AGENDA

DALLAS POLICE & FIRE PENSION SYSTEM

Date: October 6, 2022

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, October 13, 2022, 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/88582012044?pwd=VjZTY2RzMlN3aUpEYlBCb1VDUk5ldz09 Passcode: 549550.** Items of the following agenda will be presented to the Board:

A. MOMENT OF SILENCE

B. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of September 8, 2022

2. Approval of Refunds of Contributions for the Month of September 2022

3. **Approval of Estate Settlements**

4. **Approval of Survivor Benefits**

5. **Approval of Service Retirements**

6. **Approval of Alternate Payee Benefits**

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

8. **Approval of Payment of DROP Revocation Contributions**

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. **Fiduciary Insurance Review**

2. **Initial Reading and discussion of the 2023 Budget**

3. **Financial Audit Status**

4. **Monthly Contribution Report**

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

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

6. **Portfolio Update**

7. **Report on Investment Advisory Committee**

8. **Investment Policy Revisions**

9. **Public Fixed Income Portfolio Review**

10. **Private Asset Cash Flow Projection Update**

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

11. **Board Committee Appointments**

12. **Board Meeting Recordings**

13. **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 (October 2022)

   b. Open Records

   c. Employee Update

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

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

DALLAS POLICE & FIRE PENSION SYSTEM

MOMENT OF SILENCE

In memory of our Members and Pensioners who recently passed away

NAME	ACTIVE/ RETIRED	DEPARTMENT	DATE OF DEATH
Leonard Garza	Retired	Police	Sept. 10, 2022
Bobby C. Moore	Retired	Fire	Sept. 12, 2022
Jesse R. Dawson	Retired	Police	Sept. 20, 2022
James B. Rucker	Retired	Police	Sept. 23, 2022
James L. Chadwick	Retired	Police	Sept. 29, 2022

Regular Board Meeting –Thursday, October 13, 2022

Dallas Police and Fire Pension System
Thursday, September 8, 2022
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 8:30 a.m.	Nicholas A. Merrick, William F. Quinn, Armando Garza, Nancy Rocha, Anthony R. Scavuzzo, Marcus Smith
Present at 8:32 a.m.	Kenneth Haben, Steve Idoux (by telephone)
Present at 8:35 a.m.	Mark Malveaux (by telephone)
Absent:	Michael Brown
Staff	Kelly Gottschalk, Josh Mond, Brenda Barnes, Ryan Wagner (by telephone), John Holt, Akshay Patel, Michael Yan, Milissa Romero Cynthia Thomas (by telephone)
Others	Leandro Festino, Aaron Lally, David Harper, David Elliston

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

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A. WELCOME NEW AND REAPPOINTED TRUSTEES

The Board welcomed Non-Member Trustees, Nancy Rocha, Anthony R. Scavuzzo, and Marcus Smith all of whom were certified and deemed elected by the Board at the June Board meeting and will serve from September 1, 2022, until August 31, 2025.

No motion was made.

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Regular Board Meeting
Thursday, September 8, 2022

B. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officers Charles M. Dooley, David L. Giddings, Johnnie F. Newton, Perry R. Richardson, and retired firefighters Lewis E. McPherson, Leon F. Roddam, E. H. Glasscock, Jr., Norman M. Reynolds.

No motion was made.

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C. CONSENT AGENDA

1. **Approval of Minutes**

   Regular meeting of August 11, 2022

2. **Approval of Refunds of Contributions for the Month of August 2022**

3. **Approval of Activity in the Deferred Retirement Option Plan (DROP) for September 2022**

4. **Approval of Estate Settlements**

5. **Approval of Survivor Benefits**

6. **Approval of Service Retirements**

7. **Approval of Alternate Payee Benefits**

8. **Approval of Payment of DROP Revocation Contributions**

After discussion, Mr. Garza made a motion to approve the minutes of the Regular meeting of August 11, 2022. Mr. Quinn seconded the motion, which was unanimously approved by the Board.

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

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Regular Board Meeting
Thursday, September 8, 2022

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Portfolio Update

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

No motion was made.

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2. Second Quarter 2022 Investment Performance Analysis and First Quarter 2022 Private Markets & Real Assets Review

Leandro Festino, Managing Principal, Aaron Lally, Principal of Meketa Investment Group, and the Investment Staff reviewed the Second Quarter 2022 Investment Performance Analysis and First Quarter 2022 Private Markets & Real Assets Review.

No motion was made.

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3. Board Committee Appointments

The Board has three permanent committees, the Audit Committee, the Professional Services Committee, and the Investment Advisory Committee.

The Chairman of the Board nominated William Quinn to serve as Chair of the Investment Advisory Committee and to maintain Kenneth Haben, Michael Brown, and the five outside investment professionals currently on the Investment Advisory Committee. The Chairman nominated to the Professional Services Committee: Anthony Scavuzzo and Marcus Smith as members, Steve Idoux as the Chair, and to maintain Mark Malveaux as a current member. The Chairman nominated to the Audit Committee: Nancy Rocha as a member, himself as the Chair and to maintain Armando Garza as a current member.

After discussion, Mr. Garza made a motion to appoint Trustees to serve on committees as nominated by the Chairman. Mr. Haben seconded the motion, which was unanimously approved by the Board.

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Regular Board Meeting
Thursday, September 8, 2022

4. **Financial Audit Status**

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

   No motion was made.

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5. **Monthly Contribution Report**

   The Executive Director reviewed the Monthly Contribution Report.

   No motion was made.

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6. **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.

   No motion was made.

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Mr. Malveaux left the meeting at 9:33 a.m.

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

   The Board went into closed executive session at 9:37 a.m.

   The meeting was reopened at 9:58 a.m.

   The Board and staff discussed legal issues.

   No motion was made.

Regular Board Meeting
Thursday, September 8, 2022

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D. BRIEFING ITEMS

1. Public Comments

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

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2. Executive Director's report

a. Associations' newsletters
- NCPERS Monitor (September 2022)

b. Open Records

The Executive Director's report was presented.

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Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Quinn and a second by Mr. Garza the meeting was adjourned at 9:59 a.m.

____
Nicholas A. Merrick
Chairman

ATTEST:

____
Kelly Gottschalk
Secretary

DISCUSSION SHEET

ITEM #C1

Topic: **Fiduciary Insurance Review**

Attendees: Mike Stoner, Counsel, Haynes & Boone
James Martinez, Risk Management Consultant, Arthur J. Gallagher
Iva Giddiens, Area Managing Director, Arthur J. Gallagher (by phone)

Discussion: DPFP currently carries $50 million in fiduciary insurance coverage. This insurance coverage is the largest non-salary expense for DPFP and has grown by 106% or $348,970 since 2017.

Mike Stoner, from Haynes & Boone, has reviewed the current fiduciary policies and will review the types of claims and expenses that would and would not be covered by the policy so the Board can assess the adequacy of the fiduciary coverage. Representatives from Arthur J. Gallagher, DPFP's insurance broker, will be available for questions.

Staff Recommendation: **Reduce** fiduciary coverage from $50 million to $15 - $25 million.

Fiduciary Liability Insurance Review

- The schedule on the following page is from our insurance broker, AJ Gallagher, and is a fiduciary insurance comparison with other public pension plans. The information provided includes plan state, plan asset levels, number of plan participants and fiduciary insurance limits.

- DPFP's information is in the first section of the schedule and is noted with asterisks throughout the schedule.

- The next section in the schedule details the information for Texas public pension plans.

- The last section details the information for public pension plans in the United States with over $1B in plan assets.

DALLAS POLICE & FIRE PENSION SYSTEM

State	Plan Assets	Plan Participants	Limit
TX	$2B	5,000	$50M ***

Public Pension Plan Fiduciary Liability Limit Information - 2021-22 (Plans in Texas)

State	Plan Assets	Plan Participants	Limit
TX	$100M	400	$1M
TX	$150M	300	$1M
TX	$3M	50	$1M
TX	$150M	700	$2M
TX	$150M	500	$1M
TX	$10M	50	$1M
TX	$100M	400	$1M
TX	$100M	300	$1M
TX	$1B	4,000	$5M
TX	$1B	3,000	$5M
TX	$1B	7,000	$25M
TX	$2B	5,000	$50M ***
TX	$5B	5,000	$10M
TX	$165B	1,800,000	$25M

Public Pension Plan Fiduciary Liability Limit Information - 2021-22 (Plans with over $1B in plan assets)

State	Plan Assets	Plan Participants	Limit
MO	$1B	13,000	$15M
TX	$1B	4,000	$5M
TX	$1B	3,000	$5M
GA	$1B	4,000	$15M
TX	$1B	7,000	$25M
GA	$2B	18,000	$10M
TX	$2B	5,000	$50M ***
MA	$2B	12,000	$20M
FL	$2B	5,000	$1M
AR	$3B	30,000	$10M
CO	$3B	25,000	$7.5M
CO	$4B	15,000	$15M
CA	$4B	10,000	$10M
TX	$5B	5,000	$10M
CA	$8B	20,000	$25M
CA	$8B	25,000	$15M
MA	$8.5B	48,000	$15M
CA	$10B	40,000	$15M
KY	$20B	135,000	$15M
CA	$23B	50,000	$5M
SC	$34B	500,000	$25M
IL	$35B	175,000	$10M
CA	$70B	185,000	$35M
TX	$165B	1,800,000	$25M

Gallagher

Insurance | Risk Management | Consulting

Dallas Police and Fire Pension System:

Fiduciary Liability Insurance

Haynes and Boone, LLP

Date: October 13, 2022

Summary of the FLI Insurance Program

Insurer	Layer	Premium
Self-Insured Retention	$0 to $200,000	N/A
Markel American Insurance Company	$200,000 to $15,200,000	$332,934.00
Hudson Insurance Company	$15,200,000 to $25,200,000	$112,756.00
National Union Fire Ins. Co. of Pittsburgh, PA	$25,200,000 to $35,200,000	$84,570
Starr Indemnity & Liability Company	$35,200,000 to $45,200,000	$63,427
RLI Insurance Company	$45,200,000 to $50,200,000	$22,000

Fundamental Features of the FLI Policies

- Who Is an Insured?
  - Plan, Trustees, Employees, and Investment Advisory Committee
- What is the Trigger of Coverage?
  - Claims Made-and-Reported Coverage
  - Notice of Circumstances allows Insured to anchor anticipated Claim
  - Claims based on Related Wrongful Act relate back to original Claim
- Who Selects Defense Counsel?
  - Insured (with reasonable consent of Insurer) if done within 30 days of tender

What is a Claim?

