AGENDA

Date: July 2, 2020

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, July 9, 2020, via telephone conference for audio at 214-271-5080 access code 588694 or Toll-Free (US & CAN): 1-800-201-5203 and Zoom meeting for visual https://us02web.zoom.us/j/85268243718?pwd=dmdNYmlFZUpYdXdGTU50dnZiTkxqQT09 Password: 300463.** Items of the following agenda will be presented to the Board:

A. MOMENT OF SILENCE

B. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of June 11, 2020

2. Approval of Refunds of Contributions for the Month of June 2020

3. **Approval of Estate Settlements**

4. **Approval of Survivor Benefits**

5. **Approval of Service Retirements**

6. **Approval of Alternate Payee Benefits**

7. **Approval of Earnings Test**

8. **Approval of Payment of Previously Withdrawn Contributions**

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. **Financial Audit Status**

2. **Monthly Contribution Report**

3. **Board approval of Trustee education and travel**

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

4. Funding Policy

5. Investment Advisory Committee

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

6. Portfolio Update

7. Investment Policy Statement Revisions

8. Infrastructure Portfolio Review

9. Private Asset Cash Flow Projection Update

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

10. BentallGreenOak: Vista Ridge 7

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

11. Lone Star Investment Advisors Update

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

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

13. Closed Session - Board serving as Medical Committee

Discussion of the following will be closed to the public under the terms of Section 551.078 of the Texas Government Code:

Application for death benefits for disabled child

D. BRIEFING ITEMS

1. Public Comment

2. Executive Director's report

a. Associations' newsletters
- NCPERS Monitor (July 2020)

b. Open Records

c. Operational Response to COVID-19

DALLAS POLICE & FIRE PENSION SYSTEM

ITEM #A

MOMENT OF SILENCE

In memory of our Members and Pensioners who recently passed away

NAME	ACTIVE/ RETIRED	DEPARTMENT	DATE OF DEATH
James H. Gardner	Retired	Police	May 31, 2020
Allen G. Thompson	Retired	Police	June 1, 2020
Jesse J. Pedraza	Retired	Police	June 3, 2020
Vonnabeth L. Hooker	Retired	Police	June 5, 2020
Royce C. Johnson	Retired	Police	June 7, 2020
J. E. Stallings	Retired	Fire	June 24, 2020

Regular Board Meeting – Thursday, July 9, 2020

Dallas Police and Fire Pension System
Thursday, June 11, 2020
8:30 a.m.
Via telephone conference.

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

ROLL CALL

Board Members

Present at 8:30 a.m.	William F. Quinn, Nicholas A. Merrick, Joseph P. Schutz, Susan M. Byrne, Robert B. French, Steve Idoux, Gilbert A. Garcia, Mark Malveaux, Armando Garza, Allen R. Vaught, Tina Hernandez Patterson
Absent:	None
Staff	Kelly Gottschalk, Josh Mond, Kent Custer, Brenda Barnes, John Holt, Cynthia Thomas, Ryan Wagner, Greg Irlbeck, Michael Yan, Milissa Romero
Others	Jeff Williams, Leandro Festino, Aaron Lally, Sidney Kawanguzi, Rick Bodio, Carl Evers, III, Dan Serna, Skeet Ponder, Ken Latz, Ken Garnett

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The meeting was called to order at 8:30 a.m. and recessed at 8:56 a.m.

The meeting was reconvened at 9:06 a.m.

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A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officers Michael E. Epple, Jerry D. Compton, James K. Slemmons, James H. Whiteley, Paul K. Wilkins, and retired firefighters T. J. Iwanski, Billy J. Smith, Lewis R. Mullins.

No motion was made.

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Regular Board Meeting
Thursday, June 11, 2020

B. CONSENT AGENDA

1. Approval of Minutes

a. Required Public meeting of May 14, 2020
b. Regular meeting of May 14, 2020

2. Approval of Refunds of Contributions for the Month of May 2020

3. Approval of Estate Settlements

4. Approval of Survivor Benefits

5. Approval of Service Retirements

6. Approval of Earnings Test

7. Approval of Payment of DROP Revocation Contributions

After discussion, Ms. Byrne made a motion to approve the minutes of the required public meeting of May 14, 2020 and the regular meeting of May 14, 2020. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Garcia made a motion to approve the remaining items on the Consent Agenda, subject to the final approval of the staff. Mr. Vaught seconded the motion, which was unanimously approved by the Board.

Ms. Hernandez Patterson stated that David L. Barber, a firefighter was retiring. She noted her gratitude for his actions in saving her husband's life and that he was a great credit to the City of Dallas Fire and Rescue department. Mr. Garza reiterated Ms. Hernandez Patterson's praise for David L. Barber.

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C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. January 1, 2020 Actuarial Valuation Assumptions

Jeff Williams, Vice President and Actuary of Segal Consulting was present to further discuss the January 1, 2020 actuarial assumptions for the Board to determine the assumptions to be used in the actuarial valuation reports for the Regular Plan (Combined Plan) and the Supplemental Plan.

Regular Board Meeting
Thursday, June 11, 2020

1. January 1, 2020 Actuarial Valuation Assumptions (continued)

Segal presented a five-year Review of Actuarial Experience at the May 2020 Board meeting and based on that study, Segal recommended modifications to certain economic and demographic assumptions. In addition, Segal provided an analysis of the impacts to the funding level and pension liability using a discount rate/assumed rate of return of 7.25% (current rate), 7.00%, 6.75%, and 6.50%. Pursuant to Article 16, Section 67 (f)(3) of the Texas Constitution, the Board determines the assumptions used in the valuation.

After discussion, Mr. Quinn made a motion to direct Segal to utilize their recommendations with respect to the assumptions to be used in preparing the January 1, 2020 actuarial valuation reports for the Regular Plan (Combined Plan) and the Supplemental Plan and approve a 7% assumed rate of return to be used in preparing the January 1, 2020 actuarial valuation reports. Mr. French seconded the motion, which was unanimously approved by the Board.

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2. DROP Policy Amendment

Mr. Williams presented and recommended modifying the Mortality Tables used in the actuarial valuation based on new Public Safety Mortality Tables and the actual experience of DPFP during the May 14, 2020 Board Meeting. Section 6.14(e) of the plan provides that DROP annuitizations will be based upon the mortality tables recommended by DPFP's actuary.

After discussion, Ms. Byrne made a motion to approve the DROP Policy as amended. Mr. Garza seconded the motion, which was unanimously approved by the Board.

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3. Financial Audit Status

The Chief Financial Officer provided a status update on the annual financial audit.

No motion was made.

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Regular Board Meeting
Thursday, June 11, 2020

4. Monthly Contribution Report

The Executive Director reviewed the Monthly Contribution Report.

No motion was made.

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5. Board approval of Trustee education and travel

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

No discussion was held, and no motion was made regarding Trustee education and travel. No future investment-related travel is currently scheduled.

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6. Portfolio Update

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

No motion was made.

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7. Report on Investment Advisory Committee

A quorum of the Investment Advisory Committee was not present at the May 28, 2020 meeting. IAC members present met as scheduled. The Investment Advisory Committee Chair and investment staff commented on Investment Advisory Committee members observations and advice.

No motion was made.

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8. Investment Grade Core Bond Manager

Leandro Festino, Aaron Lally, Sidney Kawanguzi with Meketa Investment Group and staff discussed the investment grade core bond search, interviews conducted by the Investment Advisory Committee with the finalist, and the recommendation.

After discussion, Mr. Garcia made a motion to authoriz**e** the Executive Director to enter into a contract to engage Longfellow as an Investment Grade Core Bond Manager for DPFP. Ms. Byrne seconded the motion, which was unanimously approved by the Board.

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Regular Board Meeting
Thursday, June 11, 2020

9. First Quarter 2020 Investment Performance Analysis and Fourth Quarter 2019 Private Markets & Real Assets Review

Leandro Festino, Aaron Lally, Sidney Kawanguzi with Meketa Investment Group and investment staff reviewed the investment performance.

No motion was made.

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10. Natural Resources: Hancock Presentation

Rick Bodio, Carl Evers, III, Dan Serna, and Skeet Ponder representatives of Hancock Natural Resource Group updated the Board on the status and plans for DPFP's agricultural portfolio, as well as provided a market update on the major crops in the DPFP portfolio.

No motion was made.

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11. Lone Star Investment Advisors Update

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

The Board went into closed executive session at 10:56 a.m.

The meeting was reopened at 11:35 a.m.

No motion was made.

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

The Board went into closed executive session at 10:56 a.m.

The meeting was reopened at 11:35 a.m.

No motion was made.

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Regular Board Meeting
Thursday, June 11, 2020

13. Review Police Officer and Fire Fighter Trustee applicant qualifications

Section 3.01(b-3) requires the Board to make a determination as to whether any potential candidates for the police officer and fire fighter trustee positions meet the qualifications of Section 3.01(b-1) to serve as a trustee. Section 3.01 (b-1) requires that a trustee not be an elected official of the city and that a trustee have demonstrated financial, accounting, business, investment, budgeting, real estate or actuarial experience.

The Board went into closed executive session at 10:56 a.m.

The meeting was reopened at 11:35 a.m.

Mr. Garza recused himself during the discussion.

After discussion, Mr. Merrick made a motion to approve Armando Garza and Ken Haben as qualified to serve as Trustees pursuant to the requirements of Article 6243a-1 and, pursuant to the Trustee Election Procedures, as the sole candidates for their respective positions each is approved to serve as a Trustee for a three year term effective September 1, 2020. Mr. Idoux seconded the motion, which was unanimously approved by the Board with Mr. Garza recusing.

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D. BRIEFING ITEMS

1. Public Comment

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

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2. Executive Director's report

a. Associations' newsletters
- NCPERS Monitor (June 2020)
- NCPERS PERSist (Spring 2020)
- TEXPERS Pension Observer (May 2020) https://online.anyflip.com/mxfu/wsin/mobile/index.html

b. Open Records
c. Operational Response to COVID-19

The Executive Director's report was presented.

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Regular Board Meeting
Thursday, June 11, 2020

Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Garcia and a second by Ms. Hernandez Patterson, the meeting was adjourned at 11:46 a.m.

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William F. Quinn
Chairman

ATTEST:

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Kelly Gottschalk
Secretary

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C1

Topic: **Financial Audit Status**

Discussion: The Chief Financial Officer will provide a status update on the annual financial audit.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

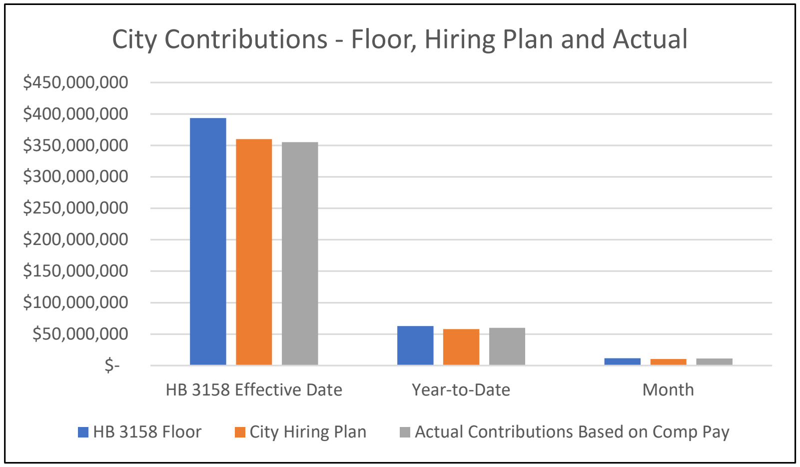
ITEM #C2

Topic: **Monthly Contribution Report**

Discussion: Staff will review the Monthly Contribution Report.

Regular Board Meeting – Thursday, July 9, 2020

Contribution Tracking Summary - July 2020 (May 2020 Data)



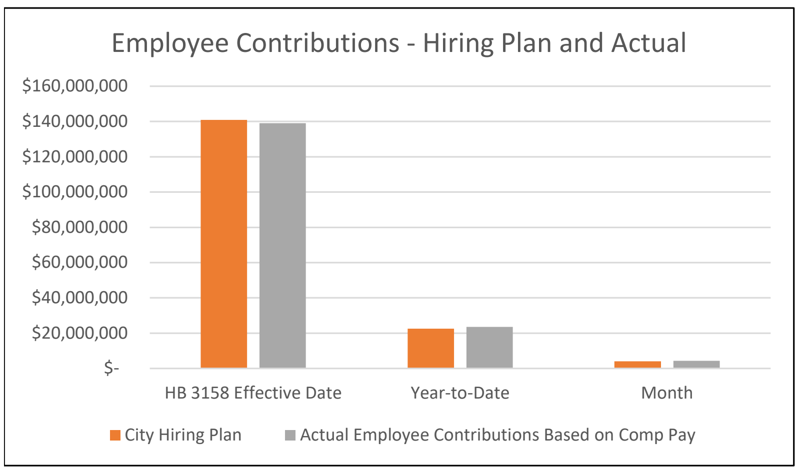
Actual Comp Pay was 98% of the Hiring Plan estimate since the effective date of HB 3158.

