AGENDA

DALLAS POLICE & FIRE PENSION SYSTEM

Date: April 5, 2024

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, April 11, 2024, in the Second Floor Board Room at 4100 Harry Hines Boulevard, Dallas, Texas and 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/83364156526?pwd=OG5CbEFhajN5V0hWaUFJMlhYcHQ2Zz09 Passcode: 923237.** Items of the following agenda will be presented to the Board:

A. MOMENT OF SILENCE

B. APPROVAL OF MINUTES

Regular meeting of March 14, 2024

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. **Independent Actuarial Analysis and Recommendations and Section 2.025 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.

2. **Executive Director Approved Pension Ministerial Actions**

3. **Monthly Contribution Report**

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

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

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

6. **Portfolio Update**

7. **Report on Investment Advisory Committee Meeting**

8. **Real Estate: AEW Presentation**

   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.

9. **Lone Star Investment Advisors**

   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.

10. **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.**

D. BRIEFING ITEMS

1. Public Comment

2. Executive Director's Report

a. Associations' newsletters
- NCPERS Monitor (April 2024)

b. Open Records

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

At any point during the consideration of the above items, the Board may go into Closed Executive Session as per Texas Government Code, Section 551.071 for consultation with attorneys, Section 551.072 for real estate matters, Section 551.074 for personnel matters, Section 551.076 for deliberation regarding security devices or security audits, and Section 551.078 for review of medical records.

DALLAS POLICE & FIRE PENSION SYSTEM

MOMENT OF SILENCE

In memory of our Members and Pensioners who recently passed away

NAME	ACTIVE/ RETIRED	DEPARTMENT	DATE OF DEATH
Frank H. Varner	Retired	Fire	03/03/2024
Nancy R. Cawthon	Retired	Police	03/03/2024
Larry D. Patrick	Retired	Fire	03/05/2024
Kenneth R. Modglin	Retired	Police	03/06/2024
Ira D. Scott	Retired	Police	03/06/2024
Lewis D. Morris	Retired	Fire	03/07/2024
Anthony C. Allen	Active	Police	03/09/2024
Johnny M. Rushing	Retired	Fire	03/10/2024
Paul D. Lynn	Retired	Fire	03/11/2024
David Gill	Retired	Fire	03/14/2024
Garth L. Campbell	Retired	Fire	03/15/2024
Earnest P. Copeland	Retired	Fire	03/26/2024
H.R. Ferguson	Retired	Fire	03/27/2024

Regular Board Meeting –Thursday, April 11, 2024

Dallas Police and Fire Pension System
Thursday, March 14, 2024
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

Regular meeting, Nicholas A. Merrick, Chairman, presiding:

ROLL CALL

Board Members

Present at 8:37 a.m.	Nicholas Merrick, Michael Brown, Mark Malveaux, Marcus Smith, Tom Tull, Tina Hernandez Patterson (by telephone), Michael Taglienti (by telephone)
Present at 9:30 a.m.	Nancy Rocha (by telephone)
Absent	Steve Idoux, Matthew Shomer, Anthony Scavuzzo
Staff	Kelly Gottschalk, Josh Mond, Brenda Barnes, Ryan Wagner, Christina Wu, Akshay Patel, John Holt, Nien Nguyen, Milissa Romero, Cynthia J. Thomas
Others	Aaron Lally, Colin Kowalski, Major T. Berry, Maddy Madrazo, Gay Donnell Willis, Ken Haben (by telephone)

* * * * * * * *

The meeting was called to order at 8:37 a.m.

* * * * * * * *

A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officers Tommie R. Sneed, Robert D. Wilson, Donald W. Goin, Ronnie R. Brown, James H. Browder, Reginald W. Pegram, Jack A. Lilley, Jr., active firefighter Quinton M. White and retired firefighters Calvin E. Morris, Sinclair F. Mann, Leonard L. Taylor, David A. Norberg, Charles E. Tipton, Kenneth W. Taylor.

No motion was made.

* * * * * * * *

Regular Board Meeting
Thursday, March 14, 2024

B. APPROVAL OF MINUTES

Regular meeting of February 8, 2024

After discussion, Mr. Tull made a motion to approve the Regular minutes of the meeting of February 8, 2024. Mr. Smith seconded the motion, which was unanimously approved by the Board.

* * * * * * * *

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Independent Actuarial Analysis and Recommendations and Section 2.025 Update

The Executive Director provided an update on the process involving Section 2.025 of Article 6243a-1 since the February Board meeting and the Board provided feedback on the Cheiron recommendations.

No motion was made.

* * * * * * * *

2. Executive Director Approved Pension Ministerial Actions

The Executive Director reported on the February pension ministerial actions.

No motion was made.

* * * * * * * *

3. Monthly Contribution Report

The Executive Director reviewed the Monthly Contribution Report.

No motion was made.

* * * * * * * *

Regular Board Meeting
Thursday, March 14, 2024

4. Board approval of Trustee education and travel

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

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

After discussion, Mr. Malveaux made a motion to approve Mr. Tull and Mr. Smith's request to attend the TEXPERS Trustee Training and Annual Conference. Mr. Brown seconded the motion, which was unanimously approved by the Board.

* * * * * * * *

5. Deferred Retirement Option Plan (DROP) Policy

a. Approval of a De Minimis Payment
b. Hardship Request
c. Revisions to DROP Policy

a. A member with a DROP annuity passed away and left a monthly DROP annuity payment of $5.40 to a beneficiary. The DROP annuity term ends in 2038. No other monthly pension benefit payments are due to the beneficiary. Staff believes it is more cost-effective to pay the annuity in full in a lump sum now rather than on a monthly basis over the next fourteen years. After discussion, Mr. Tull made a motion to approve the de minimis DROP payment. Mr. Brown seconded the motion, which was unanimously approved by the Board.

b. Staff reviewed a hardship request with the Board. After discussion, Mr. Malveaux made a motion to defer the hardship request until the final divorce decree of the requestor is received. Mr. Tull seconded the motion, which was unanimously approved by the Board.

c. The proposed revision to the DROP Policy allows DROP annuitants who are currently receiving their DROP annuity annually to elect to convert this to a monthly annuity. After discussion, Mr. Brown made a motion to approve the revisions to the DROP Policy. Mr. Smith seconded the motion, which was unanimously approved by the Board.

Mr. Malveaux was not present for the vote.

* * * * * * * *

Regular Board Meeting
Thursday, March 14, 2024

6. Portfolio Update

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

No motion was made.

* * * * * * * *

7. Fourth Quarter 2023 Investment Performance Analysis and Third Quarter 2023 Private Markets & Real Assets Review

Aaron Lally, Principal and Colin Kowalski, Investment Analyst with Meketa Investment Group and the Investment staff reviewed the investment performance.

No motion was made.

* * * * * * * *

8. Lone Star Investment Advisors

The Board went into closed executive session – Legal at 11:00 a.m.

The meeting reopened at 11:19 a.m.

Staff updated the Board on investments managed by Lone Star Investment Advisors.

No motion was made.

* * * * * * * *

9. 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 – Legal at 11:00 a.m.

The meeting reopened at 11:19 a.m.

The Board and staff discussed legal issues.

No motion was made.

* * * * * * * *

Regular Board Meeting
Thursday, March 14, 2024

D. BRIEFING ITEMS

1. Public Comments

Prior to commencing items for Board discussion and deliberation, the Board received public comments during the open forum.

* * * * * * * *

2. Executive Director's Report

a. Associations' newsletters
- NCPERS Monitor (March 2024)

b. Open Records

The Executive Director's report was presented.

* * * * * * * *

Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Malveaux and a second by Mr. Smith, the meeting was adjourned at 11:19 a.m.

____
Nicholas A. Merrick,
Chairman

ATTEST:

____
Kelly Gottschalk
Secretary

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C1

Topic: **Independent Actuarial Analysis and Recommendations and Section 2.025 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: Section 2.025 of Article 6243a-1 requires the Texas Pension Review Board to select, and DPFP to hire, an independent actuary to perform an actuarial analysis of DPFP's most recently completed actuarial valuation to (i) determine if DPFP meets Texas statutory funding requirements and (ii) recommend changes to benefits and contribution rates for employees and the City of Dallas. This analysis is due on or before October 1, 2024.

Cheiron, Inc., was hired as the independent actuary. In November 2023, Cheiron presented the preliminary report based on DPFP's January 1, 2022 actuarial valuation. In February 2024, Cheiron presented its official report under Section 2.025 based on DPFP's January 1, 2023 actuarial valuation.

Staff will provide an update on the process since the March meeting and recommendations.

Regular Board Meeting – Thursday, April 11, 2024

DALLAS POLICE & FIRE PENSION SYSTEM

Preliminary Staff Recommendation on 2.025 Funding Requirement Considering the Independent Actuarial Analysis

April 11, 2024
Board Meeting

Cheiron Recommendations

Cheiron was selected as the Independent Actuary as required by Section 2.025 to develop recommendations on amendments to the plan, and they made the following three recommendations:

1. City contributions paid based on the Actuarial Determined Contribution (ADC)
2. Reduce employee contributions as the funding level improves
3. Provide some Cost-of-Living Adjustment earlier (COLA)

Cheiron provided a series of options in the November and February presentations and based on requests from DPFP and the City since the February meeting. This presentation is intended to offer Staff recommendations and document some implementation/technical concepts.

Caveat Regarding Staff Recommendations

The staff recommendations contained in this presentation are not intended to be stand alone. Staff recognizes that any agreement with the City would likely be a compromise on the part of both groups and so each recommendation should not be viewed in a vacuum.

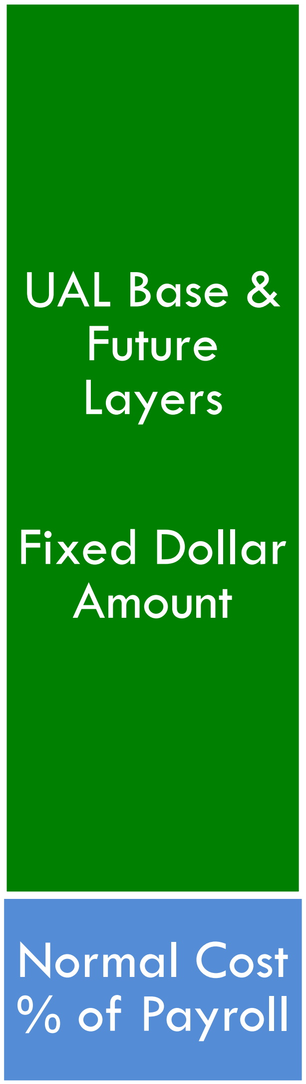
There are currently differences on a number of funding/actuarial issues as well as governance proposals that the City has raised.

As such, staff anticipates that these recommendations may well change as the City and DPFP move forward in an attempt to reach an agreement.

Actuarial Determined Contributions (ADC) - Amortization Options

- Cheiron modeled 5 acceptable amortization options and ranked them from Most Preferred to Least Preferred
    1. Traditional
    2. 3-Year Step Up/Down
    3. 5-Year Step Up/Down
    4. 3-Year Step Up
    5. 5-Year Step Up
- The minimum funded level is 34% under the Traditional scenario and 32% under each other option.
- The funding is projected to reach 70% in 2047 for options 1, 3, and 5 above (Traditional, 3-Year Step Up, and 5-Year Step Up) and one year sooner for the two options with the Step-Down features (2 & 3).
- The net cash flow improvement is significant under all options; delaying the contributions based on the full ADC delays the improvement.
- The City continues to prefer the 5-year Step Up option. The City states that this model best fits the budget increase the City has targeted from the beginning of this process.

Actuarially Determined Contribution



Structural issues – Payment Structure

- Implement Cheiron's Recommended UAL Payment Structure as described on page 49 of the February 8, 2024, presentation, adjusted as necessary for the adopted step up and step down periods, if any.
- The UAL payment will be a fixed dollar amount paid bi-weekly based on the amortization schedule independent of actual payroll.
- The City's share of the normal cost will be applied to actual payroll and paid bi-weekly in addition to the UAL.

Actuarially Determined Contribution

Structural issues – Payment Structure (continued)

- Guardrails/Caps are not necessary
  - Smoothing and the layered amortization of losses mitigate large swings.
  - Guardrails/Caps could interfere with the funding requirement.

- Important note: This structure will meet the funding and amortization guidelines of 30 years but does not guarantee that the plan will be 100% funded in 30 years. This is due to the layered amortization of losses from experience, assumption changes, and plan changes extending beyond 2055.

Staff Recommendation –Actuarially Determined Contribution

Structural issues – Amortization Options

- Staff Recommendation: either the Traditional or the 3-Year Step Up Option.
  - Traditional (Cheiron preferred option)
    - The best option for the fund is to begin receiving the full ADC in the first year.
    - The City has indicated that it has not planned for the change to the City contributions and this option would be the most difficult to manage from a budget perspective.
  - 3-Year Step Up (Cheiron 4th ranked option)
    - Reduce the percentage of the full ADC paid in 2025 (81%) and 2026 (92%).
    - Provides budget relief for the City.
    - The funded percentage could decline more than modeled if actual experience does not meet assumptions.
    - Contributions deferred in the Step Up period increase the annual contributions in the years after the Step Up period.

Staff Recommendation –Actuarially Determined Contribution

Structural issues – Amortization Options (continued)

- Staff does not recommend the following options:
  - 3-Yr Step Up/Down and the 5-yr Step Up/Down
    Although these options provide more money to the fund during the years between the step up/down periods, the City previously stated they didn't like the concept of stepping the contributions down during the last five years of the funding period. In addition, the step down options are not being recommended now in recognition of the City's budgeting issues.
  - 5-Yr Step Up
    The City's preferred option, 5-year Step Up, is not recommended due to the extended delay in making the full ADC contributions to the fund.