- Coverage under the FLI Policy is triggered by a "Claim."

Claims under the FLI Policy	Not Considered Claims
Written demand for monetary damages or injunctive relief	Informal investigations and proceedings
Civil proceeding commenced by the service of a complaint or similar proceeding	Internal proceedings
Criminal proceeding commenced by the return of an indictment	Requests for Tolling Agreements
Formal administrative or regulatory proceeding commenced by the filing of a notice of charges, formal investigative order, or similar document	Matters which are not alleged "against an Insured for a Wrongful Act."

haynesboone
Setting precedent.

What is a Wrongful Act?

- The scope of coverage under these FLI Policies are largely defined by the definition of "Wrongful Act."
- The FLI Policies include two definitions to establish a "Wrongful Act."
  - "Breach of the responsibilities, obligations, or duties imposed upon Insureds by an Employee Benefit Law"
  - "Negligent act, error, or omission by an Insured in the Administration of any Plan"

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What is a Wrongful Act?

- Definition 1:
  - Breach of the responsibilities, obligations, or duties imposed upon Insureds by an Employee Benefit Law.
- Employee Benefit Law is defined as:
  - Any applicable statute, including any rules or regulations promulgated thereunder, of the United States of America or any state, territory, or other political subdivision thereof setting forth the obligations, responsibilities, or duties imposed upon fiduciaries of Plans sponsored by public entities or governmental authorities and to which a Plan is subject[.]
- The definition includes certain examples, such as:
  - Consolidated Omnibus Budget and Reconciliation Act of 1985
  - Federal Employees' Retirement System Act of 1986
  - Health Insurance Portability and Accountability Act of 1996
  - Health Information Technology for Economic and Clinical Health Act
  - Newborns' and Mothers' Health Protection Act of 1996
  - Women's heath and cancer Rights Act of 1998
  - Unemployment, Social Security, Disability Benefits, Retiree Life, Dental, Vision, and Health Care Insurance and Deferred Compensation Plans as promulgated or imposed on Insured by governing federal, state, or other governmental regulatory authority
  - Patient Protection and Affordable Care Act

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Setting precedent.

What is a Wrongful Act?

- Definition 2:
  - Negligent act, error, or omission by an Insured in the Administration of any Plan.
- “Administration” includes, exclusively in a fiduciary or settlor capacity:
  - Giving advice to participants and beneficiaries with respect to a Trust or Plan;
  - Interpreting a Trust or Plan;
  - Handling the records, effecting enrollment, and termination or cancellation of participants under a Trust or Plan;
  - Choosing, changing, terminating, or eliminating provision of a Trust or Plan, including amending benefits, requiring employee contributions, or changing the level of employee contributions.

Loss

- What is (and is not) "Loss" under the FLI Policies?

Loss, if not Otherwise Excluded	Not Defined as Loss
Claims Expenses (i.e., defense costs)	Fines, taxes, or penalties (except as noted with respect to HIPPA, HITECH Act, or PPACA)
Monetary damages, judgments, or settlements which an Insured is legally obligated to pay as a result of a Claim	Multiple portion of any multiplied damages award
Civil fines and penalties imposed pursuant to HIPPA, HITECH ACT, or PPACA	Matters uninsurable under the law pursuant to which this policy is construed.

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Exclusions

- Full Exclusions
  - Previously noticed Claims
  - Bodily Injury, Property Damage, Personal Injury
  - Pollutants
  - Contractual Liability
    - *Exceptions for (1) liability that would have existed regardless of contract, and (2) liability under Agreement of Declaration of Trust*
  - Failure to comply with any law governing workers' compensation, unemployment, social security, or disability benefits
    - *Exception if the law qualifies as an Employee Benefit Law*
  - Deliberately dishonest, fraudulent, or criminal acts/omissions and intentional or willful violation of any statute or regulation
    - *Only applies if there is an admission, plea agreement, judgment, or other final adjudication establishing the exclusion*
  - Insured gaining any profit, remuneration, or other advantage to which an Insured is not legally entitled
    - *Only applies if there is an admission, plea agreement, judgment, or other final adjudication establishing the exclusion*

Exclusions

- Defense Cost Only Exclusions
  - Failure to fund a Plan in accordance with Employee Benefit Law or Plan Instrument
    - *Exception if Loss is payable solely as the personal obligation of a natural person Insured.*
  - Constitutes the return to any employer, public entities, or governmental authorities of any contributions if such amounts are or could be chargeable to the Plan
  - Constitutes benefits due under the terms of the Plan, or which would be due if the Plan complied with all Employee Benefits Laws
    - *Exception if a natural person Insured is adjudicated to be personally liable for Loss and the Loss is based upon a covered Wrongful Act.*
  - Constitutes amounts attributable to a loss of the Plan or loss in the actual accounts of participants in a Plan because of acts, errors, omissions, or breaches of duty resulting in a change in value of investments held by the Plan.

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Setting precedent.

Questions?

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DISCUSSION SHEET

ITEM #C2

Topic: **Initial Reading and discussion of the 2023 Budget**

Discussion: Attached is the budget proposal for Calendar Year 2023.

The budget has been prepared in total for both the Combined Pension Plan and the Supplemental Plan. Total expenses are then allocated to the Supplemental Plan based upon the Group Trust allocation reported by JPMorgan.

Significant changes from the prior year budget and the projected 2022 actual expenses are explained in the comments accompanying the proposed budget.

Staff Recommendation: **Direct** staff to revise the proposed budget based on the direction of the Board and bring the revised proposed budget to the Board at the November 10, 2022 Board meeting for consideration for adoption. **Authorize** forwarding the 2023 proposed budget to the City of Dallas for comment and the posting of the proposed budget to www.dpfp.org for member review prior to the November meeting.

DALLAS POLICE AND FIRE PENSION SYSTEM
OPERATING BUDGET SUMMARY
FOR THE YEAR 2023

Expense Type	2022 Budget	2022 Projected Actual	2023 Budget	Variances 2023 Budget vs 2022 Budget $	Variances 2023 Budget vs 2022 Budget %	Variances 2023 Budget vs 2022 Proj. Act. $	Variances 2023 Budget vs 2022 Proj. Act. %
Administrative Expenses	6,159,334	5,392,753	6,190,265	30,931	0.5%	797,512	14.8%
Investment Expenses	14,044,000	12,240,743	10,770,886	(3,273,114)	(23.3%)	(1,469,857)	(12.0%)
Professional Expenses	1,533,477	1,181,258	1,277,050	(256,427)	(16.7%)	95,792	8.1%
Total	$ 21,736,811	$ 18,814,754	$ 18,238,201	$ (3,498,610)	(16.1%)	$ (576,553)	(3.1%)

Dallas Police & Fire Pension System
Operating Budget
Calendar Year 2023

	Description	2022 Budget	2022 Projected Actual*	2023 Proposed Budget	$ Change 2023 Prop. Bud. vs. 2022 Bud.	% Change 2023 Prop. Bud. vs. 2022 Bud.	$ Change 2023 Prop. Bud. vs. 2022 Proj. Actual	% Change 2023 Prop. Bud. vs. 2022 Proj. Actual
Administrative Expenses								
1	Salaries and benefits	3,935,546	3,456,216	3,709,489	(226,057)	(5.7%)	253,273	7.3%
2	Employment Expense	25,610	10,892	46,350	20,740	81.0%	35,458	325.5%
3	Memberships and dues	19,487	18,095	20,201	714	3.7%	2,106	11.6%
4	Staff meetings	500	-	500	-	0.0%	500	100.0%
5	Employee service recognition	5,080	1,500	5,000	(80)	(1.6%)	3,500	233.3%
6	Member educational programs	2,750	500	3,350	600	21.8%	2,850	570.0%
7	Board meetings	6,420	2,822	4,420	(2,000)	(31.2%)	1,598	56.6%
8	Conference registration/materials - Board	11,650	129	12,000	350	3.0%	11,871	9202.3%
9	Travel - Board	21,500	1,453	22,000	500	2.3%	20,547	1414.1%
10	Conference/training registration/materials - Staff	37,750	7,567	33,200	(4,550)	(12.1%)	25,633	338.7%
11	Travel - Staff	42,950	20,547	44,700	1,750	4.1%	24,153	117.6%
12	Liability insurance	664,899	740,493	888,533	223,634	33.6%	148,040	20.0%
13	Communications (phone/internet)	29,835	18,801	21,180	(8,655)	(29.0%)	2,379	12.7%
14	Information technology projects	250,000	74,445	190,000	(60,000)	(24.0%)	115,555	155.2%
15	IT subscriptions/services/licenses	212,300	187,076	239,860	27,560	13.0%	52,784	28.2%
16	IT software/hardware	25,000	21,753	25,000	-	0.0%	3,247	14.9%
17	Building expenses	420,413	415,431	459,697	39,284	9.3%	44,266	10.7%
18	Repairs and maintenance	88,576	74,531	94,582	6,006	6.8%	20,051	26.9%
19	Office supplies	24,475	22,001	28,475	4,000	16.3%	6,474	29.4%
20	Leased equipment	24,000	21,755	25,000	1,000	4.2%	3,245	14.9%
21	Postage	29,650	26,270	29,746	96	0.3%	3,476	13.2%
22	Printing	4,100	3,712	4,350	250	6.1%	638	17.2%
23	Subscriptions	2,396	971	2,506	110	4.6%	1,535	158.1%
24	Records storage	1,500	1,518	2,179	679	45.3%	661	43.5%
25	Administrative contingency reserve	12,000	122	12,000	-	0.0%	11,878	9736.1%
27	Depreciation Expense	240,947	240,947	240,947	-	0.0%	-	0.0%
28	Bank fees	20,000	23,206	25,000	5,000	25.0%	1,794	7.7%
Investment Expenses								
29	Investment management fees	12,440,000	9,572,288	9,375,000	(3,065,000)	(24.6%)	(197,288)	(2.1%)
30	Investment consultant and reporting	345,000	342,381	455,000	110,000	31.9%	112,619	32.9%
31	Bank custodian services	235,000	220,680	235,000	-	0.0%	14,320	6.5%
32	Other portfolio operating expenses (legal, valuation, tax)	981,500	2,065,418	644,500	(337,000)	(34.3%)	(1,420,918)	(68.8%)
33	Investment due diligence	42,500	39,976	61,386	18,886	44.4%	21,410	53.6%
Professional Services Expenses								
34	Actuarial services	158,250	96,223	159,500	1,250	0.8%	63,277	65.8%
35	Accounting services	60,770	59,000	61,950	1,180	1.9%	2,950	5.0%
36	Independent audit	103,000	109,000	115,000	12,000	11.7%	6,000	5.5%