In the most recent month Actual Comp Pay was 106% of the Hiring Plan estimate and 97% of the Floor amount.

The Hiring Plan Comp Pay estimate increased by 3.39% in 2020. The Floor increased by 2.75%.

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

The combined actual hiring was 50 higher than the Hiring Plan for the pay period ending June 9, 2020. Fire was over the estimate by 81 fire fighters and Police was short 31 officers.



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

There is no Floor on employee contributions.

Contribution Summary Data

City Contributions

May-20	Number of Pay Periods Beginning in the Month	HB 3158 Floor	City Hiring Plan	Actual Contributions Based on Comp Pay	Additional Contributions to Meet Floor Minimum	Comp Pay Contributions as a % of Floor Contributions	Comp Pay Contributions as a % of Hiring Plan Contributions
Month	2	$ 11,448,000	$ 10,509,231	$ 11,130,265	$ 317,735	97%	106%
Year-to-Date		$ 62,964,000	$ 57,800,769	$ 60,111,361	$ 2,852,639	95%	104%
HB 3158 Effective Date		$ 393,311,000	$ 359,941,154	$ 355,168,569	$ 38,142,431	90%	99%

Due to the Floor through 2024, there is no cumulative shortfall in City Contributions
Does not include the flat $13 million annual City Contribution payable through 2024.
Does not include Supplemental Plan Contributions.

Employee Contributions

May-20	Number of Pay Periods Beginning in the Month	City Hiring Plan	Actual Employee Contributions Based on Comp Pay	Actual Contribution Shortfall Compared to Hiring Plan	Actuarial Valuation Contribution Assumption	Actual Contributions as a % of Hiring Plan Contributions	Actual Contributions as a % of Actuarial Val Assumption
Month	2	$ 4,112,308	$ 4,355,090	$ 242,783	$ 4,112,308	106%	106%
Year-to-Date		$ 22,617,692	$ 23,530,746	$ 913,053	$ 22,617,694	104%	104%
HB 3158 Effective Date		$ 140,846,538	$ 138,999,826	$ (1,846,712)	$ 135,737,332	99%	102%

Potential Earnings Loss from the Shortfall based on Assumed Rate of Return $ (498,210)

Does not include Supplemental Plan Contributions.

Reference Information

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

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

The HB 3158 Bi-weekly Floor ends after 2024

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

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

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

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

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

City Contributions are based on the Floor through 2024, the Hiring Plan from 2025 to 2037, after 2037 an annual growth rate of 2.75% is assumed

Employee Contributions for 2018 are based on the 2017 actual employee contributions inflated by the growth rate of 2.75% and the Hiring Plan for subsequent years until 2038, when the 2037 Hiring Plan is increased by the 2.75 growth rate for the next 10 years

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

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

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

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

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

Comp Pay by Month - 2020	Annual Divided by 26 Pay Periods	Actual	Difference	2020 Cumulative Difference	Number of Employees - EOM	Difference
January	$ 30,461,538	$ 31,291,360	$ 829,821	$ 829,821	5136	73
February	$ 30,461,538	$ 31,414,646	$ 953,108	$ 1,782,929	5114	51
March	$ 30,461,538	$ 31,492,765	$ 1,031,226	$ 2,814,156	5093	30
April	$ 45,692,308	$ 47,775,422	$ 2,083,114	$ 4,897,270	5125	62
May	$ 30,461,538	$ 32,261,636	$ 1,800,098	$ 6,697,367	5113	50
June	$ 30,461,538					
July	$ 30,461,538					
August	$ 30,461,538					
September	$ 45,692,308					
October	$ 30,461,538					
November	$ 30,461,538					
December	$ 30,461,538					

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C3

Topic: **Board approval of Trustee education and travel**

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

Discussion:

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

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

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

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

Future Education and Business Related Travel & Webinars
Regular Board Meeting – July 9, 2020

ATTENDING APPROVED

1.	**Webinar:**	**NCPERS: Sustainability and Affordability of Public Pensions Despite Covid-19 Shock**
	Dates:	July 9, 2020
	Time:	12:00 – 1:00 P.M.
	Link:	Sustainability and Affordability of Public Pensions Despite Covid-19 Shock
	Cost:	None
2.	**Webinar:**	**NCPERS Semi-Annual State & Federal Legislation Webcast**
	Dates:	July 14, 2020
	Time:	12:00 – 1:00 P.M.
	Link:	NCPERS Semi- Annual State & Federal Legislation Webcast
	Cost:	None
3.	**Webinar:**	**NCPERS: Navigating the Waters of a Work-Out World: Preparing for Private Investments that Turn Choppy & What Fiduciaries Need to Know**
	Dates:	July 16, 2020
	Time:	12:00 – 1:00 P.M.
	Link:	Navigating the Waters of a Work-Out World: Preparing for Private Investments that Turn Choppy & What Fiduciaries Need to Know
	Cost:	None

Future Education and Business Related Travel & Webinars
Regular Board Meeting – July 9, 2020

(Continued)

ATTENDING APPROVED

4.	**Webinar:**	**NCPERS: U.S. Listed Companies from China**
	Dates:	July 23, 2020
	Time:	12:00 – 1:00 P.M.
	Link:	U.S. Listed Companies from China
	Cost:	None
5.	**Conference:**	**Public Pension Funding Forum**
	Dates:	August 24-25, 2020
	Location:	Virtual Event
	Cost:	$250

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C4

Topic: **Funding Policy**

Discussion: The Board adopted a Funding Policy for the Combined Plan in December 2019 as required by Senate Bill 2224. The Funding Policy reflected a rolling 30-year amortization method, which is no longer an acceptable amortization method according to the Pension Review Board. The contributions for the Combined Plan are set by Article 6243a-1 so the amortization method in the policy will not impact the contribution rates but will be used as a benchmark to compare the actual contributions.

The proposed change is that the unfunded actuarial accrued liability as of January 1, 2020 will be amortized over a closed, 25-year period using the level percent of payroll amortization methodology. Beginning on January 1, 2021, each year's experience due to actuarial gains and losses, or plan, assumption, and method changes, will be amortized over a closed, 20-year period using the level percent of payroll amortization methodology.

The Funding Policy has been amended to reflect these changes.

Staff Recommendation: **Adopt** the amended Funding Policy for the Combined Pension Plan.

FUNDING POLICY
COMBINED PENSION PLAN

As Amended Through July 9, 2020~~dopted December 12, 2019~~

DALLAS POLICE & FIRE PENSION SYSTEM

FUNDING POLICY
COMBINED PENSION PLAN

Adopted December 12, 2019

Amended through July 9, 2020

A. Introduction

This funding policy outlines a formal long-term strategy for financing the pension obligations accruing under the Dallas Police and Fire Pension System (DPFP) Combined Plan with the goal of achieving an actuarial funded ratio that is equal to or greater than 100%, as required by Texas Government Code §802.2011.

This policy is subject to the authority granted to the Board of Trustees under Article 6243a-1 of the Texas Revised Civil Statutes (the "Statute"). It was contemplated when HB 3158 was passed, and the Statutes reflect that in 2024 an analysis will be conducted to assess the adequacy of the funding of Plan and, if necessary, changes may be made at that time. Therefore, this policy creates a framework for proactively managing risks by outlining how the Board will approach future changes to benefit and contributions levels under different conditions in advance of the 2024 analysis. In the event this policy conflicts with any statutory language, the statute shall prevail.

B. Funding Priorities

The primary funding priorities are to:

1. Ensure the security of accrued benefits by making certain contributions and assets are sufficient to pay benefits when due.
2. Limit the volatility of contribution rates for both the members of Dallas Police and Fire Pension System ("DPFP") and the City of Dallas, consistent with other funding objectives.
3. Ensure that each generation of members and taxpayers incurs the cost of benefits for the employees who provide services to them, rather than deferring those costs to future members and taxpayers;
4. Provide a reasonable margin for adverse experience to help offset risks.
5. Continue progress of systematic reduction of the Unfunded Actuarial Accrued Liability.

C. Funding Objectives

The system's funding objective is to achieve a funded ratio of 100% or more by 2045.

D. Actuarial Methods

The Board uses the following actuarial methods for purposes of actuarial valuations and the determination of the benchmark Actuarial Determined Contribution (ADC):

1. **Cost Method**
   The individual entry age normal actuarial cost method.

2. **Asset Smoothing**
   A five-year asset smoothing period where 20% of any gain or loss is recognized in each subsequent year.

3. **Amortization Policy**
   ~~The amortization payment will be calculated as a level percent of payroll using a 30-year amortization of unfunded actuarially accrued liability.~~The unfunded actuarial accrued liability as of January 1, 2020 will be amortized over a closed, 25-year period using the level percent of payroll amortization methodology. Beginning on January 1, 2021, each year's experience due to actuarial gains and losses, or plan, assumption, and method changes, will be amortized over a closed, 20-year period using the level percent of payroll amortization methodology.

E. Actuarial Assumptions Guidelines

A comprehensive experience study will be completed at least once every 5 years with possible review of individual assumptions more frequently, based on advice from the system's actuary. All assumptions will be determined based on actuarial standards of practice taking into account both actual experience and reasonable future expectations.

F. Actuarially Determined Contribution Benchmark

This policy has outlined a benchmark ADC for establishing a path towards achieving the goal of 100% funding. The following will trigger the Board to act to adjust or recommend adjustments to benefit and/or contribution levels.

F. Actuarially Determined Contribution Benchmark (Continued)

The Board will notify the City of Dallas upon receipt of two actuarial valuations showing the actual contribution varies from the ADC by more than 2%. In such a case, if the actual contributions are under the ADC by more than 2%, with a two-thirds vote of the Board, the Board will recommend an increase in City contribution rates. If the actual contributions are 2% over the ADC, with a two-thirds vote of the Board, and if the reduction does not extend the funding period, the Board may recommend a decrease in the City's contribution rate. If the actual rate is within 2% of the ADC, no change is required to be recommended.

G. Consideration of Plan Modifications

1. Guidelines for Future Reductions in Contributions

With a two-thirds vote of the Board and agreement of the City, the City contributions may be lowered only if the reduction does not increase the period to amortize the unfunded liability (6243a-1, 4.02(b)(3)). The Statute does not provide authority for the Board to lower member contribution rates. Once there is no longer an unfunded liability, the contribution rates of both the City and DPFP members are adjusted based on the Statute.

2. Guidelines for Future Benefit Enhancements

The Statute specifically controls the criteria for granting a cost of living adjustment, the reduction of the retirement age and reducing the amortization period of the DROP annuities. For all other benefit enhancements not specifically mentioned in the Statute, the Statute allows the Board to enhance benefits only if after taking the enhancement into consideration the funding period does not exceed 25 years.

H. Risk-Sharing Mechanisms

The Board has determined that the key risk facing the system is when actual experience diverges from actuarial assumptions, resulting in actuarial losses. The normal cost rate for future members is less than the current member contribution rates, so the Board does not believe it is appropriate to either increase member contribution rates or decrease benefits to decrease the unfunded liability through 2024. If necessary, the City's contribution rate would need to be increased through 2024. During 2024, the Statute requires that an independent actuary perform an analysis to determine if DPFP meets Texas~~State~~ Pension Review Board pension funding guidelines and, if not, recommend changes to benefits or to member or city contribution rates. Not later than November 1, 2024, the DPFP Board is required adopt a plan that complies with funding and amortization period requirements under Section 802 of the Government Code and takes into consideration the independent actuary's recommendations.

I. Review of Funding Policy

This policy may be amended from time-to-time to reflect changes in other Board policies, emerging best practices for public defined benefit pension plans, prevailing opinions of future Board members, and suggested changes by system stakeholders.

J. Effective Date

APPROVED on July 9, 2020~~December 12, 2019~~ by the Board of Trustees of the Dallas Police and Fire Pension System.

____
William F. Quinn
Chairman

ATTEST:

____
Kelly Gottschalk
Secretary

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C5

Topic: **Investment Advisory Committee**

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

Discussion: The Board will discuss possible candidates to serve on the Investment Advisory Committee.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C6

Topic: **Portfolio Update**

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

Regular Board Meeting – Thursday, July 9, 2020

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Portfolio Update

July 9, 2020

Asset Allocation

DPFP Asset Allocation	6/30/20		Target		Variance	
	$ mil.	%	$ mil.	%	$ mil.	%
Equity	**860**	**43.4%**	**1,090**	**55.0%**	**-230**	**-11.6%**
Global Equity	521	26.3%	793	40.0%	-271	-13.7%
Emerging Markets	48	2.4%	198	10.0%	-150	-7.6%
Private Equity*	291	14.7%	99	5.0%	192	9.7%
Fixed Income	**586**	**29.6%**	**694**	**35.0%**	**-107**	**-5.4%**
Safety Reserve - Cash	61	3.1%	59	3.0%	1	0.1%
Safety Reserve - ST IG Bonds	214	10.8%	238	12.0%	-23	-1.2%
Investment Grade Bonds	60	3.0%	79	4.0%	-19	-1.0%
Global Bonds	68	3.4%	79	4.0%	-11	-0.6%
Bank Loans	78	3.9%	79	4.0%	-1	-0.1%
High Yield Bonds	80	4.0%	79	4.0%	1	0.0%
Emerging Mkt Debt	19	1.0%	79	4.0%	-60	-3.0%
Private Debt*	6	0.3%	0	0.0%	6	0.3%
Real Assets*	**535**	**27.0%**	**198**	**10.0%**	**337**	**17.0%**
Real Estate*	365	18.4%	99	5.0%	266	13.4%
Natural Resources*	124	6.3%	99	5.0%	25	1.3%
Infrastructure*	46	2.3%	0	0.0%	46	2.3%
Total	**1,982**	**100.0%**	**1,982**	**100.0%**	**0**	**0.0%**
Safety Reserve	275	13.9%	297	15.0%	-22	-1.1%
*Private Market Assets	832	42.0%	297	15.0%	535	27.0%

Source: JP Morgan Custodial Data, Staff Estimates and Calculations

data is preliminary

DALLAS POLICE & FIRE PENSION SYSTEM

Adjusted Asset Allocation

In this view staff has adjusted private market values to roughly estimate the impact from lower oil prices and Covid-19.