ADC dollars for the period 2025 – 2030 for selected options (millions)

ADC in millions

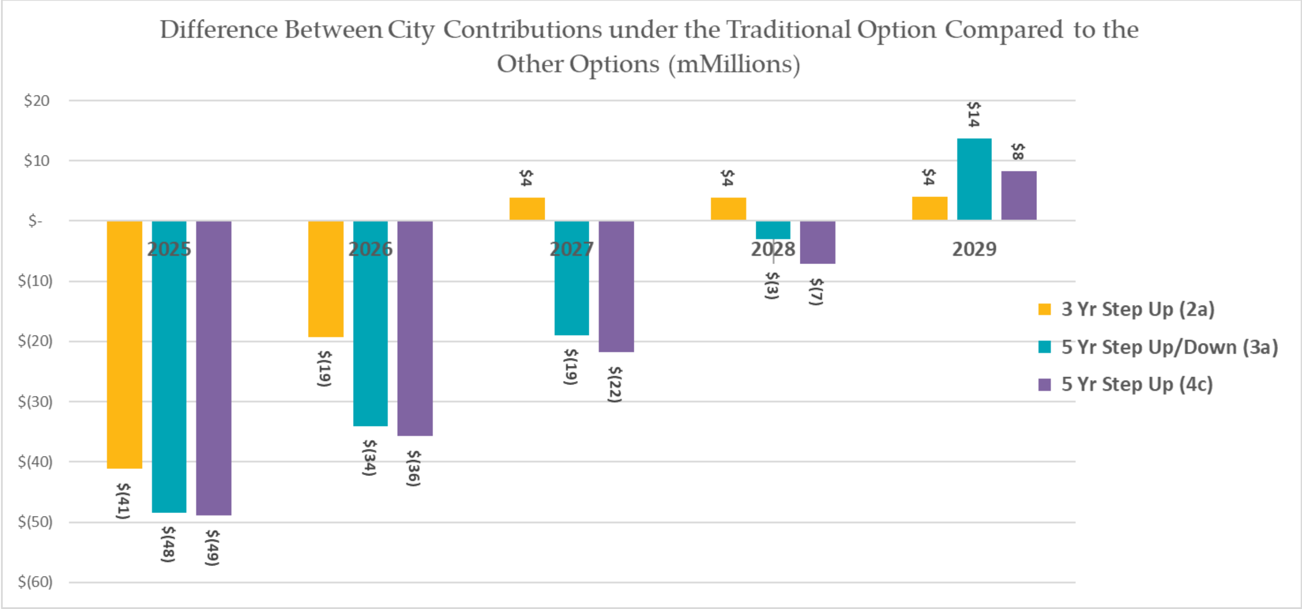
	Traditional (1a)	3 Yr Step Up (2a)	5 Yr Step Up/Down (3a)	5 Yr Step Up (4c)
2024 as is	$ 184	$ 184	$ 184	$ 184
2025	$ 251	$ 210	$ 203	$ 202
2026	$ 256	$ 236	$ 222	$ 220
2027	$ 260	$ 264	$ 242	$ 239
2028	$ 265	$ 269	$ 262	$ 258
2029	$ 271	$ 275	$ 284	$ 279
5 Yr Total	$ 1,303	$ 1,255	$ 1,213	$ 1,198
Amounts less than the Traditional scenario		$ (49)	$ (91)	$ (105)

Year-over-year increase

	Traditional (1a)	3 Yr Step Up (2a)	5 Yr Step Up/Down (3a)	5 Yr Step Up (4c)
2025	$ 67	$ 26	$ 19	$ 18
2026	$ 5	$ 27	$ 19	$ 18
2027	$ 5	$ 28	$ 20	$ 19
2028	$ 5	$ 5	$ 21	$ 20
2029	$ 5	$ 5	$ 22	$ 21

Note: the 3 Yr Step Up/Down option was not included on this page and other pages because the available data didn't have consistent assumptions.

Difference in the ADC dollars for the period 2025 – 2030 for selected options compared to the Traditional option. (millions)



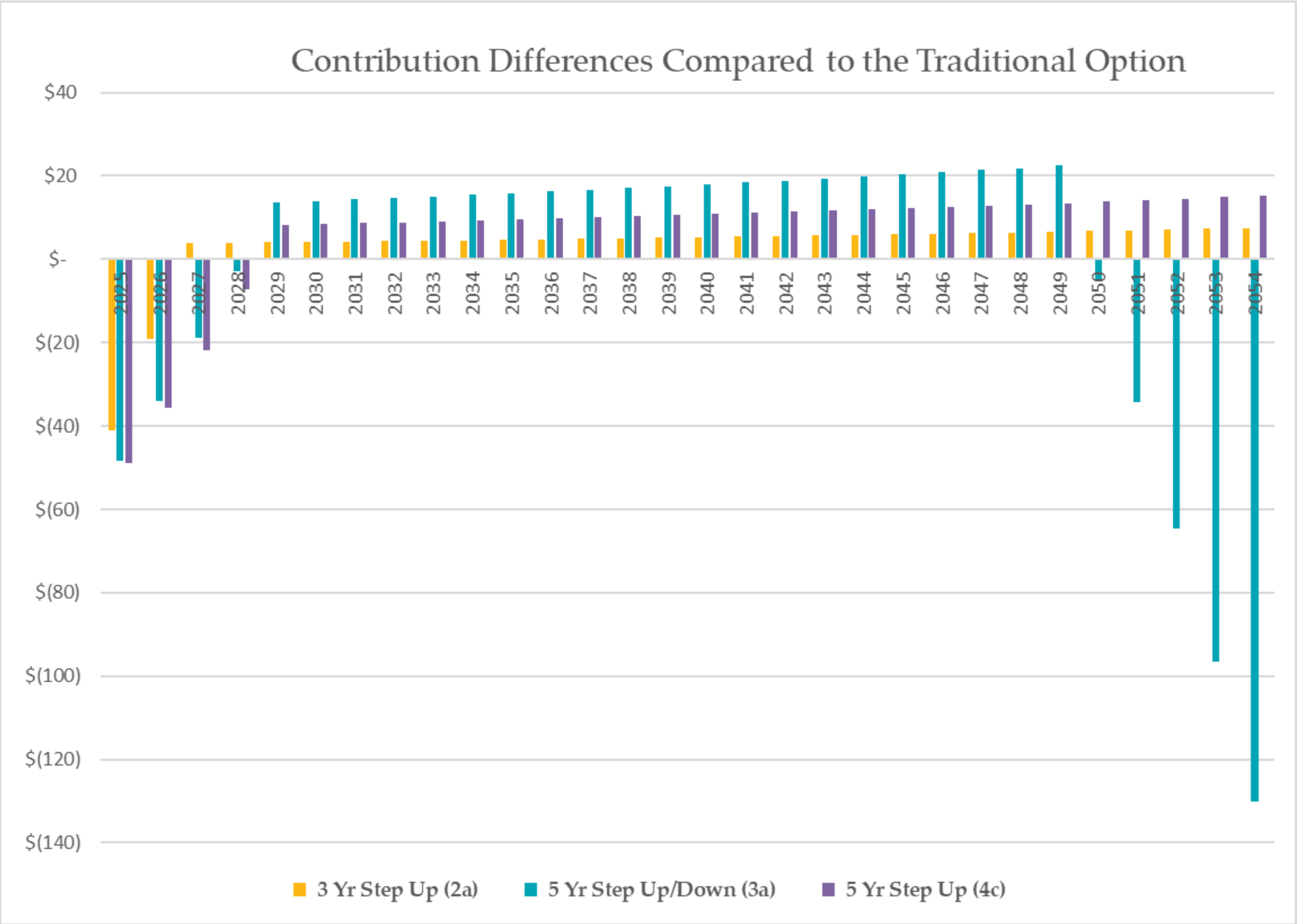
- The fund's net benefits outflow is significant monthly. We have been fortunate to be able to cover monthly pension payments with private market sales in the past few years. However, those opportunities are limited going forward.
- Having more money come to the fund earlier protects the fund from potentially having to sell assets in a down market to meet pension payments and enhances the ability to achieve the assumed rate of return.

ADC as a percentage for the Traditional, 3-Year Step Up, 5-Yr Step Up/Down options and the 5 Yr Step Up options

	Traditional (1a)	3 Yr Step Up (2a)	5 Yr Step Up/Down (3a)	5 Yr Step Up (4c)
2024 as is	39%	39%	39%	39%
2025	52%	43%	42%	42%
2026	51%	47%	44%	44%
2027	51%	52%	47%	47%
2028	51%	51%	50%	49%
2029	50%	51%	53%	52%
2030	50%	51%	53%	52%
2031	50%	51%	53%	52%
2032	50%	51%	53%	52%
2033	50%	51%	52%	51%
2034	50%	51%	52%	51%
2035	50%	51%	52%	51%
2036	50%	50%	52%	51%
2037	50%	50%	52%	51%
2038	50%	50%	52%	51%
2039	50%	50%	52%	51%
2040	50%	50%	52%	51%
2041	49%	50%	52%	51%
2042	49%	50%	52%	51%
2043	49%	50%	52%	51%
2044	49%	50%	52%	51%
2045	49%	50%	52%	51%
2046	49%	50%	52%	51%
2047	49%	50%	52%	51%
2048	49%	50%	52%	51%
2049	49%	50%	52%	51%
2050	49%	50%	49%	51%
2051	49%	50%	46%	51%
2052	49%	50%	43%	51%
2053	49%	50%	40%	51%
2054	49%	50%	36%	51%
2055	7%	7%	7%	7%

- Stepping in and/or out of the ADC increases the ADC in the periods that do not include the phasing.
- These ADC percentages do not include any COLA options. The percentage reflects Cheiron's modifications, 2023 estimated returns, and 2024 contribution changes since the February meeting.

ADC Dollars Comparison to the Traditional Option



12

Staff Recommendation –Actuarially Determined Contribution

- Implementation issues
  - The DPFP actuary will calculate the ADC based on assumptions determined by the qualified actuary and adopted by the Board in accordance with Section 2.02. Article 16, Section 67(f)(3) of the Texas Constitution requires the Board to adopt sound actuarial assumptions to be used by the system.
  - City contributions will be based on the ADC calculated by the DPFP actuary.
  - The actuarial valuation "as-of-date" will be used to set the City contribution rate beginning with the City fiscal year of the same year as the as-of-date. For example, the actuarial valuation as of 1-1-2024 will set the ADC percentage for the pay periods beginning after 10-1-2024.
  - The City CFO has agreed that the City will contribute the greater of the City contribution formula or the budget amount for accounts 1302 & 1320 of $184,733,295 for the period 10-1-2023 to 9-30-2024. City Contributions based on the ADC will begin on 10-1-2024.

Staff Recommendation – Employee Contribution Rate Decrease

- Do not decrease the employee contribution rate until full funding.
- Maintain Section 4.025 of the plan, which requires the employee contribution rate to be reduced to half of the normal cost when the plan has no unfunded actuarial liability.
- Although Staff is not recommending decreasing the contribution rate at this time, the City Council may reduce the employee contribution rate at any time while the City is paying a full ADC that meets the statutorily required funding guidelines.

Cost of Living Adjustment (COLA) – Current Statute

- Article 6243a-1 (current COLA)
  - Requirements to receive a COLA:
    - Average five-year return is above 5%.
    - Plan is 70% funded after considering the cost of the COLA
    - Earlier of the member being age 62 or retired at least 3 years
    - Board must approve any COLA
  - Calculation:
    - Average return less than 5%, capped at 4%
    - The percentage is multiplied by the base benefit only (not the prior annual adjustment or the benefit supplement).
    - Not compounding
  - Modeled by Cheiron as:
    - 1.5% Annual COLA (6.5% - 5%)
    - Beginning in year 2046
    - Cheiron recommended providing some COLA earlier

Cost of Living Adjustment (COLA) Recommendation – Provide Some COLA Earlier

- Cheiron modeled six COLA options for their February 8th presentation.
  - Based on the information in the Cheiron report, the options in order of least expensive to most expensive are as follows:
    - Immediate Partial COLA*
    - Current & 70% Purchasing Power
    - Current & 80% Purchasing Power
    - Current Immediate & 80% Purchasing Power*
    - Compound Current Immediate & 80% Purchasing Power*
    - Dallas ERF COLA*

  - Three additional COLAs have been modeled.
    - COLA requested by City staff – no COLA until 50% funded, partial COLA from 50-70% funded and then current COLA once 70% funded.
    - COLA requested by DPFP Staff – a supplemental payment until 70% funded and then the current COLA once 70% funded.*
    - Cheiron offered a variation on the City Requested COLA and the immediate prior immediate partial COLA. This would be an immediate partial COLA until 70% funded and then the current COLA.*

*indicates options that provide some amount of COLA immediately. Under the non-starred items, the member would not receive any COLA for a decade or more, even if all assumptions are met.

Cost of Living Adjustment (COLA)

The table shows the impact of the COLA options on the Actuarial Liability and the Normal Cost. The blue font identifies COLA options not included in the 2-8-2024 presentation.

	COLA Options - based on 4/2/2024 report (Traditional)	2023 Actuarial Liability	Increase in Actuarial Liability	2025 Normal Cost Rate
	2023 Actuarial Liability without ADC Change	$ 5,249		
	2023 Actuarial Liability with ADC Change increase for the Current COLA	$ 5,343	$ 94	20.3%
Variations of Immediate Partial	**0 to 50%, Immediate Partial 50-70%, Current COLA after 70%**	$ 5,396	$ 53	20.6%
Variations of Immediate Partial	Immediate Partial	$ 5,472	$ 129	20.7%
Variations of Immediate Partial	**Immediate Partial & Current COLA after 70%**	$ 5,480	$ 137	20.8%
	Current & 70% Purchasing Power	$ 5,485	$ 142	20.6%
	Supplemental Payment ($5) & Current after 70%	$ 5,508	$ 165	20.4%
	Current & 80% Purchasing Power	$ 5,684	$ 341	21.2%
	Compounded Current Immediate & 80% Purchasing Power	Did not include - due to cost		
	Dallas ERF COLA	Did not include - due to cost		

Cost of Living Adjustment (COLA)

The table shows the impact of the COLA options on the ADC. The blue font identifies COLA options not included in the 2-8-2024 presentation.