Dallas Police & Fire Pension System
Operating Budget
Calendar Year 2023

	Description	2022 Budget	2022 Projected Actual*	2023 Proposed Budget	$ Change 2023 Prop. Bud. vs. 2022 Bud.	% Change 2023 Prop. Bud. vs. 2022 Bud.	$ Change 2023 Prop. Bud. vs. 2022 Proj. Actual	% Change 2023 Prop. Bud. vs. 2022 Proj. Actual
37	Legal fees	515,000	444,707	180,000	(335,000)	(65.0%)	(264,707)	(59.5%)
38	Legislative consultants	126,000	126,000	159,000	33,000	26.2%	33,000	26.2%
39	Public relations	100,000	17,499	-	(100,000)	(100.0%)	(17,499)	(100.0%)
40	Pension administration software & WMS	292,000	244,204	292,000	-	0.0%	47,796	19.6%
41	Business continuity	18,000	17,608	14,000	(4,000)	(22.2%)	(3,608)	(20.5%)
42	Network security review	10,000	-	-	(10,000)	(100.0%)	-	100.0%
43	Network security monitoring	100,000	27,117	180,000	80,000	80.0%	152,883	563.8%
44	Disability medical evaluations	12,000	-	16,250	4,250	35.4%	16,250	100.0%
45	Elections	20,000	17,546	15,250	(4,750)	(23.8%)	(2,296)	(13.1%)
46	Miscellaneous professional services	18,457	22,354	84,100	65,643	355.7%	61,746	276.2%
	Total Budget	21,736,811	18,814,754	18,238,201	(3,498,610)	(16.1%)	(576,553)	(3.1%)
	Less: Investment management fees	12,440,000	9,572,288	9,375,000	(3,065,000)	(24.6%)	(197,288)	(2.1%)
	Adjusted Budget Total	9,296,811	9,242,466	8,863,201	(433,610)	(4.7%)	(379,265)	(4.1%)

SUPPLEMENTAL BUDGET

	Total Budget (from above)	21,736,811	18,814,754	18,238,201	(3,498,610)	(16.1%)	(576,553)	(3.1%)
	Less: Allocation to Supplemental Plan Budget**	228,014	160,114	155,207	(72,807)	(31.9%)	(4,906)	(3.1%)
	Total Combined Pension Plan Budget	**21,508,797**	**18,654,640**	**18,082,994**	**(3,425,803)**	**(15.9%)**	**(571,647)**	**(3.1%)**

** Projected based on 7/31/21 YTD annualized or estimated*

*** Allocation to Supplemental is based on JPM allocation between accounts as of 7/31/22 of .0085%*

0.85% per JPM Unitization report as of 7/31/22

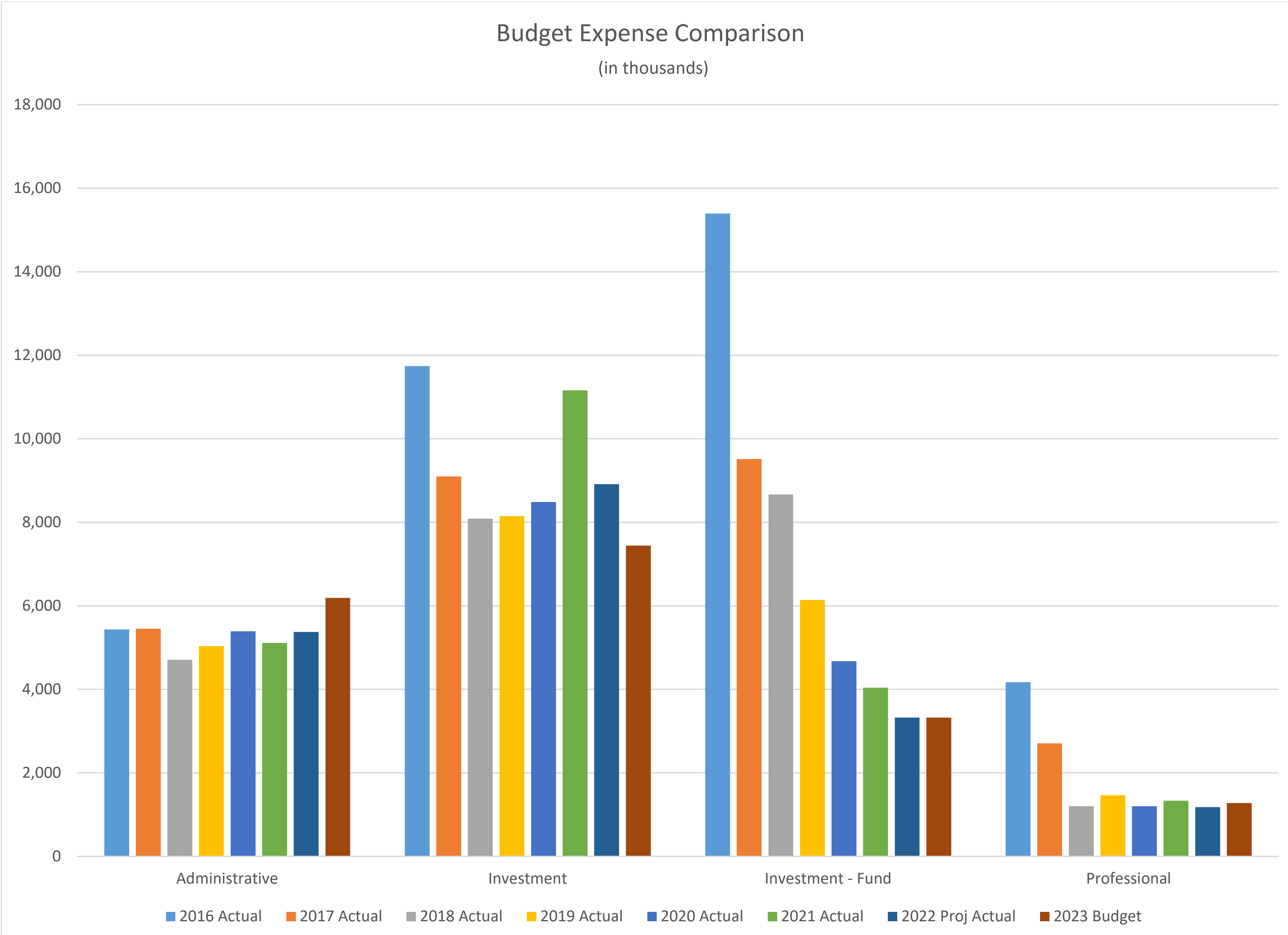
Significant Budget Changes - 2023
Budget Changes (>5% and $25K)
SORTED BY THE $ CHANGE FROM 2022 BUDGET TO 2023 BUDGET

	Item	2022 Budget	2022 Projected Actual**	2023 Budget	$ Change 2023 Budget vs. 2022 Bud.	% Change 2023 Budget vs. 2022 Bud.	$ Change 2023 Budget vs. 2022 Proj. Act.	% Change 2023 Budget vs. 2022 Proj. Act.	Explanation
	INCREASES:								
1	Liability insurance	664,899	740,493	888,533	223,634	33.6%	148,040	20.0%	Expecting significant premium increases across all lines of insurance, specifically cyber and fiduciary. Additionally, the 2022 budget did not fully reflect the renewal premiums actually incurred in 2022.
2	Investment consultant and reporting	345,000	342,381	455,000	110,000	31.9%	112,619	32.9%	Budgeting $75K for possible private markets services along with $35K for SB322.
3	Network security monitoring	100,000	27,117	180,000	80,000	80.0%	152,883	563.8%	Cyber Security planning and remediation is a top focus. A vCISO has now been engaged to assist in prioritizing projects. The 2023 budget represents a full year of vCISO services.
4	Miscellaneous professional services	18,457	22,354	84,100	65,643	355.7%	61,746	276.2%	Increased budget for contract Communications consultant rather than full time staff employee.
5	Building expenses	420,413	415,431	459,697	39,284	9.3%	44,266	10.7%	Increase driven by expected increases in utilities and services (security, janitorial, HVAC, elevator, etc.)
6	Legislative consultants	126,000	126,000	159,000	33,000	26.2%	33,000	26.2%	Legislature will be in session in 2023. Fees are increased during a legislative session.
7	IT subscriptions/services/licenses	212,300	187,076	239,860	27,560	13.0%	52,784	28.2%	Adding additional and upgraded licenses for VMWare support and Network Health Monitoring.
	REDUCTIONS:								
8	Investment management fees	12,440,000	9,572,288	9,375,000	(3,065,000)	(24.6%)	(197,288)	(2.1%)	Declines in fee schedules (Private Equity), rates and the decrease in market value of the portfolio are driving the decrease in management fees.
9	Other portfolio operating expenses (legal, valuation, tax)	981,500	2,065,418	644,500	(337,000)	(34.3%)	(1,420,918)	(68.8%)	The settlement of the Lone Star case should result in lower expenses.
10	Legal fees	515,000	444,707	180,000	(335,000)	(65.0%)	(264,707)	(59.5%)	Expected expenses based on current status of cases.
11	Salaries and benefits	3,935,546	3,456,216	3,709,489	(226,057)	(5.7%)	253,273	7.3%	Reducing expected headcount by two (from 25 to 23) partially offset by budgeted salary and benefit cost increases.
12	Public relations	100,000	17,499	0	(100,000)	(100.0%)	(17,499)	(100.0%)	No public relations projects planned for 2023.
13	Information technology projects	250,000	74,445	190,000	(60,000)	(24.0%)	115,555	155.2%	Focus for 2023 continues to be on cyber security remediation for insurance requirements. Some budget dollars reallocated to Network Security Monitoring.