DPFP Asset Allocation	6/30/20		Target		Variance	
	$ mil.	%	$ mil.	%	$ mil.	%
Equity	**710**	**40.5%**	**963**	**55.0%**	**-253**	**-14.5%**
Global Equity	521	29.8%	700	40.0%	-179	-10.2%
Emerging Markets	48	2.7%	175	10.0%	-127	-7.3%
Private Equity*	141	8.0%	88	5.0%	53	3.0%
Fixed Income	**586**	**33.5%**	**613**	**35.0%**	**-27**	**-1.5%**
Safety Reserve - Cash	61	3.5%	53	3.0%	8	0.5%
Safety Reserve - ST IG Bonds	214	12.2%	210	12.0%	4	0.2%
Investment Grade Bonds	60	3.4%	70	4.0%	-10	-0.6%
Global Bonds	68	3.9%	70	4.0%	-2	-0.1%
Bank Loans	78	4.5%	70	4.0%	8	0.5%
High Yield Bonds	80	4.6%	70	4.0%	10	0.6%
Emerging Mkt Debt	19	1.1%	70	4.0%	-51	-2.9%
Private Debt*	6	0.3%	0	0.0%	6	0.3%
Real Assets*	**455**	**26.0%**	**175**	**10.0%**	**280**	**16.0%**
Real Estate*	290	16.6%	88	5.0%	202	11.6%
Natural Resources*	119	6.8%	88	5.0%	31	1.8%
Infrastructure*	46	2.6%	0	0.0%	46	2.6%
Total	**1,751**	**100.0%**	**1,751**	**100.0%**	**0**	**0.0%**
Safety Reserve	275	15.7%	263	15.0%	13	0.7%
*Private Mkt. Assets w/NAV Discount	602	34.4%	263	15.0%	339	19.4%

Source: JP Morgan Custodial Data, Staff Estimates and Calculations

data is preliminary

DALLAS POLICE & FIRE PENSION SYSTEM

Public Market Performance Estimates

Preliminary Public Markets Performance Estimates

	1Q 2020			QTD 6/30/20			YTD 6/30/20		
Net of fees	Manager	Index	Excess	Manager	Index	Excess	Manager	Index	Excess
Global Equity	-21.80%	-22.44%	0.64%	18.82%	19.83%	-1.01%	-7.08%	-7.05%	-0.03%
Boston Partners	-27.27%	-21.05%	-6.22%	16.02%	19.36%	-3.34%	-15.61%	-5.76%	-9.85%
Boston Partners vs. value index	-27.27%	-26.96%	-0.31%	16.02%	12.59%	3.43%	-15.61%	-17.77%	2.15%
Manulife	-22.81%	-21.36%	-1.44%	16.87%	19.22%	-2.36%	-9.79%	-6.25%	-3.54%
Invesco (fka OFI)	-20.46%	-21.36%	0.90%	25.31%	19.22%	6.09%	-0.33%	-6.25%	5.91%
Walter Scott	-16.67%	-21.36%	4.69%	17.03%	19.22%	-2.20%	-2.48%	-6.25%	3.76%
RBC, EM Equity	-23.19%	-24.38%	1.18%	17.00%	19.01%	-2.01%	-10.13%	-10.00%	-0.14%
Fixed Income	-4.88%	-1.11%	-3.77%	3.64%	3.69%	-0.05%	-1.42%	2.53%	-3.95%
IR+M, short term debt	0.28%	1.68%	-1.40%	3.14%	1.16%	1.98%	3.43%	2.87%	0.56%
Vanguard IG Bonds	3.11%	3.17%	-0.06%	3.00%	3.14%	-0.14%	6.20%	6.41%	-0.20%
Brandywine, global bonds	-10.71%	-0.32%	-10.38%	9.37%	3.32%	6.05%	-2.34%	2.99%	-5.33%
Loomis, High Yield	-14.72%	-15.03%	0.31%	12.69%	12.19%	0.50%	-3.90%	-4.67%	0.77%
Loomis, Bank Loans (liquidating)	-0.84%	-13.19%	12.35%	-3.77%	7.62%	-11.39%	-4.58%	-6.58%	2.00%
Pacific Asset Mgt., Bank Loans	-9.16%	-13.19%	4.03%	6.46%	7.62%	-1.17%	-3.30%	-6.58%	3.28%
Ashmore, EMD	-21.59%	-12.57%	-9.03%	14.11%	13.97%	0.14%	-10.53%	-0.35%	-10.18%

Source: JPM Morgan custody data, manager reports, Investment Staff estimates and calculations — 2Q20 data is preliminary

Shaded index values are estimated

DALLAS POLICE & FIRE PENSION SYSTEM

Public Market Impact Estimate

This table estimates the gain/loss contribution from public market investments including market contribution (equity and fixed income composite index returns), structural implementation (manager benchmark vs. composite benchmark), and the active contribution for each investment manager (manager relative performance vs. their benchmark).

Public Markets Impact Estimate

	1Q 2020				QTD 6/30/20				YTD 6/30/20			
$ millions	Market	Structure	Active	Total	Market	Structure	Active	Total	Market	Structure	Active	Total
Public Markets	(126.5)	(18.9)	(7.9)	(153.4)	107.5	7.3	3.0	117.8	(18.8)	(11.8)	(3.0)	(33.6)
Public Equity (GE+EM)	(126.9)	5.1	(2.8)	(124.6)	94.8	(2.6)	(2.6)	89.5	(32.1)	2.4	(5.4)	(35.1)
Global Equity (excludes EM)	(115.0)	6.1	(3.4)	(112.3)	86.8	(2.4)	(1.8)	82.6	(28.2)	3.7	(5.2)	(29.7)
Boston Partners	(28.1)	1.8	(8.6)	(34.9)	21.5	(0.5)	(3.5)	17.5	(6.6)	1.3	(12.1)	(17.4)
Manulife	(28.8)	1.4	(2.2)	(29.5)	21.4	(0.6)	(2.4)	18.4	(7.4)	0.8	(4.6)	(11.1)
OFI	(29.1)	1.5	1.1	(26.6)	22.1	(0.6)	6.5	27.9	(7.1)	0.8	7.6	1.3
Walter Scott	(29.0)	1.4	6.3	(21.3)	21.9	(0.6)	(2.4)	18.8	(7.2)	0.8	3.9	(2.5)
RBC, EM Equity	(11.9)	(1.1)	0.6	(12.3)	8.0	(0.2)	(0.8)	6.9	(3.9)	(1.3)	(0.2)	(5.4)
Fixed Income (ex IR+M)	(4.0)	(24.0)	(1.1)	(29.1)	10.5	10.0	2.6	23.1	6.3	(14.2)	2.1	(5.8)
Vanguard IG Bonds	(0.7)	2.5	(0.0)	1.8	2.2	(0.3)	(0.1)	1.8	1.5	2.1	(0.1)	3.5
Brandywine, global bonds	(0.7)	0.5	(7.3)	(7.5)	2.3	(0.2)	3.7	5.8	1.7	0.3	(3.6)	(1.6)
Loomis, High Yield	(0.8)	(11.7)	0.3	(12.2)	2.7	6.0	0.3	9.0	1.9	(5.7)	0.6	(3.2)
Loomis, Bank Loans (liquidating)	(0.4)	(4.9)	5.0	(0.3)	0.2	0.2	(0.6)	(0.2)	(0.4)	(4.9)	5.0	(0.3)
Pacific Asset Mgt., Bank Loans	(1.3)	(7.9)	2.9	(6.3)	2.5	2.6	(0.8)	4.4	1.3	(5.3)	2.2	(1.9)
Ashmore, EMD	(0.2)	(2.4)	(1.9)	(4.6)	0.6	1.7	0.0	2.3	0.4	(0.7)	(1.9)	(2.2)
IR+M, short term debt	4.4	0.0	(4.0)	0.4	2.2	0.0	3.0	5.2	7.0	0.0	0.3	7.3

Source: JPM Morgan custody data, manager reports, Investment Staff estimates and calculations

DALLAS POLICE & FIRE PENSION SYSTEM

Investment Initiatives

- Liquidation of private market assets remains the top focus. Received $17M in June. Other opportunities are developing. Overall though, significant delays are expected due to COVID-19 market disruption.
- Completed contracting with Longfellow. Expect account transition in early July.
- Staff continuing evaluation of private equity funds.
- Worked with Meketa on IPS revisions for safety reserve language.
- Canceled June meeting with Investment Advisory Committee due to quorum issue. New external members proposed separately.
- On-deck: IMA reviews, public equity structure, securities lending review, Meketa reporting format.

2020 Investment Review Calendar*

January ✓	• Real Estate Reviews: Vista 7, King's Harbor, & Museum Twr.
March ✓	• Real Estate: Clarion Presentation
April ✓	• Real Estate: AEW Presentation
May ✓	• Timber: Staff Review of FIA & BTG • Real Estate: Staff Review of Hearthstone
June ✓	• Natural Resources: Hancock Presentation
July	• Infrastructure: Staff review of AIRRO and JPM Maritime
August	• Staff review of Private Equity and Debt
September	• Global Equity Manager Reviews
October	• Fixed Income Manager Reviews

*Presentation schedule is subject to change.

DALLAS POLICE & FIRE PENSION SYSTEM

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DISCUSSION SHEET

ITEM #C7

Topic: **Investment Policy Statement Revisions**

Discussion: Following March 2020 rebalancing activity, staff noted that the IPS should modify the safety reserve language to include reference to the objective of covering 2.5 years of expected net cash flows. Staff worked with Meketa to develop revised language which is attached.

Staff Recommendation: **Approve** the proposed Investment Policy Statement revisions.

Section 6 Strategic Asset Allocation and Rebalancing

Note: The investment portfolio is undergoing a transition from a legacy allocation with substantial exposure to illiquid private market assets to a more traditional allocation profile. In October 2018, the Board approved a new long-term asset allocation, recognizing that implementation would be subject to the gradual unwinding of private market assets. In November 2018, the Board approved an asset allocation implementation plan to prioritize the reallocation of cash distributions from private market assets. Initial variances to long-term allocation targets may be quite large but are expected to gradually diminish. Rebalancing ranges have been established to accommodate current variances to target and will be tightened over time as appropriate.

A. Asset Allocation

1. The strategic asset allocation establishes target weights and rebalancing ranges for each asset class and is designed to maximize the long-term expected return of the Fund within an acceptable risk tolerance while providing liquidity to meet cash flow needs.
2. A formal asset allocation study will be conducted as directed by the Board, but at least every three years.
3. Asset allocation targets will be reviewed annually for reasonableness in relation to significant economic and market changes or to changes to the investment objectives.
4. Asset class descriptions are provided in Appendix A.
5. The approved asset allocation is included in Appendix B.

B. Asset Class Structure

1. The asset class structure establishes the investment manager roles that will be used to implement the asset allocation.
2. The asset class structure will emphasize simplicity and cost control and toward that end will employ the minimum number of managers necessary to assure appropriate diversification within each asset class.
3. Asset class structures will be reviewed periodically, approximately every two years.
4. Any changes to the asset class structure must be approved by the Board.

C. Rebalancing

1. In general, cash flows will be allocated to move asset classes toward target weights and shall be prioritized according to the Asset Allocation Implementation Plan detailed in Appendix B1.
2. Staff shall submit a rebalancing recommendation to the Consultant at least annually based on consideration of the entire portfolio, and additionally as soon as practicable when an asset class breaches an established rebalancing range or when deemed prudent by Staff or Consultant.