Variations of Immediate Partial

		Increase in the Total ADC for 2025 - millions		
COLA Options - based on 4/2/2024 report	**% Increase to the Total ADC over the 30 year period**	**Traditional (1a)**	**3 Yr Step Up (2a)**	**5 Yr Step Up/Down (3a)**
2023 Actuarial Liability without ADC Change				
2023 Actuarial Liability with ADC Change increase for the Current COLA				
0 to 50%, Immediate Partial 50-70%, Current COLA after 70%	Average 0.9%	$ 5	2	$ 1
Immediate Partial	Average 1.9%	$ 11	4	$ 3
Immediate Partial & Current COLA after 70%	Average 2.1%	$ 12	4	$ 3
Current & 70% Purchasing Power	Average 2.0%	$ 11	4	$ 3
Supplemental Payment ($5) & Current after 70%	Average 2.2%	$ 11	4	$ 3
Current & 80% Purchasing Power	Average 4.9%	$ 27	9	$ 6
Compounded Current Immediate & 80% Purchasing Power	Did not include - due to cost			
Dallas ERF COLA	Did not include - due to cost			

Note: the ADC dollar increases were included for the options where the data is available under consistent assumptions.

Staff Recommendation – COLA

- The long-term health of the fund is the top priority of the Board.

- The Board agrees with Cheiron that having an adequate COLA is also an important issue for the members, both active and retired. The Board indicated that modifying the COLA is second only to ensuring the long-term health of the fund.

- Any COLA contemplated in the future should be included in the funding calculations now, not wait until the future.

- Staff recommends the one the following COLA options:
  - Supplemental Payment & Current
  - Current + 70% Purchasing Power
  - Immediate Partial & Current COLA

Staff Recommendation — COLA

In addition, Staff recommends the following modifications to the current COLA. These changes do not increase the cost of the COLA as modeled by Cheiron.

- Change the requirement from the Board "may grant" to the Board "shall grant" (ad hoc vs. automatic).
- Set the COLA amount to 1.5% annually on the base benefit.
- Grant a COLA in years when the funding level is met (70%) and the Dallas Employees Retirement Fund granted a COLA in any amount.
- The opportunity to earn more or less than 1.5% is eliminated.
- Remove the requirements that the member must be either 62 or 3 years retired to receive a COLA.

Supplemental Annual Payment & Current COLA

Key Features

- Supplemental payment increases each year in retirement, providing a cost-of-living increase
- Amount of payment is scaled to the amount of service credited under the System
  - Similar retirees get similar COLA %
- Current retirees who have been retired for some time will receive an immediate, noticeable benefit
- A beneficiary's amount would reflect their benefit percentage.

Supplemental Annual Payment & Current COLA

- Supplemental payment provided once each year if regular COLA is not permitted (<70% funded)
  - Similar to a 13th check
- Amount of the supplemental payment =
  - $5 times the years of service times the years retired
- Example – member retired with 25 years of service 10 years ago
  - Supplemental Payment = $5 X 25 years of service X 10 years retired = $1,250
  - The following year, the amount would increase to $1,375 ($5 X 25 X 11 years in retirement)
- Note, as modeled by Cheiron, service time includes service before joining DROP or terminating employment; time in retirement is all time – not just since COLAs stopped in 2017.
- The cost of the COLA at $5 is between the cost of the Current and 70% Purchasing Power COLA and Immediate Partial COLA.

Recommended Steps for Section 2.025 Plan Approval

- Continue to work with the City of Dallas to find agreement on a funding plan, including governance.
- Continue Board discussion and analysis.
- Board adopts a plan that complies with the provisions of Section 2.025.

Appendix

Current COLA

Purchasing Power

Retirement Year	**2024**	**2029**	**2034**	**2039**	**2044**	**2049**	**2054**
2023	100%	88%	78%	69%	63%	60%	56%
2022	96%	85%	75%	66%	60%	57%	54%
2021	88%	77%	68%	60%	55%	52%	49%
2020	83%	73%	65%	57%	52%	49%	47%
2019	82%	73%	64%	57%	52%	49%	46%
2018	81%	71%	63%	56%	51%	48%	45%
2017	79%	70%	61%	54%	49%	47%	44%
2016	76%	67%	60%	53%	48%	45%	43%
2015	78%	69%	61%	54%	49%	46%	43%
2010	86%	76%	67%	59%	54%	50%	47%
2005	93%	83%	73%	65%	58%	54%	50%
2000	94%	83%	73%	65%	58%	54%	
1995	92%	82%	72%	64%	57%		
1990	90%	79%	70%	62%			
1985	84%	75%	66%				
1980	70%	62%					

- Cheiron projects COLAs would restart around 2046.
- The COLA is actuarially assumed to be 1.5% simple for all years once eligible.
- UAL with current COLA $3.244 billion.

Immediate Partial COLA

Purchasing Power

Retirement Year	2024	2029	2034	2039	2044	2049	2054
2023	100%	89%	81%	74%	69%	64%	60%
2022	96%	85%	77%	71%	66%	61%	58%
2021	88%	78%	71%	65%	60%	56%	53%
2020	83%	73%	67%	61%	57%	53%	50%
2019	82%	73%	67%	61%	56%	53%	50%
2018	81%	72%	65%	60%	55%	52%	48%
2017	79%	70%	64%	58%	54%	50%	47%
2016	76%	68%	62%	57%	52%	49%	46%
2015	78%	69%	63%	57%	53%	49%	46%
2010	86%	76%	69%	63%	58%	53%	50%
2005	93%	83%	75%	68%	62%	57%	53%
2000	94%	83%	75%	68%	62%	57%	
1995	92%	82%	73%	66%	60%		
1990	90%	79%	71%	64%			
1985	84%	75%	67%				
1980	70%	62%					

- Partial COLA provides indirect protection to purchasing power over the next 20 years
- Cheiron example estimates:
  - 2025: 34% x 1.5%
  - 2040: 54% x 1.5%
  - 2050: 86% x 1.5%
  - 2055: 100% x 1.5%
- Addition to UAL (cost) ~ $129 million.

Current + 70% Purchasing Power COLA

Retirement Year	Purchasing Power 2024	2029	2034	2039	2044	2049	2054
2023	100%	88%	78%	70%	70%	70%	70%
2022	96%	85%	75%	67%	67%	67%	67%
2021	88%	77%	68%	61%	61%	61%	61%
2020	83%	73%	65%	58%	58%	58%	58%
2019	82%	73%	64%	58%	58%	58%	58%
2018	81%	71%	63%	56%	56%	56%	56%
2017	79%	70%	61%	55%	55%	55%	55%
2016	76%	67%	60%	53%	53%	53%	53%
2015	78%	69%	61%	54%	54%	54%	54%
2010	86%	76%	67%	60%	60%	60%	60%
2005	93%	83%	73%	65%	65%	65%	65%
2000	94%	83%	73%	66%	66%	66%	
1995	92%	82%	72%	65%	65%		
1990	90%	79%	70%	63%			
1985	84%	75%	66%				
1980	70%	62%					

Provides floor to directly protect retirees' purchasing power from declining too far

- Floor = 70% of the 2024 purchasing power
- Purchasing power gradually erodes with inflation until it reaches the floor (~15 years)
- Thereafter, inflationary COLAs are provided to maintain the floor purchasing power level

Using 2024 purchasing power as the benchmark

Addition to UAL (cost) ~ $142 million.

Supplemental Payment Prior to Current COLA

Purchasing Power

Years in Retirement	Years of Service 5 - 10	10 - 15	15 - 20	20 - 25	25 - 30	30 +	No COLA
0	100%	100%	100%	100%	100%	100%	100%
1	98%	98%	98%	98%	98%	98%	98%
2	96%	96%	96%	96%	96%	96%	95%
3	94%	94%	93%	93%	93%	93%	93%
4	92%	92%	91%	91%	91%	91%	91%
5	90%	90%	89%	89%	89%	89%	88%
6	88%	88%	87%	87%	87%	87%	86%
7	86%	86%	85%	85%	85%	85%	84%
8	84%	84%	84%	83%	83%	83%	82%
9	83%	82%	82%	82%	81%	81%	80%
10	81%	80%	80%	80%	80%	80%	78%
11	79%	78%	78%	78%	78%	78%	76%
12	78%	77%	76%	76%	76%	76%	74%
13	76%	75%	75%	75%	74%	74%	73%
14	74%	73%	73%	73%	73%	73%	71%
15	73%	72%	71%	71%	71%	71%	69%
16	71%	70%	70%	70%	69%	69%	67%
17	70%	69%	68%	68%	68%	68%	66%
18	68%	67%	67%	67%	66%	66%	64%
19	67%	66%	65%	65%	65%	65%	63%
20	65%	64%	64%	64%	63%	63%	61%

- Provide indirect protection to purchasing power before regular COLA starts at 70% funded.
- Addition to UAL (cost) ~ $165 million.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C2

Topic: **Executive Director Approved Pension Ministerial Actions**

Discussion: The Executive Director approved ministerial membership actions according to the Retirement and Payments Approval Policy. Membership actions approved are summarized in the provided report.

Regular Board Meeting – Thursday, April 11, 2024

Membership Actions -2024

	January	February	March	April	May	June	July	August	September	October	November	December	YTD Totals
Refunds	23	22	21	26									92
DROP - Join	1	1	2	0									4
Estate Payments	2	1	3	5									11
Survivor Benefits	4	6	3	8									21
Retirements	10	10	16	9									45
Alternate Payees	2	0	2	1									5
Spouse Wed After Retirement	0	0	0	0									0
Service Purchases	0	2	0	1									3
Earnings Test	0	0	0	0									0

Membership Actions -2023

	January	February	March	April	May	June	July	August	September	October	November	December	YTD Totals
Refunds	26	19	12	13	17	14	23	13	57	53	18	21	286
DROP - Join	3	3	0	2	2	2	0	0	3	0	3	0	18
Estate Payments	0	5	7	5	1	2	4	92	5	3	5	9	138
Survivor Benefits	1	6	8	6	4	3	5	6	6	2	3	6	56
Retirements	12	16	11	14	11	12	10	13	10	17	6	12	144
Alternate Payees	0	2	1	0	2	3	1	3	2	0	0	1	15
Spouse Wed After Retirement	1	0	0	0	0	0	0	0	1	1	1	0	4
Service Purchases	2	0	0	1	0	2	0	1	0	0	2	0	8
Earnings Test	0	0	0	0	0	9	0	0	0	0	0	0	9

Data is based on Agenda/Executive Approval Date
Service purchases include Military, DROP Revocation, and Previously Withdrawn Contributions
The increase in Refunds in September 2023 and October 2023 is due to the Refund Project
87 of the Estate Payments in August 2023 are approvals for the Pending Death Project

G:\Kelly\Executive Director Ministrial Action Approvals\Membership Actions Data 2024 March 2024

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

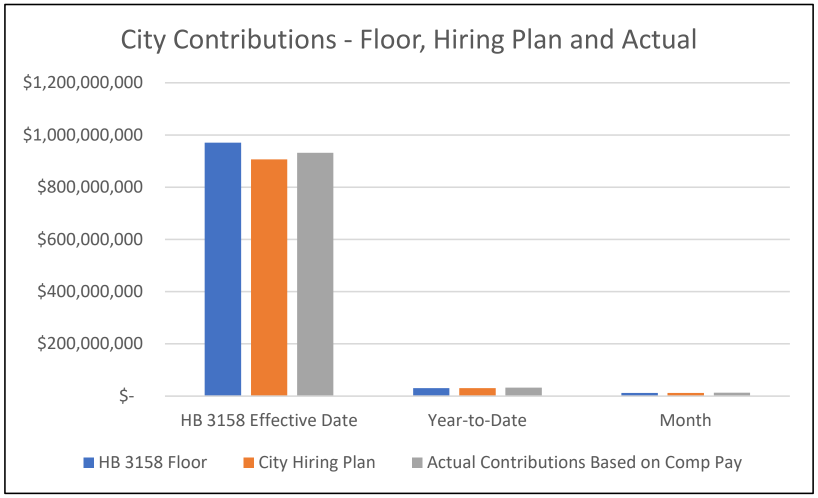
ITEM #C3

Topic: **Monthly Contribution Report**

Discussion: Staff will review the Monthly Contribution Report.

Regular Board Meeting – Thursday, April 11, 2024

Contribution Tracking Summary - April 2024 (February 2024 Data)

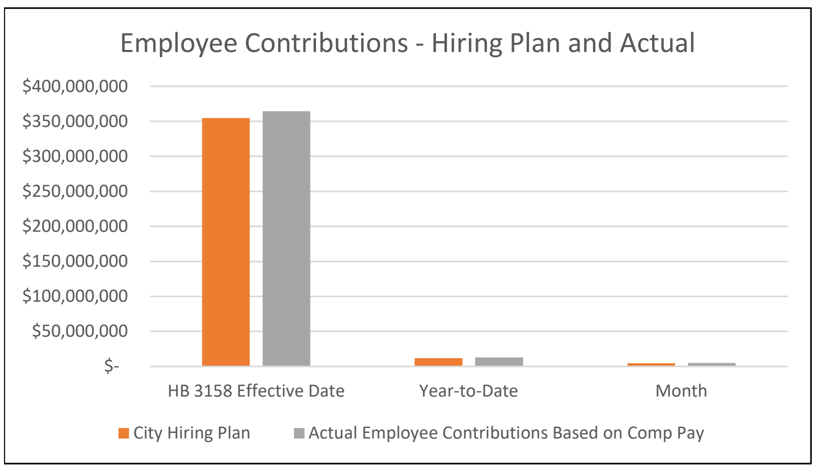


Actual Comp Pay was 103% of the Hiring Plan estimate since the effective date of HB 3158.

The Floor for 2024 is equal to the Hiring Plan estimate of $6,024,000 per pay period. The Hiring Plan increased by 3.65% in 2024. It is expected that actual contributions will exceed the Floor through 2024.

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

The Hiring Plan estimate increased by 50 for 2024. The combined actual employees were 47 less than the Hiring Plan for the pay period ending March 12, 2024. Fire was over the estimate by 237 Fire Fighters and Police was under by 284 Police Officers.



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

There is no Floor on employee contributions.