*** Projected based on 7/31/22 YTD annualized or estimated*

Significant Budget Changes - 2023
Budget Changes (>5% and $25K)
SORTED BY THE $ CHANGE FROM 2022 PROJECTED ACTUAL TO 2023 BUDGET

	Item	2022 Budget	2022 Projected Actual**	2023 Budget	$ Change 2023 Budget vs. 2022 Bud.	% Change 2023 Budget vs. 2022 Bud.	$ Change 2023 Budget vs. 2022 Proj. Act.	% Change 2023 Budget vs. 2022 Proj. Act.	Explanation
	INCREASES:								
1	Salaries and benefits	3,935,546	3,456,216	3,709,489	(226,057)	(5.7%)	253,273	7.3%	2022 Projected actual is less due to staff vacancies. We hope to be fully staffed again in 2023.
2	Network security monitoring	100,000	27,117	180,000	80,000	80.0%	152,883	563.8%	Cyber Security planning and remediation is a top focus. A vCISO has now been engaged to assist in prioritizing projects. The 2023 budget represents a full year of vCISO services.
3	Liability insurance	664,899	740,493	888,533	223,634	33.6%	148,040	20.0%	Expecting significant premium increases across all lines of insurance, specifically cyber and fiduciary.
4	Information technology projects	250,000	74,445	190,000	(60,000)	(24.0%)	115,555	155.2%	Projects originally planned for 2022 were deferred to focus on cyber security remediation for insurance requirements. 2023 projects will be focused on cyber security.
5	Investment consultant and reporting	345,000	342,381	455,000	110,000	31.9%	112,619	32.9%	2023 Budget includes $75K for possible private markets services along with $35K for SB322.
6	Actuarial services	158,250	96,223	159,500	1,250	0.8%	63,277	65.8%	Budgeting additional $75k for specialized work related to board requests, member issues and other items.
7	Miscellaneous professional services	18,457	22,354	84,100	65,643	355.7%	61,746	276.2%	Budgeting for contract Communications consultant rather than full time staff.
8	IT subscriptions/services/licenses	212,300	187,076	239,860	27,560	13.0%	52,784	28.2%	Additional and upgraded licenses for VMWare support and Network Health Monitoring.
9	Pension administration software & WMS	292,000	244,204	292,000	0	0.0%	47,796	19.6%	Budgeting for possible PG and WMS enhancements, as well as price increases - 4%.
10	Building expenses	420,413	415,431	459,697	39,284	9.3%	44,266	10.7%	Increase driven by expected increases in utilities and services (security, janitorial, HVAC, elevator, etc.)
11	Travel - Staff	42,950	20,547	44,700	1,750	4.1%	24,153	117.6%	Limited staff travel in 2022. Expecting a return to a more normal level in 2023.
12	Employment Expense	25,610	10,892	46,350	20,740	81.0%	35,458	325.5%	Agency fees for potential new hires.
13	Legislative consultants	126,000	126,000	159,000	33,000	26.2%	33,000	26.2%	Legislature will be in session in 2023. Fees are increased during a legislative session.
14	Conference/training registration/materials - Staff	37,750	7,567	33,200	(4,550)	(12.1%)	25,633	338.7%	Limited staff conference attendance in 2022. Expect increased attendance to return to a more normal level in 2023.
	REDUCTIONS:								
15	Other portfolio operating expenses (legal, valuation, tax)	981,500	2,065,418	644,500	(337,000)	(34.3%)	(1,420,918)	(68.8%)	The settlement of the Lone Star case should result in lower expenses.
16	Legal fees	515,000	444,707	180,000	(335,000)	(65.0%)	(264,707)	(59.5%)	Actual costs of some open cases have been less than expected.


Budget Expense Comparison
(in thousands)
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
Administrative
Investment
Investment - Fund
Professional
2016 Actual
2017 Actual
2018 Actual
2019 Actual
2020 Actual
2021 Actual
2022 Proj Actual
2023 Budget

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C3

Topic: **Financial Audit Status**

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

Regular Board Meeting – Thursday, October 13, 2022

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

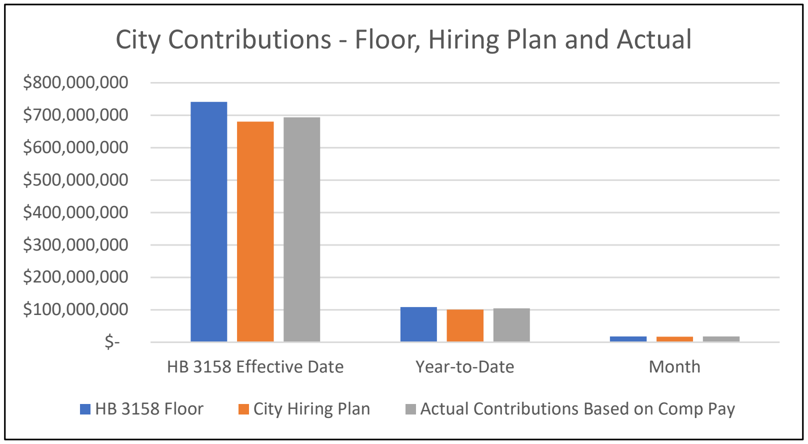
ITEM #C4

Topic: **Monthly Contribution**

Discussion: Staff will review the Monthly Contribution Report.

Regular Board Meeting – Thursday, October 13, 2022

Contribution Tracking Summary - October 2022 (August 2022 Data)



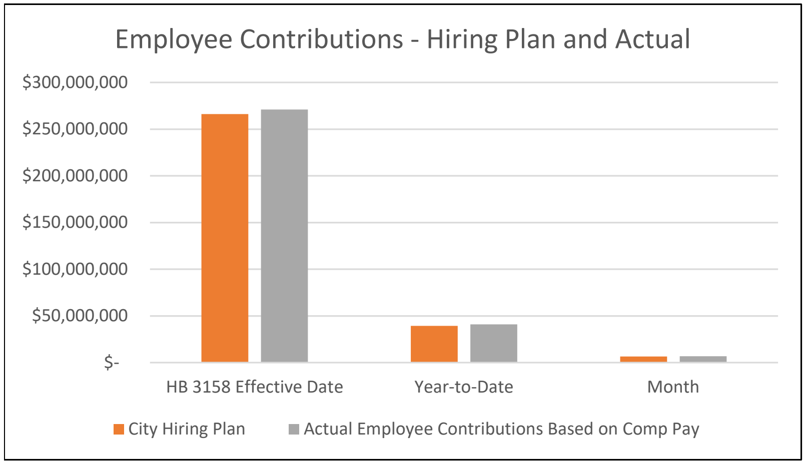
Actual Comp Pay was 102% of the Hiring Plan estimate since the effective date of HB 3158.

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

The Hiring Plan Comp Pay estimate increased by 3.43% in 2022. The Floor increased by 2.74%.

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

The combined actual employees was 178 less than the Hiring Plan for the pay period ending September 13, 2022. Fire was over the estimate by 54 fire fighters and Police under by 232 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

Aug-22	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	3	$ 18,129,000	$ 16,798,846	$ 17,610,478	$ 518,522	97%	105%
Year-to-Date		$ 108,774,000	$ 100,793,077	$ 104,408,390	$ 4,365,660	96%	104%
HB 3158 Effective Date		$ 740,877,000	$ 680,313,462	$ 693,221,214	$ 47,729,542	94%	102%

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

Aug-22	Number of Pay Periods Beginning in the Month	City Hiring Plan	Actual Employee Contributions Based on Comp Pay	Actual Contribution Shortfall Compared to Hiring Plan	Actuarial Valuation Contribution Assumption	Actual Contributions as a % of Hiring Plan Contributions	Actual Contributions as a % of Actuarial Val Assumption
Month	3	$ 6,573,462	$ 6,892,827	$ 319,365	$ 6,355,386	105%	108%
Year-to-Date		$ 39,440,769	$ 40,847,448	$ 1,406,678	$ 38,132,316	104%	107%
HB 3158 Effective Date		$ 266,209,615	$ 271,096,360	$ 4,886,744	$ 259,791,970	102%	104%
Potential Earnings Loss from the Shortfall based on Assumed Rate of Return				$ (207,724)			

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			5,113		
2023	$ 438,000,000			5,163		
2024	$ 454,000,000			5,213		
2025	$ 471,000,000			5,263		
2026	$ 488,000,000			5,313		
2027	$ 507,000,000			5,363		
2028	$ 525,000,000			5,413		
2029	$ 545,000,000			5,463		
2030	$ 565,000,000			5,513		
2031	$ 581,000,000			5,523		
2032	$ 597,000,000			5,523		
2033	$ 614,000,000			5,523		
2034	$ 631,000,000			5,523		
2035	$ 648,000,000			5,523		
2036	$ 666,000,000			5,523		
2037	$ 684,000,000			5,523		