3. The allocations to Cash and Short-Term Investment Grade bonds ~~are designed to provide liquidity during periods of investment market stress and are~~ (the "Safety Reserve") are designed to cover approximately 2.5 years of projected net cash outflows. Per the current policy targets approved by the Board, the Safety Reserve target allocation is 15% of the Fund. Staff and Consultant will evaluate the size of the Safety Reserve in both dollar terms and percentage terms when making rebalancing recommendations. The purpose of the Safety Reserve is to be the primary source of meeting any liquidity needs, particularly during a prolonged period of investment market stress. While the projected net cash outflows are effectively known in advance, the market value of the Pension Fund's assets will fluctuate with market activity. Consequently, the size of the Safety Reserve, as a percentage of Pension Fund assets, will fluctuate. The Safety Reserve is not required to be rebalanced to target if deemed prudent by Staff and Consultant.
4. Rebalancing recommendations should consider expected future cash flows, investment liquidity, market volatility, and costs.
5. Transition management shall be used when prudent to minimize transition costs.
6. Staff is responsible for implementing the rebalancing plan following Consultant approval.
7. Rebalancing recommendations and activity shall be reported to the Board and the IAC.

D. Private Market Provisions

1. DPFP will not commit capital to any direct private market investments or co-investments that are tied to a single company. This restriction does not prevent DPFP from holding direct investments that result from the dissolution of a private market fund
2. DPFP will not commit capital to any private market fund if such commitment would likely result in DPFP holding greater than a 10% interest in the fund.
3. DPFP will not commit capital to any private market fund if such commitment exceeds 2% of the total market value of the DPFP investment portfolio.
4. DPFP will not commit to any private market fund if the current value plus total unfunded commitments to related funds (e.g. fund family) exceeds 5% of the total market value of the DPFP investment portfolio.
5. The Board and Staff may consider and approve sales of private assets for less than the current net asset value of the asset reported to the Board. Factors affecting such a decision would include prices obtained after marketing the asset, liquidity, or overallocation to the relevant asset class.

Appendix B – Strategic Asset Allocation and Rebalancing Ranges

Asset Class	Policy Benchmark	Target Weight[1]	Minimum Weight	Maximum Weight
Equity		55%		
Global Equity	MSCI ACWI IMI Net	40%	22%	48%
Emerging Markets Equity	MSCI Emerging Markets IMI Net	10%	2.5%	12%
Private Equity	Cambridge Associates U.S. Private Equity Index 1Q Lag	5%	N/A[2]	N/A[2]
Fixed Income		35%		
Cash	91 Day T-Bills	3%	0%	5%
Short Term Investment Grade Bonds	Bloomberg Barclays US Treasury 1-3 Year	12%	5%	15%
Investment Grade Bonds	Bloomberg Barclays U.S. Aggregate	4%	2%	6%
High Yield Bonds	Bloomberg Barclays Global High Yield	4%	2%	6%
Bank Loans	Credit Suisse Leveraged Loan	4%	2%	6%
Global Bonds	Bloomberg Barclays Global Aggregate	4%	2%	6%
Emerging Market Debt	50% JPM EMBI/ 50% JPM GBI-EM	4%	0%	6%
Private Debt	Barclays Global HY + 2% (Rolling 3 Mo.)	0%	N/A[2]	N/A[2]
Real Assets		10%		
Real Estate	NCREIF Property Index 1Q Lag	5%	N/A[2]	N/A[2]
Natural Resources	NCREIF Farmland Total Return Index 1Q Lag	5%	N/A[2]	N/A[2]
Infrastructure	S&P Global Infrastructure (Rolling 3 Mo.)	0%	N/A[2]	N/A[2]
Total		100%		

1 – The investment portfolio is undergoing a transition from a legacy allocation with substantial exposure to illiquid private market assets to a more traditional allocation profile. In October 2018, the Board approved a new long-term asset allocation, recognizing that implementation would be subject to the gradual unwinding of private market assets. Appendix B1 reflects the Board-approved asset allocation implementation plan to prioritize the reallocation of cash distributions from private market assets. Initial variances to long-term allocation targets may be quite large but are expected to gradually diminish. Rebalancing ranges have been established to accommodate current variances to target and will be tightened over time as appropriate.

2 – Rebalancing Ranges are not established for illiquid asset classes.

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Appendix B1 – Asset Allocation Implementation Plan

The investment portfolio is undergoing a transition from a legacy allocation with substantial exposure to illiquid private market assets to a more traditional allocation profile. In October 2018, the Board approved a new long-term asset allocation, recognizing that implementation would be subject to the gradual unwinding of private market assets. In November 2018, the Board approved the following implementation plan to prioritize the reallocation of cash distributions from private market assets.

Order of Reallocation

Allocate up to Target, then proceed to next asset class
1. Safety Reserve – Cash[1]
2. Safety Reserve – Short-Term Investment Grade Bonds[1]
3. Global Equity, only if current exposure is less than 22% of DPFP[~~1~~2]
4. Emerging Market Equity, only if current exposure is less than 2.5% of DPFP[~~2~~3]
5. Investment Grade Bonds
6. Global Bonds
7. Bank Loans
8. High Yield Bonds
9. Global Equity above 22%, contributions limited to 6% per year.
10. Emerging Markets Debt
11. Emerging Markets Equity above 2.5%, contributions limited to 2.5% per year
12. Private Real Estate (aggregate illiquid exposure must be under 20%)
13. Private Equity (aggregate illiquid exposure must be under 15%)

1 – The Safety Reserve is not required to be allocated to target if deemed prudent by Staff and Consultant.

~~1~~2 – Global Equity target weight is 40%. If current exposure is more than 22% proceed to next asset class in the matrix. The reallocation framework is designed to maintain at least the mid-2018 exposure to public equity, prior to increasing fixed-income exposure.

~~2~~3 – Emerging Market Equity Target weight is 10%. If current exposure is more than 2.5% proceed to next asset class in the matrix. The reallocation framework is designed to maintain at least the mid-2018 exposure to public equity, prior to increasing fixed-income exposure.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C8

Topic: **Infrastructure Portfolio Review**

Discussion: Staff will provide an overview of the three funds which comprise the infrastructure asset class: the Global Maritime Investment Fund managed by JPMorgan Asset Management, and the Asian Infrastructure and Related Resources Opportunity funds I and II, both managed by The Rohatyn Group.

Regular Board Meeting – Thursday, July 9, 2020

DALLAS POLICE & FIRE PENSION SYSTEM

Infrastructure Portfolio Review

July 9, 2020

Infrastructure Portfolio Overview

- DPFP is winding down the infrastructure portfolio. The current allocation represents just under 2.5% of plan assets with a Long-Term target allocation of 0%.
- The remaining Infrastructure Portfolio is comprised of investments in funds that have assets in global shipping and various projects in India, including wind power, thermal power, toll roads, and hospitals
- Staff estimates it will take 3-5 years for the funds to fully liquidate.
- Overall portfolio valuation decreased approximately 13% in 1Q20, primarily due to significant effects from the COVID pandemic.

as of 03/31/2020	$ millions	Weight
Infrastructure	**$46.1**	**2.43%**
JPM Global Maritime Investment Fund	$26.8	1.41%
TRG Asian Infrastructure (AIRRO)	$16.1	0.85%
TRG Asian Infrastructure II (AIRRO II)	$3.2	0.17%

JPMorgan Global Maritime Investment Fund

J.P.Morgan
Asset Management

Asset Class:	Infrastructure	Vintage Year:	2009
Investment Period / Fund Term End Dates:	Dec 2014/Dec 2022 (extended 2yrs)	Total Fund Size:	$780m
Management Fee:	1.50% on capital called for investments and fund expenses, reduced by 5% in 2021 and 10% thereafter	DPFP Commitment:	$50m
Performance Fee/Carry:	80/20 split with 12% pref	DPFP % of Fund:	6.4%

Investment Performance (In Millions)

*** - As of 12/31/19**

Paid In Capital	Unfunded Commitment	DPFP Distributions	NAV	Inception IRR*	TVPI*	DPI*
$48.6	$1.4	$3.7	**$30.3**	-7.16%	.70	.08

Fund Strategy / Portfolio

- Private capital investment in the shipping industry with a 59-vessel fleet of bulkers (34), container ships (16), car carriers (7), and tankers (2). Opportunistic strategy was aimed to take advantage of a historic market disruption and low cycle in shipping following the global financial crisis in 2008.
- Future performance will be a function of income from charter rates and sales proceeds as the fund exits holdings. Both drivers of performance have been disrupted by the COVID pandemic to varying degrees across all shipping segments.

Strategic Plan / Timeline

- The fund has sold 14 of 16 vessels in the tanker fleet and began making operating cash distributions in late 2018. JPM expects to monetize remaining assets over the next 2 1/2 years. Management requested a 2-year fund term extension on belief that the additional time will provide better opportunities to maximize value in a post-COVID environment. DPFP opposed due to insufficient fee reduction but a majority of investors approved the extension.
- JPM performance expectations continue to decline. Total IRR over the life of the fund is now projected by JPMorgan to be negative single-digits, with a multiple on invested capital around 0.8x

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TRG Asian Infrastructure (AIRRO)

THE ROHATYN GROUP

Asset Class:	Infrastructure	Vintage Year:	2008
Investment Period / Fund Term End Dates:	Jan 2014 / Jan 2022 (extended 2yrs)	Total Fund Size:	$858m
Management Fee:	2% invested capital	DPFP Commitment:	$37m
Performance Fee/Carry:	80/20 split with 8% pref	DPFP % of Fund:	4.3%

Investment Performance (In Millions)

*** - As of 12/31/19**

Paid In Capital	Unfunded Commitment	DPFP Distributions	NAV	Inception IRR*	TVPI*	DPI*
$37.1	$3.2	$17.9	**$18.8**	-0.18%	0.99	0.48

Fund Strategy / Portfolio

- Fund invested in both operating and development infrastructure projects and related investments across Asia. Six remaining investments all located in India include toll roads, hospitals, wind power, and thermal energy.
- JPMorgan was the original fund sponsor but facilitated a GP transfer to The Rohatyn Group (TRG) in May 2018.
- Portfolio companies are highly leveraged. TRG successfully secured critical refinancing on several project during a very difficult 2019. Projects will benefit from a COVID related debt service moratorium through August 2020.

Strategic Plan / Timeline

- Most of the assets face regulatory or financial hurdles to monetization. Exits through normal sales processes are estimated to take two to three years. Some sale discussions have stalled due to disruption caused by COVID.
- Current India GDP estimates and continued uncertainty from COVID indicate further downside risk to valuations. While certain scenarios could lead to meaningful upside, staff expectations lean negative.

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TRG Asian Infrastructure II (AIRRO II)

THE ROHATYN GROUP

Asset Class:	Infrastructure	Vintage Year:	2008
Investment Period / Fund Term End Dates:	May 2017 / Jan 2025	Total Fund Size:	$468.8
Management Fee:	0% - waived for life of fund	DPFP Commitment:	$10m, reduced from original $40m upon investment period termination
Performance Fee/Carry:	80/20 split with 8% pref	DPFP % of Fund:	7.89%

Investment Performance (In Millions)

* - As of 12/31/19

Paid In Capital	Unfunded Commitment	DPFP Distributions	NAV	Inception IRR*	TVPI*	DPI*
$7.1	$2.4	$0.06	**$3.8**	-9.93%	0.54	0.01

Fund Strategy / Portfolio

- Fund was formed to invest in infrastructure and infrastructure-related assets across Asia.
- The Fund investment period was terminated early in May 2017 due to market conditions and a determination that there was a lack of acceptable investment opportunities. The fund holds only one company, a power company with an operating asset and a development asset, that is co-owned with the AIRRO fund.
- JPMorgan was the original fund sponsor but facilitated a GP transfer to The Rohatyn Group (TRG) in May 2018.

Strategic Plan / Timeline

- The Fund reduced investors' commitments by 75% upon termination of the investment period in mid-2017. Capital is only expected to be called to pay fund expenses.
- The power company produced at reduced capacity and significantly lower margins during the COVID lockdown. Recent increases in power demand and improved margins have spurred restarted operations in recent months.
- The development asset has been on hold due to market conditions, has recently refinanced debt, and is seeking a strategic partner. Future performance is dependent on revival of the long-term power purchase contracts market.

