale
- b. Possible action on Lone Star CRA Fund

Jarrett Vitulli and Dale Addeo with Evercore, and Rhett Humphreys, with NEPC, and staff were present to outline the marketing process and discuss the bids that were received.

The Board went into closed executive session – legal at 8:59 a.m.

The meeting was reopened at 9:22 a.m.

After discussion, Mr. Brown made a motion to authorize the sale of private assets in the target portfolio at the pricing levels discussed with the Board, subject to the final approval of the Executive Director. Mr. Ho seconded the motion, which was approved by the Board by the following vote:

For: Messrs. Brown, Ho, Friar, Haben, Schutz, Hass, Wilson, Conway, Sprecher, Ms. Gates

Against: Messrs. Griggs, Kingston

After discussion, Mr. Griggs made a motion to authorize the Executive Director to negotiate and return to the Board with respect to DFPF's interest in the Lone Star CRA Fund. Mr. Kingston seconded the motion, which was unanimously approved by the Board.

* * * * *

**Regular Board Meeting
Thursday, December 8, 2016**

3. Possible changes to DROP Policy

The Board went into closed executive session – legal at 9:25 a.m.

The meeting was reopened at 11:09 a.m.

Board Principles are located in Minute Book Number 44 on Page _____

After discussion, Mr. Griggs made a motion to (1) adopt the Board Principles for Changes to the DROP Policy and (2) direct staff to immediately cease DROP distributions except those necessary to satisfy required minimum distribution payments and prepare for the Board’s consideration at the next regularly scheduled Board meeting, or sooner, definitive changes to the DROP Policy consistent with the Board Principles, to provide for payment of DROP distributions. Mr. Wilson seconded the motion, which was approved by the following vote:

For: Messrs. Griggs, Wilson, Friar, Haben, Schutz, Hass, Ho, Brown, Kingston, Sprecher, Ms. Gates

Against: None

Abstain: Mr. Conway

* * * * *

The meeting was recessed at 11:10 a.m.

The meeting was reconvened at 11:16 a.m.

* * * * *

4. Discussion and possible action on City of Dallas pension proposals

The Board went into closed executive session – legal at 12:24 p.m.

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

Staff reviewed the City of Dallas proposals with respect to DPF with the Board. Jeff Williams, Rocky Joyner, and Deborah Brigham, all of Segal Consulting, DPF’s actuary, participated by telephone.

No motion was made.

* * * * *

Regular Board Meeting Thursday, December 8, 2016

Board Principles for Changes to DROP Policy

The Board of Trustees of the Dallas Police and Fire Pension System hereby adopts the following principles to be followed by DPFP staff in preparing definitive changes to the DROP Policy (the "Policy") for consideration by the Board at the next Board meeting.

1. The Board has been presented with cash flow scenarios that indicate there is a strong possibility that DPFP will not be able to satisfy in the near term all monthly annuity payments, anticipated DROP requests and ongoing cash needs, including a prudent level of cash reserves for operating expenses, indebtedness, investment-related expenditures as noted in Paragraph 3 below (the "Cash Requirements") through existing liquid assets. Given this strong possibility, the Board recognizes its duty to balance the interests of fulfilling the terms of the Plan and satisfying immediate DROP requests against the need to pay future annuity payments, satisfy the Cash Requirements, and preserve asset value to the maximum extent possible by disposing of its illiquid asset holdings in a prudent and efficient manner.
2. The Board believes that dealing with these competing interests falls within its power to adjust withdrawals from DROP accounts consistent with efficient administration as set forth in Section 6.14(e) of the Plan. While the term "efficient administration" is not defined in the Plan, the Board has the power to interpret such terms pursuant to Section 3.01(s) of the Plan and Texas law. As such, the Board has full authority to adopt the Motion passed today and to adopt these principles.
3. The Policy should provide that the Board will maintain a reserve of liquid assets consisting of all outstanding indebtedness, amounts to provide for capital commitments for investments and, initially 12 months of monthly benefit payments and operating expenses. These reserves amounts may change over time as the Board determines how long it may take to sell assets in a prudent manner.
4. The Policy should provide for a fair and equitable manner by which Retirees shall be given an opportunity to withdraw amounts from DROP, providing Retirees a fair amount of notice and details of the revised DROP Policy.
5. The Policy should provide that the Board and staff will work with its investment consultant to dispose of such assets in a prudent and efficient manner, seeking to achieve sales in as short a time as possible to satisfy DROP distribution requests, while minimizing, to the greatest extent possible, discounts on such sales.
6. The Policy should provide that any distributions required to be made under federal tax law shall be made to any member by the end of any applicable year.
7. The Policy should provide for similar hardship exceptions to those described in Section 457(d)(1)(A)(iii) of the Internal Revenue Code and the Treasury Regulations and guidance promulgated thereunder.
8. The Policy should provide that it is the intention of the Board to repeal the changes at the earliest date upon which the Board determines that doing so is not necessary to balance the interests described in Paragraph 1.

**Regular Board Meeting
Thursday, December 8, 2016**

5. Possible action on legislative matters

- a. Approval of contracts for HillCo Partners and Locke Lord, LLP
- b. Approval of possible legislation

Ms. Gottschalk stated that DFPF has been presented with new contracts for services by its legislative consultants, HillCo Partners and Locke Lord, LLP. Staff discussed the need for such contracts with the Board. Clint Smith, of HillCo Partners, and Robert Miller, of Locke Lord, LLP, participated telephonically to answer questions from the Board.

After discussion, Mr. Griggs made a motion to approve the contracts of HillCo Partners and Locke Lord, LLP as presented. Mr. Kingston seconded the motion, which was unanimously approved by the Board. Mr. Wilson was not present when the vote was taken.

After discussion, Mr. Kingston made a motion to authorize the Executive Director and General Counsel to prepare and cause to be submitted to legislative counsel a bill reflecting the current plan together with the proposed plan amendments, including additional funding requirements for the City of Dallas as specified by the Board. Mr. Griggs seconded the motion, which was unanimously approved by the Board.

* * * * *

The meeting was recessed at 2:49 p.m.

The meeting was reconvened at 3:00 p.m.

* * * * *

6. Update and possible action on Plan amendment election

The staff briefed the Board on the status of the Plan amendment election.

No motion was made.

* * * * *

Dallas Police and Fire Pension System
Thursday, December 29, 2016
8:30 a.m.
Second Floor Board Room
4100 Harry Hines Blvd., Suite 100
Dallas, TX

Special meeting, Samuel L. Friar, Chairman, presiding:

ROLL CALL

Board Members

Present at 8:30 Samuel L. Friar, Kenneth S. Haben, Joseph P. Schutz, Brian Hass, Jennifer S. Gates, Erik Wilson, Tho T. Ho, Gerald D. Brown, Clint Conway, Kenneth Sprecher

Present at 9:25 Scott Griggs

Absent: Philip T. Kingston

Staff

Kelly Gottschalk, Josh Mond, Summer Loveland, John Holt, Damion Hervey, Ryan Wagner, Christina Wu, Greg Irlbeck, Carol Huffman

Others

Chuck Campbell, Deborah Brigham, Jeff Williams, Jason Jordan, Ben Mesches, John Hanes, Bobby Yarberry, Cathy Yarberry, Mark Gibbons, Paul V. Ellzey, Joseph A. Freeze, J. M. Dunn, Martin Kemp, Sr., Gilbert Travis, Michael Flusche, Mitchell Smith, Deborah Smith, Lloyd D. Brown, Thomas White, Larry Williams, Jesus Lucio, Jr., Michael Spiotta, Sherman Evans, Jerome C. Zabochnik, Jr., Armando Garza, Rick Salinas, David Dodson, Dale Erves, George Scott, Dicky Ewing, Pete Bailey, Kenneth M. Thomas, Crista K. Walker, Lauren A. Johnson, Jim Aulbaugh, Joshua Groves, Charles Hale, Joel Lavender, Zaman Hemani, Jon Prior, S. Movl, Lori Brown, K. Bell, Arthur Hollingsworth, Bailey Hollingsworth, Monica Hernandez, Mel Sayavedra, Tristan Hallman, Tanya Eiserer, Robin Carter, Scott Sidney, Lee Kleinman, Ed Lowder, Brian New, Troy Larkin, Philip Fleming, Ashleigh Barry, Mike Hamburk, Russell Morgan, Michael Gomez

* * * * *

The meeting was called to order at 8:30 a.m.

* * * * *

**Special Meeting
Thursday, December 29, 2016**

A. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION:

1. Discussion and possible action on Lone Star CRA Fund

The Board went into closed executive session – legal at 8:30 a.m.

The meeting was reopened at 8:56 a.m.

Staff discussed a recent \$42.5 million capital call for Lone Star CRA Fund with the Board.

After discussion, Mr. Brown made a motion to authorize the Executive Director to fund the capital call for the Lone Star CRA Fund. Mr. Haben seconded the motion, which was approved by the Board by the following vote:

For: Brown, Haben, Friar, Schutz, Hass, Wilson, Ho, Conway, Sprecher

Abstain: Gates

Absent: Griggs

* * * * *

2. Certification of December 2016 Plan amendment election results

The election results as reported below by Election America were presented.

The Certified Election results letter is located in Minute Book 44 on page ____.

After discussion, Mr. Brown made a motion to certify the 2016 Plan Amendment Election results in accordance with Section 3 (e) of the Amendment Election Procedure. Mr. Sprecher seconded the motion, which was unanimously approved by the Board. Mr. Griggs was not present when the vote was taken.

* * * * *

3. Discussion and possible action on DROP Policy and DROP installment payments

The Board went into closed executive session – legal at 9:02 a.m.

The meeting was reopened at 11:03 a.m.

Mr. Griggs left the meeting at 10:26 a.m.

**Special Meeting
Thursday, December 29, 2016**

3. Discussion and possible action on DROP Policy and DROP installment payments (continued)

Staff discussed with the Board ideas for the amendment to the DROP Policy contemplated by the Board motion on December 8, 2016. Additionally, the Board discussed the December DROP installment payments in light of Judge Parker's ruling on December 21, 2016.

After discussion, Mr. Schutz made a motion to reinstate the monthly DROP distributions as stated in Judge Parker's temporary ruling, with the ongoing monthly distributions that were in effect in November, 2016. Mr. Sprecher seconded the motion, which was approved by the following vote:

For: Schutz, Sprecher, Friar, Haben, Gates, Wilson, Ho, Brown, Conway

Against: Hass

Absent: Griggs

After discussion, Mr. Conway made a motion to immediately pay out 60% of all DROP accounts based on the Pension System's liquidity. The motion died for the lack of a second.

* * * * *

The meeting was recessed at 11:30 a.m.

The meeting was reconvened at 12:00 p.m.

* * * * *

4. Discussion and possible action on Legislative Matters

a. City of Dallas plan

b. DFPF plan

The Board went into closed executive session – legal at 12:00 p.m.

The meeting was reopened at 12:57 p.m.

No motion was made.

* * * * *

Special Meeting
Thursday, December 29, 2016



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
2016 DPFPS Plan Amendment Election
Certified Results

Provided by Election-America, Inc.

| 2016 DPFPS Plan Amendment Election | | |
|--|--------|-------|
| Ballot Item | Choice | Votes |
| BALLOT ITEM 1 - Plan Changes Related to Benefits | Yes | 989 |
| | No | 1209 |
| BALLOT ITEM 2 - Plan Changes Related to Service Trustee Board Positions | Yes | 1467 |
| | No | 727 |
| BALLOT ITEM 3 - Requirements to Receive Credit for Additional Compensation Upon the Award of Back Pay | Yes | 1420 |
| | No | 770 |

**Special Meeting
Thursday, December 29, 2016**

5. Museum Tower contractor dispute

The Board went into closed executive session – legal at 1:28 p.m.

The meeting was reopened at 1:41 p.m.

No motion was made.

* * * * *

B. BRIEFING ITEM

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

The Board heard member and pensioner comments.

* * * * *

Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Brown and a second by Ms. Gates, the meeting was adjourned at 1:42 p.m.

Samuel L. Friar
Chairman

ATTEST:

Kelly Gottschalk
Secretary

**Regular Board Meeting
Thursday, December 8, 2016**

7. NEPC: Third Quarter 2016 Investment Performance Analysis

Mr. Humphreys, of NEPC, presented the Third Quarter 2016 Investment Performance Analysis.

No motion was made.

* * * * *

8. Investment reports

Staff reviewed the investment performance and rebalancing reports for the period ending November 30, 2016 with the Board.

No motion was made.

* * * * *

9. Approval of rebalancing and investment manager changes

Ms. Gottschalk stated that the Investment Policy Statement requires approval of the Board to terminate a manager. Additionally, the Investment Policy Statement provides target ranges for asset classes, beyond which rebalancing may not occur. Staff believes further rebalancing of the portfolio needs to occur which will cause more asset classes to fall below the lower bound of the target ranges and several managers will need to be liquidated. Staff and NEPC reviewed the recommended changes with the Board.

After discussion, Mr. Conway made a motion to approve liquidating Eagle Asset Management, Mitchell Group, RREEF, Ashmore Emerging Markets Debt Fund, Ashmore Emerging Markets Local Currency Bond Fund, GMO, Putnam and JPMorgan Infrastructure Investments Fund in the next portfolio rebalancing which will cause certain allocations to further breach the lower bound of the target ranges. Mr. Brown seconded the motion, which was unanimously approved by the Board. Mr. Griggs was not present when the vote was taken.

* * * * *

**Regular Board Meeting
Thursday, December 8, 2016**

10. Legal issues

- a. Police Officer and Firefighter pay lawsuits
- b. Potential claims involving fiduciaries and advisors
- c. 2014 Plan amendment election and litigation
- d. CDK Realty Advisors LP v. Dallas Police and Fire Pension System
- e. 2016 Plan amendment litigation

No discussion was held on legal issues.

* * * * *

11. Ad hoc committee report

Mr. Schutz, Chair of the ad hoc Governance Committee, reported that a committee meeting is scheduled for December 9, 2016.

No motion was made.

* * * * *

12. 2016 Annual Benefit Statements and Deferred Retirement Option Plan (DROP) Statements for Members of the Dallas Police & Fire Pension System

- a. Annual Statements
- b. Financial Condition Letter

Staff discussed the 2016 Annual Benefit and DROP Statements with the Board, as well as the Financial Condition Letter that will accompany the Annual Statements.

No motion was made.

* * * * *

13. Determination of Handicap Status of Dependent Child

The Board discussed an application for survivor benefits under the provisions of Plan Section 6.06(p).

After discussion, Mr. Kingston made a motion to grant survivor benefits under the provisions of Plan Section 6.06(p). Mr. Griggs seconded the motion, which was unanimously approved by the Board.

**Regular Board Meeting
Thursday, December 8, 2016**

* * * * *

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

Open Meetings Act, Public Information Act

Mr. Sprecher reported on the above required Trustee training that he had completed.

No motion was made.

* * * * *

15. Possible changes to Education and Travel Policy and Procedure

Ms. Loveland discussed a proposed change to the policy and procedures covering education and travel related expenses to address the proration of individual Trustee budgets in the year a Trustee's term begins or ends. This change is based upon discussion in the November 10 Board meeting.

For the year in which a Trustee's term ends, the Trustee's allocated budget for that year would be prorated from the beginning of the year through the scheduled end of the Trustee's term. If the Trustee is subsequently reelected in that year, the Trustee's budget would 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 would be prorated from the Trustee's start date through the end of the year.

After discussion, Mr. Griggs made a motion to approve the Education and Travel Policy and Procedure as amended. Mr. Kingston seconded the motion, which was unanimously approved by the Board.

* * * * *

D. BRIEFING ITEMS

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

The Board heard member and pensioner comments.

* * * * *

**Regular Board Meeting
Thursday, December 8, 2016**

2. Executive Director's report

- a. DROP update
- b. Public relations firm
- c. Future Education and Business Related Travel
- d. Future Investment Related Travel
- e. Associations' newsletters
 - NCPERS Monitor (November 2016)
 - TEXPERS Outlook (November 2016)
 - TEXPERS Pension Observer (Fall 2016)

The Executive Director's report was presented. No motion was made.

* * * * *

ADDENDUM

10. Legal issues

- f. Rawlings vs. Dallas Police and Fire Pension System

No discussion was held on legal issues.

* * * * *

Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Ho and a second by Mr. Griggs, the meeting was adjourned at 3:35 p.m.

Samuel L. Friar
Chairman

ATTEST:

Kelly Gottschalk
Secretary



DISCUSSION SHEET

ITEM #C1

Topic: Possible changes to DROP Policy

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

Discussion: Staff will discuss with the Board proposed amendments to the DROP Policy contemplated by the Board motion on December 8 and further discussed on December 29. A draft DROP Policy Addendum will be provided to the Board for review prior to the meeting.

Staff Recommendation: Approve the DROP Policy Addendum as presented.



DISCUSSION SHEET

ITEM #C2

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

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. City of Dallas plan
- b. DPFPP plan

Discussion: Staff will further review the bill proposed by the City of Dallas which was originally discussed on December 29, as well as review the draft of the bill proposed by DPFPP. Staff will discuss the status of the submission of the proposed bill to the state legislature and the process by which the proposed bills will be considered.



DISCUSSION SHEET

ITEM #C3

Topic: **Trustee Election Procedures Amendment**

Discussion: Staff will discuss proposed changes to the Trustee Election Procedures as a result of the ballot item in the 2016 Plan Amendment which was passed by a vote of the members. The ballot item stated that if a service Trustee position becomes vacant in the middle of a Trustee's term with six months or less remaining in the term, the position remains vacant until the next regularly scheduled Trustee election. If more than six months is remaining in the term, an election is held to determine the replacement Trustee.

Prior to the 2016 election, if a service Trustee position became vacant in the middle of a Trustee's term with one year or less remaining in the term, the Board would appoint the replacement for such Trustee. If more than one year was remaining in the term, then an election was held to determine the replacement Trustee.

Staff Recommendation: **Approve** the Trustee Election Procedures as amended.



D A L L A S
POLICE & FIRE
PENSION SYSTEM



TRUSTEE ELECTION PROCEDURES

DRAFT

As Amended Through January 12, 2017

DALLAS POLICE AND FIRE PENSION SYSTEM

TRUSTEE ELECTION PROCEDURES

Adopted January 9, 1997
As amended through January 12, 2017

Section 1 Authority to Promulgate Rules

Pursuant to Section 3.01(e) of the Combined Pension Plan ("Combined Plan"), the Board of Trustees ("Board") of the Dallas Police and Fire Pension System ("DPFP") has the authority to adopt appropriate rules and regulations governing the election of Trustees from the Police and Fire Departments of the City of Dallas as well as Pensioners, provided such rules and regulations are consistent with the Combined Plan and with generally accepted principles of secret ballot and majority rule.

Section 2 Definitions

- (a) Member means a Member of any of the pension plans within the Pension System who is on Active Service with the Police or Fire Department.
- (b) Pensioner means a former Member of the Pension System who is on either a service or disability retirement and includes Members who have left Active Service and elected to allocate any monthly retirement pension the Member could otherwise receive to a Deferred Retirement Option Plan (DROP) account pursuant to Combined Plan Section 6.14(d).

Section 3 Election Responsibilities

(a) Executive Director

The Executive Director of DPFP or the Executive Director's designee shall have the following responsibilities with respect to a Trustee election:

- (1) Notify the Board of dates for election of those Trustee Places the terms of which are due to expire;
- (2) Notify the Members and Pensioners of the dates for election of those Trustee Places the terms of which are due to expire, or are newly created, and the requirements a person must meet in order to be a candidate for each such position.

Section 3 **Election Responsibilities (continued)**

- (3) Notify the Police and Fire Departments of any pending Police or Fire Department Trustee Place election called by the Board;
- (4) Supervise the election process and certify the names of persons who have been duly qualified to be placed on the official ballot;
- (5) (i) Supervise the posting of notices of those names certified to run for a Trustee Place and calling of the election;
- (ii) Supervise the notification to the Pensioners of those names certified to run for a Pensioner Trustee Place;
- (6) Place the election results on the agenda of a special or regular Board meeting to certify the results of the election to the Board;
- (7) Notify the membership of the results of the election(s); and
- (8) Assure the integrity of the election process in order to avoid irregularities.