Contribution Summary Data

City Contributions

Feb-24	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	$ 12,048,000	$ 12,048,462	$ 13,010,204	$ -	108%	108%
Year-to-Date		$ 30,120,000	$ 30,121,154	$ 32,623,073	$ -	108%	108%
HB 3158 Effective Date		$ 970,453,000	$ 906,341,538	$ 931,979,484	$ 48,990,866	96%	103%

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

Feb-24	Number of Pay Periods Beginning in the Month	City Hiring Plan	Actual Employee Contributions Based on Comp Pay	Actual Contribution Excess 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	$ 4,714,615	$ 5,089,268	$ 374,653	$ 4,236,924	108%	120%
Year-to-Date		$ 11,786,538	$ 12,765,648	$ 979,110	$ 10,592,310	108%	121%
HB 3158 Effective Date		$ 354,655,385	$ 364,504,972	$ 9,849,587	$ 342,411,988	103%	106%

Potential Earnings Loss from the Shortfall based on Assumed Rate of Return $ 470,293

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, 12-31-18 and 12-31-2019 this did not impact the pension liability or the funded percentage.*

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

City Hiring Plan - Annual Computation Pay and Numbers of Employees						
	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	$ 421,529,994	$ 25,529,994	5,063	4,988	(75)
2021	$ 408,000,000	$ 429,967,675	$ 21,967,675	5,088	4,958	(130)
2022	$ 422,000,000	$ 439,104,541	$ 17,104,541	5,113	5,074	(39)
2023	$ 438,000,000	$ 460,982,051	$ 22,982,051	5,163	5,136	(27)
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 - 2024	Annual Divided by 26 Pay Periods	Actual	Difference	2024 Cumulative Difference	Number of Employees - EOM	Difference
January	$ 52,384,615	$ 56,848,897	$ 4,464,281	$ 4,464,281	5,183	(30)
February	$ 34,923,077	$ 37,710,735	$ 2,787,658	$ 7,251,939	5,166	(47)
March	$ 34,923,077					
April	$ 34,923,077					
May	$ 34,923,077					
June	$ 34,923,077					
July	$ 52,384,615					
August	$ 34,923,077					
September	$ 34,923,077					
October	$ 34,923,077					
November	$ 34,923,077					
December	$ 34,923,077					

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C4

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 – April 11, 2024

ATTENDING APPROVED

1. **Conference:** **NCPERS Trustee Educational Seminar (TED)**
   Dates: May 18-19, 2024
   Location: Seattle, WA
   Est Cost: $500

2. **Conference:** **NCPERS Accredited Fiduciary (NAF)**
   Dates: May 18-19, 2024
   Location: Seattle, WA
   Est Cost: $900

3. **Conference:** **NCPERS Annual Conference (ACE)**
   Dates: May 19-22, 2024
   Location: Seattle, WA
   Est Cost: $1,050

4. **Conference** **NCPERS Public Pension Funding Forum**
   Dates: August 18-20, 2024
   Location: Boston, MA
   Est Cost: $745

5. **Conference:** **TEXPERS Summer Educational Forum**
   Dates: August 18-20, 2024
   Location: San Antonio, TX
   Est Cost: TBD

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C5

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

Discussion: **TEXPERS Basic/Advance Trustee Training & Annual Conference**
Dates: April 6-10, 2024 **MT, THP, NR**
Location: Dallas, TX

Regular Board Meeting – Thursday, April 11, 2024

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, April 11, 2024

DALLAS POLICE & FIRE PENSION SYSTEM

Portfolio Update

April 11, 2024

Board Meeting

Executive Summary

- **Estimated YTD Return (As of 3/31/24):** 3.96% for DPFP Portfolio; 6.1% for Public Portfolio (ex-Cash) which makes up 73% of the assets.
- **Liquidation of private market assets remains a top focus.**
  - $2.2M of distributions received YTD, $69M in distributions received in 2023.
- **Rebalancing Actions:** Staff expects to rebalance ~$30M of Public Equity to refill the Safety Reserve back to the 9% target in mid-April.
- **Custodian Search:** Staff had initial on-site meetings with Callan in late February to conduct investment operational review and gather information for RFP, which is expected to be issued in April. Current custodian, JPMorgan, will be invited to re-bid.

Investment Initiatives – 2024 Plan

Q2 2024

- Issue Custodian RFP
- AEW Portfolio Review
- Additional Asset Allocation mixes presented to IAC

Q3 2024 & Beyond

- Asset Allocation Review to Board
- Investment Policy Statement review and updates

Q4 2023 & Beyond

- Private Market Planning – Update IPS provision, pacing studies, etc.
- Initial New Private Market Investments

DALLAS POLICE & FIRE PENSION SYSTEM

2024 Asset Allocation Study Timeline

January IAC
Meketa Mean Reversion Presentation and Staff Asset Allocation Planning Review.

Late January
Meketa releases 2024 Asset Allocation Assumptions.

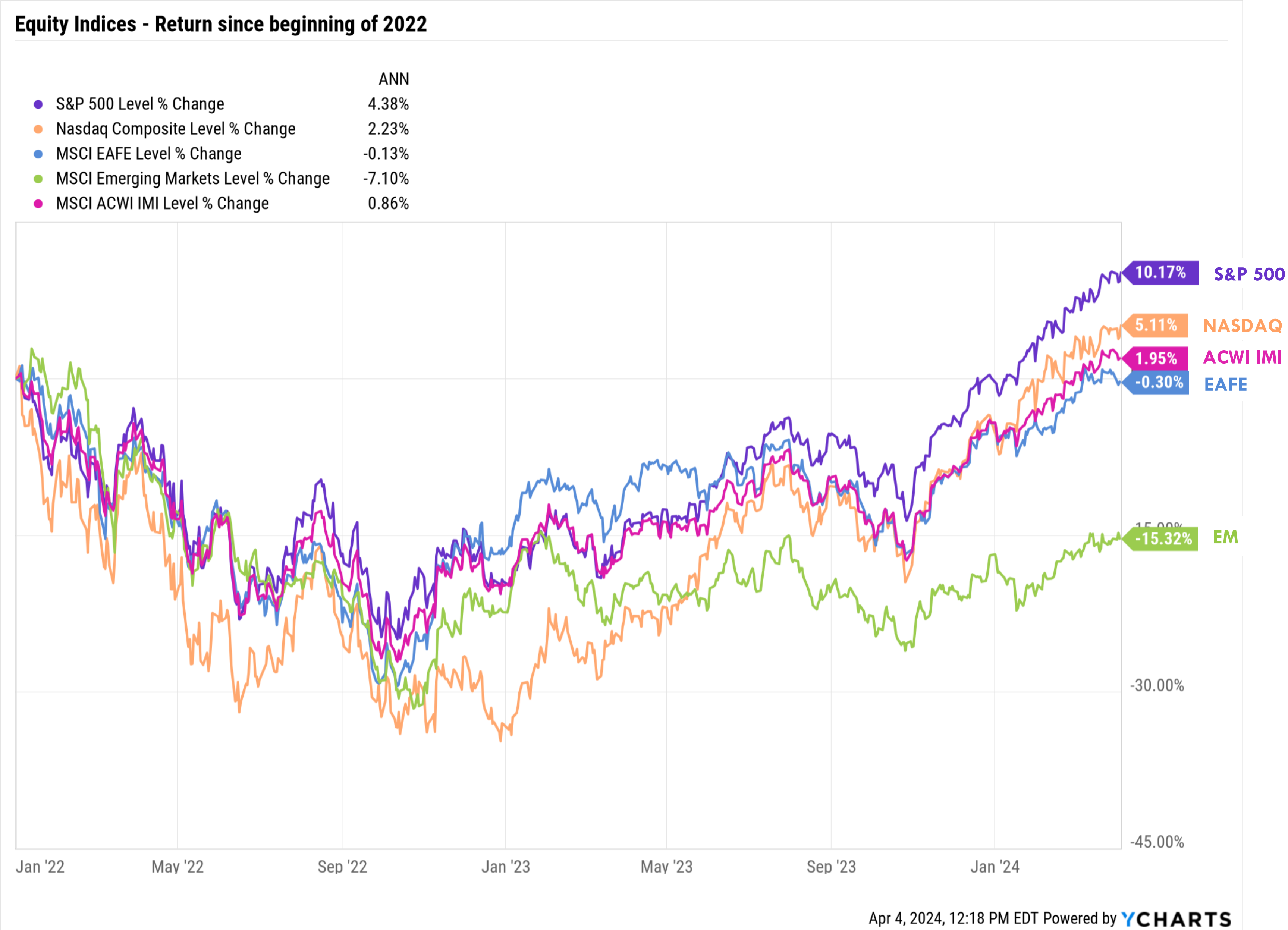
March IAC
Staff and Meketa review possible Asset Allocation mixes with IAC.

June IAC
EM Education and review of additional Allocation mixes with IAC.

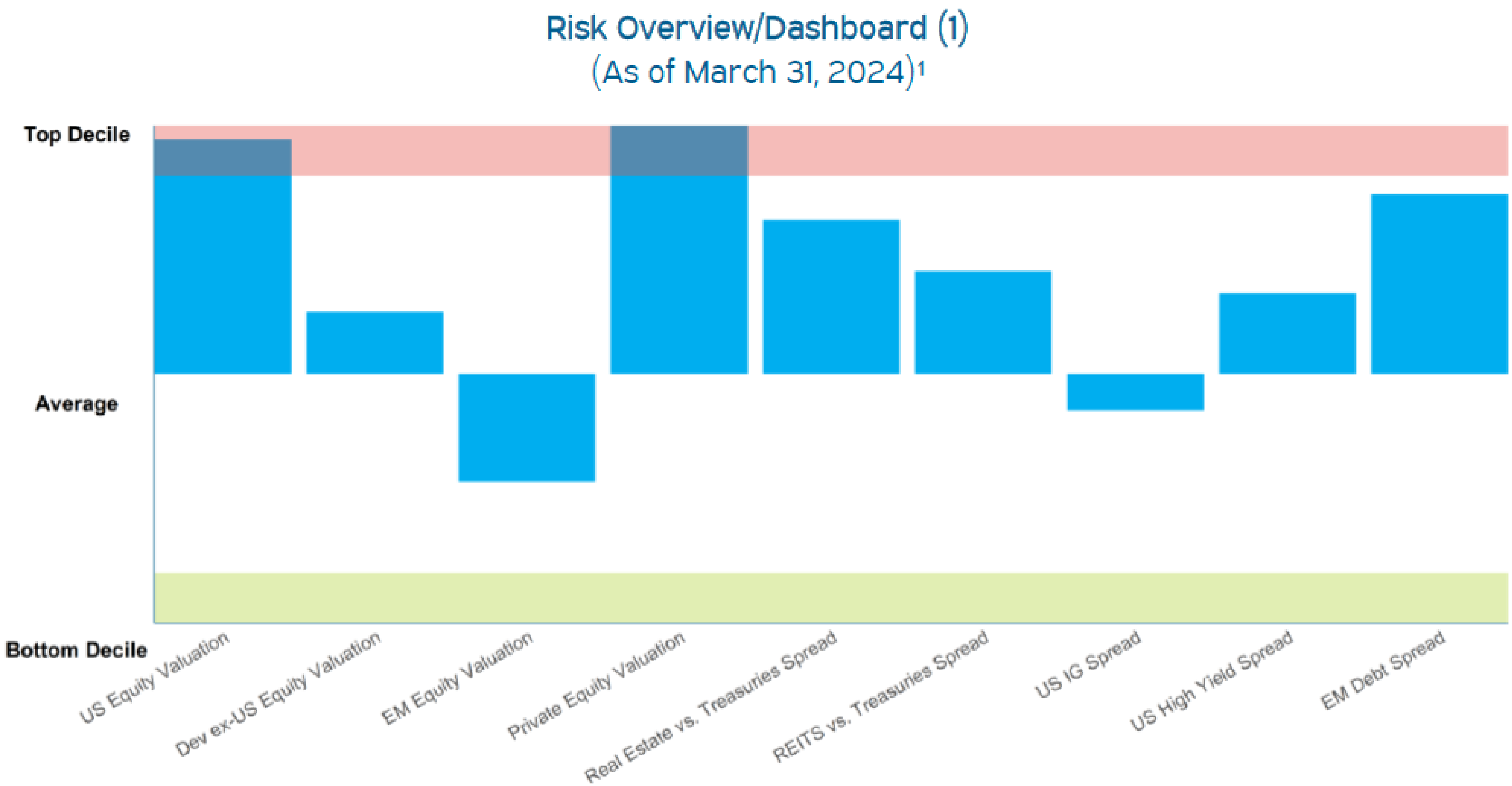
July or Aug Board
Asset Allocation study presented to Board.

DALLAS POLICE & FIRE PENSION SYSTEM

Equity Market Returns (1/1/22 to 4/4/24)



Meketa Risk Overview-Dashboard



→ Dashboard (1) summarizes the current state of the different valuation metrics per asset class relative to their own history.

[1] With the exception of Private Equity Valuation, that is YTD as of December 30, 2023.

Public Markets Performance Snapshot

Public Markets (ex-Cash) currently make up 74% of DPFP Investment Portfolio.