Comp Pay by Month - 2022	Annual Divided by 26 Pay Periods	Actual	Difference	2022 Cumulative Difference	Number of Employees - EOM	Difference
January	$ 32,461,538	$ 33,363,143	$ 901,604	$ 901,604	4946	(167)
February	$ 32,461,538	$ 33,314,230	$ 852,692	$ 852,692	4943	(170)
March	$ 48,692,308	$ 50,179,220	$ 1,486,912	$ 1,486,912	4937	(176)
April	$ 32,461,538	$ 33,555,403	$ 1,093,864	$ 1,093,864	4930	(183)
May	$ 32,461,538	$ 33,573,492	$ 1,111,953	$ 1,111,953	4918	(195)
June	$ 32,461,538	$ 33,723,288	$ 1,261,749	$ 1,261,749	4915	(198)
July	$ 32,461,538	$ 33,881,549	$ 1,420,010	$ 1,420,010	4954	(159)
August	$ 48,692,308	$ 51,044,865	$ 2,352,557	$ 2,352,557	4935	(178)
September	$ 32,461,538					
October	$ 32,461,538					
November	$ 32,461,538					
December	$ 32,461,538					

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C5

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

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

Discussion:

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

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

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

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

Regular Board Meeting – Thursday, October 13, 2022

Future Education and Business Related Travel & Webinars
Regular Board Meeting – October 13, 2022

		ATTENDING	APPROVED
Conference:	**NCPERS Public Safety Conference**	**KH**	**07/14/2022**
Dates:	October 25-28, 2022		
Location:	Nashville, TN		
Est Cost:	$2,500		

2023 Future Education

1. **Conference:** **TEXPERS Annual Conference**
   Dates: April 2-5, 2023
   Location: Austin, TX
   Est Cost: TBD

2. **Conference:** **NCPERS Accredited Fiduciary (NAF) Program**
   Dates: May 20-21, 2023
   Location: TBD
   Est Cost: TBD

3. **Conference:** **NCPERS Trustee Educational Seminar (TEDS)**
   Dates: May 20-21, 2023
   Location: TBD
   Est Cost: TBD

Future Education and Business Related Travel & Webinars
Regular Board Meeting – October 13, 2022

ATTENDING APPROVED

4. **Conference:** **NCPERS Annual Conference & Exhibition (ACE)**
   Dates: May 20-21, 2023
   Location: TBD
   Est Cost: TBD

5. **Conference:** **TEXPERS Summer Education Forum**
   Dates: August 13-15, 2023
   Location: The Woodlands, TX
   Est Cost: TBD

6. **Conference:** **NCPERS Public Pension Funding Forum**
   Dates: August 20-23, 2023
   Location: TBD
   Est Cost: TBD

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, October 13, 2022

DALLAS POLICE & FIRE PENSION SYSTEM

Portfolio Update

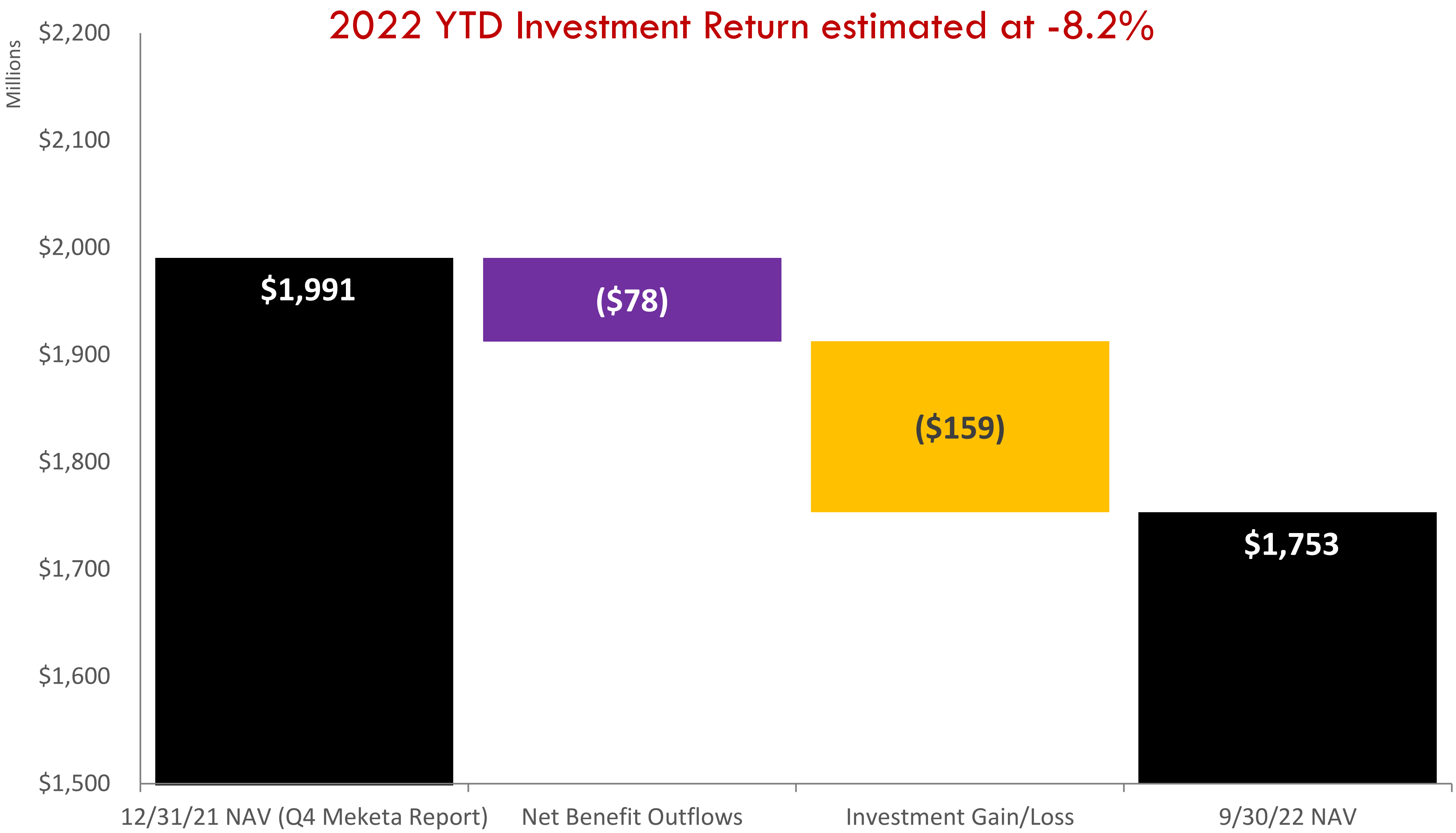
October 13, 2022

Executive Summary

- Liquidation of private market assets remains the top focus.
  - $53.7M in distributions received YTD through September. Another ~$25M in distributions expected in October from AEW.
- At the March Board meeting, staff notified the Board that the Safety Reserve would be drawn down to fund net benefit outflows.
- In September, DPFP received the Huff Energy year-end 2021 audited financials and recorded the internal valuation for the Lone Star Investment Advisors funds.
- **Rebalancing actions:**
  - $30M was transferred from IR+M (Short Term IG Bonds) to Cash on 9/30/22 as part of the Safety Reserve Drawdown.
  - The Ashmore (EM Debt) investment was fully redeemed as of 9/30/22 and $57M was invested with the new EM Debt manager MetLife at the beginning of October.
  - Staff plans to re-deploy additional private market proceeds into Small Cap Equity as it is the most underweight to target of the active managers.
- Estimated Year-to-Date Return (as of 9/30/22): -8.2% for DPFP portfolio; -19.2% for Public Markets (ex-Cash) which accounts for 59% of the assets.

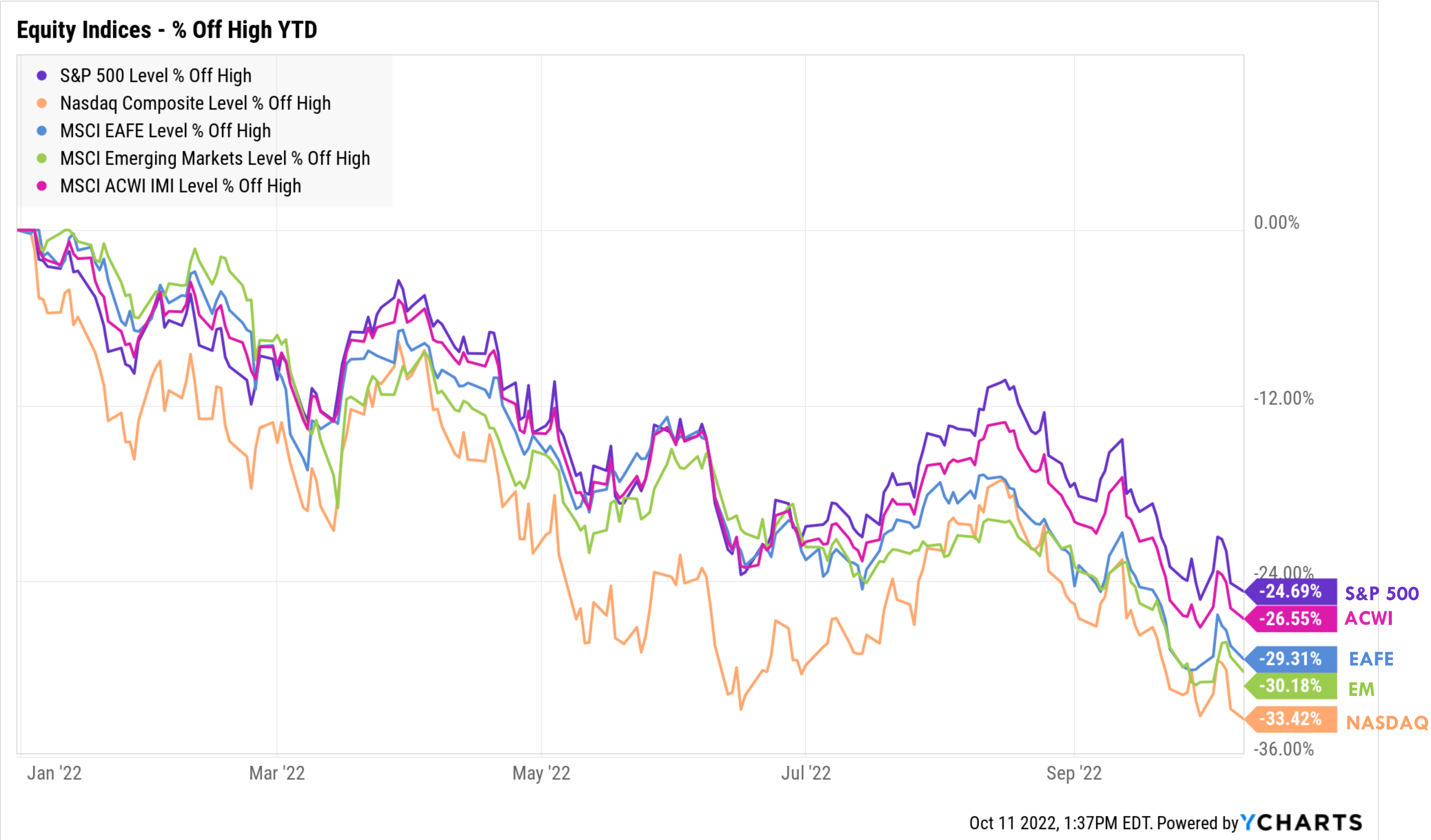
9/30/22 YTD - Change in Market Value Bridge Chart

In Millions



Numbers may not foot due to rounding.