(b) **Electronic Balloting - Independent Auditor/ Ballot Counting**

The Board may appoint an independent electronic balloting service or in the case of written ballots, an auditor ("Independent Balloting Agent(s)") which may be a firm or business that specializes in the solicitation and compilation of ballots for public companies and the like or a public accounting firm that performs similar functions for the purpose of performing some or all of the following functions in connection with the Trustee election.

The Board or the Executive Director may from time to time assign to the Independent Balloting Agent some or all of duties which, absent such assignment, shall be performed by the Executive Director or DFPF's staff including, but not limited to the following:

Section 3 **Election Responsibilities (continued)**

- (1) (i) Issue simulated ballots identifying the Members running for a Trustee Place or in the event written ballots are used, the actual written ballots, along with ballot instructions to all Members on active service who are eligible to vote in the election. Issuance of voting instructions and, if written ballots are used, then such actual ballots may be by mail or other such means as the Board or the Executive Director believes best serves the interest of DFPF and its Members, and accommodates their potentially diverse service duties and work times;
- (ii) Issue simulated ballots identifying the Pensioners running for a Pensioner Trustee Place or in the event written ballots are used, such written ballots, along with ballot instructions to all Pensioners who are eligible to vote in the election. Issuance of voting instructions and, if written ballots are used, then such actual ballots will be by mail;
- (2) through its designated Independent Balloting Agent or otherwise:
 - (i) during the pendency of the election or otherwise, collect and safe-keep the evidence of the balloting;
 - (ii) conduct the election during the period designated by the Board;
 - (iii) count all ballots timely cast by whatever approved means; and
- (3) Upon the completion of the election period, certify the results of the ballot count to the Executive Director in writing by secure and confidential means.

In the event the Board does not appoint an Independent Balloting Agent, then the Administrator shall carry out the Independent Balloting Agent's duties set forth above.

Section 4 **Details of Trustee Election**

(a) **Calling the Election**

The Board shall call an election and specify the voting period to elect Fire and Police Department Trustees and Pensioner Trustees at least sixty (60) calendar days before the term of any Police or Fire Department Trustee or Pensioner Trustee expires.

(b) **Notice of Election**

(1) The Executive Director or his designee shall send a notice of the Police or Fire Department Trustee Place election to the Chiefs of the Police and Fire Departments or their designees, which shall include information on the relevant dates, opportunity for obtaining an official application and any other relevant rules.

(2) This notice shall include a request that the Chiefs of the Police and Fire Departments or their designees post the notice at least thirty (30) days prior to the date of election at Police stations and Fire stations and other places where Police officers, Firefighters, and Fire Inspectors generally assemble for duty.

(3) Notice of an election for any Police or Fire Department Trustee Place position shall be announced on DPFPP's website and by separate direct mailing at least sixty (60) days prior to the date of the election.

(4) The Executive Director or his designee shall send a notice of the Pensioner Trustee Place election to the Pensioners via DPFPP's website and separate direct mailing, which shall include information on the relevant dates, opportunity for obtaining an official application and any other relevant rules. Such notice will be sent at least sixty (60) days prior to the date of the election.

(c) **Application Process**

(1) The Pension Office shall provide the original official application. The official application shall identify the specific Trustee Place for which the Member wishes to run or the specific Pensioner Trustee Place for which the Pensioner wishes to run. The Pension Office shall attach a copy of all

Section 4 **Details of Trustee Election (continued)**

applicable rules and procedures with regard to the election process, including this election procedure, to the Member's or Pensioner's application. DFPF will not accept an application that is not an original official application, identifying the specific Trustee Place being sought and completed in full.

(2) Any Member on active service (including any Trustee whose Trustee Place term is expiring) and any Pensioner (including any Pensioner Trustee whose Trustee Place term is expiring) who wishes to become a candidate in a Trustee election and serve as a Trustee on the Board, must:

(i) personally obtain an original official application from DFPF's pension office ("Pension Office");

(ii) present adequate identification which must include both photo identification (the departmental photo identification in the case of a Member) and one other form of picture or other reliable identification;

(iii) sign a form acknowledging receipt of such application and all attachments including a copy of all applicable rules and procedures with regard to the election process, including this election procedure, and

(iv) attend one of two similar trustee education classes conducted at the Pension Office and designed to acquaint the candidates with the general laws, rules and guidelines governing trustee/fiduciary duties and governmental pension systems, investment principals and the time commitments generally associated with the Trustee position, except that any candidate who is a Trustee whose Trustee Place term is expiring is not required to attend a trustee education class.

(3) Candidates who are running for a Trustee position may, if they wish, write a brief description that will be included with the ballot. The description must:

(i) be 75 words or less;

Section 4 **Details of Trustee Election (continued)**

- (ii) include positive statements about the candidate such as why they are running, listing qualifications, reasons people should vote for them and any other relevant information;
- (iii) avoid offensive or potentially defamatory language; and
- (iv) not mention or in any manner refer to another person including, but not limited to the other candidates.

Candidates should keep in mind that what they write will be read by many people from different backgrounds and what they write is a public document that may be viewed by any Member, Pensioner, their families, including children, and the public as well.

To protect DPF, the Executive Director will not print any description that violates any of the above listed rules (i-iv). If rules i-iv are not followed, an attempt will be made to contact the candidate for a rewrite, but the decision of the Executive Director is final. The Board and staff will not attempt to edit the description for grammar or spelling errors. If the Board and staff are unable to contact a candidate whose description exceeds the word maximum, the words in excess of the limit will be deleted from the end of the description.

- (4) Under the privacy requirements of State law and the practice of DPF, the names and addresses of the active or retired police officers or firefighters will not be released by DPF to candidates. Instead, the mailing service used by DPF will be available to such candidates to mail, at their own expense, any materials they wish to have mailed to eligible voters in consideration of their candidacy. Such written materials must also comply with the rules at Section 4(c)(3) and contain the statement in bold text at the end of Section 4(c)(5) immediately below.

Section 4 **Details of Trustee Election (continued)**

- (5) In the event a written statement of a candidate is included along with a ballot pursuant to subsection 4(c)(3) above or in any mailing done pursuant to subsection 4(c)(4) above, the following statement will appear on such written materials. **“The views expressed by any Candidate are those of the Candidate alone and do not necessarily represent the views or opinions of the Dallas Police and Fire Pension System, its Board of Trustees or Staff. The Candidate is solely responsible for his/her remarks.”**
- (6) Trustee Place numbers have been designated as follows:
- (i) Those Member Trustee Places the terms of which expire on May 31, 2001, and each fourth (4th) year thereafter are designated Police Place 1 (P-1) and Fire Place 1(F-1). Those Member Trustee Places the terms of which expire on May 31, 2003, and each fourth (4th) year thereafter are designated Police Place 2 (P-2), Police Place 3 (P-3), Fire Place 2 (F-2) and Fire Place 3 (F-3).
 - (ii) The Pensioner Trustee Places shall be designated as Fire Pensioner Place 1 and Police Pensioner Place 1. Only Pensioners retired from the Fire Department will be eligible to be elected to Fire Pensioner Trustee Place 1. Only Pensioners retired from the Police Department will be eligible to be elected to Police Pensioner Trustee Place 1.
- (7) The completed application must be returned to the Pension Office at a date determined by the Board. DPFPS shall advise applicants in writing of the date by which completed applications must be returned. The date shall be not less than twenty-one (21) days before the date that voting is to commence.
- (8) The Executive Director will report to the Board the names of those persons who have been duly qualified to be placed on the official ballot and the Board will certify such report not less than fourteen (14) days before regular voting commences.

Section 4 **Details of Trustee Election (continued)**

- (9) The Candidate Trustee education classes will be conducted on two different days and times in order to facilitate attendance by the candidates and the agenda for such classes will be provided to Candidates in advance. DPFP will notify the Chiefs of each Department of the importance of permitting candidates to attend such class.
- (10) Any Member applying to run for a Trustee Place position shall comply with City of Dallas Administrative Directive 3-71, "Employee Participation on City of Dallas Boards of Trustees and Fiduciary Committees".

(d) Eligibility to Vote

- (1) All Members on Active Service with the Police Department are eligible to vote in an election for those Member Trustee Places designated P-1, P-2 or P-3.
- (2) All Members on Active Service with the Fire Department are eligible to vote in an election for those Member Trustee Places designated F-1, F-2 or F-3.
- (3) All Pensioners retired from the Police Department are eligible to vote in an election for Police Pensioner Trustee Place 1.
- (4) All Pensioner retired from the Fire Department are eligible to vote in an election for Fire Pensioner Trustee Place 1.

(e) Voting

- (1) Voting shall be held either by electronic means or by written ballot as determined by the Board. Voting shall reasonably accommodate all departmental shifts or watches over at least three (3) consecutive twenty-four (24) hour periods. The Board shall approve the permissible method(s) and time of voting, which may include mailing ballot information to Members on active service. The ballot information shall conspicuously state the cut-off date after which ballots cast will not be counted. If mail balloting is authorized for an election, the cut off date for the return of ballots will allow a period to reasonably reflect the ordinary time that the U.S. Post Office takes to deliver ballots

Section 4 **Details of Trustee Election (continued)**

and the mail return of said ballots. If mail return ballots are authorized, then such ballots received by the Independent Balloting Agent shall be stamped with the date of receipt. If mail-in balloting is permitted and a ballot envelope is received beyond the cut-off date both the mailing envelope and ballot will be stamped with its receipt date and the envelope will be affixed to the ballot to evidence its date of postage cancellation by the U.S. Post Office. If the Board has deemed it practicable and in the best interest of DFPF and its Members and Pensioners to authorize balloting through electronic means, the Independent Balloting Agent shall make a record of the date ballots are cast and shall not accept as valid any ballot attempted to be cast before or after the ballot casting period.

(2) The Independent Balloting Agent, or in the event one is not appointed, the Executive Director or his designee, will safe keep evidence of the ballot results and maintain such evidence in secret until such time as the ballot count described in paragraph (3), immediately below, is conducted and the results conveyed to the Board.

(3) The Independent Balloting Agent, or in the event one is not appointed, the Executive Director or his designee, will count the ballots timely cast and certify the results of the ballot count to the Executive Director within two business days of the cessation of voting. The counting of ballots shall be open to all parties who are interested in the Trustee election. The Executive Director shall report the results of the Trustee election to the Board by a letter to be posted or delivered not later than one business day after the Independent Balloting Agent certified the results of the ballot count.

(e) **Certification of the Election**

The Board shall certify the results of the election at a duly called regular or special meeting of the Board.

Section 4 **Details of Trustee Election (continued)**

(f) **Run-off Election**

If no candidate for a Trustee Place receives a majority of the votes cast for that Place, a run-off election between the two (2) candidates receiving the greatest number of votes for that Place shall be held and completed no later than thirty (30) days after the Board certifies that no candidate received such a majority. With the exception of the application process, the procedure for holding such run-off election shall be the same as provided herein for the initial Trustee election. In the event of a tie in any run off election then the candidates who tie shall cast lots in the presence of the Board of Trustees in the open session of a Board Meeting to determine which shall be declared elected.

(g) **Election Re-count**

(1) Only a candidate for a particular Trustee Place or Pensioner Trustee Place can request to have a re-count of the ballots of their particular Trustee Place or Pensioner Trustee Place election, and if said candidate desires to have a re-count he or she must file a written request within five (5) days after the results that were certified by the Board have been confirmed in writing to the candidates. If the margin of difference in the announced vote total being contested is equal to or less than one percent (1%), then the recount will be done at DFPF's expense; however, if the margin is greater than one percent (1%) then the candidate requesting a re-count must pay a non-refundable two hundred dollar (\$200) fee which must accompany the written request for the re-count.

(2) The Independent Auditor, or if none is appointed, the Executive Director or his designee, shall conduct the re-count, and upon its report, the Executive Director shall report and the Board shall certify the results of the re-count in the manner provided herein for the initial count of the Trustee election.

Section 5 **Retention of Ballots and Voter Registration Lists**

Evidence of the results of voting shall be kept by DFPF for a period of sixty (60) days after the date the Board certifies the results of an election or longer if required under any records retention policy adopted by the Board. If, after that time, there is no request for a re-count pending, then the ballots and other evidence of voting shall be destroyed.

Section 6 **Single Nominee**

If there is but one person who is a nominee for any Police or Fire Active or Pensioner Trustee Place, there shall be no election for said place, and when the Board certifies the results of the election the one nominee, if eligible, shall be deemed elected to the Board of Trustees.

Section 7 **Pensioner Trustees and Return to Employment**

If a Pensioner, while serving as a Pensioner Trustee returns to service as a Police Officer or Firefighter, that Trustee shall automatically be deemed to have tendered his resignation as Trustee and shall only continue to serve until such person's successor shall have been duly elected or, if one year or less of that Trustee's term remains, appointed by the Board in accordance with Section 9 below and affirmed in writing to faithfully perform Trustee duties to the Pension System.

Section 8 **Taking Office, Affirmation and Undertaking of Office**

A duly elected or appointed Trustee shall take office as a trustee as soon after:

- (a) their affirming in writing their undertaking to faithfully perform their duties to the Pension System, and
- (b) the expiration of the Term of the Trustee whose place they have been elected or appointed to fill.

Section 9 **Vacancy in Trustee Position**

- (a) Six months or less remaining in term
- (1) If a vacancy occurs for any reason in an Active Service Member Trustee Place and six months or less remains before the end of the term for the vacated Place, the position shall remain vacant until the next regularly scheduled Trustee election.
 - (2) If a vacancy occurs for any reason in a Pensioner Trustee Place and six months or less remains before the end of the term for the vacated Place, the position shall remain vacant until the next regularly scheduled Trustee election.
- (b) More than six months remaining in term
- (1) If a vacancy occurs for any reason in an Active Service Member Trustee Place and more than six months remains before the end of the term of the vacated Place, the Board shall call a special election to fill the unexpired portion of the term. The special election shall be conducted according to the procedures provided in Section 4 of these Trustee Election Procedures.
 - (2) If a vacancy occurs for any reason in a Pensioner Trustee Place and more than six months remains before the end of the term of the vacated Place, the Board shall call a special election to fill the unexpired portion of the term. The special election shall be conducted according to the procedures provided in Section 4 of these Trustee Election Procedures.

APPROVED on January 12, 2017 by the Board of Trustees of the Dallas Police and Fire Pension System.

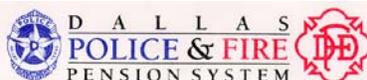
[signature]

Samuel Friar
Chairman

Attested:

[signature]

Kelly Gottschalk
Secretary





D A L L A S
POLICE & FIRE
PENSION SYSTEM



TRUSTEE ELECTION PROCEDURES

DRAFT

As Amended Through ~~February 8, 2007~~ January 12, 2017

DALLAS POLICE AND FIRE PENSION SYSTEM

TRUSTEE ELECTION PROCEDURES

Adopted January 9, 1997

As amended through ~~February 8, 2007~~ January 12, 2017

Section 1 Authority to Promulgate Rules

Pursuant to Section 3.01(e) of the Combined Pension Plan ("Combined Plan"), the Board of Trustees ("Board") of the Dallas Police and Fire Pension System ("~~DPFP~~System") has the authority to adopt appropriate rules and regulations governing the election of Trustees from the Police and Fire Departments of the City of Dallas as well as Pensioners, provided such rules and regulations are consistent with the Combined Plan and with generally accepted principles of secret ballot and majority rule.

Section 2 Definitions

- (a) Member means a Member of any of the pension plans within the Pension System who is on Active Service with the Police or Fire Department.
- (b) Pensioner means a former Member of the Pension System who is on either a service or disability retirement and includes Members who have left Active Service and elected to allocate any monthly retirement pension the Member could otherwise receive to a Deferred Retirement Option Plan (DROP) account pursuant to Combined Plan Section 6.14(d).

Section 3 Election Responsibilities

- (a) ~~Administrator~~ Executive Director

The ~~Administrator~~ Executive Director of ~~the System~~ DPFP ("~~Administrator~~") or the ~~Administrator's~~ Executive Director's designee shall have the following responsibilities with respect to a Trustee election:

- (1) Notify the Board of dates for election of those Trustee Places the terms of which are due to expire;
- (2) Notify the Members and Pensioners of the dates for election of those Trustee Places the terms of which are due to expire, or are newly created, and the requirements a person must meet in order to be a candidate for each such position.

Section 3 **Election Responsibilities- (continued)**

- (3) Notify the Police and Fire Departments of any pending Police or Fire Department Trustee Place election called by the Board;
- (4) Supervise the election process and certify the names of persons who have been duly qualified to be placed on the official ballot;
- (5)
 - (i) Supervise the posting of notices of those names certified to run for a Trustee Place and calling of the election;
 - (ii) Supervise the notification to the Pensioners of those names certified to run for a Pensioner Trustee Place;
- (6) Place the election results on the agenda of a special or regular Board meeting to certify the results of the election to the Board;
- (7) Notify the membership of the results of the election(s); and
- (8) Assure the integrity of the election process in order to avoid irregularities.

(b) Electronic Balloting - Independent Auditor/ Ballot Counting

The Board may appoint an independent electronic balloting service or in the case of written ballots, an auditor ("Independent Balloting Agent(s)") which may be a firm or business that specializes in the solicitation and compilation of ballots for public companies and the like or a public accounting firm that performs similar functions for the purpose of performing some or all of the following functions in connection with the Trustee election.

The Board or the ~~Administrator~~ Executive Director may from time to time assign to the Independent Balloting Agent some or all of duties which, absent such assignment, shall be performed by the ~~Administrator~~ Executive Director or ~~the SystemDPFP~~'s staff including, but not limited to the following:

Section 3 **Election Responsibilities- (continued)**

- (1) (i) Issue simulated ballots identifying the Members running for a Trustee Place or in the event written ballots are used, the actual written ballots, along with ballot instructions to all Members on active service who are eligible to vote in the election. Issuance of voting instructions and, if written ballots are used, then such actual ballots may be by mail or other such means as the Board or the ~~Administrator~~Executive Director believes best serves the interest of ~~the System~~DPFP and its Members, and accommodates their potentially diverse service duties and work times;
- (ii) Issue simulated ballots identifying the Pensioners running for a Pensioner Trustee Place or in the event written ballots are used, such written ballots, along with ballot instructions to all Pensioners who are eligible to vote in the election. Issuance of voting instructions and, if written ballots are used, then such actual ballots will be by mail;
- (2) through its designated Independent Balloting Agent or otherwise:
 - (i) during the pendency of the election or otherwise, collect and safe-keep the evidence of the balloting;
 - (ii) conduct the election during the period designated by the Board;
 - (iii) count all ballots timely cast by whatever approved means; and
- (3) Upon the completion of the election period, certify the results of the ballot count to the ~~Administrator~~Executive Director in writing by secure and confidential means.

In the event the Board does not appoint an Independent Balloting Agent, then the Administrator shall carry out the Independent Balloting Agent's duties set forth above.

Section 4 Details of Trustee Election

(a) Calling the Election

The Board shall call an election and specify the voting period to elect Fire and Police Department Trustees and Pensioner Trustees at least sixty (60) calendar days before the term of any Police or Fire Department Trustee or Pensioner Trustee expires.

(b) Notice of Election

(1) The ~~Administrator~~Executive Director or his designee shall send a notice of the Police or Fire Department Trustee Place election to the Chiefs of the Police and Fire Departments or their designees, which shall include information on the relevant dates, opportunity for ~~pickin~~g up~~obtaining~~ an official application and any other relevant rules.

(2) This notice shall include a request that the Chiefs of the Police and Fire Departments or their designees post the notice at least thirty (30) days prior to the date of election at Police stations and Fire stations and other places where Police officers, Firefighters, and Fire Inspectors generally assemble for duty.

(3) Notice of an election for any Police or Fire Department Trustee Place position shall be announced ~~in the System Active Member on DFPF's newsletter website and~~ by separate direct mailing at least sixty (60) days prior to the date of the election.