MEKETA

Dallas Police & Fire Pension System

DPFP | As of March 31, 2024

Performance Summary

	Ending March 31, 2024				
	Market Value ($)	1 Mo (%)	YTD (%)	3 Yrs (%)	5 Yrs (%)
Total Public Portfolio (ex-Cash)	**1,457,552,151**	**2.7**	**6.1**	**4.4**	**7.3**
60% MSCI ACWI IMI Net/40% Bloomberg Global Aggregate Index		*2.1*	*3.7*	*1.9*	*6.0*
Public Equity	**1,085,940,105**	**3.3**	**7.9**	**6.2**	**10.5**
MSCI ACWI IMI Net USD		*3.1*	*7.6*	*6.3*	*10.6*
Global Equity	**992,815,387**	**3.5**	**8.6**	**7.2**	**11.3**
MSCI ACWI IMI Net USD		*3.1*	*7.6*	*6.3*	*10.6*
Boston Partners Global Equity Fund	124,998,514	5.8	8.1	9.5	11.6
MSCI World Net		*3.2*	*8.8*	*8.6*	*12.1*
Manulife Global Equity Strategy	126,089,572	4.4	9.8	9.3	11.1
MSCI ACWI Net		*3.1*	*8.1*	*6.9*	*10.9*
Walter Scott Global Equity Fund	125,143,572	2.0	7.7	7.9	11.2
MSCI ACWI Net		*3.1*	*8.1*	*6.9*	*10.9*
WCM Global Equity	133,443,822	3.3	14.3	--	--
MSCI ACWI Growth NR USD		*2.0*	*9.4*	*6.7*	*13.6*
NT ACWI Index IMI	359,782,292	3.2	7.7	6.8	--
MSCI ACWI IMI Net USD		*3.1*	*7.6*	*6.3*	*10.6*
Eastern Shore US Small Cap	65,828,561	2.3	7.6	--	--
Russell 2000		*3.6*	*5.2*	*-0.1*	*8.1*
Global Alpha International Small Cap	57,438,136	3.6	4.0	--	--
MSCI EAFE Small Cap		*3.3*	*2.0*	*-1.5*	*4.8*

DALLAS POLICE & FIRE PENSION SYSTEM

Public Markets Performance Snapshot

MEKETA

Dallas Police & Fire Pension System

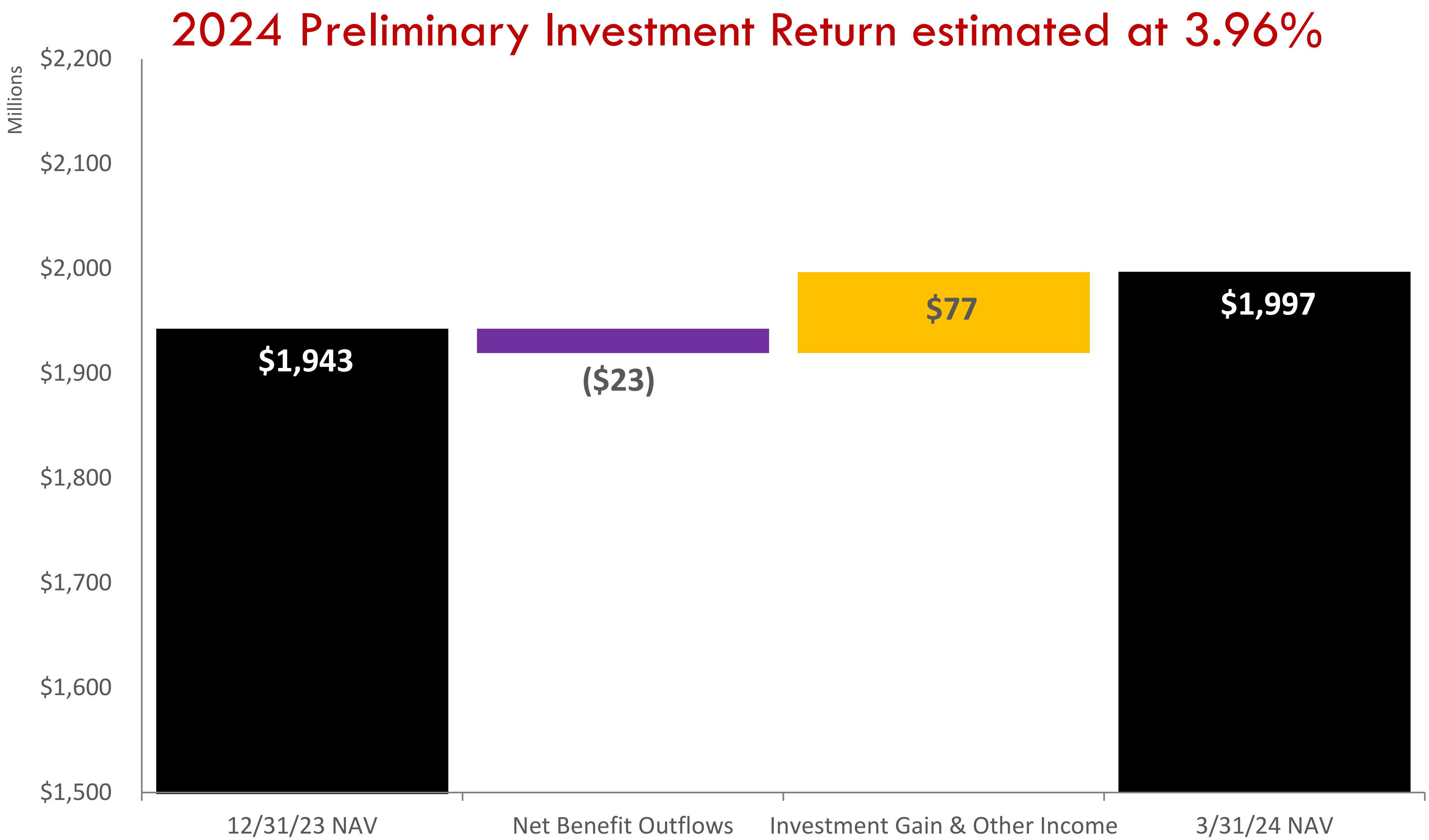
DPFP | As of March 31, 2024

	Ending March 31, 2024				
	Market Value ($)	1 Mo (%)	YTD (%)	3 Yrs (%)	5 Yrs (%)
Emerging Markets Equity	**93,124,718**	**1.5**	**0.4**	**-3.8**	**2.9**
MSCI Emerging Markets IMI Net		*1.9*	*1.9*	*-4.0*	*2.9*
RBC Emerging Markets Equity	93,124,718	1.5	0.4	-3.8	2.9
MSCI Emerging Markets IMI Net		*1.9*	*1.9*	*-4.0*	*2.9*
Public Fixed Income	**371,612,046**	**0.9**	**1.1**	**0.3**	**1.9**
Bloomberg Multiverse TR		*0.6*	*-1.9*	*-4.5*	*-1.0*
IR&M 1-3 Year Strategy	115,399,316	0.4	0.6	0.6	1.8
Bloomberg US Aggregate 1-3 Yr TR		*0.4*	*0.5*	*0.3*	*1.3*
Longfellow Core Fixed Income	63,629,923	1.0	-0.2	-2.1	--
Bloomberg US Aggregate TR		*0.9*	*-0.8*	*-2.5*	*0.4*
Aristotle Pacific Capital Bank Loan	62,770,394	1.2	2.9	6.6	5.7
Credit Suisse Leveraged Loan		*0.8*	*2.5*	*5.8*	*5.3*
Loomis US High Yield Fund	63,758,775	1.0	1.2	0.9	--
Bloomberg US High Yield 2% Issuer Cap TR		*1.2*	*1.5*	*2.2*	*4.2*
Metlife Emerging Markets Debt Blend	66,053,639	1.3	1.7	--	--
35% JPMEMBI Global Index/35% JPM CEMBI Broad Diversified Index/ 30% JPMGBI-EM Diversified Global Index		*1.0*	*0.7*	*--*	*--*

DALLAS POLICE & FIRE PENSION SYSTEM

2024 - Change in Market Value Bridge Chart

In Millions

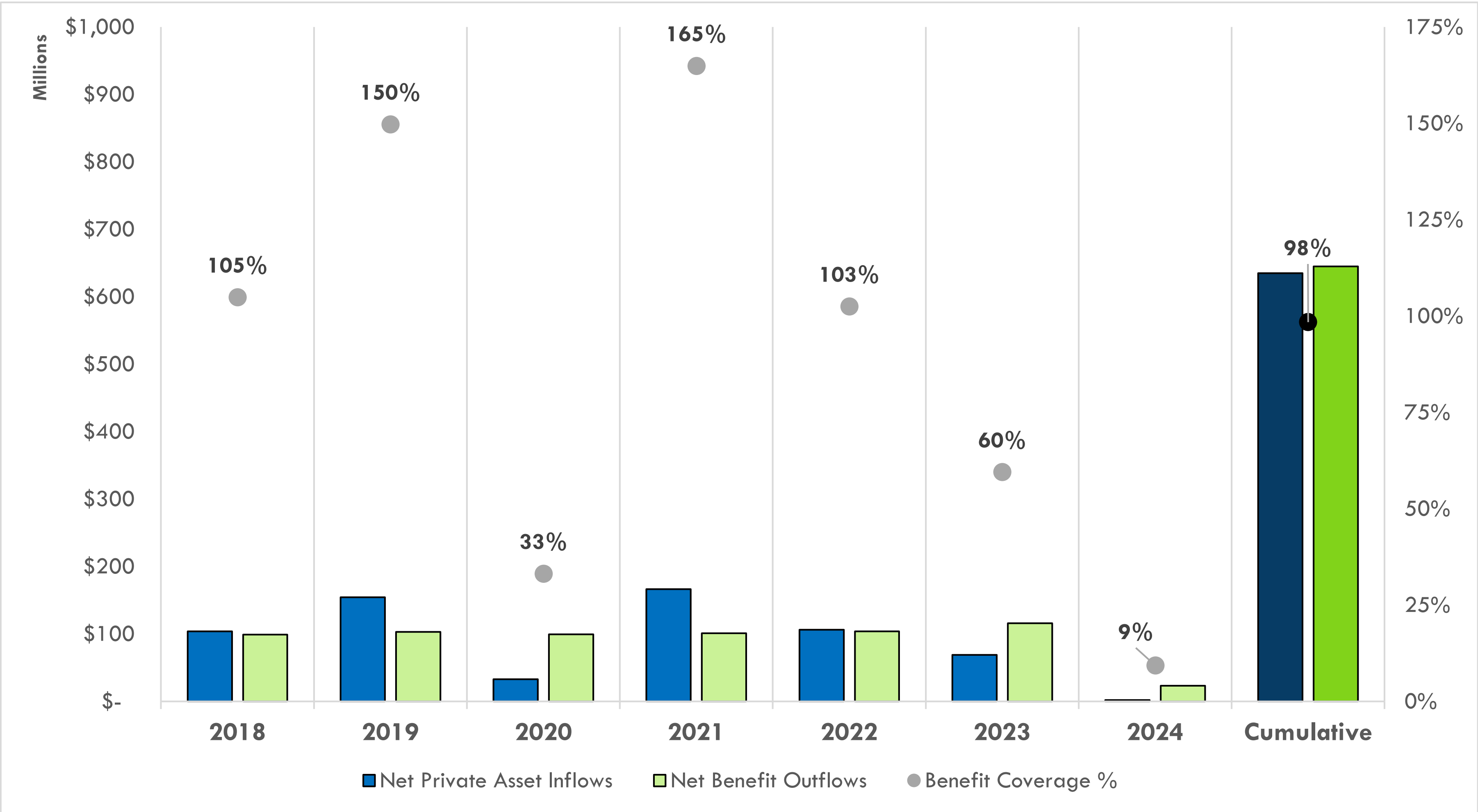


The beginning 12/31/23 value is from the Q4 2023 Meketa Performance Report and includes a one-quarter lag on private assets.
Numbers may not foot due to rounding.

DALLAS POLICE & FIRE PENSION SYSTEM

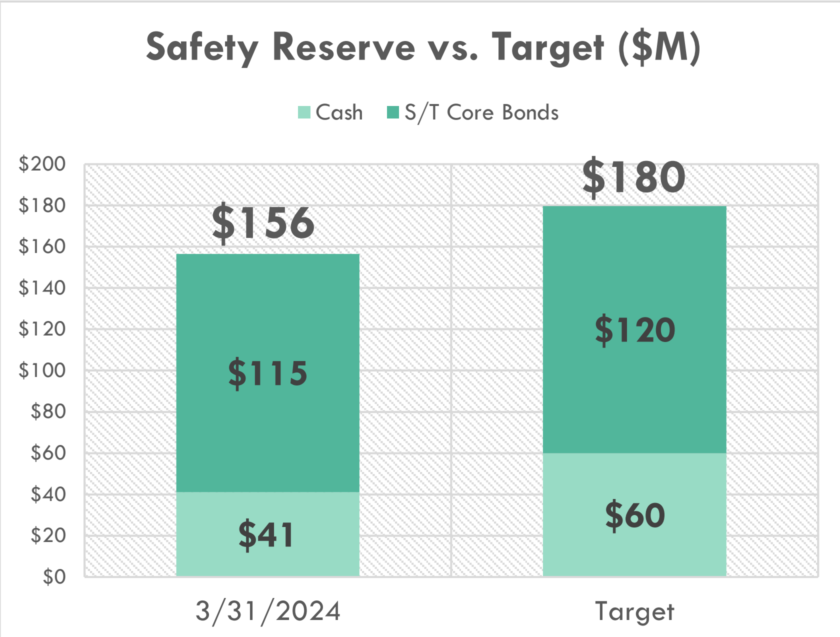
Benefit Outflow Coverage

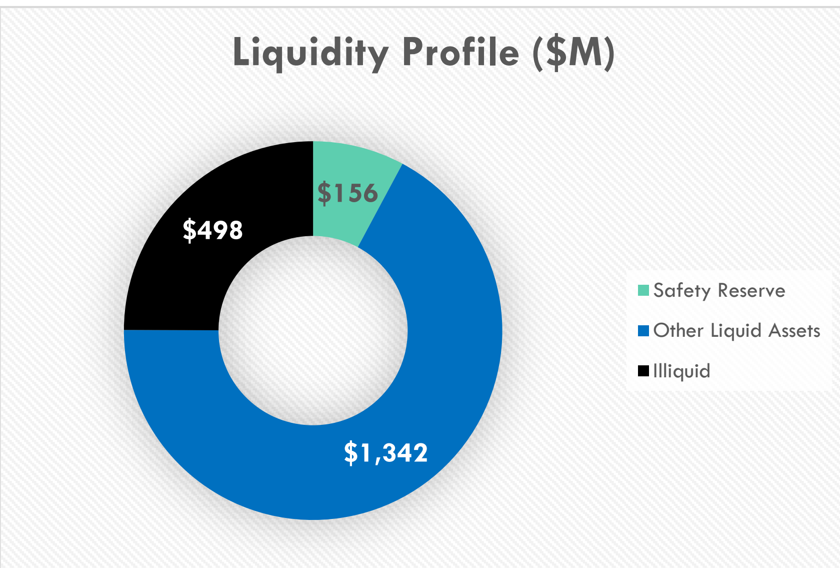
Since 2018, net Private Asset inflows have covered 99% of net benefit outflows.