DISCUSSION SHEET

ITEM #C9

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

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

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

DALLAS POLICE & FIRE PENSION SYSTEM

Quarterly Private Asset Cash Flow Projection Update

July 9, 2020

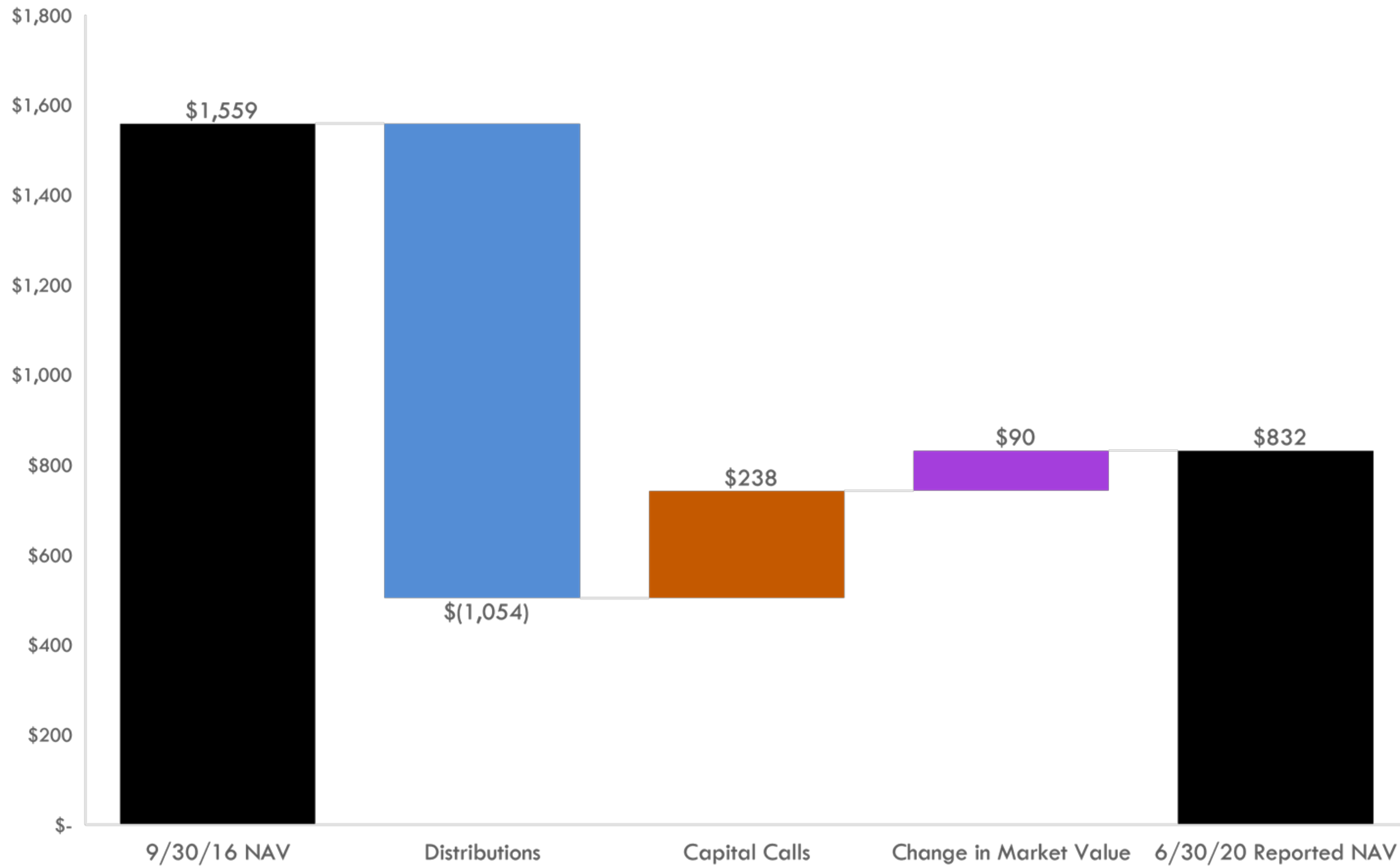
Private Asset Cash Flow Projections

Methodology Review

- Staff estimates capital calls and cash distributions from the Private Asset portfolio, built up by individual asset.
- DPFP has more control over direct investments in Real Estate and Natural Resources, therefore should have more accuracy in forecasting cash flows based on planned sales. Private Equity fund investments are controlled by GP's, therefore DPFP has little or no control over outcome – Staff incorporates GP insights but often uses an even distribution schedule over 2-4 years with these investments.
- **Cash flow estimates are inherently imprecise as they are often subject to events & forces outside of the manager's control. There is even less certainty now in the projections given the current market downturn.** Many in-process sales have been put on hold.

Private Asset Bridge Chart – Since 9/30/16

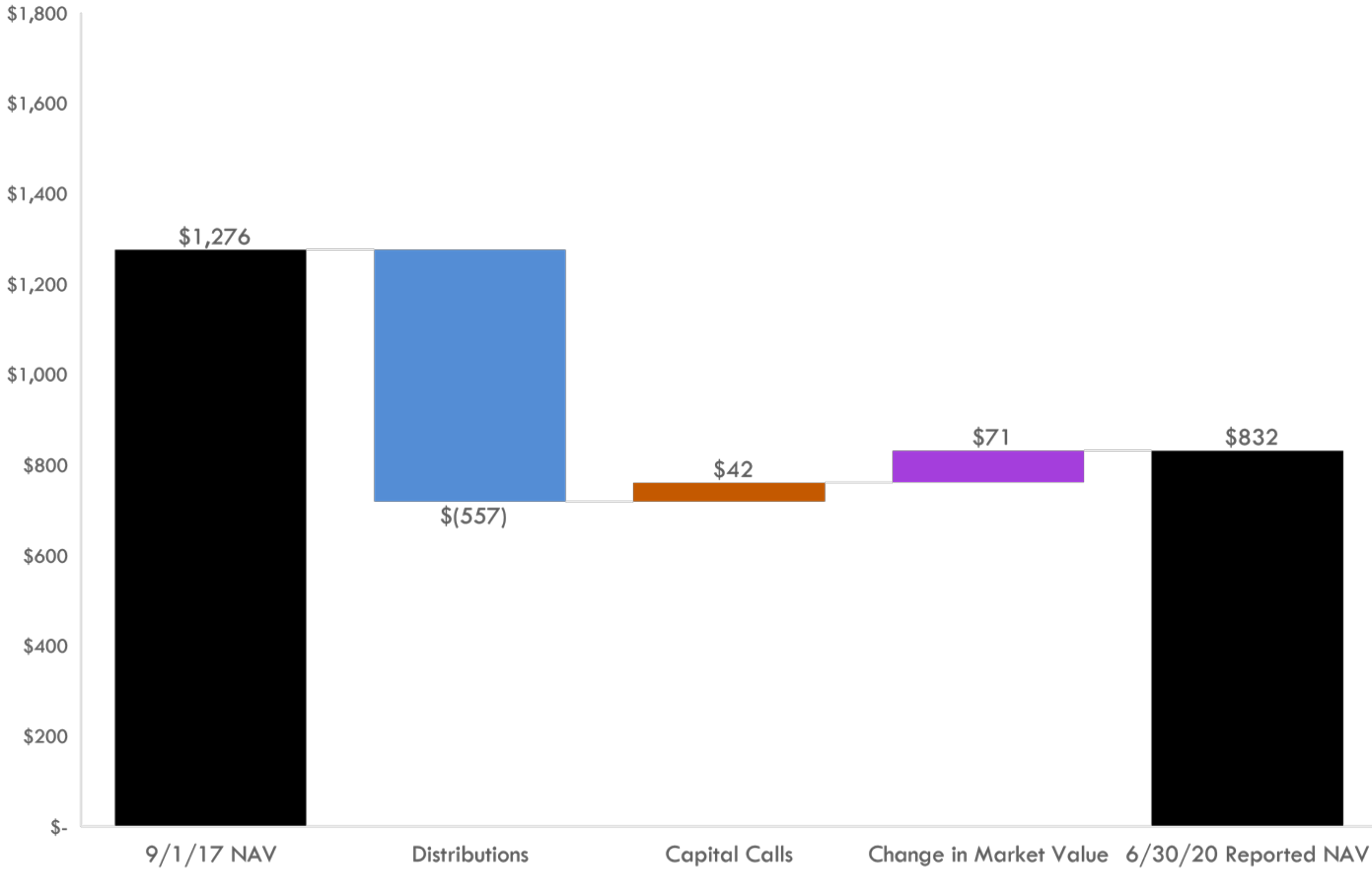
In Millions



Numbers may not foot due to rounding.

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

In Millions



Numbers may not foot due to rounding.

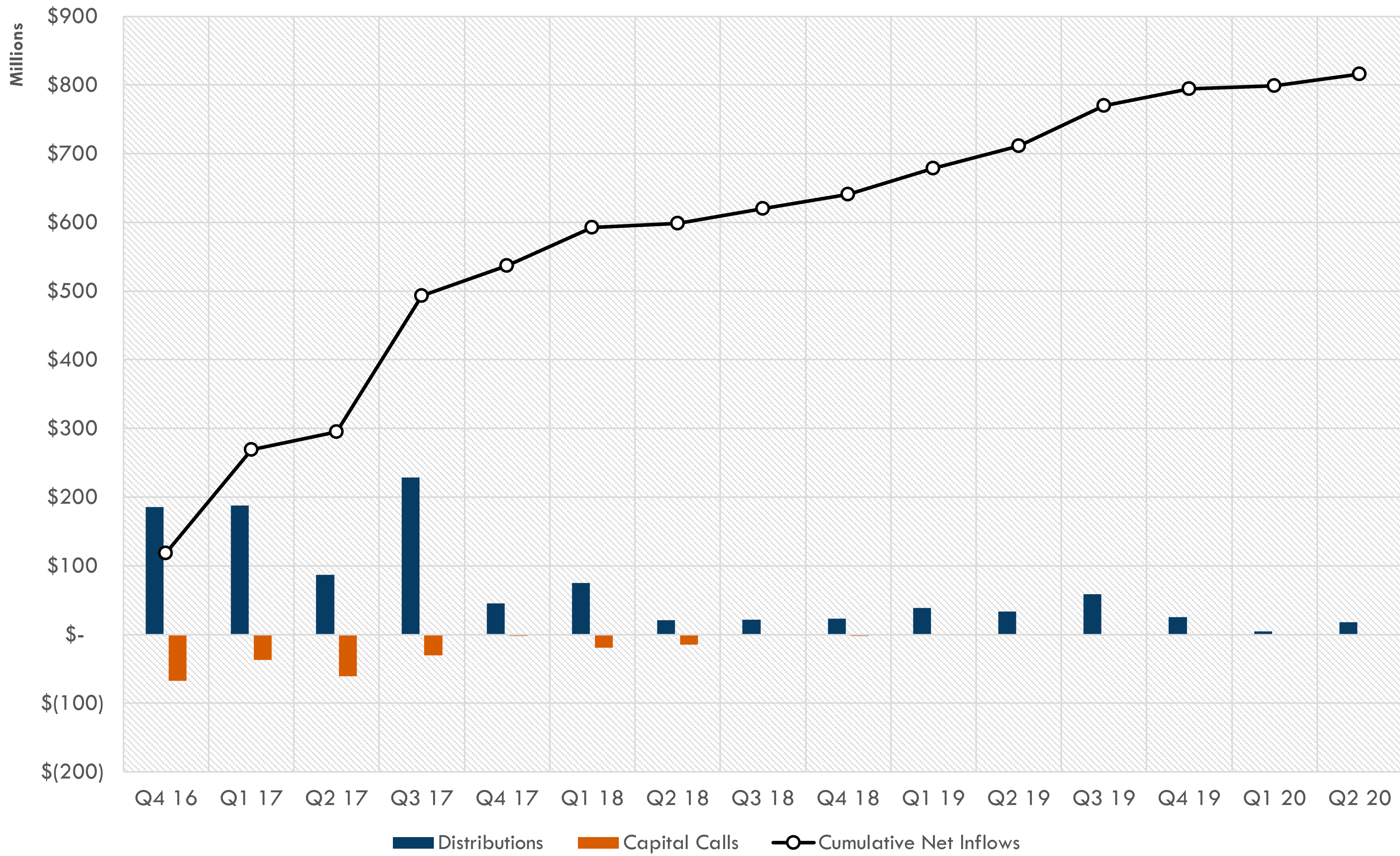
Private Asset Quarterly Cash Flows – Q2 2020

TOTAL CAPITAL CALLS & CONTRIBUTIONS		**$160,000**
Industry Ventures IV	Capital Call	$160,000

TOTAL DISTRIBUTIONS		**$17,595,860**
AEW	RCH DPF Loan Distribution	$10,000,000
Museum Tower	Sales Proceeds	$4,800,000
Huff Alternative	Hispanic Food seller note	$1,185,144
Hancock	Agriculture Income	$750,000
BentallGreenOak	Vista Income	$525,000
Riverstone	Fund Distributions	$333,170

Numbers may not foot due to rounding.