(4) The ~~Administrator~~Executive Director or his designee shall send a notice of the Pensioner Trustee Place election to the Pensioners via ~~the monthly Pensioner DFPF's newsletter website and~~ separate direct mailing, which shall include information on the relevant dates, opportunity for ~~pickin~~g up~~obtaining~~ an official application and any other relevant rules. Such notice will be sent at least sixty (60) days prior to the date of the election.

(c) Application Process

(1) The Pension Office shall provide the original official application. The official application shall identify the specific Trustee Place for which the Member wishes to run or the specific Pensioner Trustee Place for which the Pensioner wishes to run. The Pension Office shall attach a copy of all

Section 4 Details of Trustee Election (continued)

applicable rules and procedures with regard to the election process, including this election procedure, to the Member's or Pensioner's application. ~~The SystemDPFP~~ will not accept an application that is not an original official application, identifying the specific Trustee Place being sought and completed in full.

- (2) Any Member on active service (including any Trustee whose Trustee Place term is expiring) and any Pensioner (including any Pensioner Trustee whose Trustee Place term is expiring) who wishes to become a candidate in a Trustee election and serve as a Trustee on the Board, must:
 - (i) personally obtain an original official application from ~~the SystemDPFP~~'s pension office ("Pension Office");
 - (ii) present adequate identification which must include both photo identification (the departmental photo identification in the case of a Member) and one other form of picture or other reliable identification;
 - (iii) sign a form acknowledging receipt of such application and all attachments including a copy of all applicable rules and procedures with regard to the election process, including this election procedure, and
 - (iv) attend one of two similar trustee education classes conducted at the Pension Office and designed to acquaint the candidates with the general laws, rules and guidelines governing trustee/~~—~~fiduciary duties and governmental pension systems, investment principals and the time commitments generally associated with the Trustee position, except that any candidate who is a Trustee whose Trustee Place term is expiring is not required to attend a trustee education class.
- (3) Candidates who are running for a Trustee position may, if they wish, write a brief description that will be included with the ballot. The description must:
 - (i) be 75 words or less;

Section 4 Details of Trustee Election (continued)

- (ii) include positive statements about the candidate such as why they are running, listing qualifications, ~~–~~reasons people should vote for them and any other relevant information;
- (iii) ~~use “good taste”;~~ ~~avoiding~~ offensive or potentially defamatory language; and
- (iv) not mention or in any manner refer to another person including, but not limited to the other candidates.

Candidates should keep in mind that what they write will be read by many people from different backgrounds and what they write is a public document that may be viewed by any Member, Pensioner, their families, including children, and the public as well.

To protect ~~the SystemDPFP~~, the ~~Administrator~~Executive Director will not print any description that violates any of the above listed rules (i-iv). If rules i-iv are not followed, an attempt will be made to contact the candidate for a rewrite, but the decision of the ~~Administrator~~Executive Director is final. The Board and staff will not attempt to edit the description for grammar or spelling errors. If the Board and staff are unable to contact a candidate whose description exceeds the word maximum, the words in excess of the limit will be deleted from the end of the description.

- (4) Under the privacy requirements of State law and the practice of ~~the Dallas Police and Fire Pension SystemDPFP~~, the names and addresses of the active or retired police officers or firefighters will not be released by ~~the SystemDPFP~~ to candidates. Instead, the mailing service used by ~~the SystemDPFP~~ will be available to such candidates to mail, at their own expense, any materials they wish to have mailed to eligible voters in consideration of their candidacy. Such written materials must also comply with the rules at Section 4(c)(3) and contain the statement in bold text at the end of Section 4(c)(5) immediately below.

Section 4 **Details of Trustee Election (continued)**

- (5) In the event a written statement of a candidate is included along with a ballot pursuant to subsection 4(c)(3) above or in any mailing done pursuant to subsection 4(c)(4) above, the following statement will appear on such written materials. **“The views expressed by any Candidate are those of the Candidate alone and do not necessarily represent the views or opinions of the Dallas Police and Fire Pension System, its Board of Trustees or Staff. The Candidate is solely responsible for his/her remarks.”**
- (6) Trustee Place numbers have been designated as follows:
- (i) Those Member Trustee Places the terms of which expire on May 31, 2001, and each fourth (4th) year thereafter are designated Police Place 1 (P-1) and Fire Place 1(F-1). Those Member Trustee Places the terms of which expire on May 31, 2003, and each fourth (4th) year thereafter are designated Police Place 2 (P-2), Police Place 3 (P-3), Fire Place 2 (F-2) and Fire Place 3 (F-3).
 - (ii) The Pensioner Trustee Places shall be designated as Fire Pensioner Place 1 and Police Pensioner Place 1. Only Pensioners retired from the Fire Department will be eligible to be elected to Fire Pensioner Trustee Place 1. Only Pensioners retired from the Police Department will be eligible to be elected to Police Pensioner Trustee Place 1.
- (7) The completed application must be returned to the Pension Office at a date determined by the Board. ~~The System~~DPFP shall advise applicants in writing of the date by which completed applications must be returned. The date shall be not less than twenty-one (21) days before the date that voting is to commence.
- (8) The ~~Administrator~~Executive Director will report to the Board the names of those persons who have been duly qualified to be placed on the official ballot and the Board will certify such report not less than fourteen (14) days before regular voting commences.

Section 4 **Details of Trustee Election (continued)**

- (9) The Candidate Trustee education classes will be conducted on two different days and times in order to facilitate attendance by the candidates and the agenda for such classes will be provided to Candidates in advance. ~~DPFP~~The System -will notify the Chief-s of each Department of the importance of permitting candidates to attend such class.
- (10) Any Member applying to run for a Trustee Place position shall comply with City of Dallas Administrative Directive 3-71, "Employee Participation on City of Dallas Boards of Trustees and Fiduciary Committees".

(d) Eligibility to Vote

- (1) All Members on Active Service with the Police Department are eligible to vote in an election for those Member Trustee Places designated P-1, P-2 or P-3.
- (2) All Members on Active Service with the Fire Department are eligible to vote in an election for those Member Trustee Places designated F-1, F-2 or F-3.
- (3) All Pensioners retired from the Police Department are eligible to vote in an election for Police Pensioner Trustee Place 1.
- (4) All Pensioner retired from the Fire Department are eligible to vote in an election for Fire Pensioner Trustee Place 1.

(e) Voting

- (1) Voting shall be held either by electronic means or by written ballot as determined by the Board. Voting shall reasonably accommodate all departmental shifts or watches over at least three (3) consecutive twenty-four (24) hour periods. The Board shall approve the permissible method(s) and time of voting, which may include mailing ballot information to Members on active service. The ballot information shall conspicuously state the cut-off date after which ballots cast will not be counted. If mail balloting is authorized for an election, the cut off date for the return of ballots will allow a period to reasonably reflect the ordinary time that the U.S. Post Office takes to deliver ballots

Section 4 **Details of Trustee Election (continued)**

and the mail return of said ballots. If mail return ballots are authorized, then such ballots received by the Independent Balloting Agent shall be stamped with the date of receipt. If mail-in balloting is permitted and a ballot envelope is received beyond the cut-off date both the mailing envelope and ballot will be stamped with its receipt date and the envelope will be affixed to the ballot to evidence its date of postage cancellation by the U.S. Post Office. If the Board has deemed it practicable and in the best interest of ~~the System~~DPFP and its Members and Pensioners to authorize balloting through electronic means, the Independent Balloting Agent shall make a record of the date ballots are cast and shall not accept as valid any ballot attempted to be cast before or after the ballot casting period.

- (2) The Independent Balloting Agent, or in the event one is not appointed, the ~~Administrator~~Executive Director or his designee, will safe keep evidence of the ballot results and maintain such evidence in secret until such time as the ballot count described in paragraph (3), immediately below, is conducted and the results conveyed to the Board.
- (3) The Independent Balloting Agent, or in the event one is not appointed, the ~~Administrator~~Executive Director or his designee, will count the ballots timely cast and certify the results of the ballot count to the ~~Administrator~~Executive Director within two business days of the cessation of voting. The counting of ballots shall be open to all parties who are interested in the Trustee election. The ~~Administrator~~Executive Director shall report the results of the Trustee election to the Board by a letter to be posted or delivered not later than one business day after the Independent Balloting Agent certified the results of the ballot count.

(e) Certification of the Election

The Board shall certify the results of the election at a duly called regular or special meeting of the Board.

Section 4 Details of Trustee Election (continued)

(f) Run-off Election

If no candidate for a Trustee Place receives a majority of the votes cast for that Place, a run-off election between the two (2) candidates receiving the greatest number of votes for that Place shall be held and completed no later than thirty (30) days after the Board certifies that no candidate received such a majority. With the exception of the application process, the procedure for holding such run-off election shall be the same as provided herein for the initial Trustee election. In the event of a tie in any run off election then the candidates who tie shall cast lots in the presence of the Board of Trustees in the open session of a Board Meeting to determine which shall be declared elected.

(g) Election Re-count

(1) Only a candidate for a particular Trustee Place or Pensioner Trustee Place can request to have a re-count of the ballots of their particular Trustee Place or Pensioner Trustee Place election, and if said candidate desires to have a re-count he or she must file a written request within five (5) days after the results that were certified by the Board have been confirmed in writing to the candidates. If the margin of difference in the announced vote total being contested is equal to or less than one per-cent (1%), then the recount will be done at ~~the~~ ~~SystemDPFP's~~ expense; however, if the margin is greater than one per-cent (1%) then the candidate requesting a re-count must pay a non-refundable two hundred dollar (\$200.00) fee which must accompany the written request for the re-count.

(2) The Independent Auditor, or if none is appointed, the ~~Administrator~~Executive Director or his designee, shall conduct the re-count, and upon its report, the ~~Administrator~~Executive Director shall report and the Board shall certify the results of the re-count in the manner provided herein for the initial count of the Trustee election.

Section 5 **Retention of Ballots and Voter Registration Lists**

Evidence of the results of voting shall be kept by ~~the System~~DPFP for a period of sixty (60) days after the date the Board certifies the results of an election or longer if required under any records retention policy adopted by the Board. If, after that time, there is no request for a re-count pending, then the ballots and other evidence of voting shall be destroyed.

Section 6 **Single Nominee**

If there is but one person who is a nominee for any Police or Fire Active or Pensioner Trustee Place, there shall be no election for said place, and when the Board certifies the results of the election the one nominee, if eligible, shall be deemed elected to the Board of Trustees.

Section 7 **Pensioner Trustees and Return to Employment**

If a Pensioner, while serving as a Pensioner Trustee returns to service as a Police Officer or Firefighter, that Trustee shall automatically be deemed to have tendered his resignation as Trustee and shall only continue to serve until such person's successor shall have been duly elected or, if one year or less of that Trustee's term remains, appointed by the Board in accordance with Section 9 below and affirmed in writing to faithfully perform Trustee duties to the Pension System.

Section 8 **Taking Office, Affirmation and Undertaking of Office**

A duly elected or appointed Trustee shall take office as a trustee as soon after:

- (a) their affirming in writing their undertaking to faithfully perform their duties to the Pension System, and
- (b) the expiration of the Term of the Trustee whose place they have been elected or appointed to fill.

Section 9 Vacancy in Trustee Position

- (a) ~~One year~~Six months or less remaining in term
- (1) If a vacancy occurs for any reason in an Active Service Member Trustee Place and ~~one year~~six months or less remains before the end of the term for the vacated Place, the ~~Board shall appoint a new Trustee from the Group A or Group B Members who are on Active Service from the same Department as the departed Trustee to fill the unexpired portion of the term~~position shall remain vacant until the next regularly scheduled Trustee election.
 - (2) If a vacancy occurs for any reason in a Pensioner Trustee Place and ~~one year~~six months or less remains before the end of the term for the vacated Place, the ~~Board shall appoint a new Trustee from the Pensioners who retired from the same Department as the departed Pensioner Trustee to fill the unexpired portion of the term~~position shall remain vacant until the next regularly scheduled Trustee election.
- (b) More than ~~one year~~six months remaining in term
- (1) If a vacancy occurs for any reason in an Active Service Member Trustee Place and more than ~~one year~~six months remains before the end of the term of the vacated Place, the Board shall call a special election to fill the unexpired portion of the term. The special election shall be conducted according to the procedures provided in Section 4 of the ~~ese~~is Trustee Election Proceduress.
 - (2) If a vacancy occurs for any reason in a Pensioner Trustee Place and more than ~~one year~~six months remains before the end of the term of the vacated Place, the Board shall call a special election to fill the unexpired portion of the term. The special election shall be conducted according to the procedures provided in Section 4 of the ~~ese~~is Trustee Election Proceduress.

APPROVED on ~~February 8, 2007~~January 12, 2017 by the Board of Trustees of the Dallas Police and Fire Pension System.

[signature]

~~Gerald Brown~~Samuel Friar

Chairman

Attested:

[signature]

~~Richard L. Tettamant~~Kelly Gottschalk

Secretary

DRAFT



DISCUSSION SHEET

ITEM #C4

Topic: 2017 Trustee Election

- a. Call for an election
- b. Trustee Election schedule
- c. Application for Trustee Candidacy packet

Discussion:

- a. Call for an election
The terms of the following Trustees expire on May 31, 2017:

| | |
|--------------|------------------------------------|
| Ken Haben | Police Trustee (Place P-1) |
| Sam Friar | Fire Trustee (Place F-1) |
| Jerry Brown | Fire Pensioner Trustee (Place 1) |
| Ken Sprecher | Police Pensioner Trustee (Place 1) |

Included in the agenda materials is a copy of the Trustee Election Procedures, last amended by the Board February 8, 2007, with proposed amendments as presented to the Board for review in today's meeting. The Trustee Election Procedures state in Section 4(a):

“The Board shall call an election and specify the voting period to elect Fire and Police Department Trustees and Pensioner Trustees at least sixty (60) calendar days before the term of any Police or Fire Department Trustee or Pensioner Trustee expires.”

- b. Trustee Election schedule



DISCUSSION SHEET

ITEM #C4

(continued)

Staff recommends using telephone and Internet balloting for the 2017 Trustee Election. A proposed Trustee Election Schedule will be provided for review prior to the meeting. The schedule proposes that the election take place in late March-early April with certification of the election results at the regularly scheduled Board meeting on Thursday, April 13, 2017.

c. Application for Trustee Candidacy packet

The proposed Application for Trustee Candidacy packet will be provided for review by the Board prior to the meeting. The Trustee Election Procedure, Board of Trustees and Employees Statement of Ethics, Comprehensive Annual Financial Report for the year ended December 31, 2015, and Member Handbook will be included in the final packet, but not provided in the packet presented to the Board at the meeting. Documents included may be updated or new documents added as necessary.

Staff

Recommendation:

Call the election for the four expiring Trustee Places, **approve** the election schedule and **approve** the Application for Trustee Candidacy packet, all subject to the final review by the Executive Director and General Counsel.



DISCUSSION SHEET

ITEM #C5

Topic: Investment reports

Discussion: Review of investment reports.

Dallas Police and Fire Pension System - Net of Fees

Returns By Category
As of November 2016

| Name | Market Value | Allocation | Month | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Inception Date |
|--------------------------------------|---------------|------------|--------|--------|-------|--------|--------|--------|---------|----------------|
| Dallas Police And Fire Group Trust | 2,182,195,050 | 100.00 | 0.12 | (0.11) | 2.56 | (2.96) | (3.01) | 1.71 | | 01-Jan-1995 |
| Equity | 619,557,858 | 28.39 | (0.40) | (1.50) | 3.58 | | | | | 01-Jan-2016 |
| MSCI AC 66.7%/EM 16.7%/R3000+3 16.7% | | | 1.02 | (0.55) | 7.94 | | | | | |
| Global Equity | 181,378,435 | 8.31 | 1.67 | (1.42) | 5.20 | 2.57 | 3.79 | 9.32 | | 01-Jul-2009 |
| MSCI ACWI | | | 0.81 | (0.88) | 6.15 | 4.28 | 3.55 | 9.45 | | |
| Private Equity | 438,179,422 | 20.08 | (1.42) | (1.41) | 2.08 | | | | | 01-Jan-2016 |
| Russell 3000 +3% | | | 4.73 | 2.72 | 13.62 | | | | | |
| Fixed Income | 345,254,534 | 15.82 | (0.18) | (0.19) | 10.41 | | | | | 01-Jan-2016 |
| Fixed Income Blended | | | (1.83) | (1.81) | 8.34 | | | | | |
| Global Bonds | 59,282,524 | 2.72 | (4.71) | (5.90) | 3.19 | | | | | 01-Jan-2016 |
| Barclays Global Aggregate | | | (3.97) | (6.64) | 2.56 | | | | | |
| High Yield | 106,630,218 | 4.89 | 1.03 | 1.05 | 18.61 | | | | | 01-Jan-2016 |
| Barclays Global High Yield | | | (1.59) | (1.91) | 12.31 | | | | | |
| Bank Loans | 55,499,518 | 2.54 | 0.27 | 0.98 | 10.49 | | | | | 01-Jan-2016 |
| S&P Leveraged Loan Index | | | (0.08) | 2.07 | 6.39 | | | | | |
| EM Debt | 38,513,654 | 1.76 | (2.96) | (2.37) | 10.94 | | | | | 01-Jan-2016 |
| EM Debt Blended | | | (5.56) | (6.55) | 8.56 | | | | | |
| Private Debt | 85,328,621 | 3.91 | 2.86 | 2.85 | 1.44 | | | | | 01-Jan-2016 |
| Barclays Global High Yield +2% | | | (1.43) | (1.58) | 14.37 | | | | | |

Performance shown is net of manager fees

Dallas Police and Fire Pension System - Net of Fees

Returns By Category
As of November 2016

| Name | Market Value | Allocation | Month | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Inception Date |
|---|---------------|------------|--------|--------|--------|--------|--------|--------|---------|----------------|
| Global Asset Allocation (GAA) | 132,320,138 | 6.06 | (0.60) | 1.70 | 7.45 | 6.62 | 3.46 | 4.70 | | 01-Jul-2007 |
| GAA Blended | | | (0.91) | (2.67) | 3.94 | 3.15 | 2.08 | 5.09 | | |
| Absolute Return | 36,606,344 | 1.68 | 4.05 | 16.67 | | | | | | 01-Jun-2016 |
| HFRX Absolute Return Index | | | (0.16) | (0.55) | | | | | | |
| Risk Parity | 74,763,443 | 3.43 | (2.05) | (2.09) | 5.27 | | | | | 01-Jan-2016 |
| MSCI ACWI 60%/Barclays Global Aggregate 40% | | | (1.10) | (3.19) | 4.86 | | | | | |
| GTAA | 20,950,352 | 0.96 | (2.13) | (1.21) | 2.98 | | | | | 01-Jan-2016 |
| MSCI ACWI 60%/Barclays Global Aggregate 40% | | | (1.10) | (3.19) | 4.86 | | | | | |
| Real Assets | 1,027,864,876 | 47.10 | 0.67 | 0.47 | (2.71) | | | | | 01-Jan-2016 |
| Natural Resources | 264,529,349 | 12.12 | 0.42 | 0.23 | 3.00 | 4.79 | 5.61 | 6.65 | | 01-Jul-2009 |
| Infrastructure | 178,347,603 | 8.17 | 0.03 | 0.03 | (4.79) | (5.37) | (1.28) | | | 01-Jul-2012 |
| S&P Global Infrastructure Index | | | (4.05) | (6.74) | 9.29 | 6.47 | 3.51 | | | |
| Real Estate | 584,987,924 | 26.81 | 0.98 | 0.70 | (4.50) | | | | | 01-Jan-2016 |
| NCREIF Property | | | 0.00 | 0.00 | 6.13 | | | | | |
| Control/Holding Account | 197,197,645 | 9.04 | 0.05 | 0.10 | 0.33 | 0.34 | 0.16 | 0.17 | | 01-Jan-1994 |
| Merrill Lynch 3 Month US T-BILL | | | 0.02 | 0.04 | 0.28 | 0.32 | 0.13 | 0.11 | 0.84 | |
| Master Loans | (140,000,000) | (6.42) | | | | | | | | 01-Mar-2014 |