DALLAS POLICE & FIRE PENSION SYSTEM

Safety Reserve Dashboard





Projected Net Monthly outflows of **$8.6M** per month. Safety Reserve of **$156M** would cover net monthly outflows for next **18 months** or through **September 2025.**

Expected Cash Activity	Date	Amount ($M)	Projected Cash Balance ($M)	Projected Cash (%)
	3/31/24		**$41.1**	**2.1%**
City Contribution	4/12/24	$9.6	$50.6	**2.5%**
Pension Payroll	4/24/24	($28.7)	$21.9	**1.1%**
City Contribution	4/26/24	$9.6	$31.5	**1.6%**
City Contribution	5/10/24	$9.6	$41.1	**2.1%**
City Contribution	5/24/24	$9.6	$50.6	**2.5%**
Pension Payroll	5/29/24	($28.7)	$21.9	**1.1%**
City Contribution	6/7/24	$9.6	$31.5	**1.6%**
City Contribution	6/21/24	$9.6	$41.0	**2.1%**
Pension Payroll	6/26/24	($28.7)	$12.3	**0.6%**
City Contribution	7/5/24	$9.6	$21.9	**1.1%**
City Contribution	7/19/24	$9.6	$31.5	**1.6%**
Pension Payroll	7/31/24	($28.7)	$2.8	**0.1%**

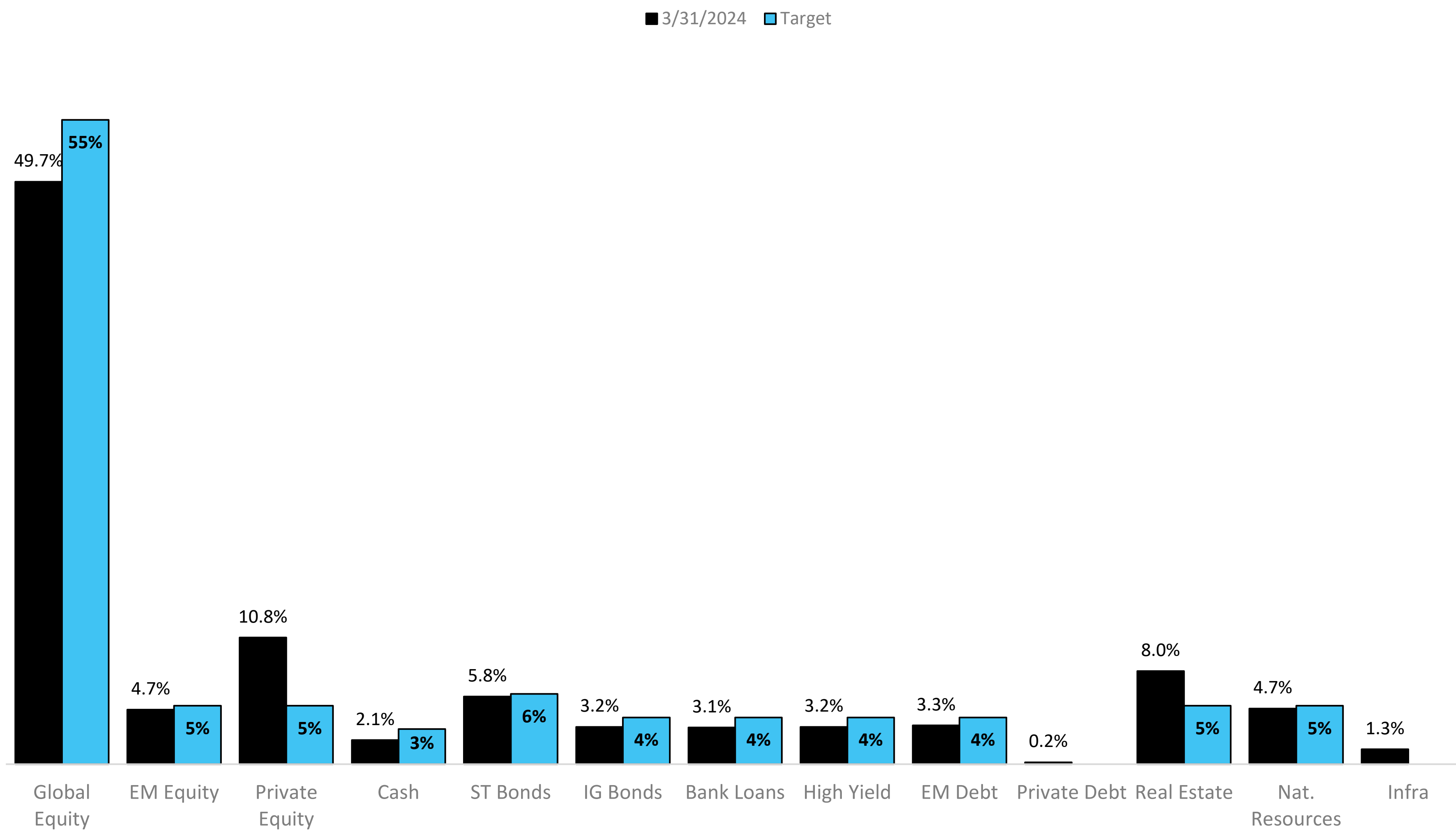
Numbers may not foot due to rounding.

Asset Allocation Detail

DPFP Asset Allocation	3/31/2024 NAV	%	Targets $ mil.	%	% of Target	Variance $ mil.	%
Equity	**1,302**	**65.2%**	**1,298**	**65%**	**100%**	**4**	**0.2%**
Global Equity	993	49.7%	1,098	55%	90%	-105	-5.3%
Boston Partners	*125*	*6.3%*	*120*	*6%*	*104%*	*5*	*0.3%*
Manulife	*126*	*6.3%*	*120*	*6%*	*105%*	*6*	*0.3%*
Walter Scott	*125*	*6.3%*	*120*	*6%*	*104%*	*5*	*0.3%*
WCM	*133*	*6.7%*	*120*	*6%*	*111%*	*14*	*0.7%*
Northern Trust ACWI IMI Index	*360*	*18.0%*	*499*	*25%*	*72%*	*-139*	*-7.0%*
Eastern Shore US Small Cap	*66*	*3.3%*	*60*	*3%*	*110%*	*6*	*0.3%*
Global Alpha Intl Small Cap	*57*	*2.9%*	*60*	*3%*	*96%*	*-2*	*-0.1%*
Emerging Markets Equity - RBC	93	4.7%	100	5%	93%	-7	-0.3%
Private Equity*	216	10.8%	100	5%	216%	116	5.8%
Fixed Income	**416**	**20.8%**	**499**	**25%**	**83%**	**-83**	**-4.2%**
Cash	41	2.1%	60	3%	69%	-19	-0.9%
S/T Investment Grade Bonds - IR+M	115	5.8%	120	6%	96%	-4	-0.2%
Investment Grade Bonds - Longfellow	64	3.2%	80	4%	80%	-16	-0.8%
Bank Loans - Aristotle Pacific	63	3.1%	80	4%	79%	-17	-0.9%
High Yield Bonds - Loomis Sayles	64	3.2%	80	4%	80%	-16	-0.8%
Emerging Markets Debt - MetLife	66	3.3%	80	4%	83%	-14	-0.7%
Private Debt*	3	0.2%	0	0%		3	0.2%
Real Assets*	**279**	**14.0%**	**200**	**10%**	**140%**	**79**	**4.0%**
Real Estate*	159	8.0%	100	5%	159%	59	3.0%
Natural Resources*	95	4.7%	100	5%	95%	-5	-0.3%
Infrastructure*	25	1.3%	0	0%		25	1.3%
Total	**1,997**	**100.0%**	**1,997**	**100%**		**0**	**0.0%**
Safety Reserve ~$162M=18 mo net CF	156	7.8%	180	9%	87%	-23	-1.2%
*Private Market Assets	498	24.9%	300	15%		199	9.9%

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

Asset Allocation – Actual vs Target



DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C7

Topic: **Report on the Investment Advisory Committee**

Discussion: The Investment Advisory Committee met on March 28, 2024. The Committee Chair and Investment Staff will comment on Committee observations and advice.

Regular Board Meeting – Thursday, April 11, 2024

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C8

Topic: **Real Estate: AEW Presentation**

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

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

Discussion: Representatives of AEW Capital Management ("AEW") will update the Board on the status and plans for DPFP's investment in RED Consolidated Holdings ("RCH"). AEW took over management of RCH and other real estate investments in February of 2015. AEW last presented to the Board in November 2023.

Regular Board Meeting – Thursday, April 11, 2024

Executive Summary

- AEW took over the management of 3 assets from CDK in 2015. Red Consolidated Holdings (RCH) is the only investment remaining.
- **RCH:**
  - 50/50 real estate operating company based in Phoenix, AZ. Holdings consist of operating retail and mixed-use properties with a concentration in Southwest.
  - Complex operating company with numerous underlying operating properties and partnerships with different partners, developmental properties and land holdings.
  - $49.3M of distributions received since 2022, driven by land sales.
- **Camel Square:**
  - 15.5-acre site located in Phoenix, AZ which was wholly owned by DPFP outside of RCH. Rezoning approved in late 2019. DPFP Board approved redevelopment & investment in 2021.
  - All land parcels have sold leading to ~$69M in distributions to DPFP since 2019.
  - Entity should be fully closed out shortly.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C9

Topic: **Lone Star Investment Advisors**

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 investments with this manager.

Regular Board Meeting – Thursday, April 11, 2024

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C10

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 #D1

Topic: **Public Comment**

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

Regular Board Meeting – Thursday, April 11, 2024

DISCUSSION SHEET

ITEM #D2

Topic: **Executive Director's Report**

a. Associations' newsletters
- NCPERS Monitor (April 2024)

b. Open Records

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

Regular Board Meeting – Thursday, April 11, 2024

THE NCPERS
MONITOR
The Latest in Legislative News
April 2024

NCPERS Executive Director's Corner

Build On Your Fund's Fiduciary Education Program with NCPERS University

By Hank Kim, Executive Director and Counsel, NCPERS

Photo Illustration © 2024, istock.com

In any industry, a positive onboarding experience combined with continued learning opportunities can help drive organizational efficiencies. But in the public pension industry, having a well-established fiduciary education program is a crucial piece of a retirement system's governance and risk management strategy, as noted in our recently updated guide to Best Governance Practices for Public Retirement Systems.

Establishing a clear educational path for trustees and staff in your organization can help drive performance and, ultimately, improve returns. Through the three well-established programs within NCPERS University, we offer an easy path to help onboard and continuously upskill trustees and staff with all levels of experience.

The Trustee Educational Seminar (TEDS) is intended to help new trustees and staff build and strengthen their foundational knowledge of pensions and governance. The program provides an introduction to actuarial science and covers key investing principles, ending with an interactive training where attendees put their skills to the test during an asset allocation challenge. TEDS also covers governance best practices—including delineating the roles of trustees and staff—and fundamental concepts that every trustee should know. TEDS is held each spring, immediately before NCPERS Annual Conference. To join the upcoming class on May 18-19 in Seattle, register here.

For trustees and staff involved in plan governance, the NCPERS Accredited Fiduciary (NAF) program serves as the next step in advancing your knowledge of plan governance, oversight, and administration best practices. Attendees can build connections with peers across the country, enabling them to share ideas and solutions even after the program concludes. Conducted in a small classroom setting, NAF is broken out into four topical modules:

- Governance & the Board's Role explores various governance models and principles in order to better understand how to become a 'high-functioning board.'
- Investment & Finance dives into how to properly administer your fund's investments to ensure compliance with investment/financial policies while mitigating risk.
- Legal, Risk Management & Communication covers the fiduciary duties related to legal/risk oversight, reputational risk management practices, and strategies for effective stakeholder communication.
- Human Capital examines compensation strategies and performance management plans to help maximize fund performance.

After completing all four training modules, attendees can earn their Accredited Fiduciary designation—recognized nationally as a prestigious symbol of governance excellence—by demonstrating mastery of the content through an exam. Our NAF program is hosted twice per year (in the spring and the fall). To join the spring class on May 18-19 in Seattle, register here.

The third and newest program within NCPERS University is our Program for Advanced Trustee Studies (PATS). Perfect for trustees and staff with a strong grasp on fundamentals, the program focuses on two timely topics each year, allowing attendees to fully explore the subject matter in a small classroom setting.

PATS is held each fall in conjunction with either the Public Safety Conference or Financial, Actuarial, Legislative & Legal (FALL) Conference. The 2023 program focused on investment in private equity and measuring & accounting for pension funding. Stay tuned for updates on the 2024 PATS topics (or sign up here for updates). The upcoming program will take place October 26-27 in Palm Springs, CA.

Outside of our recurring NCPERS University programs, we offer a growing number of educational programs to ensure your fund's trustees and staff are equipped with the knowledge and skills needed to excel in their roles. Next up, we hope to see you in Seattle at our Annual Conference & Exhibition (ACE), held May 19-22. ◆

NCPERS **Feature**

New Pension Fund Roundtable for Member Services Directors

By: William Whitman, Director, Membership & Strategic Alliances, NCPERS

Photo Illustration © 2024, istock.com

We are very pleased to announce NCPERS is expanding our existing set of Pension Professional Roundtables with a new Member Services Roundtable!

This new Roundtable is intended for the leader of member services functions at public pension plans, regardless of whether their particular job title is director, chief, or something else — if you oversee the member services and experience for your plan, you are invited to join. Please complete this short registration form to be added to the Roundtable mailing list.

Example topics to be covered on future calls include member education best practices, benefits administration, member portals, Pension Administration Solutions projects, staffing, and member data.

NCPERS already hosts CEO, CIO, Communications, and HR Roundtables that bring together public pension professionals to crowd-source solutions to common problems they face. Roundtable participation is free for staff at NCPERS member pension funds. Please see this page for more information. ◆

NCPERS **Feature**

Guide to Pension Governance and Oversight Best Practices

By: Lizzy Lees, Director of Communications, NCPERS

Photo Illustration © 2024, istock.com

NCPERS recently released its revised Best Governance Practices for Public Retirement Systems. The guide, developed in collaboration with Segal Marco Advisors, provides an overview of governance and risk management practices for pension funds to consider. The guide also features a model risk management framework.