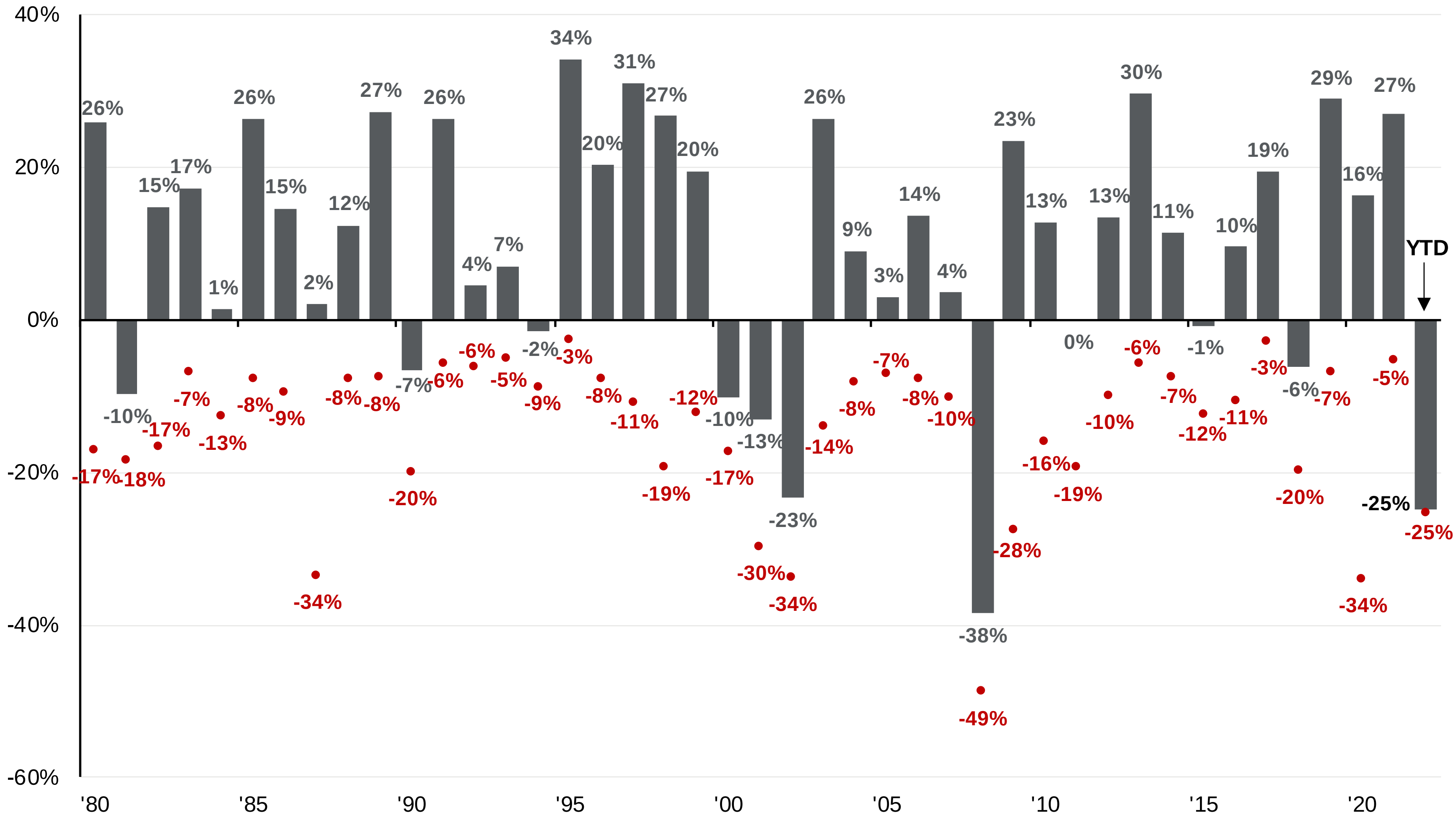
Equity Market Drawdown (as of 10/10/22)



S&P Intra-Year Declines

S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.0%, annual returns were positive in 32 of 42 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2021, over which time period the average annual return was 9.4%.
Guide to the Markets – U.S. Data are as of September 30, 2022.

DALLAS POLICE & FIRE PENSION SYSTEM

Public Markets Performance Snapshot - Estimates

Public Markets (ex-Cash) currently make up 59% of DPFP Investment Portfolio.

		9/30/2022	MTD as of 9/30/22			YTD as of 9/30/2022			3 Year Trailing as of 9/30/2022		
Net of fees	Index	NAV ($M)	Manager	Index	Excess	Manager	Index	Excess	Manager	Index	Excess
Total Public Portfolio (ex-Cash)	**60% ACWI IMI/40% Global AGG**	**$1,032.3**	**-8.0%**	**-7.8%**	**-0.2%**	**-19.2%**	**-23.4%**	**4.2%**	**1.0%**	**-0.1%**	**1.1%**
Global Equity	**MSCI ACWI IMI**	**$652.1**	**-9.7%**	**-9.7%**	**-0.1%**	**-27.0%**	**-25.7%**	**-1.3%**	**3.3%**	**3.6%**	**-0.3%**
Boston Partners	MSCI World	$106.1	-8.4%	-9.3%	0.9%	-18.1%	-25.4%	7.3%	4.8%	4.6%	0.3%
Manulife	MSCI ACWI	$110.0	-8.5%	-9.6%	1.1%	-23.5%	-25.6%	2.1%	2.7%	3.7%	-1.0%
Invesco (OFI)	MSCI ACWI	$107.1	-12.1%	-9.6%	-2.5%	-37.7%	-25.6%	-12.0%	1.4%	3.7%	-2.4%
Walter Scott	MSCI ACWI	$111.2	-8.8%	-9.6%	0.8%	-29.0%	-25.6%	-3.4%	3.0%	3.7%	-0.7%
Northern Trust ACWI IMI Index[1]	MSCI ACWI IMI	$150.2	-9.6%	-9.7%	0.0%	-25.6%	-25.7%	0.1%	3.9%	3.6%	0.3%
Eastern Shore US Small Cap[1]	Russell 2000	$33.9	-9.6%	-9.6%	0.0%	-30.2%	-25.1%	-5.1%	0.9%	4.3%	-3.4%
Global Alpha[2]	MSCI EAFE Small Cap	$33.5	-13.4%	-11.5%	-1.9%	-31.2%	-32.1%	0.9%	-1.7%	-2.2%	0.5%
EM Equity - RBC	**MSCI EM IMI**	**$73.5**	**-9.3%**	**-11.5%**	**2.2%**	**-24.2%**	**-26.8%**	**2.6%**	**-0.9%**	**-1.2%**	**0.3%**
Public Fixed Income (ex-Cash)	**BBG Multiverse TR**	**$306.7**	**-4.0%**	**-5.1%**	**1.2%**	**-12.9%**	**-19.8%**	**6.9%**	**-2.3%**	**-5.6%**	**3.4%**
S/T IG Bonds - IR+M	BBG 1-3YR AGG	$53.6	-2.0%	-1.2%	-0.8%	-5.1%	-4.5%	-0.5%	-0.2%	-0.4%	0.3%
IG Bonds - Longfellow[1]	BBG US AGG	$64.9	-4.2%	-4.3%	0.1%	-14.8%	-14.6%	-0.3%	-2.8%	-3.3%	0.5%
Bank Loans - Pacific Asset Mgmt.[3]	CS Leveraged Loan	$69.5	-2.8%	-2.9%	0.1%	-3.2%	-3.9%	0.7%	1.6%	1.9%	-0.2%
High Yield - Loomis Sayles[1]	BBG USHY 2% Cap	$65.6	-3.8%	-4.0%	0.2%	-15.2%	-14.7%	-0.5%	-0.7%	-0.2%	-0.5%
EM Debt - Ashmore	50% EMBI / 25% ELMI / 25% GBI-EM	$53.1	-7.2%	-5.2%	-2.0%	-28.0%	-20.2%	-7.8%	-12.0%	-7.3%	-4.7%

Source: JPM Morgan custody data, manager reports, Investment Staff estimates and calculations. Numbers may not foot due to rounding.

[1] - 3 yr trailing performance is based on composite data due to inception date with DPFP being less than 3 years.