Performance shown is net of manager fees

Dallas Police and Fire Pension System - Net of Fees Equity As of November 2016

| Name | Market Value | Allocation | Month | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Inception Date |
|---|--------------------|--------------|---------------|---------------|-------------|-------------|-------------|-------------|---------|--------------------|
| Dallas Police And Fire Group Trust | 2,182,195,050 | 100.00 | 0.12 | (0.11) | 2.56 | (2.96) | (3.01) | 1.71 | | 01-Jan-1995 |
| Equity | 619,557,858 | 28.39 | (0.40) | (1.50) | 3.58 | | | | | 01-Jan-2016 |
| MSCI AC 66.7%/EM 16.7%/R3000+3 16.7% | | | 1.02 | (0.55) | 7.94 | | | | | |
| Global Equity | 181,378,435 | 8.31 | 1.67 | (1.42) | 5.20 | 2.57 | 3.79 | 9.32 | | 01-Jul-2009 |
| MSCI ACWI | | | 0.81 | (0.88) | 6.15 | 4.28 | 3.55 | 9.45 | | |
| Eagle Asset Management | 11,700,793 | 0.54 | 7.57 | 3.33 | 18.95 | 14.18 | 9.39 | 14.24 | | 28-Feb-2005 |
| Russell 2000 Index | | | 11.15 | 5.87 | 18.00 | 12.08 | 6.46 | 13.98 | 6.81 | |
| Mitchell Group | 10,935,086 | 0.50 | 9.41 | 1.11 | 29.68 | 10.77 | (4.79) | (0.08) | | 01-Nov-2001 |
| Dow Jones Equal Weighted U.S. Oil & Gas Index | | | 14.38 | 6.58 | 25.44 | 5.27 | (12.58) | (4.48) | (4.16) | |
| OFI | 75,525,088 | 3.46 | 1.52 | 0.09 | (0.46) | (1.64) | 2.97 | 10.49 | | 01-Sep-2007 |
| MSCI ACWI | | | 0.81 | (0.88) | 6.15 | 4.28 | 3.55 | 9.45 | | |
| Pyramis Global Advisors (Fidelity) | 169,048 | 0.01 | (2.94) | (2.95) | 0.50 | (1.59) | 2.13 | 8.95 | | 01-Apr-2002 |
| MSCI ACWI | | | 0.81 | (0.88) | 6.15 | 4.28 | 3.55 | 9.45 | 3.56 | |
| RREEF REIT | 8,551,049 | 0.39 | (4.25) | (9.52) | (0.49) | (0.10) | 4.77 | 9.10 | | 01-Jan-1999 |
| FTSE EPRA/NAREIT Global Index | | | (2.70) | (8.20) | 1.88 | 2.83 | 5.78 | 9.88 | 0.66 | |
| Sustainable Asset Management | 55,770 | 0.00 | (0.48) | (4.29) | 9.52 | 6.85 | 5.28 | 11.87 | | 30-Nov-2008 |
| MSCI ACWI | | | 0.81 | (0.88) | 6.15 | 4.28 | 3.55 | 9.45 | | |
| Walter Scott and Partners | 74,441,601 | 3.41 | (0.74) | (2.58) | 4.98 | 3.50 | 3.28 | 9.12 | | 01-Dec-2009 |
| MSCI ACWI | | | 0.81 | (0.88) | 6.15 | 4.28 | 3.55 | 9.45 | | |
| Private Equity | 438,179,422 | 20.08 | (1.42) | (1.41) | 2.08 | | | | | 01-Jan-2016 |
| Russell 3000 +3% | | | 4.73 | 2.72 | 13.62 | | | | | |

Performance shown is net of manager fees



Dallas Police and Fire Pension System - Net of Fees
Equity
As of November 2016

| Name | Market Value | Allocation | Month | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Inception Date |
|--|--------------|------------|---------|---------|---------|---------|---------|---------|---------|----------------|
| BankCap Opportunity Fund | 14,495,403 | 0.66 | (1.01) | (1.01) | 11.32 | 11.32 | (20.08) | | | 01-Aug-2013 |
| Bankcap Partners | 15,247,298 | 0.70 | 1.67 | 1.67 | (2.72) | (2.72) | 0.58 | (0.10) | | 01-Feb-2007 |
| Hudson Clean Energy Partners LP | 13,475,752 | 0.62 | (16.89) | (16.89) | (25.04) | (25.04) | (9.16) | (11.90) | | 01-Aug-2009 |
| Huff Alternative Fund LP | 31,971,639 | 1.47 | 7.15 | 7.15 | 9.54 | 9.54 | 1.72 | 3.95 | | 01-Jun-2001 |
| Huff Energy Fd | 137,907,480 | 6.32 | 0.00 | 0.00 | 25.23 | 25.23 | (12.06) | (1.87) | | 31-Dec-2006 |
| Industry Ventures Partnership Holdings IV LP | 425,000 | 0.02 | 0.00 | 0.00 | | | | | | 15-Jul-2016 |
| Kainos Capital Partners | 27,857,415 | 1.28 | (9.11) | (9.11) | 13.22 | 13.22 | | | | 01-Jan-2014 |
| Levine Leichtman Capital Partner IV LP | 13,756,022 | 0.63 | (2.30) | (2.12) | 16.63 | 16.87 | 11.31 | 16.57 | | 01-Apr-2008 |
| Levine Leichtman Capital Partners V LP | 21,250,539 | 0.97 | 2.01 | 4.22 | 12.38 | 13.32 | 12.57 | | | 06-Aug-2013 |
| Lone Star CRA Fund LP | 17,831,833 | 0.82 | 2.96 | 2.96 | (36.55) | (36.55) | (20.28) | (4.49) | | 01-Jul-2008 |
| Lone Star Growth Capital | 10,750,759 | 0.49 | 5.96 | 5.96 | (15.40) | (15.40) | (11.87) | 2.40 | | 31-Dec-2006 |
| Lone Star Opportunities Fund V LP | 39,328,102 | 1.80 | 2.34 | 2.34 | (36.11) | (36.11) | (8.41) | | | 01-Jan-2012 |
| Merit Energy | 33,255,701 | 1.52 | (13.98) | (13.98) | (23.14) | (23.14) | (9.65) | (4.03) | | 31-Oct-2004 |
| North Texas Opportunity Fund LP | 4,567,930 | 0.21 | (0.97) | (0.97) | (9.49) | (9.49) | (15.09) | (13.84) | | 01-Aug-2000 |
| Oaktree Power Opportunities Fund III LP | 11,480,358 | 0.53 | 0.00 | (3.52) | 8.17 | 8.17 | 10.89 | 12.01 | | 01-Apr-2011 |

Performance shown is net of manager fees

Dallas Police and Fire Pension System - Net of Fees Equity As of November 2016

| Name | Market Value | Allocation | Month | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Inception Date |
|-----------------------------------|--------------|------------|--------|--------|---------|---------|---------|---------|---------|----------------|
| Pharos Capital | 17,614,552 | 0.81 | (0.81) | (0.81) | (9.72) | (9.72) | 1.79 | 6.01 | | 30-Aug-2005 |
| Pharos Capital Partners III LP | 26,848,942 | 1.23 | 1.45 | 1.45 | 8.09 | 10.50 | (0.05) | | | 01-Dec-2012 |
| Yellowstone Energy Ventures II LP | 114,697 | 0.01 | 0.00 | 4.59 | (12.04) | (12.04) | (42.16) | (33.24) | | 01-Sep-2008 |

Dallas Police and Fire Pension System - Net of Fees

Fixed Income

As of November 2016

| Name | Market Value | Allocation | Month | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Inception Date |
|---|---------------|------------|--------|--------|-------|--------|--------|--------|---------|----------------|
| Dallas Police And Fire Group Trust | 2,182,195,050 | 100.00 | 0.12 | (0.11) | 2.56 | (2.96) | (3.01) | 1.71 | | 01-Jan-1995 |
| Fixed Income | 345,254,534 | 15.82 | (0.18) | (0.19) | 10.41 | | | | | 01-Jan-2016 |
| Fixed Income Blended | | | (1.83) | (1.81) | 8.34 | | | | | |
| Global Bonds | 59,282,524 | 2.72 | (4.71) | (5.90) | 3.19 | | | | | 01-Jan-2016 |
| Barclays Global Aggregate | | | (3.97) | (6.64) | 2.56 | | | | | |
| Brandywine Investment Management | 59,282,524 | 2.72 | (4.71) | (5.90) | 4.04 | 3.14 | 0.20 | 1.87 | | 01-Jan-2005 |
| Barclays Global Aggregate Index | | | (3.97) | (6.64) | 2.56 | 3.10 | (0.23) | 0.44 | 3.20 | |
| High Yield | 106,630,218 | 4.89 | 1.03 | 1.05 | 18.61 | | | | | 01-Jan-2016 |
| Barclays Global High Yield | | | (1.59) | (1.91) | 12.31 | | | | | |
| Loomis Sayles Global Opportunity | 105,434,735 | 4.83 | 0.73 | 0.74 | 19.90 | 13.49 | 3.29 | 7.91 | | 01-Nov-1998 |
| 70% Merrill High Yield / 30% JPM Emerging Markets | | | (1.53) | (1.75) | 13.16 | 10.63 | 4.55 | 6.83 | 7.05 | |
| W.R. Huff High Yield | 1,195,482 | 0.05 | 36.24 | 36.83 | 53.67 | 47.65 | 10.64 | 9.81 | | 01-Jan-1995 |
| Citigroup High Yield Composite Index | | | (1.11) | (1.20) | 15.17 | 12.14 | 5.19 | 8.13 | 7.02 | |
| Bank Loans | 55,499,518 | 2.54 | 0.27 | 0.98 | 10.49 | | | | | 01-Jan-2016 |
| S&P Leveraged Loan Index | | | (0.08) | 2.07 | 6.39 | | | | | |
| Loomis Sayles Senior Floating Rate and Fixed Income Trust | 55,499,518 | 2.54 | 0.27 | 0.98 | 10.49 | 8.78 | 3.54 | | | 01-Nov-2013 |
| S&P/LSTA Leveraged Loan Index | | | (0.08) | 2.07 | 6.39 | 4.81 | (0.33) | | | |
| EM Debt | 38,513,654 | 1.76 | (2.96) | (2.37) | 10.94 | | | | | 01-Jan-2016 |
| EM Debt Blended | | | (5.56) | (6.55) | 8.56 | | | | | |
| Ashmore Emerging Markets Debt Fund | 21,444,560 | 0.98 | (0.56) | 0.58 | 11.95 | 12.18 | 4.45 | 4.62 | | 01-Jan-2005 |
| JP Morgan EMBI Global Diversified | | | (4.09) | (5.28) | 8.70 | 7.19 | 5.90 | 5.86 | | |

Performance shown is net of manager fees

Dallas Police and Fire Pension System - Net of Fees

Fixed Income

As of November 2016

| Name | Market Value | Allocation | Month | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Inception Date |
|---|-------------------|-------------|-------------|-------------|-------------|---------|--------|--------|---------|--------------------|
| Ashmore Emerging Markets Local Currency Bond Fund | 17,069,094 | 0.78 | (6.59) | (7.15) | 10.17 | 7.73 | (4.83) | (2.11) | | 01-Mar-2011 |
| JP Morgan GBI-EM Global Diversified | | | (7.03) | (7.82) | 8.19 | 5.78 | (4.79) | (1.89) | | |
| Private Debt | 85,328,621 | 3.91 | 2.86 | 2.85 | 1.44 | | | | | 01-Jan-2016 |
| Barclays Global High Yield +2% | | | (1.43) | (1.58) | 14.37 | | | | | |
| Ashmore Global Special Situations Fd 4 LP | 5,312,258 | 0.24 | 0.65 | (1.49) | 23.07 | 24.03 | (3.08) | (5.35) | | 01-Oct-2007 |
| Highland Capital Management Note Due 12-31-2017 | 12,431,871 | 0.57 | 0.00 | 0.00 | 0.00 | 3.04 | 3.04 | 14.97 | | 01-Dec-2006 |
| Highland Crusader Fund LP | 2,738,187 | 0.13 | (1.13) | (3.85) | (3.70) | (5.12) | (6.97) | (0.39) | | 01-Aug-2003 |
| Levine Leichtman Capital | 885,437 | 0.04 | 101.85 | 101.85 | 67.77 | 69.80 | 28.96 | 10.09 | | 01-Oct-2006 |
| Levine Leichtman Capital Partners PCS II | 17,287,260 | 0.79 | (7.52) | (7.29) | (2.78) | (2.46) | 0.06 | | | 01-Feb-2012 |
| Lone Star Partners VII LP | 2,615,662 | 0.12 | (9.01) | (9.01) | (20.86) | (20.86) | 20.51 | 33.37 | | 01-Jul-2011 |
| Lone Star Fund VIII LP | 11,659,200 | 0.53 | (0.73) | (0.73) | (12.71) | (12.71) | 13.88 | | | 01-Jun-2013 |
| Lone Star Fund IX | 24,886,417 | 1.14 | 16.56 | 16.57 | 21.10 | 21.14 | | | | 01-Apr-2015 |
| Oaktree Fund IV & 2x Loan Fund | 2,027,263 | 0.09 | 0.00 | (4.04) | (6.05) | (6.05) | (5.20) | (0.74) | | 01-Jan-2002 |
| Riverstone Credit Partners LP | 5,485,066 | 0.25 | (1.78) | 2.50 | | | | | | 01-Jun-2016 |

Performance shown is net of manager fees

Dallas Police and Fire Pension System - Net of Fees

Asset Allocation

As of November 2016

| Name | Market Value | Allocation | Month | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Inception Date |
|---|--------------------|-------------|---------------|---------------|-------------|-------------|-------------|-------------|---------|--------------------|
| Dallas Police And Fire Group Trust | 2,182,195,050 | 100.00 | 0.12 | (0.11) | 2.56 | (2.96) | (3.01) | 1.71 | | 01-Jan-1995 |
| Global Asset Allocation (GAA) | 132,320,138 | 6.06 | (0.60) | 1.70 | 7.45 | 6.62 | 3.46 | 4.70 | | 01-Jul-2007 |
| GAA Blended | | | (0.91) | (2.67) | 3.94 | 3.15 | 2.08 | 5.09 | | |
| Absolute Return | 36,606,344 | 1.68 | 4.05 | 16.67 | | | | | | 01-Jun-2016 |
| HFRX Absolute Return Index | | | (0.16) | (0.55) | | | | | | |
| Bridgewater-Pure Alpha Major Markets | 36,606,344 | 1.68 | 4.05 | 16.67 | | | | | | 01-Jul-2016 |
| Risk Parity | 74,763,443 | 3.43 | (2.05) | (2.09) | 5.27 | | | | | 01-Jan-2016 |
| MSCI ACWI 60%/Barclays Global Aggregate 40% | | | (1.10) | (3.19) | 4.86 | | | | | |
| AQR Capital Management | 927,465 | 0.04 | 0.00 | 0.00 | 72.17 | 68.71 | 19.81 | | | 30-Sep-2013 |
| Bridgewater | 38,908,655 | 1.78 | (2.22) | (4.00) | 1.86 | 1.55 | 2.64 | 4.38 | | 01-May-2007 |
| Putnam Total Return | 34,927,323 | 1.60 | (1.95) | (0.49) | 4.37 | 2.66 | 1.71 | 4.06 | | 01-Dec-2009 |
| GTAA | 20,950,352 | 0.96 | (2.13) | (1.21) | 2.98 | | | | | 01-Jan-2016 |
| MSCI ACWI 60%/Barclays Global Aggregate 40% | | | (1.10) | (3.19) | 4.86 | | | | | |
| GMO | 20,950,352 | 0.96 | (2.13) | (1.21) | 2.98 | 2.73 | 1.26 | 4.35 | | 01-May-2007 |

Performance shown is net of manager fees

Dallas Police and Fire Pension System - Net of Fees

Real Assets
As of November 2016

| Name | Market Value | Allocation | Month | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Inception Date |
|---|----------------------|--------------|-------------|-------------|---------------|---------------|---------------|-------------|---------|--------------------|
| Dallas Police And Fire Group Trust | 2,182,195,050 | 100.00 | 0.12 | (0.11) | 2.56 | (2.96) | (3.01) | 1.71 | | 01-Jan-1995 |
| Real Assets | 1,027,864,876 | 47.10 | 0.67 | 0.47 | (2.71) | | | | | 01-Jan-2016 |
| Natural Resources | 264,529,349 | 12.12 | 0.42 | 0.23 | 3.00 | 4.79 | 5.61 | 6.65 | | 01-Jul-2009 |
| Infrastructure | 178,347,603 | 8.17 | 0.03 | 0.03 | (4.79) | (5.37) | (1.28) | | | 01-Jul-2012 |
| S&P Global Infrastructure Index | | | (4.05) | (6.74) | 9.29 | 6.47 | 3.51 | | | |
| J.P. Morgan AIRRO II | 4,024,215 | 0.18 | (3.13) | (3.13) | (17.17) | (17.17) | | | | 01-Mar-2014 |
| JP Morgan Global Maritime Investment Fund | 25,075,150 | 1.15 | (4.35) | (4.35) | (36.34) | (40.06) | (1.62) | (41.14) | | 01-Jun-2010 |
| JP Morgan IIF Tax-Exempt LP | 31,193,447 | 1.43 | 1.72 | 1.72 | 3.59 | 3.59 | 3.48 | 4.25 | | 01-Oct-2007 |
| JPM Asian Infras And Related Resources Oppor Fd | 31,083,211 | 1.42 | 2.58 | 2.58 | (0.95) | (0.95) | (2.08) | 2.54 | | 01-Aug-2008 |
| LBJ Infrastructure Group Holdings LLC | 44,346,035 | 2.03 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | 01-Jun-2010 |
| NTE Mobility Partners | 42,625,545 | 1.95 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | 01-Dec-2009 |
| Real Estate | 584,987,924 | 26.81 | 0.98 | 0.70 | (4.50) | | | | | 01-Jan-2016 |
| NCREIF Property | | | 0.00 | 0.00 | 6.13 | | | | | |

Performance shown is net of manager fees

Disclaimer

Copyright © 2014 JPMorgan Chase & Co. All rights reserved.

This report is provided exclusively for the purpose of assisting the customer in monitoring the investment performance of its accounts. J.P. Morgan is providing a reporting service to the customer to assist it in the management of the accounts and, in doing so, is not acting in a fiduciary capacity for the accounts. J.P. Morgan has no responsibility for the selection, monitoring or termination of any investment manager with respect to any of the accounts. The reports are not intended to be considered the rendering of investment advice or in any way to influence any investment decisions or the selection of any investment managers for the accounts. The customer assumes sole responsibility for its use of the reports.

This report contains information that is the property of J.P. Morgan and/or its content providers, and is intended for use by the investment officers of our institutional clients. J.P. Morgan makes no warranty, express or implied, concerning the accuracy or completeness of this information and the information in this report should not be relied on in substitution for the exercise of independent judgment by any recipient. This report may not be copied, published, or used in whole or in part with third-parties for any purposes other than expressly authorized by J.P. Morgan.

The information furnished in this report may contain data obtained from third-party sources that J.P. Morgan believes to be reliable. However, J.P. Morgan makes no warranty, express or implied, concerning the accuracy or completeness of third-party data. Where J.P. Morgan relies on accounting, pricing and associated security data – or instructions for what accounts comprise composites – by the customer or its third party administrators, J.P. Morgan takes no responsibility for the accuracy of such information.

Third-party data is the intellectual property of those vendors and is subject to restrictions contained in the licenses, which J.P. Morgan cannot unilaterally change. If the third party supplier adds additional restrictions to data use, J.P. Morgan shall use reasonable efforts to notify the customer of such changes in writing. Customer's continued use of the report after receipt of notice shall constitute customer's acceptance of the revised usage provision.