We spoke with contributing author, Julian Regan of Segal Marco Advisors, to discuss the key takeaways.

Why is good governance important for public retirement systems?

Good governance is important to public retirement systems because it enables improved performance and management of risk across a system's administrative, investment, operational and member service functions. Research has found that effective governance may improve long-term investment returns by 1% or more annually.

Beyond investments, best practices such as board self-evaluations, fiduciary training, and risk assessments drive performance across administrative, member service and compliance functions.

In addition, retirement systems today face emerging risks, including new risks embedded in alternative investments, operational risks, cybersecurity risk, not to mention reputational risk. Management of these risks requires a comprehensive framework.

What are some of the best governance practices for public retirement systems to consider?

NCPERS Best Governance Practices are comprised of recommendations in seven areas including governance manuals, board practices, board policies, risk oversight, strategic planning, key performance and risk measures, and stakeholder communications.

- **Governance manual:** Whether it is in electronic or paper form, a fund should adopt a governance manual that serves as a central repository for the fund's primary governance documents. A well-designed governance manual facilitates effective management and provides a tool to educate trustees and stakeholders on fund operations.
- **Board practices:** A retirement system should establish, document, and adhere to a set of practices that have a proven impact on performance and risk oversight. Key practices encompass strategic (multi-year) planning, board evaluations, fiduciary education, actuarial valuations, asset-liability modeling (ALM), audits and assessments, and corporate governance and proxy voting.
- **Board policies:** A fund should adopt and adhere to a set of policies designed to guide system operations toward the achievement of stated goals within established risk tolerances. While their form may vary, a board's key policies and procedures should include: standards of conduct, a communications policy, an investment policy, procurement guidelines, a privacy policy, whistleblower policy and a risk management policy or equivalent.
- **Risk oversight:** A fund should adopt a risk management framework and document it in a risk policy or within other policy documents (e.g. investment policy, privacy policy). The board should delegate accountability for management of market, credit, operational, asset / liability, liquidity and other risks through job descriptions, contracts, and charters.
- **Strategic planning**: A fund should adopt a strategic planning approach in the form of a multi-year plan or within other documents. Strategic planning is a hallmark of successful organizations. It provides the board with a mechanism to map out long-term goals along with the implementation steps necessary to achieve them.
- **Key performance and risk measures:** Reports to the board should include a set of key performance and risk measures to help the board assess the fund's progress toward goals across actuarial, administrative, audit, compliance, and investment functions.
- **Stakeholder communications:** A fund should communicate regularly with members and other stakeholders through multiple media including website notifications, publications, and required reports. Communications provide transparency into fund operations and may increase member satisfaction, while strengthening the fund's reputation.

What should pension funds keep in mind when developing (or updating) a governance policy or other policy?

When updating an investment policy, risk management policy, governance policy or equivalent document, pension funds should bear in mind any changes that have occurred in accountabilities under the governance structure (e.g. have any roles or responsibilities been added?), changes in the plan's legal and or regulatory environment (e.g. new statutes), changes in risk exposures and any new goals, guidelines (e.g. asset allocation targets) or risk thresholds the board has approved.

Funds should also avoid common pitfalls in developing policies that may include, for example, establishing unrealistic, aspirational goals (this can create more risk) or developing overly complex policies that staff members and service providers who are responsible for adherence may find difficult understand. In updating a policy, the pension fund, with the assistance of fund counsel, may review whether narrative may be improved in form to avoid excessive content.

What resources are available to public pension funds to develop a risk management framework?

In addition to resources that are available directly through NCPERS, including the Model Risk Management Framework that is an addendum to NCPERS Best Governance Practices, the following resources are available.

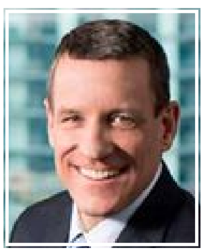
- An investment consultant, counsel, actuary, auditor, and key staff, all of whom possess expertise to varying degrees in risk management and who may be able to draft a policy.
- Dedicated risk management and governance consultants who may be part of a dedicated practice within a larger firm.

- Publicly available risk management policies that may be accessed on public company, public pension system or regulatory websites.
- Sample documents that may be available on industry organization websites.
- Studies and surveys that focus on fund governance in part or in full including NCPERS Annual Public Retirement Systems Study, with a particular focus on oversight trends.

It is important to note that most, if not all public pension systems already have the components of a risk management framework in place through their board and committee structures, charters, policies, contracts, and reporting requirements. The key is to organize these components so that they can be continuously improved upon.

What are the practical alternatives for implementing best practices for modest size public funds that do not have the same resources as large state retirement systems?

Small and mid-size public retirement systems can implement governance best practices, but their approach may look slightly different than large plans due to varying staff sizes, budgets, regulations, and available resources. For practical reasons, implementation may take different forms and may be achieved through greater delegation of duties to contracted service providers and outside experts than is the case with larger retirement systems. In addition, the scope and form of implementation may differ for modest sized systems. For example, while it may not be practical for a modest sized system to develop a dedicated risk management policy as a standalone document, the system can achieve the same outcome by embedding components of the risk management policy or framework in the investment policy, committee charter, contracts, and other documents (this is often the case). ◆



Julian Regan is the Public Sector Market Leader and a Senior Vice President in Segal Marco Advisors' Boston office. Previously, he served as Executive Director of the New York State Deferred Compensation Board, Vice President, Risk Governance and Strategy for Fidelity Investments, and Assistant General Manager and Budget Director, Massachusetts Bay Transportation Authority.

Pension Industry Careers: Job Listings, Hiring, and Retirement Announcements

Brought to you by NCPERS

NCPERS **Feature**

HELP Committee Hearing on Retirement

By: Tony Roda, Partner, Williams & Jensen

Photo Illustration © 2024, istock.com

Chairman Bernie Sanders (I-VT) of the Senate Committee on Health, Education, Labor, and Pensions unveiled some startling statistics during the Committee's hearing on February 28. The hearing was focused on the retirement crisis in the U.S. as well as a discussion of proposals to spur a reemergence of defined benefit (DB) plans in the private sector.

Regarding the size of the problem, the Majority Staff Report, in part, highlighted that:

- Nearly half of Americans 55 and older have no retirement savings.
- Roughly 52 percent of Americans 65 and older are living on less than $30,000 annually, and one in four survive on less than $15,000 per year.

On access to DB plans, the Report cited that:

- Nearly 30 percent of the workforce had a defined benefit plan in 1975; now only 13.5 percent do.
- More than 27.2 million workers participated in DB plan in 1975, versus 11.2 million workers participating in defined contribution (DC) plans. In 2019, 85.5 million workers participated in DC plans versus 12.6 million DB plan participants.

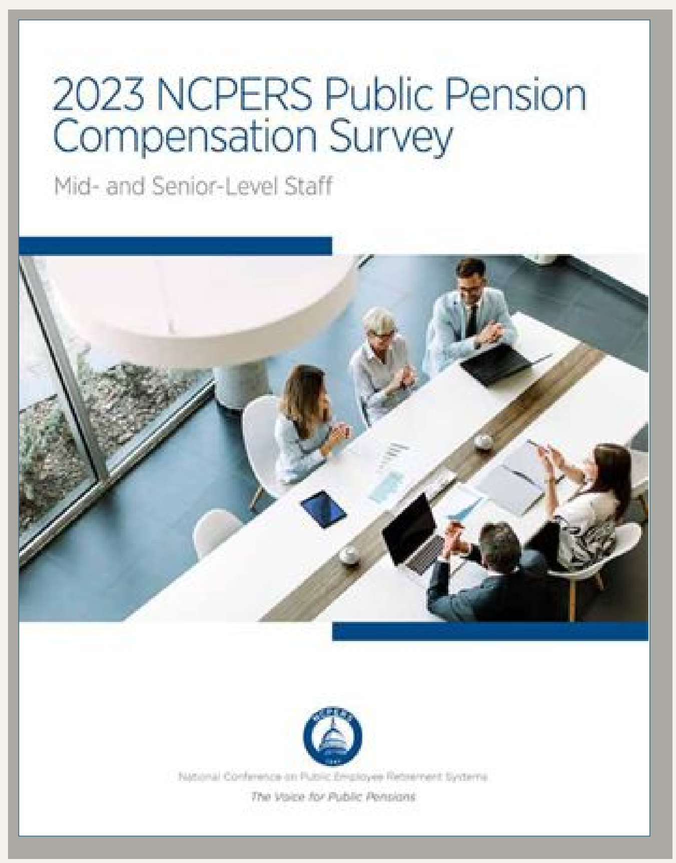
The importance of this shift from DB to DC plans in the private sector was discussed in testimony provided by Dan Doonan, the Executive Director of the National Institute on Retirement Security (NIRS). Mr. Doonan quoted from a 2017 Wall Street Journal article:

> "Many early backers of the 401(k) now say they have regrets about how their creation turned out despite its emergence as the dominant way most Americans save. Some say it wasn't designed to be a primary retirement tool and acknowledge they used forecasts that were too optimistic to sell the plan in its early days. Others say the proliferation of 401(k) plans has exposed workers to big drops in the stock market and high fees from Wall Street money managers while making it easier for companies to shed guaranteed retiree payouts. The great lie is that the 401(k) was capable of replacing the old system of pensions."

Finally, on access to a retirement plan, the Report stated:

- Roughly 57 Americans do not have a way to save for retirement easily and automatically out of their regular paycheck and only 13.5 percent of workers have a pension.
- As for potential solutions, the Report lists enhancing Social Security benefits and Retirement Security for All Legislation, which is being developed. In addition, the Committee issued a Request for Information (RFI) on ways to reinvigorate the DB pension system in the private sector. Responses to the RFI are due on May 1.

NCPERS is pleased that the Report also highlighted the work being done at the state level to fill the access gap by establishing state-administered, Individual Retirement Accounts (IRA) for private sector workers. These plans vary in features, but they are typically referred to as Secure Choice plans. The Report stated that, "State action on access to retirement plans has had quantifiable positive outcomes. As of December 2023, there are six state-facilitated



automatic IRA programs up and running with more than $1.1 billion in assets under management." NCPERS was an early advocate of these plans and is pleased with the progress thus far.

Chairman Sanders and his staff will soon be in the process of collecting and reviewing responses to the RFI. This will likely spur the introduction of new legislation on retirement access and further proposals to increase Social Security benefits. Senator Sanders already has introduced S. 393, the Social Security Expansion Act, which would expand benefits across the board.

As I mentioned in my previous article, The Secure Act 3.0, Congress is interested in pursuing additional retirement legislation in the coming years. With 12,000 Americans each month this year turning age 65, there is a considerable focus on retirement and retiree healthcare issues when Members of Congress meet with their constituents.

The overarching themes of the next retirement bill should roughly parallel what we've seen in recent legislation: (1) savings enhancement and increased coverage; (2) preservation of income; and (3) simplification and clarification. Chairman Sanders is laser focused on increasing coverage. Some of the comments by the Committee's Ranking Member Bill Cassidy (R-LA) focused on the changes made in the recently enacted SECURE Act 2.0, such as the enhancement of the saver's credit. He encouraged the Committee to hold a hearing on whether these provisions have been successful.

As it has done consistently in the past, NCPERS will maintain an open channel of communications with Members of Congress and staff from both political parties as they develop proposals for the next retirement bill. The strong bipartisan votes in both chambers on the SECURE Act and the SECURE Act 2.0 are evidence that there is much more that unites us than divides us on the issues surrounding retirement security. ◆

__Tony Roda__ is a partner at the Washington, D.C. law and lobbying firm __Williams & Jensen__, where he specializes in legislative, regulatory, and fiduciary matters affecting state and local pension plans. He represents the National Conference on Public Employee Retirement Systems and state-wide, county, and municipal pension plans in California, Colorado, Georgia, Kentucky, Ohio, Tennessee, and Texas. Tony has an undergraduate degree in government and politics from the University of Maryland, J.D. from the Catholic University of America, and LL.M (tax law) from the Georgetown University Law Center.

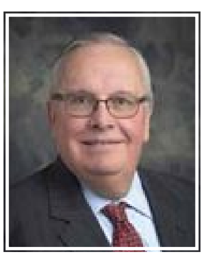
NCPERS **Feature**

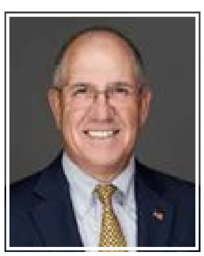
A Look at the Illinois Municipal Police and Fire Pension Consolidation Process: Pandemic Woes, Legal Challenges, and Increased Returns

By: Lizzy Lees, Director of Communications, NCPERS

Photo Illustration © 2024, istock.com

In March 2020—immediately before the U.S. declared a national emergency and the COVID pandemic brought the world to a halt—Bill Atwood became the Executive Director and CIO of the $7.7 billion Illinois Firefighters' Pension Investment Fund (IFPIF). Shortly after, Rich White was hired as the Interim Executive Director of the $10 billion Illinois Police Officers' Pension Investment Fund (IPOPIF), transitioning to the permanent role one year later.


Bill Atwood


Rich White

In January 2024, the Illinois Supreme Court upheld the state legislation directing the consolidation of the Illinois municipal police and fire pension plans based outside the city of Chicago. Operating in what they describe as an almost 'startup environment' and facing legal challenges and skepticism along the way, the transition of assets is now nearing completion.

NCPERS spoke with Bill and Rich about the process of consolidating hundreds of municipal funds and what's next for IFPIF and IPOPIF.

Q: What led to the 2019 consolidation of Illinois' municipal police and fire pension plans?

Bill Atwood: Illinois is unique in that the 1970 constitution has the pension clause in it which requires public employers to pay pension benefits. Those benefits are to be treated as a contract and they cannot be reduced or impaired. However, the state constitution doesn't require or create a mechanism for the funding of pension plans.

Under the pension code, there are 297 local fire funds and 357 local police funds. On the fire side, that effectively meant you had 297 different investment portfolios under 297 different attorneys, etc.