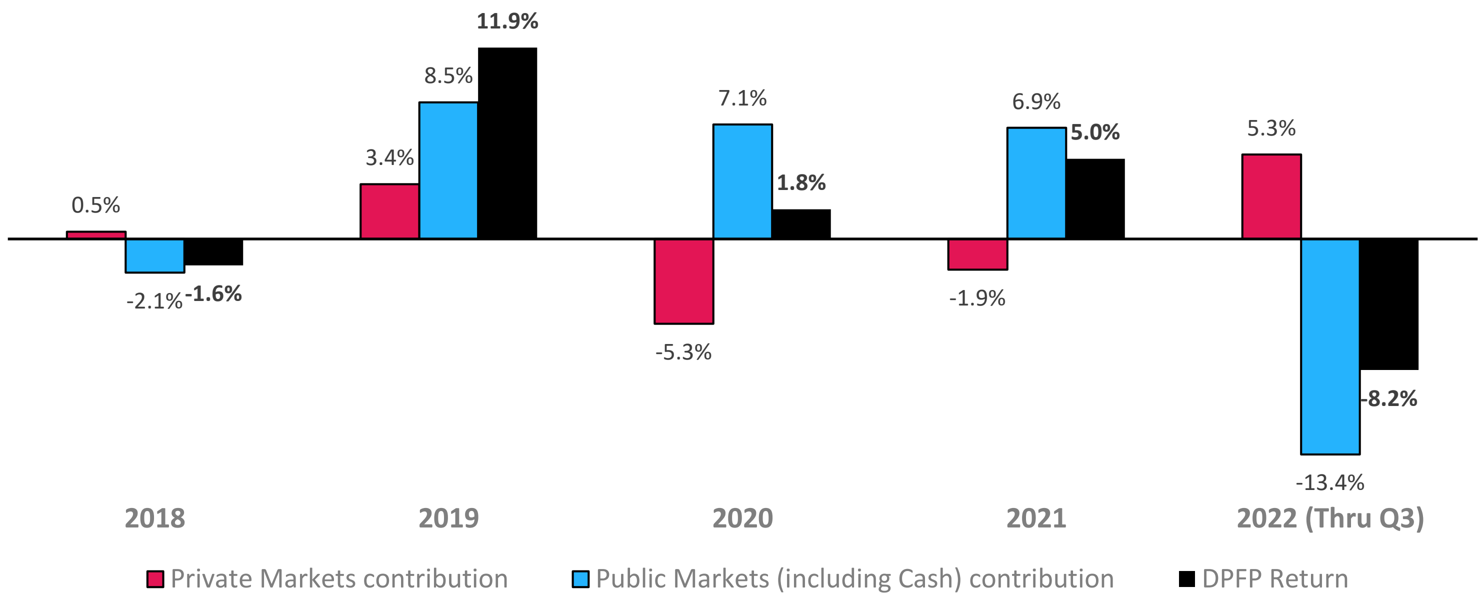
[2] - YTD and 3 yr trailing performance is based on composite data due to inception date with DPFP being June 2022.

[3] - Benchmark for Bank Loans is proxied to S&P Leveraged Loans for current month performance.

DALLAS POLICE & FIRE PENSION SYSTEM

Return Contribution from Public and Private Markets

As of 9/30/2022



	2018	2019	2020	2021	2022 (YTD)
Private Markets Avg. Allocation	50.1%	43.2%	41.0%	31.5%	30.1%
Private Markets Return	0.9%	7.9%	-12.9%	-6.1%	17.5%
Private Markets Return Contribution	0.5%	3.4%	-5.3%	-1.9%	5.3%
Public Markets Avg. Allocation	49.9%	56.8%	59.0%	68.5%	69.9%
Public Markets Return	-4.2%	15.0%	12.1%	10.1%	-19.2%
Public Markets Return contribution	-2.1%	8.5%	7.1%	6.9%	-13.4%
DPFP Total Return	**-1.6%**	**11.9%**	**1.8%**	**5.0%**	**-8.2%**

* - DPFP Total Return is a calculation derived from annual average market value of Public and Private markets, respectively. Typically matches actual DPFP annual return within 50 basis points.

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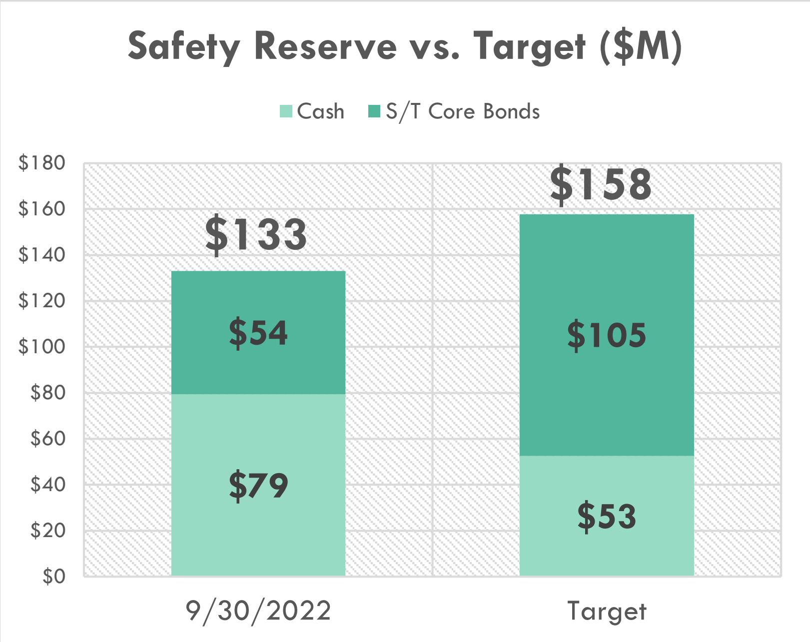
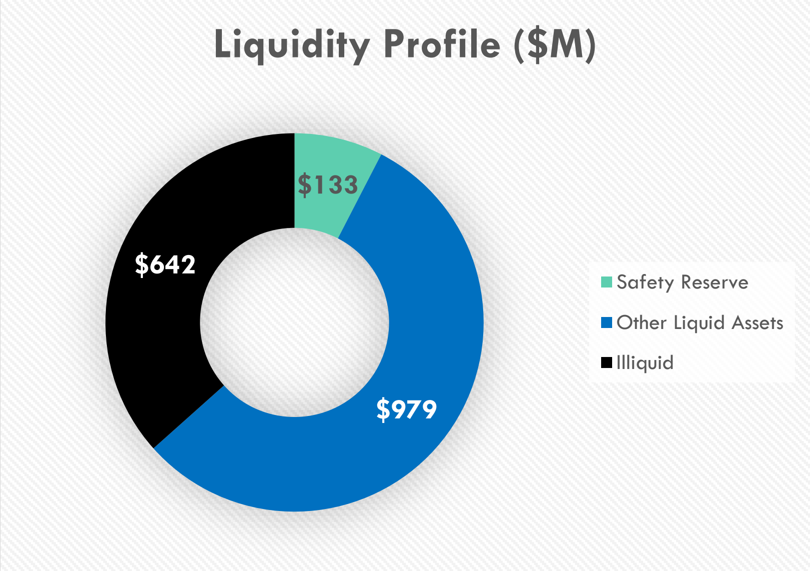
Safety Reserve Dashboard – As of 9/30/22





Projected Net Monthly outflows of **$9.5M** per month. Safety Reserve of **$133M** would cover net monthly outflows for next **14 months** or through **November 2023.**

Expected Cash Activity	Date	Amount ($M)	Projected Cash Balance ($M)	Projected Cash (%)
	9/30/22		$79.4	4.5%
Metlife Funding	10/5/22	($57.0)	$22.4	1.3%
Ashmore Redemption	10/7/22	$53.0	$75.4	4.3%
City Contribution	9/30/22	$8.7	$84.1	4.8%
City Contribution	10/14/22	$8.7	$92.8	5.3%
City Contribution	10/28/22	$8.7	$101.5	5.8%
Pension Payroll	10/28/22	($27.5)	$74.0	4.2%
City Contribution	11/11/22	$8.7	$82.7	4.7%
City Contribution	11/25/22	$8.7	$91.4	5.2%
Pension Payroll	11/28/22	($27.5)	$63.9	3.6%
City Contribution	12/9/22	$8.7	$72.6	4.1%
City Contribution	12/23/22	$8.7	$81.3	4.6%
Pension Payroll	12/28/22	($27.5)	$53.8	3.1%

Projected Cash activity includes expected benefit contributions, payments, and material expected capital calls or expenses.

Numbers may not foot due to rounding

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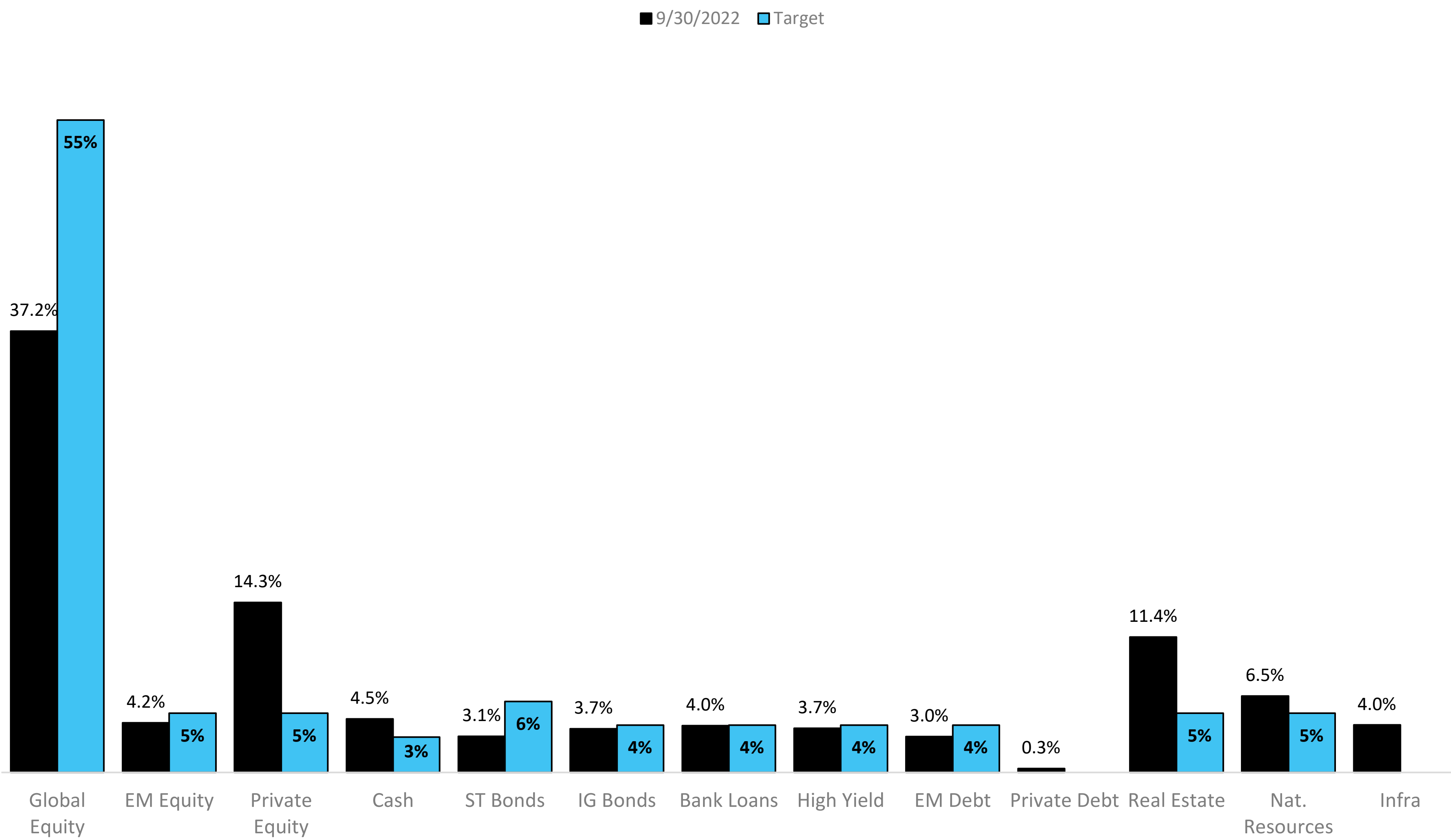
Asset Allocation – Actual vs Target