The information contained in this report may be subject to change from time to time without prior notice to the Customer, for reasons including, but not limited to, the subsequent restating of accounting information or index returns.

The information furnished in this report does not constitute the provision of 'financial product advice' as defined under the Corporations Act 2001 (Cth) and does not take into account the financial situation, needs or objectives of individuals in Australia.

The information furnished in this report is available in New Zealand solely to persons who are wholesale clients for the purposes of the Financial Advisers Act 2008. If you do not meet this criterion, you are not entitled to this report.

J.P. Morgan shall not be liable to the customer or any other person for any direct or indirect liability, loss, claim, cost, damage, penalty, fine, obligation or expense of any kind whatsoever suffered or incurred by, or asserted against, the customer or any other person howsoever arising, whether in tort (including negligence), in contract or under statute, directly or indirectly from, or in connection with, the use of this report or report information, for any trading decision.

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of Morgan Stanley Capital International, Inc. ("MSCI") and Standard's, a division of The McGraw-Hill Companies, Inc. ("S&P") and is licensed for use by The JPMorgan Chase & Co. and its wholly owned subsidiaries.

Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Standard and Poor's including its subsidiary corporations ("S&P") is a division of the McGraw-Hill Companies, Inc. Reproduction of S&P Index Alerts in any form is prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P sources, S&P, or others, S&P does not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P gives not express or implied warranties, including, but not limited to, any warranties or merchantability or fitness for a particular purpose or use. In no event shall S&P be liable for any indirect, special or consequential damages in connection with subscriber's or others' use of S&P Index Alerts.

The recipient of the credit ratings data (in any format other than locked, non-manipulable on-screen display) must ensure that a valid and fully paid license with the relevant credit ratings agency is in existence as at the time of receipt and throughout the period during which recipient retains or uses such credit ratings data.

This may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. THIRD PARTY CONTENT PROVIDERS GIVE NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. THIRD PARTY CONTENT PROVIDERS shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs OR LOSSES CAUSED BY NEGLIGENCE) in connection with any use of THEIR CONTENT, INCLUDING ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Neither JPMorgan Chase & Co nor any of its affiliates, subsidiaries, or third party suppliers ("JPMorgan") accepts any liability for any losses, costs, claims, damages, liabilities or expenses (including, without limitation, loss of profits) (collectively, "Losses") which the recipient may incur as a result of its use of the data or its failure to hold a valid and fully paid license with the relevant credit rating agencies.SM

Copyright MSCI 2014. Unpublished. All Rights Reserved. This information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used to create any financial instruments or products or any indices. This information is provided on an "as is" basis and the user of this information assumes the entire risk of any use it may make or permit to be made of this information. Neither MSCI, any of its affiliates or any other person involved in or related to compiling, computing or creating this information makes any express or implied warranties or representations with respect to such information or the results to be obtained by the use thereof, and MSCI, its affiliates and each such other person hereby expressly disclaim all warranties (including, without limitation, all warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any other person involved in or related to compiling, computing or creating this information have any liability for any direct, indirect, special, incidental, punitive, consequential or any other damages (including, without limitation, lost profits) even if notified of, or if it might otherwise have anticipated, the possibility of such damages.

FTSE® is a trade mark of London Stock Exchange Plc and The Financial Times Limited and is used by FTSE under license. All rights in the FTSE Indices vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE Indices or underlying data.

The Industry Classification Benchmark is a joint product of FTSE International Limited and Dow Jones & Company, Inc. and has been licensed for use. "FTSE" is a trade and service mark of London Stock Exchange and The Financial Times Limited. "Dow Jones" and "DJ" are trade and service marks of Dow Jones Inc. FTSE and Dow Jones & Company do not accept any liability to any person for any loss or damage arising out of any error or omission in the ICB.

The Dow Jones Wilshire IndexesSM are calculated, distributed and marketed by Dow Jones & Company, Inc. pursuant to an agreement between Dow Jones and Wilshire and have been licensed for use. All content of the Dow Jones Wilshire IndexesSM © 2011 Dow Jones & Company, Inc. and Wilshire Associates Incorporated.

Frank Russell Company ("FRC") is the source and owner of the Russell Index data contained or reflected in this material and all trademarks and copyrights related thereto. The presentation may contain confidential information and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited. This is a USER presentation of the Russell Index data. Frank Russell Company is not responsible for the formatting or configuration of this material or for any inaccuracy in USER's presentation thereof.

The Merrill Lynch Indices are used with permission. Copyright 2011, Merrill Lynch, Pierce, Fenner & Smith Incorporated. All rights reserved. The Merrill Lynch Indices may not be copied, used, or distributed without Merrill Lynch's prior written approval. Merrill Lynch does not guarantee the quality, accuracy and/or completeness of the Merrill Lynch indices or any data included therein or derived therefrom and shall not be liable to any third party in connection with their use.

© UBS 2011. All rights reserved. The name UBS Global Convertible Bond Index and the names of the related UBS AG sub-indices (together the "UBS Indices") are proprietary to UBS AG ("UBS"). UBS and MACE Advisers Ltd (the UBS Global Convertible Bond Index Calculation Agent) are together the "Index Parties".SM

© IPD (Investment Property Databank Ltd.) 2011 All rights conferred by law of copyright, by virtue of international copyright conventions and all other intellectual property laws are reserved by IPD. No part of the Mercer / IPD Australian Pooled Property Fund Index - Wholesale Core may be reproduced or transmitted, in any form or by any means, without the prior written consent of IPD. This index is neither appropriate nor authorized by IPD for use as a benchmark for portfolio or manager performance, or as the basis for any business decision. IPD gives no warranty or representation that the use of this information will achieve any particular result for you. Neither Mercer nor IPD has any liability for any losses, damages, costs or expenses suffered by any person as a result of any reliance on this information.

The NZX indices referred to in this report are the property of NZX Limited ("NZX"). Any adaptation, reproduction or transmittance of the data or contents of the NZX indices in any form or by any means other than for private use is prohibited without the prior written permission of NZX. NZX and its affiliates, directors, officers, agents or employees do not make any warranty of any kind, either express or implied, as to the accuracy of the content of the NZX indices or fitness for a particular purpose or use. NZX hereby disclaims all liability to the maximum extent permitted by law in relation to the NZX indices. Neither NZX, its subsidiary companies, nor their directors, officers, agents or employees shall, under any circumstances, be liable to any person for any direct, indirect, consequential,



Disclaimer

incidental, special or punitive damages, howsoever arising (whether in negligence or otherwise), out of or in connection with the content, any omission from the content, any use of the content or any actions taken or reliance by any person thereon.

Barclays Capital is the source of its respective indices. DAX indices are registered trademarks of Deutsche Borse AG. Fixed income risk characteristics provided by BlackRock Solutions. Trust Universe Comparison Service ® and TUCS ®.

Citigroup is the source of its respective indices. © TSX Copyright 2014 TSX Inc. All Rights Reserved. Hang Seng Indexes Company Limited is the source of its respective indices.

The calculation of Value-at-Risk requires numerous assumptions that should be kept in mind when interpreting it. These limitations include but are not limited to the following: VaR measures may not appropriately convey the magnitude of sudden and unexpected extreme events, historical data that forms the basis of VaR may fail to predict content and future market volatility, and our VaR methodology does not fully reflect the effects of market illiquidity (the inability to sell or hedge a position over a relatively long period) and does not incorporate credit risk events that may affect its value.

The information furnished in this report may be based in part on services provided by Algorithmics (U.S.), Inc. and/or its affiliates ("Algorithmics"). Algorithmics does not make any express or implied warranty or representation regarding its services or contributions to this report, including any warranty of originality, accuracy, completeness, merchantability or fitness for a particular purpose, nor shall its services or contributions to this report be construed as providing any financial advice, auditing, accounting, appraisal, regulatory or compliance services. Algorithmics is not responsible for the data or assumptions that are processed through Algorithmics' services nor can Algorithmics guarantee the accuracy or validity of data received from third parties that enables the service to generate the information contained in this report. In no event shall Algorithmics have any liability for any direct, indirect, special, punitive, consequential or any other damages arising out or relating to its services or contributions to this report, or your reliance thereon. By accepting this report, the recipient is agreeing to the foregoing limitations on Algorithmics' responsibility and liability.

Please review this report carefully. The contents of this report will be considered correct and the recipient will be taken to have read, accepted and acknowledged the correctness and accuracy of this report, if no error is reported by the recipient within 3 business days of the issue of this report.



DISCUSSION SHEET

ITEM #C6

Topic: **Bank of America update**

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

Discussion: The Executive Director will brief the Board on the status of discussions with Bank of America on the outstanding debt agreements.



DISCUSSION SHEET

ITEM #C7

Topic: Employee recognition – Fourth Quarter 2016

- a. Employee of the Quarter Award
- b. The William G. Baldree Employee of the Year Award

Discussion:

- a. The Chairman will present a performance award for Employee of the Quarter, Fourth Quarter 2016.
- b. The Chairman will present the William G. Baldree Employee of the Year Award for 2016. The Employee of the Year is chosen from among the four Employee of the Quarter Award recipients for the year.



DISCUSSION SHEET

ITEM #C8

Topic: 2017 Budget adjustments

- a. Legal fees
- b. Actuarial services
- c. Legislative consultants
- d. Public relations

Discussion: Staff will brief the Board on changes to anticipated expenditures for legal fees, actuarial services, legislative consultants and public relations 2017 budget items as compared to budgeted amounts.

| | <u>Budget</u> | <u>Proposed Revised Amount</u> |
|-------------------------|---------------|--|
| Legal fees | \$ 2,000,000 | \$ 2,500,000 |
| Actuarial services | 250,000 | 600,000 |
| Legislative consultants | 248,000 | 324,000 |
| Public relations | 50,000 | To be provided** |

** To be provided at the Board meeting.

Staff

Recommendation: **Approve** proposed increases in the legal, actuarial, legislative and public relations budget categories for 2017.



DISCUSSION SHEET

ITEM #C9

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. 2014 Plan amendment election and litigation
- d. CDK Realty Advisors LP v. Dallas Police and Fire Pension System
- e. 2016 Plan amendment litigation
- f. Rawlings v. Dallas Police and Fire Pension System
- g. Museum Tower contractor dispute

Discussion: Counsel will brief the Board on these issues.



DISCUSSION SHEET

ITEM #C10

Topic: Ad hoc committee report

Discussion: An update may be provided.



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 (December 2016)
 - TEXPERS Outlook (December 2016)
 - TEXPERS Outlook (January 2017)

Discussion:

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

**Future Education and Business Related Travel
Regular Board Meeting – January 12, 2016**

ATTENDING

- | | |
|---|------------|
| 1. Conference: Pension Review Board Meeting Dates: January 26, 2016 Location: Austin, TX Est. Cost: \$250 | SF, KG, JM |
| 2. Conference: NCPERS Legislative Conference Dates: January 29-31, 2017 Location: Washington, DC Est. Cost: TBD | * |
| 3. Conference: NAPO Annual Pension & Benefits Seminar Dates: February 26-28, 2017 Location: Orlando, FL Est. Cost: TBD | * |
| 4. Conference: TEXPERS Basic Trustee Training Class Dates: April 8, 2017 Location: Austin, TX Est. Cost: TBD | * |

- | | | |
|------------------------|--|---|
| 5. Conference: | TEXPERS 28th Annual Conference | * |
| Dates: | April 9 – 12, 2017 | |
| Location: | Austin, TX | |
| Est. Cost: | TBD | |
| | | |
| 6. Conference: | Wharton: Portfolio Concepts and Management | * |
| Dates: | May 1-4, 2017 | |
| Location: | Philadelphia, PA | |
| Est. Cost: | \$6,500 | |
| | | |
| 7. Conference: | NCPERS Accredited Fiduciary Program (Modules 1&2 and 3&4) | * |
| Dates: | May 20 – 21, 2017 | |
| Location: | Hollywood, FL | |
| Est. Cost: | TBD | |
| | | |
| 8. Conference: | NCPERS Trustee Educational Seminar (TEDS) | * |
| Dates: | May 20 – 21, 2017 | |
| Location: | Hollywood, FL | |
| Est. Cost: | TBD | |
| | | |
| 9. Conference: | NCPERS 2017 Annual Conference & Exhibition | * |
| Dates: | May 21 – 24, 2017 | |
| Location: | Hollywood, FL | |
| Est. Cost: | TBD | |
| | | |
| 10. Conference: | TEXPERS 2017 Summer Educational Forum | * |
| Dates: | August 13 – 16, 2017 | |
| Location: | San Antonio, TX | |
| Est. Cost: | TBD | |

11. **Conference:** Wharton: Refresher Workshop in Core Investment Concepts *
- Dates:** September 24, 2017
- Location:** Philadelphia, PA
- Est. Cost:** \$1,000
12. **Conference:** Wharton: Advanced Investments Management *
- Dates:** September 25-28, 2017
- Location:** Philadelphia, PA
- Est. Cost:** \$6,000
13. **Conference:** NCPERS Public Safety Employees' Pension & Benefits Conference *
- Dates:** October 29 – November 1, 2017
- Location:** San Antonio, TX
- Est. Cost:** TBD
14. **Conference:** PRB: MET Online Core Training: Benefits Administration
- Dates:** Anytime on line
- Location:** <http://www.prb.state.tx.us/>
15. **Conference:** PRB: MET Online Core Training: Risk Management
- Dates:** Anytime on line
- Location:** <http://www.prb.state.tx.us/>
16. **Conference:** PRB: MET Online Core Training: Ethics
- Dates:** Anytime on line
- Location:** <http://www.prb.state.tx.us/>

17. **Conference:** PRB: MET Online Core Training: Governance
Dates: Anytime on line
Location: <http://www.prb.state.tx.us/>
18. **Conference:** PRB: MET Online Core Training: Actuarial Matters
Dates: Anytime on line
Location: <http://www.prb.state.tx.us/>
19. **Conference:** PRB: MET Online Core Training: Fiduciary Matters
Dates: Anytime on line
Location: <http://www.prb.state.tx.us/>

**Future Investment Related Travel
Regular Board Meeting – January 12, 2017**

NONE



Member Engagement Is Critical As Trump Administration Takes Shape

NCPERS member engagement has never been more critical than it is in the aftermath of the 2016 election. Our nation is in the throes of a self-inflicted retirement crisis, a by-product of blind faith in 401(k) plans and efforts to marginalized the time-tested advantages of defined benefit plans.

Enter Donald Trump. The New York businessman's forthcoming inauguration as the 45th U.S. president on January 20, 2017, coupled with the election of Republican majorities in the House and Senate, will concentrate power in one party and strengthen the Republican agenda. The extent to which that agenda will focus on retirement security issues is unclear, as the matter was rarely discussed during the campaign. But pension policy is undoubtedly at a crossroads, and the early signs from the administration-in-waiting are not encouraging.

The incoming administration has already indicated that it will take aim at the federal workforce. Trump has already committed to a federal hiring freeze and is poised to reduce pension benefits, eliminate automatic pay increases, and tie the hands of

unions. These moves at the federal level have the potential to set the tone for state and local government action. We are in an era in which our elected leaders show greater willingness to dilute or even discard longstanding guarantees made to public servants.

As a personal matter, the president-elect has demonstrated that he is perfectly happy to collect a pension — he receives \$110,228 a year from the Screen Actors Guild, according to his financial disclosures. However, he appears to be less eager to provide his employees with pensions.

Employees of the bankrupt Trump Taj Mahal Casino have been fighting in court to preserve their collectively bargained pensions, on which Trump has sought to renege. As long ago as 1991, a federal district court found he was hiring immigrant workers to avoid paying pension and welfare fund contributions on the demolition that cleared the way for Trump Tower. And according to a ranking by Bloomberg News, he runs one of the stingiest 401(k) plans in corporate America.

Trump has given himself maximum

wiggle room on a touchstone domestic policy issue — Social Security. At various times he has advocated for privatization; in fact, this was a cornerstone of his short-lived 2000 presidential bid. During the 2016 campaign he asserted he would not touch Social Security, but there was a caveat: His plan to leave Social Security alone appears to be conditional on achieving economic growth of 4% per year.

Unlike Trump, Vice President-elect Mike Pence has a public track record on retirement policy. In Congress from 2001 to 2012, he consistently voted against the interests of retirees on Social Security and Medicare. In July, as Indiana Governor before he was formally selected as Trump's running mate, he unveiled a \$1 billion, 10-year plan to "boost entrepreneurship and innovation" in Indiana. Half the funding for the program would have come from the coffers of the Indiana Public Employee Retirement System. Under his proposal, INPERS would be directed to invest to achieve a political goal rather than in the best interest of pension beneficiaries.

continued on page 2

Member Engagement continued from page 1

We are in dangerous times, with a President-elect who has a mercurial personal style, no prior history of public service, and fluid opinions, and a Vice President-elect whose record on retirement policy issues is deeply worrisome. Decades of wrong-headed pension “reforms” have already chipped away at Americans’ ability to retire with security and dignity. Public pension leaders must raise a strong and unified voice for a secure retirement for all Americans.



State Election Recap

Riding the unforeseen and improbable coattails of President- Elect Donald

Trump’s victory on November 8, a significant number of states experienced a Republican takeover of state legislatures and governors’ mansions. These new majorities in the states will likely have an adverse effect on state public pension outlook. While some states moved to complete control by the Republican Party (Kentucky, Missouri, and Oklahoma), there were Democratic victories in Kansas and Nevada. This article provides an overview of the most significant state elections in 2016.

continued on page 4

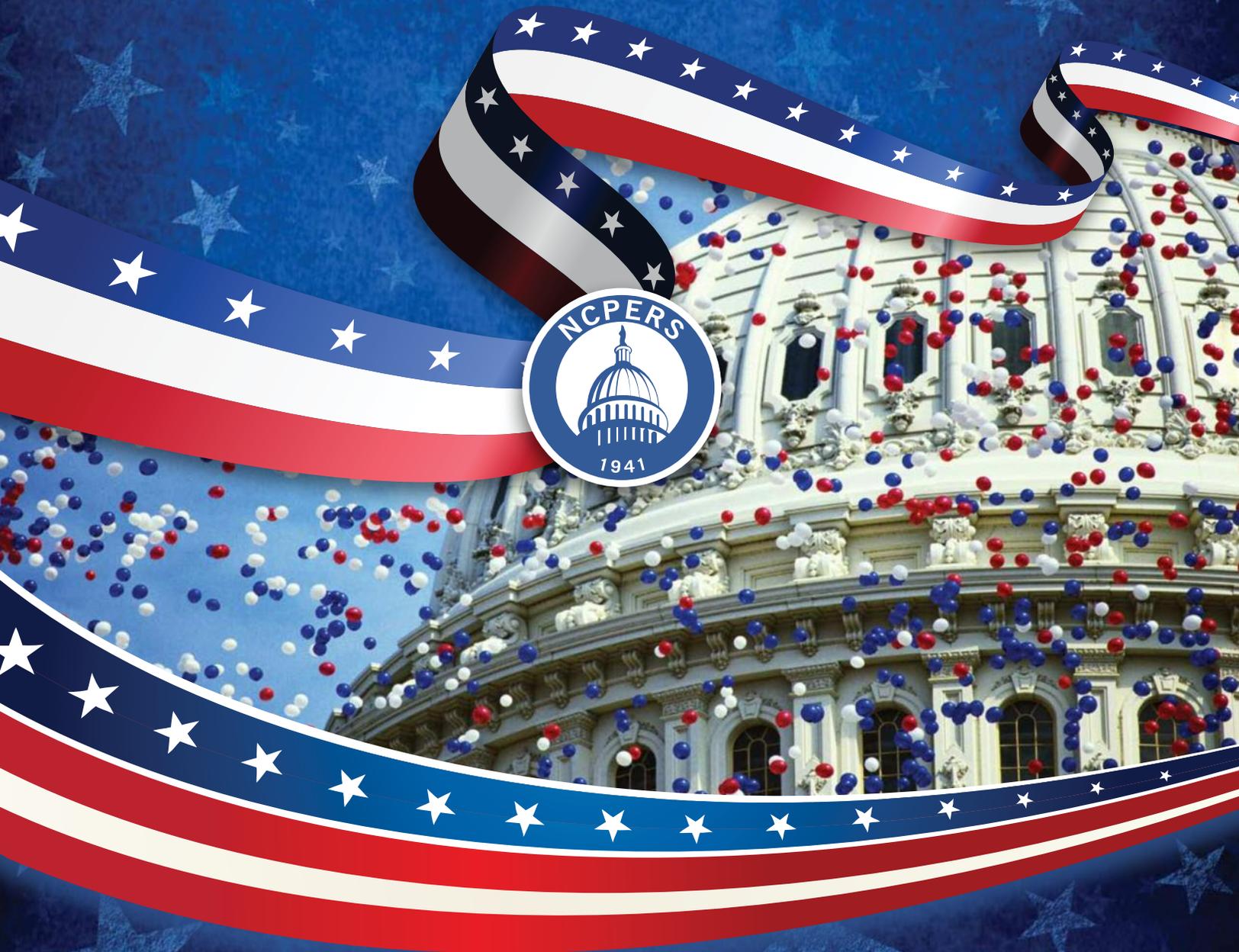
Don't Miss NCPERS' Social Media



The Voice for Public Pensions



Join Us at the 2017 Legislative Conference



January 29 – 31, 2017 | Capital Hilton | Washington, DC

Visit www.ncpers.org/legislative for more information

Follow Us on Twitter  #LegConf17

State Election Recap continued from page 2

Colorado: The Republican Party won the Senate by one vote, keeping with the current partisan breakdown of 18 republicans and 17 democrats.