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

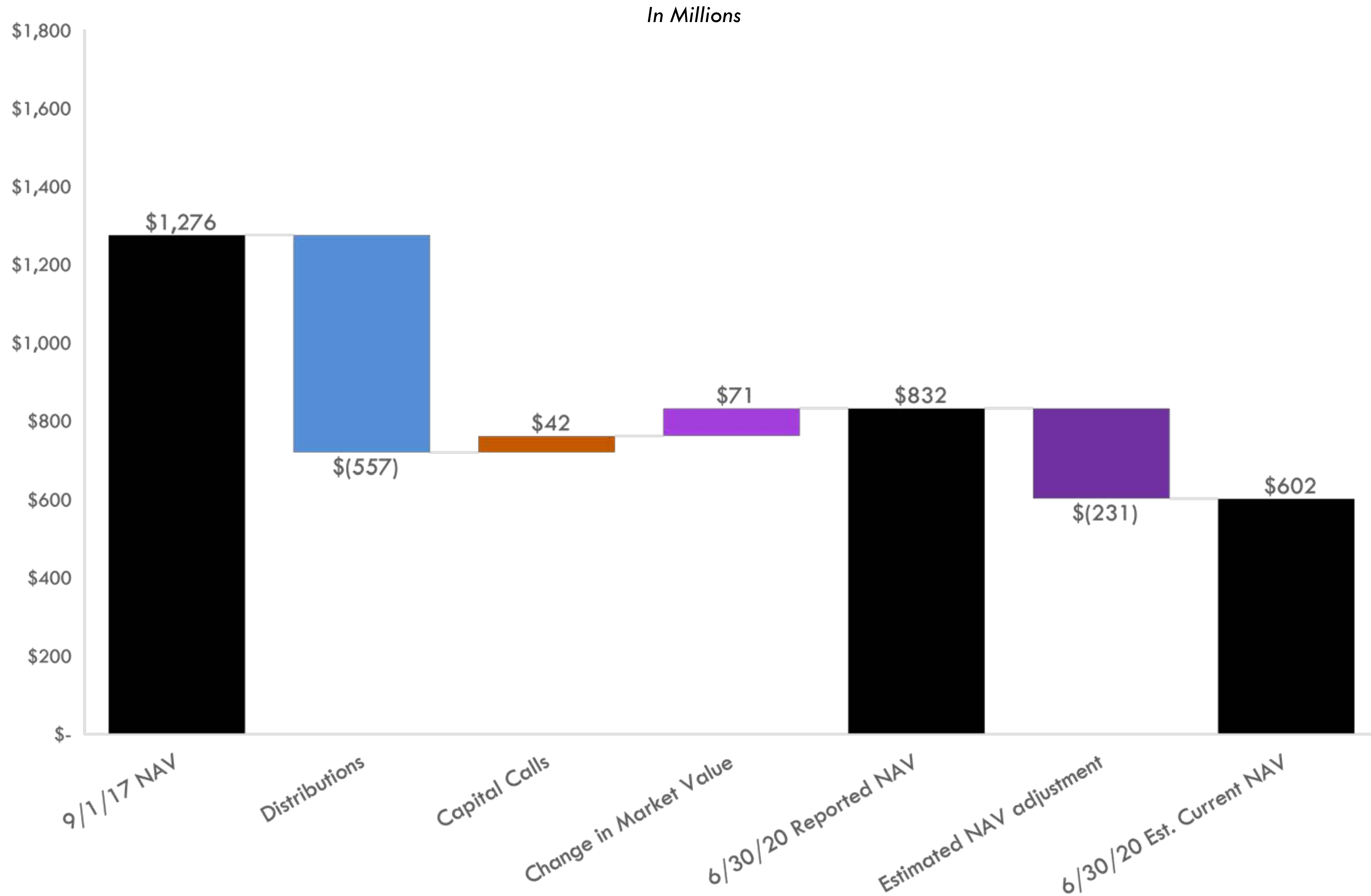


Private Asset Lagged NAV Adjustment

- Due to a lag in the reporting of private market valuations, the **"Reported NAV"** on many Private Markets is stale and still based on either 9/30/19 or 12/31/19 statements. Due to the severity of current market decline, these reported NAVs are no longer a realistic picture of current market values.
- In order to get a more accurate and real-time picture of asset allocation and future distribution activity, Staff estimated Private Market values by discounting the reported NAVs on asset-by-asset basis **("Estimated Current NAV").** Heavier discounts applied to Private Equity assets with energy and energy services exposure.
  - In cases where DPFP has received updated valuations in Q1 2020 that reflect the current market environment, we have removed any further market value adjustments.
  - The model assumes no investment growth from the Current NAV - staff is not making assumptions on timing of any possible NAV recovery or further losses.
  - The blended market value adjustment of 27.7% compares with an adjustment of 30.4% in April 2020.

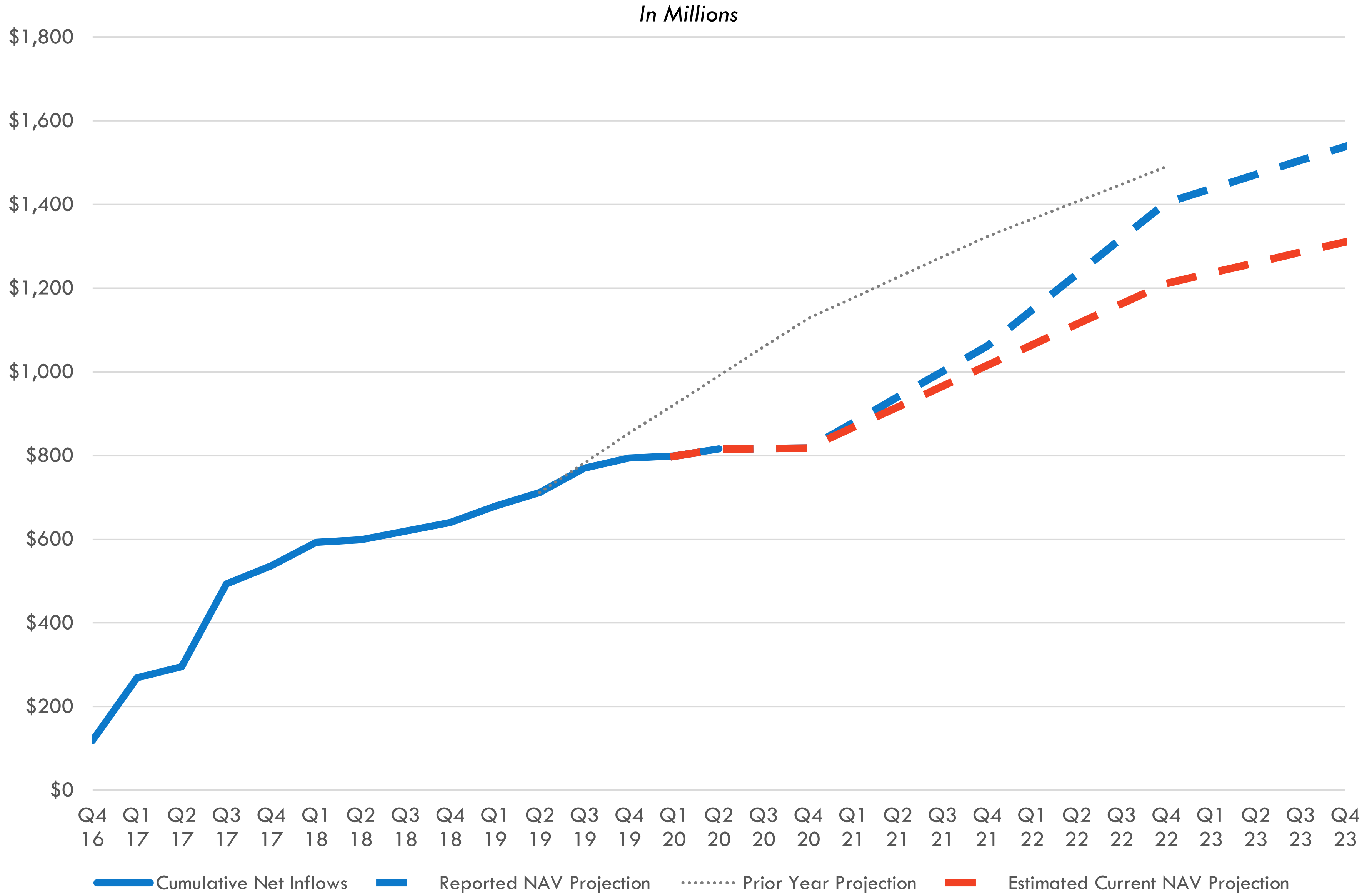
	Reported (Lagged) NAV	Market Value Adjustment	Estimated Current NAV
Private Equity	291,142,140	-51.6%	140,825,859
Private Debt	6,061,271	0.0%	6,061,271
Infrastructure	46,066,841	0.0%	46,066,841
Natural Resources	124,314,163	-4.4%	118,878,007
Real Estate	364,711,329	-20.5%	289,841,671
TOTAL PRIVATE ASSETS	**832,295,744**	**-27.7%**	**601,673,649**

Private Asset Lagged NAV Adjustment



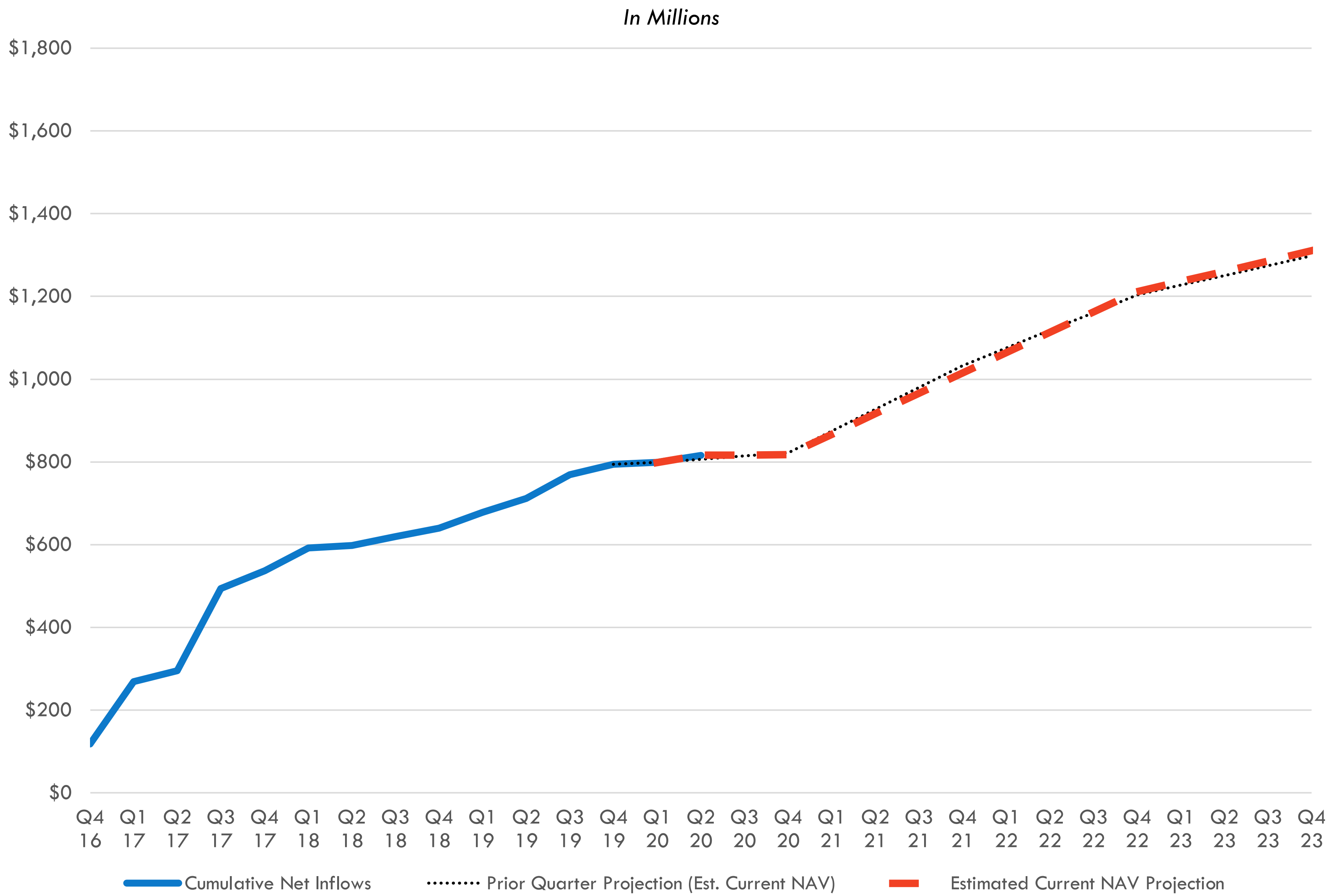
Updated PM NAV - Cumulative Actual and Projected Private Asset Net Inflows