So, what came out of the governor's taskforce was a proposal that we consolidate all these pension funds into two plans: the police plan and the fire plan. The goal was to reduce costs through economies of scale, but more importantly, increase the total return. As a pooled fund and a multibillion-dollar plan, you're able to access private markets, private equity, private credit, and just have a higher total return with lower volatility.

Q: What was the criteria for inclusion (or exclusion) in the Illinois Police Officers' Pension Investment Fund and Illinois Firefighters' Pension Investment Fund?

Rich White: If you were a downstate or suburban police fund (defined as Article Three in the pension code) or fire fund (Article Four), you were included. Basically, any municipality between 5,000 people and 500,000 people that has a police department or a fire department with a corresponding police or fire pension fund was included in the consolidation.

Bill: The pension code defines certain minimums as to when a community has to form a police pension fund and firefighting pension fund. Once those funds are statutorily created, then they have to participate with either IPOPIF or IFPIF.

Q: How are these consolidated funds structured from a governance perspective?

Bill: We have nine members, seven of whom are elected. By statute the chairmanship has to rotate every two years between a labor representative and a municipal representative.

Rich: And on the police side, we have nine board members as well. The makeup is a little bit different, as eight of our board members are elected. Other than that, the law provides for both of us that our boards have the authority to govern, administer and maintain oversight of each respective fund. They have the ability by law to set administrative rules and policies to run the funds and the authority to direct the investment of assets on behalf of the members and beneficiaries.

Q: Logistically, what did the consolidation process look like?

Rich: There was no roadmap or manual. During the consolidation—for both us—we basically had to create everything as startup organizations. I had to go out and get a bank account and a checkbook. We didn't have a payroll system. Everything had to be done basically from scratch. And then the COVID pandemic only made it more challenging. We were trying to do all of these things, but nobody could meet in person.

Bill: On the bright side, if you're going to negotiate a lease, there's no better time to do it than in the midst of a global pandemic. I spent the first few months working out of my basement, and then once we secured office space, we were only allowed to have one person there on any given day. It certainly added one more layer of complexity to the process.

We also were allowed to conduct our board and committee meetings remotely, and the public could participate virtually. This actually enabled us to hold more meetings which allowed us to move more efficiently in building the fund's infrastructure from ground zero.

Rich: Definitely. On the police side, our board met 61 times in four years—and that's just the board, not including the committees. Without technology, we absolutely would not be where we are today. One aspect that was very challenging during the pandemic was hiring service providers and going through the RFP process. Almost everything was on Zoom. I remember we had one in-person meeting in April 2021 so that we could interview the custodians and investment consultants in person. We met in a big ballroom with only nine people so that we could socially distance.

In terms of the logistics of the consolidation, the board had to adopt rules and regulations about what the transfer process would look like. We had to hire the investment custodian bank, which was a challenge because we were one client, but we effectively had 357 sub-clients. We had to hire staff and service providers. We had to develop from scratch the rules of engagement.

And then we had to educate the local boards and their service providers, which was also a challenge in the COVID environment. It was a lot of one-on-one communication with every local fund to get the assets moved over. Then you had to define what the assets were, and then the board of trustees had to develop their own investment policy statement. The firefighters were ahead of us in the process, so we learned a lot from them. There were a lot of moving parts and a short period of time to get it done.

Bill: It was especially challenging because the local firefighter and police funds don't have a lot of resources, and we were asking them to execute these documents. The other aspect was that a lot of people were not happy about the consolidation initiative. But everybody did their best to get it right. Outside of providing the general information through emails and letters, it really required a lot of one-on-one conversations as Rich said. There was zero margin of error. We had to be transparent and auditable.

Q: There have been some legal challenges along the way, most notably the 2021 lawsuit alleging that creating the consolidated funds violated the Illinois constitution. What impact did the legal challenges have on the consolidation and how were they resolved?

Bill: From the get-go, a lot of local funds didn't want to consolidate. Once the litigation was filed, that gave people who were skeptical about the consolidation a reason to delay transferring their assets. Then the trial judge basically issued a stay that said that if they didn't transfer their assets they wouldn't be penalized, pending the outcome of the litigation. This of course only contributed to the delays, but once the trial judge ruled in our favor, that removed that impediment and most fire funds transferred their assets. There were still a few funds who wouldn't transfer their assets until the case went to the Illinois Supreme Court, though.

Rich: I think there was some skepticism of what the consolidation meant. We started with the headwind of building trust with the local funds, and the litigation put a pause on a lot of it. To illustrate, we had 46 funds transfer assets in the first three months. Then, when the circuit court ruled that the statute was constitutional in June 2022, we had 72 funds transfer their assets in one month alone. There were 16 litigant funds on the police side, and after that June 2022 ruling, one of those funds dropped out of the litigation. As Bill said, the remaining funds were under a stay order from the circuit court and were not required to transfer their assets.

Now, with the Illinois Supreme Court ruling in favor of the consolidation, we'll continue the process of transferring the remaining funds' assets this year.

Q: What challenges are you anticipating now, and what are the opportunities ahead?

Rich: We currently have a short-term asset allocation, and in January of this year we started to hire active managers in the investment space. The approach that our fund has taken is to engage in various asset classes that the smaller funds couldn't access previously to get more return and more value for our risk. That's kind of the idea behind the consolidation—accessing additional asset classes at a scale that will benefit everybody while keeping our management and administrative costs low.

The Illinois Police Officers Pension Investment Fund is laser-focused on investment excellence, which means achieving the best risk-adjusted returns possible through the prudent investment of contributions and investment income. We're looking to build a full-time organization that's going to be able to do the administration that's necessary to run the fund and reduce our footprint of external service providers. That's what we're working towards.

Bill: We're on a similar trajectory as the police fund. We had an interim asset allocation, and now we're moving to a long-term allocation strategy. We've started moving towards active management and are currently focused on our private markets exposure, because we know that getting that money allocated will take time. We have a board meeting coming up in May where we will consider real assets and private credit. And then in our following board meeting, we will look at the other private markets allocations.

Outside of managing our portfolio, we're also building an organization that will outlive us. We think about what we're doing in the portfolio now, or next quarter, or next year, but how's this all going to operate 10 years from now?

But at the end of the day, the program analysis of the legislation is: Are returns improved and are costs reduced? And so far, so good. ◆

Meet Reshana Peters, NCPERS' Digital Media & Marketing Coordinator

By: Lizzy Lees, Director of Communications, NCPERS

In March, NCPERS had the pleasure of welcoming Reshana Peters to its rapidly growing team! As the newest member of the Communications Department, Reshana will play a key role in growing the organization's online presence, building brand visibility, and increasing awareness of the many resources NCPERS offers to its members and the public pension community.

"As we've expanded our membership offerings, NCPERS saw the need to build capacity in order to more effectively communicate with the public pension community. Reshana is a fantastic addition to our team as we work to engage with our members and stakeholders in an increasingly digital-first environment," said Hank Kim, executive director and counsel for NCPERS.

Here is a glimpse of Reshana's background and what she'll be doing to support NCPERS' digital strategy:

Q: Where are you from?

A: I was born in Guyana (located in South America), but I like to say I'm a native New Yorker because I was raised there for most of my life.

Q: As part of NCPERS Communications team, what will you be doing as its newest Digital Media & Marketing Coordinator?

A: My objective is to enhance NCPERS' digital presence on its existing platforms, from our social media and email to our website and publications. Since we offer a range of research and insights, I am developing interactive ways in which people can absorb information and stay up to date with what is happening in the public pension industry.

Q: Tell us a bit about your previous work experience.

A: Prior to joining NCPERS, I was part of the marketing department at a data service provider for the structured finance, commercial real estate, and banking markets. In this role, I worked on social media content and graphics, blog posts, website management, and more. I also collaborated with the company's podcast, research, and education teams on numerous internal and external projects.

Q: What are you looking forward to most in this new role?

A: I am eager to expand NCPERS' digital output, specially creating content and graphics that will push how we engage with our community.

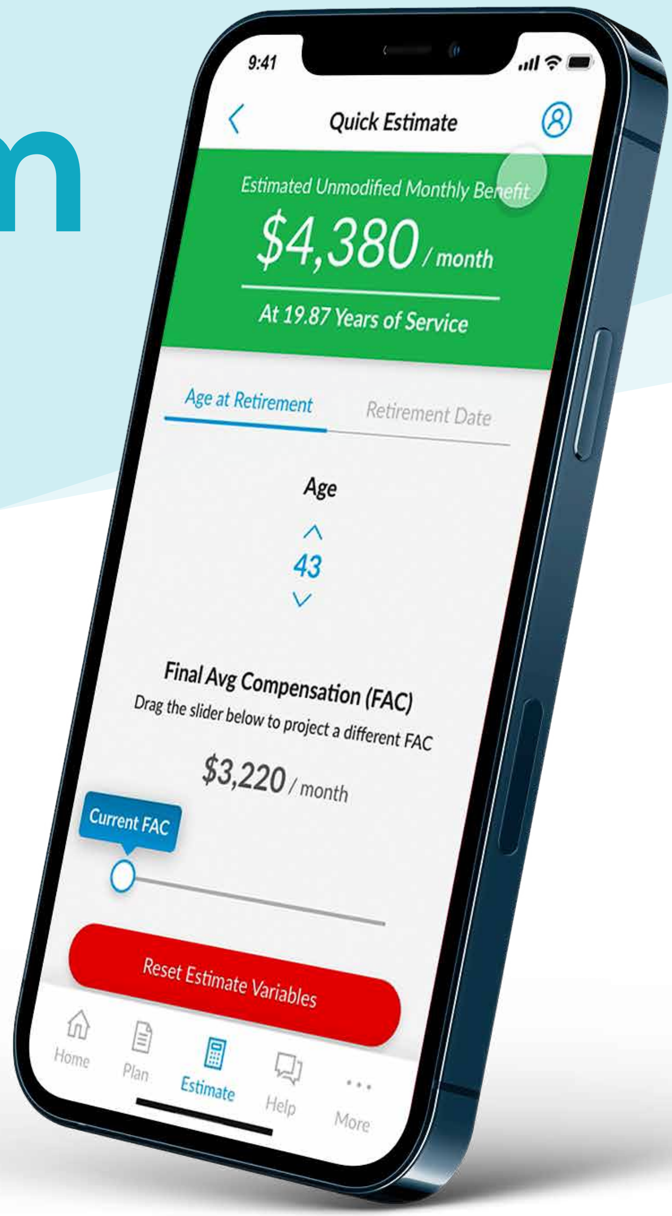
Q: When you're not working on NCPERS educational programming, what do you enjoy doing?

A: When I am not working, I like reading books, especially digital works from up-and-coming writers. I love reading the raw versions of people writing and seeing the progress, as many of them have gone on to be published and eventually turned into movies. You can also find me binge-watching crime dramas like Criminal Minds, NCSI, Hawaii Five-0, Rookie Blue, and more.

Q: How can members contact you?

A: Call me at (202) 601-2454 or email me at rpeters@ncpers.org. You can also check out NCPERS' LinkedIn, Twitter, Facebook, and YouTube. Otherwise, I look forward to meeting you at the Annual Conference and Exhibition in Seattle!

NCPERS PensionX Digital Platform



NCPERS has partnered with Digital Deployment to offer its members a **10% DISCOUNT** on PensionX, the premier digital platform that securely enables pensions to engage with active and retired participants via a mobile self-service app and portal.

NCPERS 1941 | pensionX

Learn more about this new NCPERS member benefit at ncpers.org/pensionx

NCPERS Around the Regions

Wyoming Legislators Act to Bolster State Pension Funds

Several bills signed into law by Gov. Mark Gordon aim to safeguard pension funds for state employees across Wyoming. Government employees receive pensions through the state of Wyoming, and the Legislature controls how much of their salary they can contribute for retirement.

READ MORE *Source: Buffalo Bulletin*

CalPERS Strongly Opposes Ballot Measure That Could Kill Pension Funding

CalPERS voted to strongly oppose a state initiative set for a vote on the November ballot that would limit the ability of state and local governments to tax citizens and make pension contributions. The initiative called the "Taxpayer Protection and Government Accountability Act," would amend the California Constitution to change the rules for how the state and local governments can impose taxes, fees and other charges.

READ MORE *Source: Pensions & Investments*

Mississippi PERS Opposes Bill to Change Board, Deny Employer Contribution Increase

On March 17 the Public Employees' Retirement System of Mississippi announced its opposition to a bill in the state legislature that would eliminate an employer-contribution increase the board had approved and would also drastically change the make-up of the PERS Board of Trustees.

READ MORE *Source: Chief Investment Officer*

NCPERS Around the Regions

Detroit Police, Fire Pensioners Appeal Bankruptcy Ruling to Extend Payments

The Police and Fire Retirement System of Detroit filed an appeal pushing back on a federal bankruptcy judge's ruling in favor of Mayor Mike Duggan administration's plan to extend the city's pension payment obligations over 30 years rather than 20 years.

READ MORE *Source: The Detroit News*

San Diego's Pension Board Rejects the City's Bid to Slash its Payments

San Diego's pension board voted to reject a proposed $352 million reduction in the city's pension payments over the next four years, calling the proposal a threat to the city's long-term financial stability.

READ MORE *Source: The San Diego Union-Tribune*

Jacksonville Pension Tax Spared by State Lawmakers, Pension-funded Stadium Deal Still on Table

The City of Jacksonville dodged a bullet, with the Florida Legislature approving this year's tax package without language that could have put the city's pension funding source at risk.

READ MORE *Source: 104.5 WOKV Jacksonville's News & Talk*

Photo Illustration © 2024, istock.com

Upcoming Events

May

NCPERS Accredited Fiduciary (NAF) Program

May 18–19
Seattle, WA

Trustee Educational Seminar (TEDS)

May 18–19
Seattle, WA

Annual Conference & Exhibition (ACE)

May 19–22
Seattle, WA

June

Chief Officers Summit

June 17-19
Nashville, TN

August

Public Pension Funding Forum

August 18-20
Boston, MA

September

Public Pension HR Summit

September 24-26
Denver, CO

View all upcoming NCPERS conferences at www.ncpers.org/future-conferences.

The Voice for Public Pensions

The Monitor is published by the National Conference on Public Employee Retirement Systems.
Website: www.NCPERS.org • E-mail: info@ncpers.org