Indiana: Republican Eric Holcomb will replace Vice President- Elect, Mike Pence, as governor of Indiana.

Kansas: Democrats gained seats in the House, with 40 seats opposed to 28 seats.

Kentucky: Republicans won control of the House. Republicans will have complete control of the state (House,

Senate, and Governor) in 2017.

Michigan: Republicans maintain control of the House, however the partisan breakdown of seats is exactly the same with 62 republicans, 47 democrats, and one vacancy.

Missouri: With the election of Governor- Elect Eric Greitens, the Republicans have complete control of the state (House, Senate, and Governor).

Nevada: Democrats won both Chambers of the state legislature.

New Hampshire: Republican Chris

Sununu won the governor's race and the Republicans maintained control of both Chambers of the state legislature.

Oklahoma: Republicans gained seats in both the House and the Senate, extending their control over the state.

Oregon: Democrat Kate Brown won the governor's race.

Stay tuned and visit www.NCPERS.org for details on specific state pension reform battles in 2017. ■

DON'T DELAY!

Renew Your Membership Online Today!

Renew Your Membership at <http://ncpers.org/Members/>



The Voice for Public Pensions

NCPERS Delivers on Advocacy, Research, Education in 2016

NCPERS' core mission includes advocacy, research, and education to promote the interests of public pension plan participants and beneficiaries. As the year draws to a close, we have a great deal to be proud of on all fronts.

This year, NCPERS fought off threats on the legislative front. Senate Finance Committee Chairman Orrin Hatch (R-Utah) late last year seized on the Puerto Rico debt relief bill as a vehicle for pushing through two punitive measures aimed at public pensions. The first would have required plans to recalculate their funding levels as if they were to be dissolved immediately and report the results to the Treasury Department. The other would have created an annuity accumulation plan in lieu of defined benefit pensions, without survivor or disability benefits. Both measures were dropped from the Puerto Rico bill by the time President Obama signed it into law on June 29.

At the state level, Wisconsin and Oklahoma adopted measures expanding public pension benefits. Efforts to enact hybrid or cash-balance plans were halted in Indiana and Alabama. Alaska set the stage for a possible return to a defined-benefit public pension model by holding a committee hearing on the topic.

And 2016 was a banner year for NCPERS' Secure Choice Pension model. After the U.S. Department of

Labor in late 2015 promulgated rules to spur state-sponsored retire to plans for private-sector workers, our concept, unveiled in 2011, took off like a rocket. California became the eighth and largest state to date to authorize what is becoming known as an AutoIRA program. Connecticut, Maryland, and New Jersey also created programs in 2016. Oregon, which adopted legislation in 2015 to create its own Secure Choice program, is rapidly moving toward implementation, and is expected to have the first fully operational program in the nation in 2017.

In the face of intense attacks on public pensions, we ramped up our research in 2016, issuing four installments in the NCPERS Research Series. These concise, single-focus research papers addressed critical questions: how has the shift to defined contribution plans impacted retirement savings? What risks are public pensions taking, and how has this changed over time? What is the best framework for evaluating total compensation? And what changes will a new Administration bring? In addition to these papers, we also issued in depth analyses on the connections between pension policy and income inequality and economic volatility.

Our commitment to education is a cornerstone of NCPERS' excellence, and we continued to provide frequent and robust learning opportunities, both in-person and remotely.

We hosted five conferences in 2016, serving more than 1,500

members. Conferences are valued by our members for both education and networking. Our annual convention and exhibition in San Diego offered a deep dive into evergreen topics such as investing strategy, plan design, and governance. Targeted conferences for trustees, public safety workers, and healthcare workers provided tailored content that only NCPERS delivers. And our public pension funding forum tackled one of the pressing issues of our day, equipping members to seek solutions to shortfalls where they exist and respond to rampant misinformation.

We also launched our Accredited Fiduciary program, receiving intense interest and selling out both sessions that have been offered to date. With this initiative, we have laid the groundwork for graduating our first class of Accredited Fiduciaries in 2017.

NCPERS presented 10 webinars on topics ranging from research findings to legislation to regulatory developments. Registration for these webinars exceeded 500 participants. We are excited to take advantage of ubiquitous technology to make it easy and inexpensive for our members to stay up-to-date on hot topics.

Advocacy, Research, Education...it's who we ARE! NCPERS delivered powerfully on these important priorities in 2016. We are ready to work arm in arm to confront the challenges that lie ahead. ■

THE
MONITOR The Latest in Legislative News

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

Website: www.NCPERS.org • E-mail: legislative@NCPERS.org

444 North Capitol Street, NW, Suite 630 • Washington, DC 20001 • 1-877-202-5706 • (202) 624-1439 (fax)



FIRST CLASS MAIL
US POSTAGE PAID
WASHINGTON, DC

The Voice for Public Pensions

(202) 624-1439 (fax)

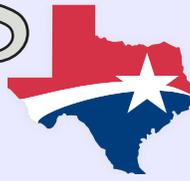
1-877-202-5706

Washington, DC 20001

444 North Capitol Street, NW, Suite 630



TEXPERS



OUTLOOK



Happy Holidays

December 2016

ISSUES IMPACTING PUBLIC PENSION FUNDS

1225 North Loop West, Ste. 909
Houston, Texas 77008
Phone: (713) 622-8018
texpers@texpers.org
www.texpers.org

BOARD OF DIRECTORS

President
PAUL R. BROWN
Big Spring Firemen's Relief & Retirement Fund

First Vice President
SHERRY MOSE
Houston Municipal Employees Pension System

Second Vice President
TYLER C. GROSSMAN
El Paso Fire & Police Pension Fund

Secretary
JOHN D. JENKINS
Dallas Employees' Retirement Fund

Treasurer
EYNA CANALES-ZARATE
City of Austin Employees' Retirement System

Board Member
JOSE CAVAZOS
Dallas Area Rapid Transit Retirement Plan and Trust

Board Member
DENISE CRANDON
Dallas Area Rapid Transit Retirement Plan and Trust

Board Member
LARRY A. REED
San Antonio Fire & Police Pension Fund

Board Member
JIM SMITH
San Antonio Fire & Police Pension Fund

Board Member
DAVID STACY
Midland Firemen's Relief and Retirement Fund

ASSOCIATE ADVISORS

LEON RICHARDSON
AB

NICHOLAS STANOJEV
BNY Mellon

DELIA M. ROGES
Invesco

MICHAEL EDWARDS
JP Morgan Asset Management

ED GRANT
MFS Institutional Advisors

JASON WIDENER
OFI Institutional Asset Management

DAVID SETTLES
State Street Global Advisors

KEVIN FETZER
William Blair & Company

STAFF

Executive Director
MAX PATTERSON
Contributing Editor
MATT AUOKOFER

Texas Legislature Expected to Address Public Pension Funding Issues, Local Control

State Sen. Paul Bettencourt (R-Houston) introduced three bills to the Legislature on Nov. 14, the first day lawmakers were able to propose measures for the upcoming legislative session.

Senate bills 151 and 152 target pension and retirement systems at the state level. Senate bill 153 would provide an I.D. loophole for voters ages 70 and older, allowing seniors to vote using expired forms of approved identification, if otherwise valid.

Public pension plan officials in the state are keeping their eyes on Senate bills 151 and 152.

Bill 151 seeks to require voter approval for pension fund obligations in the municipality that sponsored the pension, meaning the public would effectively have a say in the mechanisms of pension funding.

Bill 152 would provide more sweeping changes. The bill would hand control of the local pensions to the cities, reversing the need for state legislative action on fund management.

The 2017 Legislature is expected to take some sort of action on public pensions, but it is unclear at this point how much support Bettencourt's proposed legislation has garnered.

The Dallas Police and Fire Pension System is in financial dire straits and pension officials have asked the city for a one-time infusion of \$1.1 billion, an amount roughly equal to the city's entire general fund budget.

The funding shortfall became acute recently as panicked Dallas retirees pulled \$220 million out of the fund. The run on the fund came in response to a recommendation in July that the retirees should no longer be allowed to take out big blocks of money.

In Houston, Mayor Sylvester Turner, the city council and the city's three pension systems have reached agreement on a proposal for the Legislature designed to solve the city's growing pension crisis.

Continued on p. 7

In this issue:

- Texas Legislature Expected to Address Public Pension Funding Issues, Local Control ... p. 1, 7
- Many Traditional DB Public Pension Plans Already Contain the Same Attractive ... p. 2
- 2017 To-Do List Published for Sponsors of Governmental Retirement Plans ... p. 2
- Number of Defined Benefit Plans Nationwide Is Growing ... p. 3
- Efforts Under Way to Educate Workers about the Implications of Timing When Benefits Are Taken ... p. 3
- Aging Population Posing Demographic Challenges for Public Pensions ... p. 4
- SEC Harnessing Data and Technology to Oversee Market Transactions and Participants ... p. 5
- Head of SEC, Mary Jo White, Announces Departure Plans ... p. 5
- Maximum Deferral and Threshold Limits for 2016 and 2017 Retirement Plan Benefits Released ... p. 5
- Potential Implications of Investment Return Risk for Public Pensions Is Studied ... p. 6
- Federal Tax Law Rules Applicable to Public Retirement Systems Outlined ... p. 6
- Public Pension Funds Do Not Benefit from Socially Responsible Investing, Research Finds ... p. 8
- Calif. Supreme Court to Review Ruling Giving State and Local Governments Authority ... p. 8

Many Traditional DB Public Pension Plans Already Contain the Same Attractive Elements of Hybrid Plans

In evaluating public-sector retirement systems that have established hybrid plans – those that contain elements of both defined benefit (DB) and defined contribution (DC) plans – there are a few key features that determine whether the plans will be a success.

These features include mandatory participation, shared financing, pooled investments, targeted income replacement with disability and survivor protections, and lifetime benefit payouts, according to an updated issue brief, “State Hybrid Retirement Plans,” published by the National Association of State Retirement Administrators (NASRA)

“These features are a proven means of delivering income security in retirement, retaining qualified workers who perform essential public services, and providing an important source of economic stability to every city, town, and state across the country,” the brief states.

At the same time, state and local governments do not necessarily have to switch to a new hybrid plan design in order to take advantage of hybrid plan design elements, the brief cautions.

“The fact that many pension plans sponsored by state and local governments already contain elements of hybrid plans illustrates the important fact that switching to a new hybrid plan design is not necessary to take advantage of hybrid plan design elements. Most public retirement systems seek to provide a benefit that meets these objectives while balancing risk between employees and employer units.”

The brief provides information to illustrate the degree to which states are using various cash balance and DB+DC designs to achieve these objectives.

The brief examines two types of hybrid plans: 1) cash balance plans that combine elements of a traditional DB plan and individual accounts into a single plan; and 2) “DB+DC” plans that combine a smaller traditional DB pension plan with separate individual DC retirement savings accounts.

The brief looks at several hybrid plans across the country, including the Texas County & District Retirement System (TCDRS), which includes more than 677 participating counties and districts providing benefits to more than 255,000 Texans, and the Texas Municipal Retirement System (TMRS), which provides retirement benefits to employees of approximately 850 Texas cities.

On the Web at: <http://www.nasra.org/files/Issue%20Briefs/NASRAHybridBrief.pdf> 

2017 To-Do List Published for Sponsors of Governmental Retirement Plans

Xerox HR Services has published a calendar to help sponsors of governmental retirement plans that are exempt from many ERISA requirements set up a schedule of activities to address as 2017 progresses so that important deadlines for qualified public-sector plans are met.

The calendar is designed to help administrators complete both routine tasks – such as making required minimum distributions – and not-so-common tasks.

Some of the tasks included are: identify lost participants with vested benefits; address foreign asset reporting obligations; review and analyze insurance coverage; evaluate the need for plan amendments; and consider mortality and other assumptions.

On the Web at: https://hrlaws.services.xerox.com/wp-content/uploads/sites/2/2016/11/hrc_fyi_in-depth_2016-11-17.pdf 



**Stay up to date on
the latest news!**



Like us on
Facebook

Number of Defined Benefit Plans Nationwide Is Growing

News reports paint a picture of the end of traditional defined benefit (DB) retirement plans, saying that these types of plans are being closed at an alarming pace in favor of defined contribution (DC) or hybrid or cash balance plans to save money.

The facts say otherwise. According to data from the Department of Labor's (DOL) Employee Benefits Security Administration (EBSA), extracted from 2014 Form 5500 reports, DB plans are not disappearing.

In fact, the number of private DB plans increased by 1.6% in 2014, while number of DC plans grew by 0.5%. The total number of retirement plans increased in 2014 to approximately 685,000 plans – a 0.6% increase over 2013.

The data also showed the total amount of assets held by DB plans increased 4.2% to nearly \$3 trillion, while DC plan assets increased by 6.3% to \$5.3 trillion. The total amount of assets for all retirement plans increased 5.5% to \$8.3 trillion in 2014.

However, the data also showed that in 2014, 21.4% of DB plans report being fully frozen. In addition, 14.9% of total DB plan assets were frozen in 2014.

In total, retirement plans disbursed \$650 billion for benefit payment in 2014, with \$221.6 billion being disbursed from DB plans and \$428.4 billion from DC plans. These payments were made either directly to retirees, beneficiaries, and terminating employees or to insurance carriers for payment of benefits. These amounts reflected an 11% increase for DC plans and a 3.5% decrease for DB plans.

Overall, retirement plans disbursed \$148.6 billion more than they received in contributions. DB plans disbursed \$123.7 billion more than they collected in contributions, while DC plans disbursed \$24.9 billion more than they received in contributions.

On the Web at: <https://www.dol.gov/sites/default/files/ebsa/researchers/statistics/retirement-bulletins/private-pension-plan-bulletins-abstract-2014.pdf>. 

Efforts Under Way to Educate Workers about the Implications of Timing When Benefits Are Taken

The Congressional Research Service (CRS) has issued a new report entitled "The Social Security Retirement Age," which covers the various retirement age scenarios under which workers may decide to claim Social Security benefits, and the implication of those decisions.

The CRS report mirrors efforts by the Social Security Administration to publicize the effects of the decisions claimants make. Specifically, these agencies want workers to know that the size of the monthly benefit amount is directly affected by when the worker decides to claim benefits.

CRS is a nonpartisan agency that works exclusively for the U.S. Congress, providing policy and legal analysis to committees and members of both the House and Senate, regardless of party affiliation.

To determine benefit levels, a worker's age when claiming benefits is compared with the official full retirement age (FRA), and adjustments are made depending on the number of months before or after the FRA the worker claims benefits.

Adjustments for claiming before or after the FRA are intended to result in similar total lifetime benefits, regardless of when the worker claims benefits.

Retiring before the FRA results in a reduction in monthly benefits to take into account the longer expected period of benefit receipt.

Retiring after the FRA results in an increase in monthly benefits to take into account the shorter expected period of benefit receipt.

The FRA was age 65 at the inception of Social Security, but has been gradually increased upward, to age 67 for those born in 1960 or later. Claiming benefits past age 70 does not increase the monthly benefits.

The earliest age retired worker beneficiaries may begin receiving benefits is called the early eligibility age, which is currently age 62 for retired workers and their spouses.

On the Web at: <http://www.fas.org/sgp/crs/misc/R44670.pdf>. 

Save the Date!

TEXPERS Commodities, Futures and Derivatives Symposium

June 19-21, 2017 ● Chicago, IL

Subject matter experts will present on investing in this asset class. Tours of trade floors will be offered as well as speakers from the Chicago Mercantile Exchange, Chicago Board Options Exchange and more.

Aging Population Posing Demographic Challenges for Public Pensions

Demographic challenges, such as increased life expectancy and low fertility rates, place a tremendous amount of pressure on the economic system, especially public-sector retirement systems, according to Gabriel, Roeder, Smith & Co. (GRS), a national actuarial and benefits consulting firm.

Both of these challenges create a rising fiscal burden whose effects reverberate through all public sector populations, the firm says in a research brief.

“Risk pooling for retirement and health care benefits begins to lose its effectiveness as populations tilt more toward the aged person whose life expectancy is increasing with each future generation,” the brief states.

These pension systems are faced with the prospect of lowering costs while at the same time providing meaningful and sustainable retirement income. Plan sponsors should consider a variety of long-term strategies to protect the economic needs for both members and employers. These include:

1. Use the appropriate plan structure for the appropriate risk and need.
2. Create a clear focus on the protection of the base annuity benefit and use DC plans for variable income.
3. Keep actuarial assumptions up to date. In particular, keep the mortality tables updated and include the liabilities associated with future improvements in mortality.
4. Link the period of a member’s contribution to the period of retirement by lengthening the time until an unreduced retirement benefit is earned.
5. Reduce benefit multipliers.
6. Review the funding policy to eliminate inter-generational transfers.
7. Consider implementing a risk measurement framework.

On the Web at: <http://www.grsconsulting.com/wp-content/uploads/2016/11/GRS-PerspectivesAgingPopulation-Final.pdf>. 



Registration is open!

28th Annual Conference

April 9 - April 12, 2017

Hilton Austin, Austin, Texas

Login at www.texpers.org to register.

Can't remember your login credentials?

Click “Forgot Password” and temporary credentials will be emailed to you.

Visit the conference website

at www.texpers.org for a preliminary schedule

Here's a few things you'll find on the preliminary agenda

- Basic Trustee Training, Sat., 4/8 • Advanced Trustee Training - Risk Management, Sat., 4/8
- A.M. Golf Tournament, Sun., 4/9 • A.M. Workshop - Ethics and Investing
- Monday Member Banquet/Event • Member Systems Visit the Capital, Wed., 4/12



TEXPERS Keynote Speaker

Matthew Dowd, Chief Political Analyst, ABC News

America and Texas at a Time of Great Disruption

SEC Harnessing Data and Technology to Oversee Market Transactions and Participants

The Securities and Exchange Commission (SEC) has approved a plan designed to enable regulators to more efficiently and thoroughly track all trading activity in the U.S. equity and options markets.



The national market system (NMS) is designed to create a single, comprehensive database known as the consolidated audit trail (CAT). This will enable the SEC and self-regulatory organizations (SROs) to harness data and technology to more effectively oversee market transactions and participants.

“Through the CAT, regulators will have more timely access to a comprehensive set of trading data, enabling us to more efficiently and effectively conduct research, reconstruct market events, monitor market behavior, and identify and investigate misconduct,” said SEC Chair Mary Jo White.

The NMS plan details the methods by which SROs and broker-dealers will record and report information, including the identity of the customer, resulting in a range of data elements that together provide the complete lifecycle of all orders and transactions in the U.S. equity and options markets.