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



Updated PM NAV – Quarterly Change

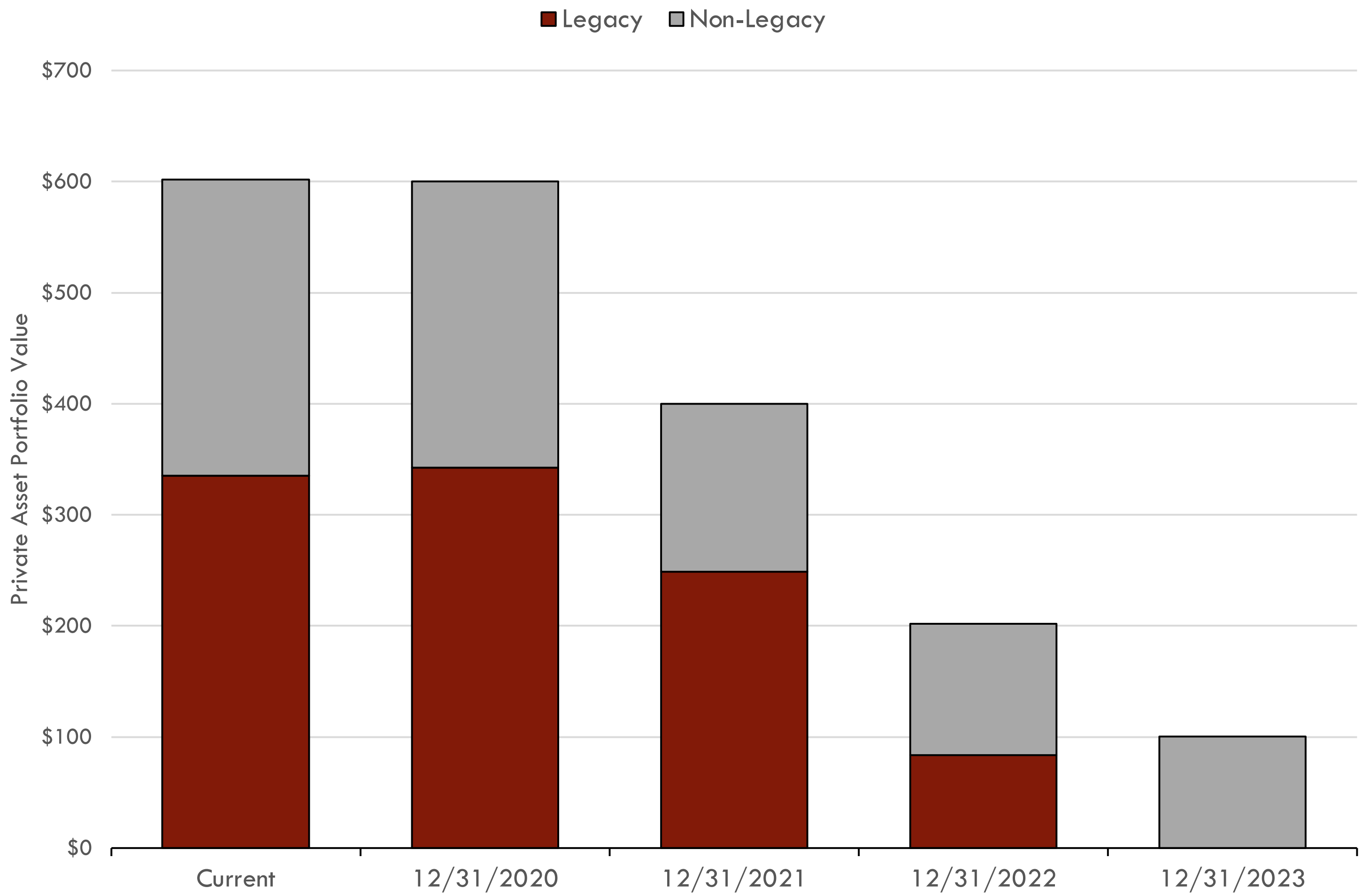
Private asset cash flow projections are based on either in-process/planned sales, if available, or a gradual disposition through 2023.



Est. Current NAV - Private Asset Disposition Timeline & Composition

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

In Millions

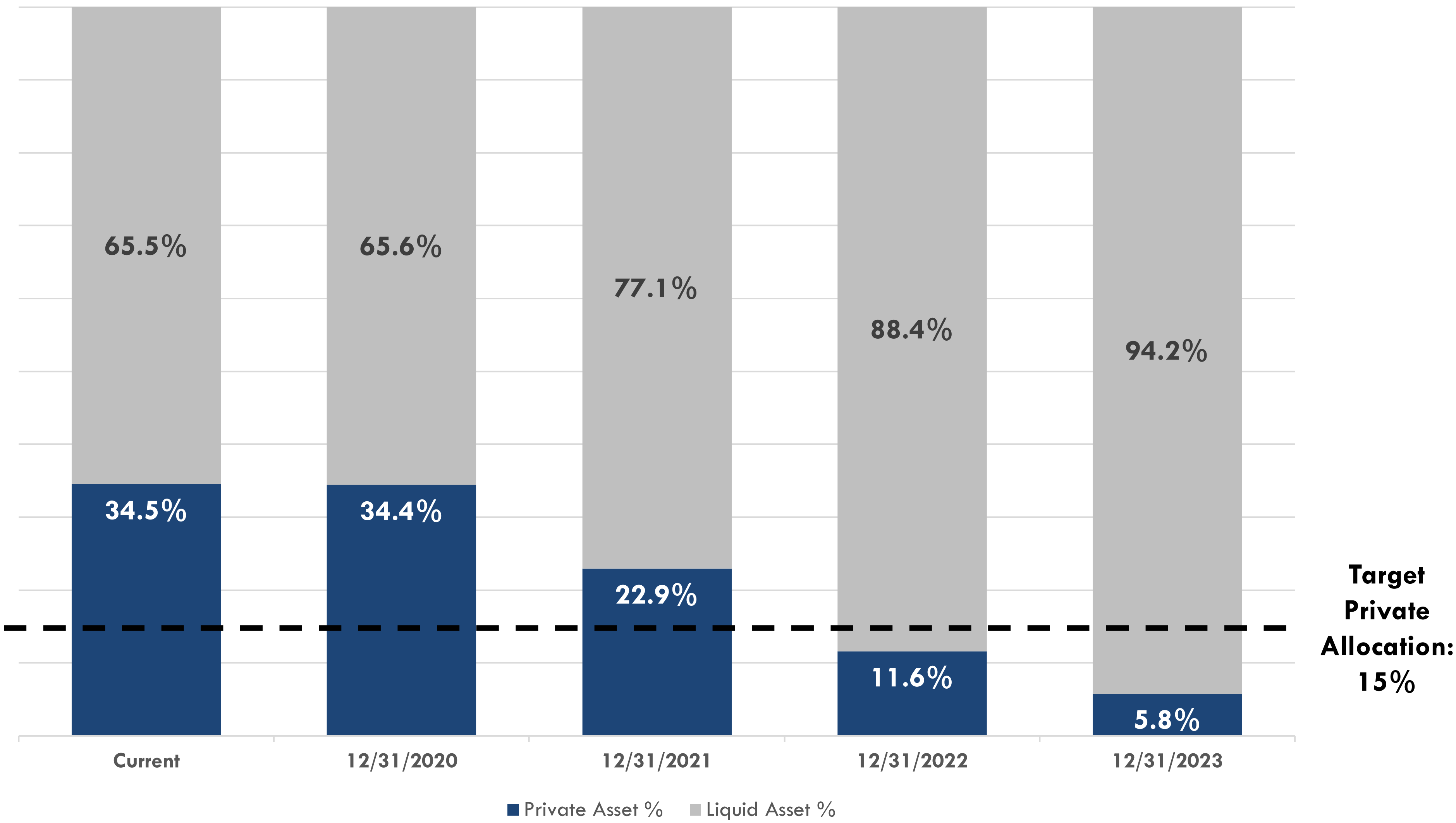


	Current	12/31/2020	12/31/2021	12/31/2022	12/31/2023
Legacy NAV (M)	$335	$342	$249	$84	$0
% of Private Portfolio	56%	57%	62%	41%	0%
% of DPFP Portfolio	19%	20%	14%	5%	0%

Est. Current NAV - Private Asset Allocation

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

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



DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C10

Topic: **BentallGreenOak: Vista Ridge 7**

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

Attendees: Paul Boneham – Managing Director, Co-Head Asset Management
Joe Shea – Principal, Asset Management

Discussion: Since 2004, BentallGreenOak (BGO) has managed Vista Ridge 7, a two story, 240,000 square foot, Class-A office building in the Vista 121 Business Park in Lewisville, Texas. BGO will discuss various options with respect to the asset.

Staff Recommendation: **Available** at meeting.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C11

Topic: **Lone Star Investment Advisors Update**

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

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

Regular Board Meeting – Thursday, July 9, 2020

DISCUSSION SHEET

ITEM #C12

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

Discussion: Counsel will brief the Board on these issues.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C13

Topic: **Closed Session - Board serving as Medical Committee**

Discussion of the following will be closed to the public under the terms of Section 551.078 of the Texas Government Code:

Application for death benefits for disabled child

Discussion: Staff will present an application for consideration by the Board of a survivor benefits for a disabled child in accordance with Section 6.06(n) of Article 6243a-1.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #D1

Topic: **Public Comment**

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

Regular Board Meeting – Thursday, July 9, 2020

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #D2

Topic: **Executive Director's report**

a. Associations' newsletters
- NCPERS Monitor (July 2020)

b. Open Records

c. Operational Response to COVID-19

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

Regular Board Meeting – Thursday, July 9, 2020

THE NCPERS

MONITOR

The Latest in Legislative News

July 2020

In This Issue

'What, Me Worry?' Pushing Back at the Retirement Savings Crisis Deniers

Photo Illustration © 2020, shutterstock.com

"What, Me Worry?' Pushing Back at the Retirement Savings Crisis Deniers Setbacks in the financial market have triggered a new round of public policy scapegoating—and pension systems have unfortunately tended to be popular targets in the blame game. One of our jobs at NCPERS is to stand up again misconceptions and bad analysis of how public pensions operate.

Consider the recent column in Forbes by Andrew Biggs, a resident scholar at the American Enterprise Institute. On May 31, he delivered his latest screed against the overwhelming evidence that there is a retirement crisis brewing in America. Like other conservatives, he dismisses calls to pay attention to this problem as scare tactics, arguing that reports of Americans being under-prepared are greatly exaggerated. After all, if we could just make the problem magically disappear, we won't have to make hard choices about things like strengthening social security and promoting workplace savings initiatives, right?

The problem is that his column—titled "Two Decades Ago, Progressives Warned of a Retirement Crisis. It Didn't Happen," and published May 29, 2020—is a study in cognitive bias. When confronted with mounting evidence that Americans are woefully unprepared for retirement, his response can be boiled down to the ostrich effect—"Nothing bad has happed,

CONTINUED ON PAGE 5

Pension Plan Reserve Funds

By Tony Roda

Photo illustration © 2020, shutterstock.com

The U.S. Office of Management and Budget (OMB) is involved in an ongoing project to clarify the cost principles and rules for states with regard to federal grants and agreements, including employee benefit costs. These costs would include contributions to public pension plans for federally funded employees working for state or local governments. The project reached a milestone in January 2020 with the issuance by OMB of new proposed regulations.

Since the Great Recession, every state and many of their political subdivisions have made changes to pension benefit levels, the financing of pension funds, or both. The changes include increasing contribution rates for employees and employers, lowering assumed rates of return on investments (discount rates), freezing or repealing COLAs, and raising retirement ages and length of service requirements. The Covid-19 pandemic may usher in a new round of these types of changes due to the strain state and local government finances.

Given the considerable financial pressure on state, county, and municipal governments to fund pension plans for their employees in a sustainable manner, innovative cost-containment strategies are being considered. One such strategy is the creation of pension reserve funds.

Within the past few years, Tennessee, Louisiana, and Oklahoma have enacted pension reserve funds. While the details of each reserve fund differ and are based on unique state and local circumstances, there is one significant way in which the federal government could assist the effort, namely providing states and localities with regulatory guidance on the cost expense treatment of these reserve funds.

There was some hope that this would be addressed in the recently proposed OMB rules, but they were not. In fact, the State of Tennessee wrote to OMB prior to the issuance of the proposed regulations and again as a comment letter to OMB's proposed rules raising issues specific to their stabilization reserve trust fund. Both of these documents are available online at the Federal Register site.

While, again, there is some hope that these specific questions will be addressed by OMB in its final set of rules, indications are instead that OMB will stick to the four corners of the proposed regulations when they draft the final regulations and will not introduce new issues or topics. Anticipating this response, Tennessee also suggested in its comment letter that guidance on reserve funds could be provided in a Question-and-Answer format, thereby removing the need to rewrite the proposed regulation.

The issuance of clear guidance on costs associated with pension reserve funds would provide federal, state and local governments with certainty on cost allocation issues and provide states and localities the confidence to employ this innovative means to ensuring pension sustainability.

It is in the best interests of taxpayers and the federal government to provide the tools to states and localities to enable them to make the necessary changes to their pension plans to ensure long-term sustainability. Transparent guidance on the cost allocation treatment of pension reserve funds would facilitate one such important tool. ◆

Tony Roda is a partner at the Washington, D.C. law and lobbying firm Williams & Jensen, where he specializes in federal legislative and regulatory issues affecting state and local governmental pension plans. He represents NCPERS and statewide, county, and municipal pension plans in California, Colorado, Georgia, Kentucky, Ohio, Tennessee, and Texas. He has an undergraduate degree in government and politics from the University of Maryland, J.D. from Catholic University of America, and LL.M (tax law) from Georgetown University.

NCPERS **Executive Directors Corner**

Study: 60% of Public School Workers Would Consider Quitting if Pensions Were Slashed

Photo illustration © 2020, shutterstock.com

Public school employees are passionate about their profession, but most say they would leave their jobs if pension benefits, salary or health coverage were cut, according to new research from the Center for State and Local Government Excellence.

Sixty percent of respondents said significant cuts in their defined benefit plans would prompt them to seriously rethink their jobs. This result was second only to the 75 percent who would think about quitting if salary were cut. A further 58 percent said reductions in health care benefits would make them consider finding new work.

The study also found that 70 percent of K-12 public school employees are either somewhat or not very confident about making retirement plan decisions on their own, underscoring the importance of education and advice in helping them save for their future.

Sixty percent of respondents said significant cuts in their defined benefit plans would prompt them to seriously rethink their jobs.