The NMS plan also sets forth how the data in the CAT will be maintained to ensure its accuracy, integrity and security.

The SEC modified several provisions of the NMS plan in response to public comments and recommendations from the SROs.

On the Web at: <http://www.sec.gov/news/pressrelease/2016-240.html>. 

Head of SEC, Mary Jo White, Announces Departure Plans

Mary Jo White, chair of the Securities and Exchange Commission (SEC), announced that she intends to leave her post after nearly four years as the agency’s head.

White, who became the 31st chair of the SEC in April 2013, will be one of the SEC’s longest serving chairs when she departs with the outgoing Obama administration.

In addition to completing the vast majority of the agency’s mandates under the Dodd-Frank Act and all of its mandates under the JOBS Act, White advanced the agency’s mission through other critical rulemakings and built robust frameworks for the SEC’s regulatory regimes going forward.

White drove many important rules and other policy measures to completion. Under her leadership, the SEC advanced more than 50 significant rulemaking initiatives, which can be viewed at <https://www.sec.gov/about/sec-accomplishments.htm>. 

Maximum Deferral and Threshold Limits for 2016 and 2017 Retirement Plan Benefits Released

The Internal Revenue Code (IRC) establishes a number of limits on retirement plan benefits and contributions and these limits are hidden in various sections of the code and often apply in different ways to private and public-sector plans.

Generally, plan sponsors must comply with the limits to maintain their tax-qualified status.

A new research memorandum released by the consulting firm Gabriel, Roeder, Smith & Co. summarizes the Internal Revenue Service’s new maximum deferral and threshold limits effective for limitation years beginning on or after January 1, 2017.

A table in the report presents the key limits for 2017 and compares them with the 2016 limits.

On the Web at: <http://www.grsconsulting.com/wp-content/uploads/2016/11/RM-IRS-415-Limits-2017-Final.pdf>. 



Join the Conversation at www.texpers.org
Catch up on the TEXPERS Blog

Potential Implications of Investment Return Risk for Public Pensions Is Studied

Researchers at the Rockefeller Institute of Government have analyzed the potential consequences of investment return volatility of the University of California Retirement Plan (UCRP) as part of its new Pension Simulation Project.



The model calculates the plan's annual cash flows and funded ratio under different investment return scenarios, funding policies and plan characteristics.

The simulation project was created to examine the potential consequences of investment-return risk for public pension plans, governments and stakeholders in government.

The researchers selected UCRP as one of five plans to analyze in detail. UCRP has many characteristics that are similar to typical or average plans. The other plans include a deeply underfunded plan, a very well-funded plan, a closed plan, and a public safety plan.

There are many important features of UCRP that entered into the analysis, but the three most important are: 1) its funded ratio based on value of assets (83% for the segment we model) is better than most plans; 2) it amortizes actuarial gains and losses using level-dollar closed-period amortization, and asset values are smoothed over five years; and 3) the University's current practice is to cap annual employer contributions at 14% of payroll and require employer contributions to at least equal employee contributions; this practice could change in future years.

The researchers modeled the finances of UCRP, and potential contributions from the University of California, under several investment scenarios, including the following:

- The plan achieves its investment return assumption of 7.25% each and every year;
- The 7.25% return assumption is correct on average but varies from year to year. The standard deviation – a measure of how much returns vary from year to year – is 12% in this scenario.
- A scenario in which expected returns are below

7.25% for six years, due to the current low-interest-rate environment, and then rise.

The analysis showed that:

- If assumed investment returns are achieved each and every year, the plan will move toward full funding with contribution amounts as expected.
- Realistically, even if assumed returns are achieved on average in a single simulation, investment returns will vary significantly from year to year, potentially leading to years of substantial underfunding even in simulations in which, after 30 years, compound annual investment returns exceed assumed returns. In simulations in which the assumed return is not achieved over 30 years, volatility can be greater and outcomes worse.
- If assumed returns are correct on average over the long run, but have a 12% standard deviation, then under current funding practice with employer contributions capped at 14% of payroll: There is a nearly one in four chance that the funded ratio will fall below 40% — what is considered to be crisis territory — sometime between now and year 30.

On the Web at: http://www.rockinst.org/pdf/government_finance/2016-11-22-Investment_Return_Volatility.pdf and http://www.rockinst.org/pdf/government_finance/2016-11-10-nta_powerpoint.pdf. 

Federal Tax Law Rules Applicable to Public Retirement Systems Outlined

A summary of the principal Internal Revenue Code qualification requirements that apply to governmental plans has been updated by Carol V. Calhoun, an attorney at Venable LLP and a member of Venable's Employee Benefits and Executive Compensation practice.

The summary, which includes a list of 68 requirements that apply to governmental plans, also includes selected code requirements that do not relate to qualification. The list of requirements is very general in nature, and does not replace expert research and counsel on specific questions.

Calhoun has more than 30 years of private practice experience with employee benefits and insurance product taxation matters, including qualified retirement plans, health and welfare arrangements, executive compensation, and insurance and annuity products.

On the Web at: <http://benefitsattorney.com/charts/appfa/>. 

Texas Legislature continued from p. 1

Under the plan, Houston employees would make \$2.5 billion of concessions and the city would issue \$1 billion of pension obligation bonds, reducing the unfunded obligation from \$7.7 billion to \$5.2 billion with a 30-year amortization period.

Fort Worth has also seen its bond ratings downgraded because of its pension liabilities. These cities and others in the state are counting on legislative approval of proposed pension reforms to halt slipping bond ratings, but legislators are also considering an even tighter cap on local property taxes as a form of tax reduction.

To grant the cities control of the pensions, Texas lawmakers would have to reverse a long-running trend of pre-empting local regulation of everything from plastic bags to oil drilling in residential neighborhoods.

Senate Bill 152 calls for local municipal control of retirement systems that sponsor them. It reads, "... a municipality that is the sponsoring authority of a public retirement system that was created under a state statute, but is not a part of a statewide public retirement system, may adopt by ordinance or resolution ... provisions that supplement or supersede the operative provisions of the public retirement system."

In Houston, for example, passage of this bill would mean that changes to any of the three public retirement systems for firefighters, police officers and city employees would no longer need to be reviewed by state lawmakers after a deal is struck between the city and the retirement boards.

Bettencourt said bringing these systems back under control of the city's government makes more sense than sending the deals to Austin for approval.

But Max Patterson, TEXPERS' executive director, told the Houston Chronicle that the legislative process adds important oversight to city governments and acts as a check on local officials to ensure that there is no abuse of power.

"By oversight of the state, you make sure there's no funny games being played," Patterson was quoted as saying. "For example, with local control, people complain unions will make large donations to campaigns, and city council members are more inclined to give unions what they want."

Patterson also pointed out the importance of the Pension Review Board, which reviews all provisions to pensions to make sure they're fiscally sound, and then passes them to the next phase of approval by the state.

Finally, state control helps to eliminate what Patterson called a "see-saw effect" on pensioners, when local city council members are swayed one way toward one administration's ideas on pension funding, then swayed back the other way when a new administration takes over with a new set of ideas.

By contrast, the state legislature oversight provides a moderating effect, leveling out such swings. Historically, state legislators have approved provisions to pensions only when both local parties have agreed to the terms, he added.

In separate news, Dallas voters approved a ballot initiative to reform the \$3.3 billion Dallas Employees' Retirement Fund (ERF).

The initiative, which applies only to employees hired on or after Jan. 1, reduces cost-of-living adjustments and survivor benefits, raises the retirement age to 65 from 60 and discontinues a monthly health benefit supplement of up to \$125. The COLA will be reduced to a maximum 3% from 5%. Dallas city code required that the changes be approved by residents, the pension fund board and city council. It had already been approved by the board and city council.

The pension fund has estimated that the changes, approved by 69% of voters, will reduce long-term liabilities by roughly \$2.15 billion over the next 30 years.

In October, Moody's Investors Service and Fitch Ratings lowered Dallas' general obligation bond rating over the city's exposure to unfunded pension liabilities and high withdrawals from the police and fire system's DROP program. Unfunded liabilities at ERF more than doubled in 2015 to \$2.2 billion, according to Fitch Ratings.

The \$2.8 billion Dallas Police & Fire Pension System, which is separate from ERF, reported about \$6.9 billion in unfunded pension liabilities at the end of 2015, a 40% increase from the previous year, due primarily to realized private equity and real estate losses, according to Fitch.

Moody's said that voters' approval of changes is a credit positive for the city.

On the Web at: <http://www.nytimes.com/2016/11/21/business/dealbook/dallas-pension-debt-threat-of-bankruptcy.html>, <http://www.dallasnews.com/news/dallas-city-hall/collection/can-dallas-police-fire-pension-fund-saved>, <http://www.legis.state.tx.us/Search/DocViewer.aspx?ID=85RSB001521B&QueryText=%22sb+152%22&DocType=B>, and <http://www.chron.com/neighborhood/memorial/news/article/Sen-Bettencourt-proposes-bills-on-pensions-and-10628460.php>. 

Public Pension Funds Do Not Benefit from Socially Responsible Investing, Research Finds

Public pension funds continue to engage in social investing – most recently divesting from Iran and fossil fuels – but they probably should not be bothering with it, according to new research by the Center for Retirement Research at Boston College.

Social investing often is not effective in terms of compelling the desired outcomes, as other investors often step in to buy divested stocks, according to “New Developments in Social Investing by Public Pensions.”

Social investing also can produce lower investment returns, conflict with the views of beneficiaries and taxpayers, and interfere with federal policy.

“While social investing raises complex issues, public pension funds are not suited for this activity. The effectiveness of social investing is limited, and it distracts plan sponsors from the primary purpose of pension funds – providing retirement security for their employees,” the report states.

Additionally, such activity involves a principal-agent problem since decision makers do not bear the risk of potential losses; rather, any losses will accrue to future beneficiaries and/or taxpayers.

Even if a principal-agent problem did not exist, it would still be difficult to price how each beneficiary values each specific social investing goal. Further, state and local divestment legislation may interfere with federal trade, commerce or foreign policy goals.

On the Web at: <http://crr.bc.edu/briefs/new-developments-in-social-investing-by-public-pensions/>. 

Arizona Supreme Court Strikes Down Public Pension Fund Reforms

The Arizona Supreme Court has overturned two provisions of state law designed to provide financial relief to underfunded retirement plans managed by the Public Safety Personnel Retirement System of Arizona (PSPRS).

The Arizona Supreme Court affirmed the trial court’s decision, which is a win for plaintiffs and the members of both the Elected Officials Retirement Plan (EORP) and PSPRS. The divided court upheld a Maricopa County Superior Court ruling that found a 2011 pension-reform law unconstitutional.

The ruling in Hall v. EORP follows a similar ruling in 2014 and cements the practical and legal limits of pension reform efforts.

“The reforms struck down in recent years were the products of good faith efforts to put Arizona public safety retirement plans on a stable and sustainable path forward,” PSPRS Board of Trustee Chairman Brian Tobin said.

“The court’s decision amplifies the importance and achievement of both Senate Bill 1428 and Proposition 124 passed into law this year,” he added. “Without this key measure passed by lawmakers, Governor Ducey and the public, PSPRS-managed retirement plans, retirees, members and employers would be facing a far more uncertain future.”

The ruling will require refunds to elected officials and public-safety officers who since 2011 were required to pay more for their pensions, with local governments likely to cover the projected \$220 million cost.

The decision means hundreds of PSPRS members whose employee contributions were increased will receive refunds, while some retirees will receive retroactive benefit increases. Justices also ordered attorneys’ fees paid to the plaintiffs’ counsel, and interest on the repayments.

In response to the ruling, PSPRS must return excess contributions to impacted members who under the contested law had their retirement contribution rates rise above the existing 7.65% level. Likewise, those who retired after the effective date of the 2011 legislation may be owed retroactive benefit increases calculated under the previous permanent benefit increase (PBI) formula.

“While this ruling is unfortunate in terms of the health of the system, we respect the constitutional protections granted by this opinion,” said PSPRS Administrator Jared Smout. “Still, the impacts would have been worse without the reform efforts of Prop 124 and SB1428,”

On the Web at: <http://www.azcourts.gov/Portals/0/OpinionFiles/Supreme/2016/CV150180.pdf> and <http://www.psprs.com/Temporary%20Announcements/HALLCASERULING.htm>. 

Future TEXPERS Conferences

Visit <http://www.texpers.org/conferences> and mark your calendar today with all future TEXPERS conferences.

Visit <http://www.texpers.org/pastconferences> to access presentations and handouts from past TEXPERS Conferences

Arizona Supreme Court Strikes Down Public Pension Fund Reforms

The Arizona Supreme Court has overturned two provisions of state law designed to provide financial relief to underfunded retirement plans managed by the Public Safety Personnel Retirement System of Arizona (PSPRS).

The Arizona Supreme Court affirmed the trial court's decision, which is a win for plaintiffs and the members of both the Elected Officials Retirement Plan (EORP) and PSPRS. The divided court upheld a Maricopa County Superior Court ruling that found a 2011 pension-reform law unconstitutional.

The ruling in *Hall v. EORP* follows a similar ruling in 2014 and cements the practical and legal limits of pension reform efforts.

"The reforms struck down in recent years were the products of good faith efforts to put Arizona public safety retirement plans on a stable and sustainable path forward," PSPRS Board of Trustee Chairman Brian Tobin said.

"The court's decision amplifies the importance and achievement of both Senate Bill 1428 and Proposition 124 passed into law this year," he added. "Without this key measure passed by lawmakers, Governor Ducey and the public, PSPRS-managed retirement plans, retirees, members and employers would be facing a far more uncertain future."

The ruling will require refunds to elected officials and public-safety officers who since 2011 were required to pay more for their pensions, with local governments likely to cover the projected \$220 million cost.

The decision means hundreds of PSPRS members whose employee contributions were increased will receive refunds, while some retirees will receive retroactive benefit increases. Justices also ordered attorneys' fees paid to the plaintiffs' counsel, and interest on the repayments.

In response to the ruling, PSPRS must return excess contributions to impacted members who under the contested law had their retirement contribution rates rise above the existing 7.65% level. Likewise, those who retired after the effective date of the 2011 legislation may be owed retroactive benefit increases calculated under the previous permanent benefit increase (PBI) formula.

"While this ruling is unfortunate in terms of the health of the system, we respect the

constitutional protections granted by this opinion," said PSPRS Administrator Jared Smout. "Still, the impacts would have been worse without the reform efforts of Prop 124 and SB1428,"

On the Web at: <http://www.azcourts.gov/Portals/0/OpinionFiles/Supreme/2016/CV150180.pdf> and <http://www.psprs.com/Temporary%20Announcements/HALLCASERULING.htm>.

Calif. Supreme Court to Review Ruling Giving State and Local Governments Authority to Cut Public Pensions

The California Supreme Court agreed in November to rule whether laws aimed at limiting pre-retirement actions to inflate future benefits – a tactic known as pension "spiking" – can be applied to millions of government workers.

A state appeals court in San Francisco ruled in a Marin County case in August that the new laws could be applied to current employees – a potentially major setback for the workers and their unions, and a victory for local governments facing mounting deficits in their pension plans.

But the state's high court jumped into the dispute by voting unanimously to put that lower-court ruling on hold while it reviews the issue for a future statewide resolution. The justices also said they would await another ruling by the appellate court on a similar case involving sheriff's deputies in Alameda County.

The new laws were intended to curb pension spiking, the practice of boosting retirement benefits by increasing an employee's pay during the final years of employment. It is often done by cashing out unused vacation time, sick leave, compensation for use of one's car and other nonmonetary benefits.

For decades, California courts have ruled that state and local employees were entitled to the pension that was in place on the day they were hired. Pensions could be cut for current employees only if an equivalent benefit were added, making it difficult for governments to cut costs.

If upheld, the ruling could be a vehicle for reducing a shortfall of hundreds of billions of dollars in public pensions in California. Other states grappling with pension debt also could follow California's lead.

A final decision is at least several months to a year away.

On the Web at: <http://www.latimes.com/local/lanow/la-me-ln-court-pension-20161122-story.html>.

TEXPERS OUTLOOK



January 2017

ISSUES IMPACTING PUBLIC PENSION FUNDS

1225 North Loop West, Ste. 909
Houston, Texas 77008
Phone: (713) 622-8018
texpers@texpers.org
www.texpers.org

BOARD OF DIRECTORS

President
PAUL R. BROWN
Big Spring Firemen's Relief & Retirement Fund

First Vice President
SHERRY MOSE
Houston Municipal Employees Pension System

Second Vice President
TYLER C. GROSSMAN
El Paso Fire & Police Pension Fund

Secretary
JOHN D. JENKINS
Dallas Employees' Retirement Fund

Treasurer
EYNA CANALES-ZARATE
City of Austin Employees' Retirement System

Board Member
JOSE CAVAZOS
Dallas Area Rapid Transit Retirement Plan and Trust

Board Member
DENISE CRANDON
Dallas Area Rapid Transit Retirement Plan and Trust

Board Member
LARRY A. REED
San Antonio Fire & Police Pension Fund

Board Member
JIM SMITH
San Antonio Fire & Police Pension Fund

Board Member
DAVID STACY
Midland Firemen's Relief and Retirement Fund

ASSOCIATE ADVISORS

AARON MONTANO
AB

DELIA M. ROGES
Invesco

MICHAEL EDWARDS
JP Morgan Asset Management

ED GRANT
MFS Institutional Advisors

MELISSA GALLA
Northern Trust

JASON WIDENER
OFI Institutional Asset Management

DAVID SETTLES
State Street Global Advisors

KEVIN FETZER
William Blair & Company

STAFF

Executive Director
MAX PATTERSON
Contributing Editor
MATT AUKOFER

Public Pension Systems in Texas Battle Misinformation about Funding Status

The “fake news” phenomenon that ran rampant through the recent presidential campaign appears to be alive and well and filtering its way down to the state political level.

Two longtime ideological opponents of public pension funds in Texas – the Texas Public Policy Foundation (TPPF) and the Laura and John Arnold Foundation – are peddling “post-truth” style misinformation about the fiscal health of Texas’s pension funds for state and local employees, according to representatives of the public fund community.

In a Dec. 16 op-ed in The Fort Worth Star-Telegram, TEXPERS Executive Director Max Patterson described how TPPF used mathematical trickery in a recent report to allow it to reach deliberately misleading conclusions about the funding status of Texas’s public pension systems.

The TPPF report, authored by James Quintero, director of the Center for Local Governance and head of the Think Local Liberty project at the TPPF, lumped together the financial information of 93 pension funds, ranging in size from \$2 million to \$133 billion, to produce an attention-grabbing headline number of \$61 billion in unfunded liabilities.

The problem, as Patterson pointed out, is that the TPPF report neglected to mention that 42 of these pension funds had decreases in liabilities and 23 others had meager single-digit increases.

“Excluding six of the largest state and local pension funds, the total increase for the 87 remaining systems amounted to only \$39 million, which is hardly an unmanageable figure,” Patterson wrote. “In fact, considering their billions in combined assets, it is miniscule.”

Quintero’s report also conveniently failed to include calculations for mostly positive 2016 investment returns, which would have further reduced the unfunded liability figures he reported.

Misinformation, continued on p. 2

In this issue:

- Public Pension Systems in Texas Battle Misinformation about Funding Status ... p. 1-2
- SEC Renews Charter for Equity Market Advisory Committee ... p. 2
- Public Pension Funding Ratio Rose to 71% in Q3 2016 ... p. 3
- DOL’s Fiduciary Rule Could Be Rolled Back or Repealed ... p. 3
- ‘Mature’ Public Funds at Greater Risk of Underfunding than ‘Immature’ Funds ...p. 4
- Standoff over Dallas Pension Woes to Head to Legislature after Beneficiaries Reject Cuts ... p. 5, 7
- Health, Retirement Benefits Rank at the Top for Public-Sector Employees ... p. 6
- Morgan Stanley Violated Customer Protection Rule ... p. 6

Misinformation continued from p. 1

Attacking the same report, Gary W. Anderson, executive director of the Texas Public Employees Association, wrote an op-ed in *The Austin American-Statesman* Dec. 8 accusing Quintero of “sloppy analysis.” Anderson also attacked Quintero’s conclusion that the solution to the underfunding would be to replace traditional defined benefit pension plans with 401(k)-style defined contribution plans.

“The Employees Retirement System pension fund’s current liabilities would not disappear with a switch to a 401(k),” Anderson wrote. “The state would still have an \$8 billion commitment to current plan participants.”

He applauded the Texas Legislature for its responsible stewardship of the ERS, especially in its approval of House Bill 9, which increased both the state’s and the public employees’ contribution rate to 9.5 percent, thereby reducing the ERS’s funding period from “infinite to achievable.”

“The defined benefit vs. defined contribution debate is a policy discussion worth having – if both sides are willing to deal in facts, not generalities,” Anderson wrote. “Lumping all pension funds together gives taxpayers an inaccurate picture of a complex situation. It ignores the leadership of our elected officials. And, most of all, it turns the livelihoods of real people into a political football.”

The Laura and John Arnold Foundation appears to be doing something similar. Shortly after blustering about the recent funding predicament of the Dallas Police & Fire Pension System, the LJAF turned its attention to Austin’s public pension system and falsely accused it of being “hard-to-value” and “illiquid” when in fact its portfolio is “highly liquid,” Patterson wrote in his op-ed in *The Fort Worth Star-Telegram*.

LJAF also conveniently left out substantial utility transfers from its calculation of pension fund liabilities to city general fund revenue in a not-so-

veiled effort to make it appear as though the funding situation in Austin was worse.

“We could go on with more examples of these groups’ attempts at sleight of hand, but we do not want to continue with more misinformation,” Patterson wrote. “Everything they produce deserves high doses of skepticism.”

In attacking public employee pension funds, the motivation of these two foundations – which are closely aligned with big business and Wall Street interests – is to convince lawmakers to switch public pensions from defined benefit (DB) funds to defined contribution (DC) funds, or some type of hybrid of the two.

This would give more leverage to private investment firms to manage the billions of dollars in public employee retirement accounts that is now being managed by pension fund officials and their trustees.

On the Web at: <http://www.star-telegram.com/opinion/opn-columns-blogs/other-voices/article121437377.html>, <http://www.texaspolicy.com/blog/detail/texas-61-billion-pension-problem> and <http://www.mystatesman.com/news/opinion/commentary-lumping-all-pensions-together-dangerous/ZPAccXO9hpxiC9VZBF86u/>. 🇺🇸

SEC Renews Charter for Equity Market Advisory Committee

The Securities and Exchange Commission (SEC) has voted to renew the Equity Market Structure Advisory Committee’s charter until August 2017 with the current membership. The committee provides a formal mechanism through which the agency can receive advice and recommendations specifically related to equity market structure issues. The committee has met seven times since it was established in February 2015. Its charter was originally scheduled to expire in February 2017.

Renewing the charter enables the next SEC chair and commissioners to continue assessing equity market structure issues and potential enhancements.

Since its inception, the committee has considered a range of issues, including the structure for an access fee pilot, the governance framework for national market system plans, transparency for investors of broker-dealer order handling practices, and market-wide volatility moderators.

On the Web at: <http://www.sec.gov/news/pressrelease/2016-249.html>. 🇺🇸

**Stay up to date on
the latest news!**



Like us on
Facebook

Public Pension Funding Ratio Rose to 71% in Q3 2016

The estimated funded status of the 100 largest U.S. public pension plans improved by \$48 billion from the end of June through the end of September as measured by the Milliman 100 Public Pension Funding Index.

The deficit fell to \$1.338 trillion due to asset returns that outpaced their expected targets for the quarter, Milliman reported. As of Sept. 30, the funded ratio increased to 71 percent, up from 69 percent at the end of June.

The market value of plan assets increased by an estimated \$86 billion as a result of relatively healthy investment returns of 3.49% for the quarter, outpacing the 1.82% returns expected by these funds (7.5 percent annualized).

“Unlike the case with corporate pension plans, the liability for public pension plans is not directly pegged to current economic conditions; the interest rate assumptions used to determine public pension plan liabilities are reviewed on an ad hoc basis and tend to change only on an annual or multiple-year basis,” Milliman said.

Estimated returns in the third quarter ranged from a low of 1.33 percent to a high of 4.37 percent. The plans with the 10 best returns averaged 4.13 percent, while the plans with the 10 worst returns averaged 2.27 percent.

The best performing market sectors in the third quarter were largely related to equities for small to mid-sized companies, while bond funds of all types generally fared poorly after having done well in the second quarter. Returns on commodities also suffered in the third quarter after having a very strong second quarter.

On the Web at: <http://www.milliman.com/WorkArea/DownloadAsset.aspx?id=82393> and <http://www.milliman.com/ppfi/>.

DOL's Fiduciary Rule Could Be Rolled Back or Repealed

The National Association of Government Defined Contribution Administrators (NAGDCA) held a webinar in December to sort out the implementation of the Department of Labor's (DOL) fiduciary rule, released in April 2016, which aims to elevate all financial professionals who work with retirement plans to the level of a fiduciary, i.e., requiring them to put the best interests of their clients first.

The fiduciary rule, set to take full effect over the next couple of years unless altered by Congress, expands the “investment advice fiduciary” definition under the Employee

Retirement Income Security Act of 1974 (ERISA). The legislation aims to legally and ethically bind financial professionals who provide retirement planning advice to the standards of a fiduciary.

The labor department is expecting a lawsuit that may delay implementation of the rule, but is confident it will be upheld in court. However, there also is legislation in Congress to block the rule, and the recent election has led to considerable discussion over whether the new administration will implement the rule as scheduled, or repeal or modify it. If the new administration wants to repeal or modify the rule it would have to follow the process set forth in the Administrative Procedure Act. This may take several months to complete.

Plans administered by NAGDCA members will not be directly impacted by the proposed rules. The proposed rules only cover ERISA plans.

However, the broad effect of the rules over the thousands of ERISA covered defined contribution plans and millions of ERISA covered participants, effectively alters the defined contribution business to de facto affect governmental plans as well.

In other words, providers of investment services will likely treat participants in government plans similarly to those in the ERISA-covered plans.

Also, the Securities and Exchange Commission is looking at the issue. If the agency chooses to promulgate rules in the future, governmental plans would be bound by them.

On the Web at: <http://nagdca.org/News-Events/NAGDCASTS>.

Save the Date!

TEXPERS Commodities, Futures and Derivatives Symposium

June 19-21, 2017 ● Chicago, IL

Subject matter experts will present on investing in this asset class. Tours of trade floors will be offered as well as speakers from the Chicago Mercantile Exchange, Chicago Board Options Exchange and more.



'Mature' Public Funds at Greater Risk of Underfunding than 'Immature' Funds

As public pension funds mature, they face higher risks of pension plan underfunding unless they switch their portfolios to less volatile assets, new research shows.

The maturation of public funds leads to lower numbers of active workers per beneficiaries, higher net cash outflows and higher asset-payroll ratios, according to a paper released in December by the Nelson A. Rockefeller Institute of Government at the State University of New York.

About two-thirds of public pension funds' \$3.7 trillion of assets are in investments other than cash and fixed income, and have volatile investment returns.

Investment gains and losses become larger relative to payroll. Government contributions, generally calculated as a percentage of payroll, can become more variable, and plan funded ratios can become more volatile, according to the research paper, "How Public Pension Plan Demographic Characteristics Affect Funding and Contribution Risk," by Donald J. Boyd, director of fiscal studies, and Yimeng Yin, programmer and research analyst.

The researchers found that growing plans with increasing numbers of workers are less susceptible to investment risk than are shrinking plans.

In addition, very mature plans with high assets relative to payroll and high cash outflows face greater funding risk, all else being equal.

Many public pension funds will continue to mature further as the population continues to age, and as government workforces age. This maturation will lead to higher risks of pension plan underfunding, all else being equal, unless pension funds invest in less volatile assets.

"Demographics play an important role in determining pension fund risks in large part through their impact on the ratio of plan assets to payroll," the report states. "The higher this ratio, the more volatile contributions will be relative to payroll, all else equal."

The researchers developed a Public Pension Stochastic Simulation Model that examines the year-by-year dynamics of prototypical pension fund finances. The model forecasts the long-term outcomes of specific plans with real-world characteristics under different investment return scenarios and funding policies. It allows investment returns to be varied in "plausible" ways, rather than meeting actuaries' assumptions every year, and then studied.

They conclude: "The mature plan has a nearly one in three chance that it will become severely underfunded at some point in thirty years, which is almost three times as high as that for the immature plan. The probability of very high employer contribution and the probability of sharp increases in employer contribution both exceed 50 percent for the mature plan, while the immature plan is much less susceptible to these risks."

The report introducing the model is the third in a series focusing on the Rockefeller Institute's Pension Simulation Project.

On the Web at: http://www.rockinst.org/pdf/government_finance/2016-12-07-Pension_Demographic_Characteristics.pdf. 



Registration is open!

Visit the conference website

at www.texpers.org for a preliminary schedule

Here's a few things you'll find on the preliminary agenda

- Basic Trustee Training, Sat., 4/8 • Advanced Trustee Training - Risk Management, Sat., 4/8
- A.M. Golf Tournament, Sun., 4/9
- Workshop - Ethics and Investing, Sun. A.M
- Monday Member Banquet/Event
- Member Systems Visit the Capital, Wed., 4/12

Standoff over Dallas Pension Woes to Head to Legislature after Beneficiaries Reject Cuts

After members of the Dallas Police & Fire Pension System (DPFP) rejected proposed plan amendments that would have raised employee and employer contributions and reduced cost-of-living adjustments and Deferred Retirement Option Plan (DROP) benefits, fund board members and staff said they will now turn their attention to preparing and submitting legislation to the Texas Legislature for its review and action in the upcoming 2017 session.



Fund officials said they would also continue to work with the City of Dallas to “overcome the current challenges and to try and find a solution to secure the fund so that Dallas’ first responders can continue to rely on the retirement benefits they have earned.”

In the DPFP members’ election that ended Dec. 17, only 45 percent approved the proposed changes when 65 percent approval was required for passage. The changes that were proposed to raise employee and employer contributions and reduce cost-of-living adjustments and DROP benefits were projected to extend the pension fund’s insolvency date to 2030, from the currently projected 2027.

In addition to these benefit changes, pension system officials had requested an additional \$1.1 billion one-time cash infusion from the city to help it achieve permanent solvency.

Fund officials first introduced the proposed changes in August. At that time, officials expected the changes to extend the pension fund’s insolvency date to 2041. But since that announcement, fund beneficiaries have withdrawn roughly \$500 million from the program’s DROP fund, reducing the proposed reforms’ effectiveness and moving the fund’s projected insolvency date closer.

Before the vote, Dallas city officials had proposed their own set of reforms aimed at bringing the pension fund to full funding in 30 years. Like the DPFP’s plan, the city’s plan called for raising employee and city contributions and reducing COLAs and DROP benefits. However, the city’s plan also called for taking back the interest earned by retired and active DROP participants, which the pension fund opposed.

Most of the feuding has been over the lump-sum DROP program. Originally intended as a retention perk for veterans, DROP has helped hundreds of officers, firefighters and retirees achieve wealth because the program allowed them to retire on paper, continue working and still defer their pension benefit checks into a separate account. Once they actually retired, they could remain in DROP and continue deferring their checks. More than half of the DPFP’s assets include DROP funds, according to The Dallas Morning News.

For years, DROP guaranteed at least 8 percent interest on the money. That hurt the entire fund when the investment returns couldn’t keep up. The problem was made worse when the pension fund’s administration revealed that their predecessors had significantly overvalued risky real estate investments. The plan had invested more than 68 percent of its assets in real estate and alternatives, such as infrastructure and natural resources, when other large public pension funds allocate less than 22 percent to these types of investments on average.

As the city developed its proposal to deal with the funding issue, word got out that part of the reforms could include wiping away the interest from existing DROP accounts or adjusting future monthly benefits for those who already took their money out.

As the discussions continued, the pace of members’ DROP withdrawals quickened, which threatened to weaken the fund even further. While the money exiting the fund reduced future liabilities, the pace of the withdrawals could have forced the system to sell off its assets.

The DPFP’s Board of Trustees took action Dec. 8 to suspend lump-sum withdrawals from the pension fund, staving off a possible restraining order and halting \$154 million in withdrawal requests. Pension officials said allowing the withdrawals would have left them without the liquid reserves required to sustain the \$2.1 billion fund.

Pension officials and many police and firefighters blamed Dallas Mayor Mike Rawlings for forcing

Health, Retirement Benefits Rank at the Top for Public-Sector Employees

Public sector employees rank health insurance, retirement benefits, job security and salary as the most important job elements they would consider in deciding whether to switch employers, according to the “2016 Retirement Confidence Survey of the State and Local Government Workforce.”

Ninety-nine percent of full-time state and local government employees have access to an employment-based retirement plan, while 93 percent have access to a defined benefit (DB) plan, according to the report authored by the TIAA Institute and the Center for State and Local Government Excellence.

Eighty-nine percent of full-time public sector employees participate in a plan, while 82% percent participate in a DB plan, the research found.

The funding of public sector DB plans has been an issue for many states and localities since the 2001 and later 2007-2009 recessions. Among DB plans sponsored by state and local governments, the estimated aggregate ratio of assets to liabilities in fiscal year 2015 was 74 percent under traditional GASB rules and 72 percent under the new GASB 67 rules, which went into effect in 2014.

As states and localities move on from the residual effects of the 2001 and 2007-2009 recessions, they are adapting to longer-term, structural fiscal challenges. Within this setting, almost all state governments and many local governments have reformed their retirement plans in recent years, often affecting eligibility, benefit levels and sometimes the plan type.

Public sector employees are concerned about the status of their employment-based plans, as well as Social Security and Medicare, and even their personal saving and investing for retirement, the research found. As state and local governments continue to focus on pension and retiree healthcare reforms, public sector employees are likely to increase their focus on their personal retirement planning and saving.

In addition, the research found:

- The typical state and local employee would like to retire at age 62, but expects to retire at 65.
- Most public servants do not know how much they need to save for a comfortable retirement, nor have they planned and saved specifically for medical expenses in retirement.
- Forty-four percent are very confident that they will receive all of the retirement plan benefits they have earned and 44 percent are somewhat

confident. Their confidence in future Social Security and Medicare benefits is lower.

- About 20 percent are very confident that they are saving and investing appropriately for retirement, with about 55 percent somewhat confident in their savings and investing.

State and local governments employ a significant share of the U.S. workforce – 14.2 million individuals at the local level and 5.1 million among the states, representing 10 percent and 4 percent, respectively, of the U.S. workforce, the research found.

In addition, 77 percent of state and local governments hired employees in 2016, which continued an upward trend from 27 percent in 2013 to 66 percent in 2014 to 73 percent in 2015.

On the Web at: https://www.tiaainstitute.org/public/pdf/2016_retirement_confidence_survey.pdf. 

Morgan Stanley Violated Customer Protection Rule

Morgan Stanley & Co. LLC has agreed to pay \$7.5 million to settle Securities and Exchange Commission charges that it used trades involving customer cash to lower the firm’s borrowing costs in violation of the SEC’s Customer Protection Rule.

The Customer Protection Rule is intended to safeguard customers’ cash and securities so that they can be promptly returned should the broker-dealer fail. The SEC said that from March 2013 to May 2015, Morgan Stanley’s U.S. broker-dealer used transactions with an affiliate to reduce the amount it was required to deposit in its customer reserve account.

The transactions violated the Customer Protection Rule, which prohibits broker-dealers from using affiliates to reduce their customer reserve account deposit requirements, the SEC said.

Morgan Stanley had its affiliate, Morgan Stanley Equity Financing Ltd., serve as a customer of its U.S. broker-dealer, a relationship that allowed the affiliate to use margin loans from the U.S. broker-dealer to finance the costs of hedging swap trades with customers. The margin loans lowered the borrowing costs incurred to hedge these swap trades and reduced the U.S. broker-dealer’s customer reserve account deposit requirements by tens to hundreds of millions of dollars per day, the SEC said.

On the Web at: <http://www.sec.gov/litigation/admin/2016/34-79606.pdf>. 

Dallas continued from p. 5

that – the latest run on the fund. Dozens of retirees rushed to request withdrawals after Rawlings filed a lawsuit on Dec. 5 to stop the withdrawals. A board trustee said the mayor “unquestionably” forced the pension board’s hand.

Moody’s Investors Service downgraded Dallas’ general obligation bond rating to A1 from Aa3 on Dec. 9, citing ongoing challenges at the DFPF. It marked the second time this year that Moody’s downgraded Dallas’ credit rating on police and fire pension fund concerns.

Then on Dec. 13, a Texas appellate court upheld the DFPF’s decision to cut the future interest rate on accounts established under the DROP program, deeming the interest formula not a protected benefit. That set up the vote ending Dec. 17 in which members rejected the DFPF’s proposed plan amendments.

In its ruling, the Fifth Court of Appeals in Dallas did not determine whether the DROP accounts qualify as a service retirement benefit protected under the state constitution. But the court said that even if DROP accounts were protected, the formula by which DROP payments are calculated is not protected, but can instead be amended by pension plan administrators.

An attorney for the pensioners who had challenged the DROP interest cut, Cris Feldman of Feldman & Feldman PC, said the ruling was “simply one step among many.”

“The Dallas Police and Firefighter Pension Fund’s attempt to rob policemen and firemen of their hard-earned and promised benefits will be challenged at every turn,” Feldman told Law360.

The vote that ended Dec. 17 produced the following results:

- Ballot Item 1 – Plan Changes Related to Benefits: 45.0 percent in favor; 55.0 percent not in favor. Did not pass.
- Ballot Item 2 – Plan Changes Related to Service Trustee Board Positions: 66.9 percent in favor; 33.1 percent not in favor. Passed.
- Ballot Item 3 – Requirements to Receive Credit for Additional Compensation upon the Award of Back Pay: 64.8 percent in favor; 35.2 percent not in favor. Did not pass.

Sixty-five percent of police and firefighters would have had to agree to the changes that would cut benefits and increase contributions.

The election results are not considered final until certified by the Board. The Board’s review of election results was scheduled for a Special Board meeting on Dec. 29.

On the Web at: <http://www.pionline.com/article/20161219/ONLINE/161219859/dallas-police-and-fire-members-reject-pension-reform>, <http://dfw.cbslocal.com/2016/12/02/judge-rules-against-police-fire-pension-injunction/>, https://www.law360.com/texas/articles/872630?utm_source=rss&utm_medium=rss&utm_campaign=section, <http://www.dallasnews.com/news/dallas-city-hall/2016/12/08/dallas-police-fire-pension-board-ends-run-bank-stops-154m-withdrawals>, <http://www.dallasnews.com/news/dallas-city-hall/2016/12/02/judge-rules-dallas-police-firefighters-can-vote-pension-cuts>, <http://www.pionline.com/article/20161212/ONLINE/161219978/moodys-downgrades-dallas-again-on-continued-concerns-about-police-and-fire-pension-plan>, <http://www.pionline.com/article/20161208/ONLINE/161209874/dallas-police-fire-pension-system-approves-suspending-drop-withdrawals>, <http://www.dallasnews.com/news/dallas-city-hall/2016/12/05/dallas-mayor-mike-rawlings-sues-pension-system-stop-drop-withdrawals>, <http://www.wfaa.com/news/proposed-changes-to-dallas-police-and-fire-pension-benefits-rejected/372150630>, <https://www.dallasnews.com/news/dallas-city-hall/2016/12/05/dallas-mayor-mike-rawlings-sues-pension-system-stop-drop-withdrawals>

Future TEXPERS Conferences

Save the Dates on Your Calendar Today!



Visit <http://www.texpers.org/conferences> and mark your calendar today with all future TEXPERS conferences.

Visit <http://www.texpers.org/pastconferences> to access presentations and handouts from past TEXPERS Conferences