In all, 62 percent of respondents were extremely satisfied (24 percent) or very satisfied (38 percent with their retirement benefits. A further 29 percent were somewhat satisfied. Only 7 percent were not very satisfied and the remaining 2 percent described themselves as not satisfied at all.

The majority of the employees surveyed (70 percent) said they were offered a defined benefit pension plan, and the vast majority (87 percent) participated. (Seven percent said they did not participate, and seven percent did not know.)

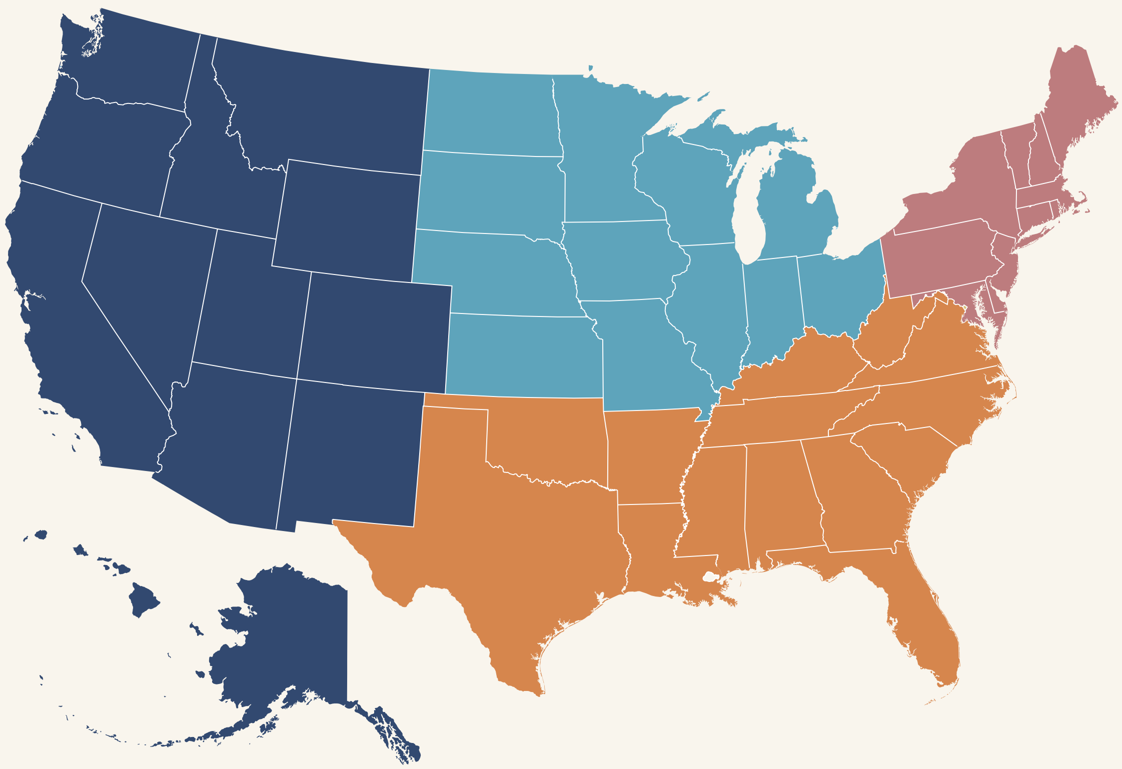
By contract, fewer employees (55 percent) were offered defined contribution plans, and they were less likely (76 percent) to participate. Sixteen percent said they did not participate, and 7 percent did not know.

Surprisingly, one in five employees didn't know whether their employer offered a defined benefit or a defined contribution plan, underscoring the need to make sure this critical benefit is explained.

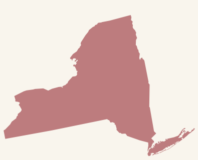
CONTINUED ON PAGE 6

NCPERS Around the Regions

This month, we will highlight New York, Minnesota, Texas and Colorado.



NORTHEAST: New York



The New York State and Local Retirement System (NYSLRS) has enhanced death benefits for survivors of Covid-19. Retirement system members who carried out essential duties have been among the tens of thousands to die in the state of New York from the pandemic.

Recently enacted legislation provides accidental death coverage to certain beneficiaries of public employees who contracted Covid-19 on the job and died of the disease.

The ordinary death benefit available to NYSLRS members is a single lump sum payment worth up to three years' salary. The accidental death benefit supplements the ordinary benefit when a death is related to an on-the-job accident. This benefit generally equals 50 percent of the member's final average salary or last year's salary, depending on the plan in which the member is enrolled.

"This new law is an important step toward protecting public workers who are on the front lines fighting the coronavirus and helping their communities," said New York State Comptroller Thomas P. DiNapoli. "If something happens to them, they deserve their retirement benefits and the peace of mind that their families are provided for."

The accidental death benefit is available to NYSLRS member who worked at either their normal workplace or another assigned workplace, not their residence, on or after March 1, 2020, and contracted Covid-19 within 45 days of their last workday. The benefit covers deaths that occurred through December 31, 2020, and in which Covid-19 was either a cause or a contributing factor. Members who were working as of March 1 but retired prior to July 1, 2020, and subsequently die of Covid-19, would also be covered.

CONTINUED ON PAGE 8

'WHAT, ME WORRY?' CONTINUED FROM PAGE 1

so nothing bad WILL happen." Disbelieving and minimizing threats, as he does, is just as bad as defaulting to a worst-case scenario, as he often does with public pensions. His analysis also ignores the corrosive effects of income inequality. Evidence from the Economic Policy Institute's analysis shows that the rich consistently capture more than their share of retirement savings.

To say there is no retirement savings crisis is a remarkably cavalier attitude in the face of powerful evidence to the contrary. Some 32 million Americans have no retirement savings, and 55 million work for an employer that offers no retirement savings or pension whatsoever. It doesn't take a quant or a rocket scientist to realize that this is a recipe for disaster. But it takes a real Alfred E. Neuman, ripped from the pages of Mad magazine, to boil the response down to what Biggs comes up with, which is basically "What, me worry?"

The truth is that many Americans ARE underprepared to sustain their standard of living, or anything close to it, in retirement and they are deeply concerned. In the face of recent stock market shocks, of course it is prudent for workers to concern themselves with this. Dismissing the concerns is cynical and unproductive.

Fortunately, the problem isn't universal. In the U.S., millions of public sector workers are covered by defined benefit pension plans, which provide a modest but reliable source of income during retirement. When supplemented by private savings and, where available, Social Security, a pension offers a firm underpinning for financial security in what should be workers' golden years.

And there is the Secure Choice model, which—since its inception in 2011--has become the linchpin in efforts by state and local governments to help private-sector workers save for retirement. SecureChoice harnesses the investment expertise that already exists in public pension systems to help workers save where savings is often the most successful: In the workplace, through payroll deduction.

There's nothing wrong with healthy skepticism, and we shouldn't make a bogeyman of things we cannot see. But we can see a retirement crisis coming, and it is very real. Ignoring it is profoundly short-sighted.

We've also seen a recent uptick in articles asserting that state fiscal problems are about to get much worse, and laying the blame on pension systems. We recently came across a starting article of this ilk by an author who really should know better. When Professor Raymond Scheppach of the University of Virginia, delivered a broadside against public pensions that completely ignores how politicians fund pet projects while skipping pension contributions, we called him on it. Like many critics, he conveniently ignores that fact that when pension funds flow into communities, they have a positive effect and act as an economic stabilizer during bad economic times, like the times we are currently in. Our analysis shows that public pensions are net revenue positive for state and local governments. Without the impact of public pensions, taxpayers would have to pay more to receive the same level of services.

The real problem, which Professor Scheppach sidesteps, is the mismatch between the state and local revenue structures and economic growth. That's what needs to be fixed. Public pensions have been around for decades and have navigated economic ups and downs by adjusting their portfolios and managing risk. That's a story we have to keep telling. ◆

EXECUTIVE DIRECTOR'S CORNER CONTINUED FROM PAGE 3

The survey asked what educational topics workers wanted to receive from employers to help with their retirement planning. Among other responses, 42 percent wanted information on how much income they could expect from a defined benefit plan when they retire; 41 percent wanted to know more about how defined benefit plans work; 37 percent wanted explanations of how defined benefit and defined contribution plans differ. The top answer (58 percent) was understanding the tax rules governing retirement benefits.

The research, Survey Findings: K-12 Public School Employee Views on Job and Benefits, is based on the results of a national online survey of 400 state and local government K-12 public school employees. It was conducted in March 2020 by the Center for State and Local Government Excellence (SLGE) and Greenwald & Associates, with support from ICMA-RC.

In other key report findings:

- The employees cited the ability to serve their community (83 percent), their job security (77 percent), and the personal satisfaction they receive from their job (75 percent) as the job elements that attracted them to their work.

- Twenty-one percent of respondents said were very comfortable investing and managing defined contribution accounts, and 51 percent were somewhat comfortable doing so.

- To make retirement decision, K-12 public school employees turned most often turn to a friend or family member who isn't a financial professional (40 percent) or to a financial professional associated with their employer (34 percent).

NCPERS Center for Online Learning

July 7, 2020:

Determining the Necessary Short-Term Changes and Best Long-Term Tactics to Deal with the COVID-19 Fall Out,

sponsored by Segal Co.

July 9, 2020:

Sustainability and Affordability of Public Pensions Despite Covid-19 Shock,

with NCPERS

July 14, 2020:

NCPERS Semi- Annual State & Federal Legislation Webcast

with NPPC & Williams & Jensen

July 16. 2020:

Navigating the Waters of a Work-Out World: Preparing for Private Investments that Turn Choppy & What Fiduciaries Need to Know

July 23, 2020:

U.S. Listed Companies from China,

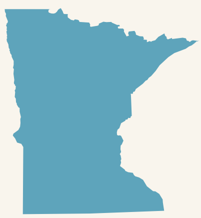
sponsored by Rosen Law Firm

2020 Webinar Series

NCPERS Around the Regions

AROUND THE REGIONS CONTINUED FROM PAGE 4

MIDWEST: Minnesota



The Minnesota State Board of Investments is saying no to companies that make more than 25 percent of their revenue from thermal coal mining.

Stocks that fit the criteria will have to be sold off "in a prudent and expeditious manner, but no later than December 31, 2020," according to a board resolution. About $4 billion of holdings would be affected.

Social, political and economic pressure to improve climate change has led to a global push to divest fossil fuels. As of late June, more than 1,200 institutions worldwide had begun or committed to divest $14 trillion in investments, according to the organization Fossil Free. Minnesota joins public retirement systems in California, New York City, and the District of Columbia in pursuing a divestment strategy.

The State Board of Investments said coal companies face "material declining market values and risks of stranded assets due to demand for more cost effective and efficient forms of energy production."

Members of the board are Governor Tim Walz, Attorney General Keith Ellison, Secretary of State Steve Simon, and State Auditor Julie Blaha.

SOUTH: Texas

The City of Austin Employees' Retirement System (COAERS) shot back forcefully at an article in Chief Investment Officer that misrepresented recent actions taken by the city's audit and finance committee.

The article bore an inflammatory headline asserting that Austin was taking emergency control of pensions and suggested the city had granted itself "extended legislative authority over the retirement system." In response to demands COAERS outlined in a letter, the article was corrected.

"The Committee did not take control of the retirement systems nor could it under current Texas State law," said the letter, which was signed by Christopher Hanson, executive director of COAERS. On June 3, Austin's audit and finance committee voted to designate itself as the legislative working group for the City of Austin's ongoing pension analysis, Hanson noted, characterizing this as "a procedural action."

The Committee's action is a step toward enacting a more flexible contribution policy to manage the System's risks and fund the unfunded liability, amend benefit policies to ensure that the System's obligations are met, and utilize appropriate risk-sharing measures, Hanson said.

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WEST: Colorado

TLegislation to create the Colorado Secure Savings Program for private sector workers was awaiting signature of Democratic Governor Jared Polis at press time. The bill, SB20-200, was sent to the governor on June 22.

It would make Colorado the latest state to embrace the Secure Choice model for providing retirement savings options to employees who lack access to a retirement plan at work. Eight other states have established programs that foster retirement savings by requiring businesses to aut0-enroll workers in payroll deduction plans. Workers have the choice to opt out.

The text of the bill notes that more than 900,000 working Coloradans, or about 40 percent of the workforce, work for an employer than doesn't offer a retirement savings account or program. Younger workers are disproportionately affected, with 48 percent of those between 25 and 29 having no access to a plan; the figures fall only slightly, to 46 percent for those between 30 and 34, and 41 percent for those between 35 and 39. Minority workers in Colorado are also disproportionately affected, with 46 percent African-American workers and 59 percent of Latinx workers lacking access to a retirement program at work. And 69 of Colorado's workers in the lowest 20 percent of income don't have workplace retirement options.

The program is expected to be cost-neutral within five years, and eventually businesses with as few as five employers will be mandated to participate. ◆

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2020 Public Pension Funding Forum
August 24 - 25, 2020
A Virtual Event

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NCPERS F.A.L.L. Conference
September 29-30, 2020
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The Voice for Public Pensions

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