Asset Allocation & Rebalancing Detail (as of 9/30/22)

DPFP Asset Allocation	9/30/2022 NAV	9/30/2022 %	Target $ mil.	Target %	% of Target	Variance $ mil.	Variance %
Equity	**977**	**55.7%**	**1,140**	**65%**	**86%**	**-162**	**-9.3%**
Global Equity	652	37.2%	964	55%	68%	-312	-17.8%
Boston Partners	*106*	*6.1%*	*140*	*8%*	*76%*	*-34*	*-1.9%*
Manulife	*110*	*6.3%*	*140*	*8%*	*78%*	*-30*	*-1.7%*
Invesco (OFI)	*107*	*6.1%*	*140*	*8%*	*76%*	*-33*	*-1.9%*
Walter Scott	*111*	*6.3%*	*140*	*8%*	*79%*	*-29*	*-1.7%*
Northern Trust ACWI IMI Index	*150*	*8.6%*	*263*	*15%*	*57%*	*-113*	*-6.4%*
Eastern Shore US Small Cap	*34*	*1.9%*	*70*	*4%*	*48%*	*-36*	*-2.1%*
Global Alpha Intl Small Cap	*34*	*1.9%*	*70*	*4%*	*48%*	*-37*	*-2.1%*
Emerging Markets Equity - RBC	73	4.2%	88	5%	84%	-14	-0.8%
Private Equity*	251	14.3%	88	5%	287%	164	9.3%
Fixed Income	**392**	**22.4%**	**438**	**25%**	**89%**	**-46**	**-2.6%**
Cash	79	4.5%	53	3%	151%	27	1.5%
S/T Investment Grade Bonds - IR+M	54	3.1%	105	6%	51%	-52	-2.9%
Investment Grade Bonds - Longfellow	65	3.7%	70	4%	93%	-5	-0.3%
Bank Loans - Pacific Asset Management	69	4.0%	70	4%	99%	-1	0.0%
High Yield Bonds - Loomis Sayles	66	3.7%	70	4%	93%	-5	-0.3%
Emerging Markets Debt - Ashmore	53	3.0%	70	4%	76%	-17	-1.0%
Private Debt*	6	0.3%	0	0%		6	0.3%
Real Assets*	**384**	**21.9%**	**175**	**10%**	**219%**	**209**	**11.9%**
Real Estate*	200	11.4%	88	5%	229%	113	6.4%
Natural Resources*	113	6.5%	88	5%	129%	26	1.5%
Infrastructure*	70	4.0%	0	0%		70	4.0%
Total	**1,753**	**100.0%**	**1,753**	**100%**		**0**	**0.0%**
Safety Reserve ~$162M=18 mo net CF	133	7.6%	158	9%	84%	-25	-1.4%
*Private Market Assets	642	36.6%	263	15%		379	21.6%

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

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Asset Class Returns – JPM Guide to the Markets

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD	2007 - 2021	
																Ann.	Vol.
EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	REITs 41.3%	Comdty. 13.6%	Large Cap 10.6%	REITs 23.2%
Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	Large Cap 28.7%	Cash 0.6%	Small Cap 8.7%	EM Equity 22.9%
DM Equity 11.6%	Asset Alloc. -25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Large Cap 18.4%	Comdty. 27.1%	Fixed Income -14.6%	REITs 7.5%	Small Cap 22.5%
Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. 10.6%	Small Cap 14.8%	Asset Alloc. -19.1%	High Yield 6.6%	Comdty. 19.1%
Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	Asset Alloc. 13.5%	High Yield -19.1%	Asset Alloc. 6.1%	DM Equity 18.9%
Large Cap 5.5%	Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	DM Equity 11.8%	Large Cap -23.9%	EM Equity 4.8%	Large Cap 16.9%
Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.0%	Small Cap -25.1%	DM Equity 4.1%	High Yield 12.2%
High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	DM Equity -26.8%	Fixed Income 4.1%	Asset Alloc. 11.7%
Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -3.1%	Fixed Income -1.5%	EM Equity -26.9%	Cash 0.8%	Fixed Income 3.3%
REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	EM Equity -2.2%	REITs -27.9%	Comdty. -2.6%	Cash 0.7%

Source: Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Fixed Income: Bloomberg US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg US Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period from 12/31/2006 to 12/31/2021. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of September 30, 2022.

2022 Board Investment Review Plan*

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

October	• Staff review of Public Fixed Income managers
November	• Staff review of Public Equity managers
December	• Staff review of Private Equity and Debt

*Presentation schedule is subject to change.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C7

Topic: **Report on Investment Advisory Committee**

Discussion: The Investment Advisory Committee met on September 22, 2022. The Committee Chair and Investment Staff will comment on Committee observations and advice.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C8

Topic: **Investment Policy Revisions**

Discussion: The Investment Policy Statement (IPS) includes a provision for a maximum of three current Board members that can serve on the Investment Advisory Committee (IAC). There are currently three Board members on the IAC and a fourth has expressed interest in serving. The proposed revision to the IPS would remove the maximum number of current Board members that could serve on the IAC, but retain the requirement of more outside investment professionals than Board members attend to constitute an official meeting. Staff is also proposing a change to the Private Equity benchmark from the Cambridge Associates U.S. All Private Equity Index (one quarter lag) to the Russell 3000 + 2% (one quarter lag). Staff and Meketa had previously discussed the change from the Cambridge benchmark due to it no longer being accessible to DPFP free of charge.

Staff Recommendation: **Approve** the proposed change to Section 5.B.1.c to remove the maximum number of Board members on the IAC and change of the Private Equity asset class benchmark.

DISCUSSION SHEET

ITEM #C9

Topic: **Public Fixed Income Portfolio Review**

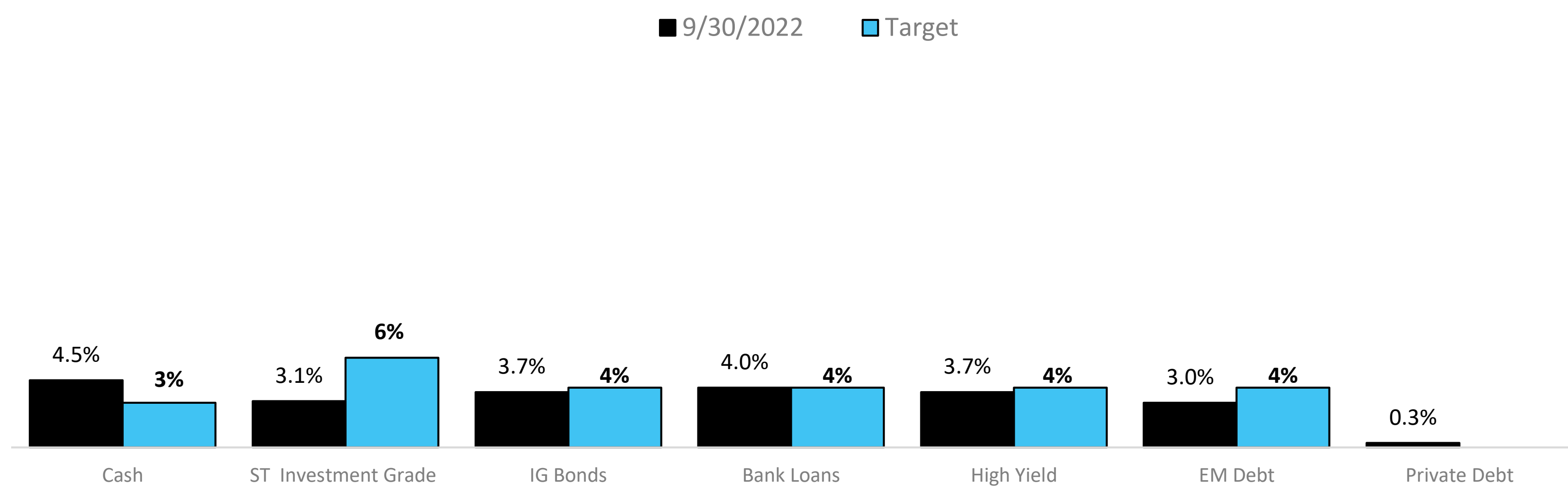
Discussion: Staff will provide an overview of DPFP public fixed income investments.

Regular Board Meeting – Thursday, October 13, 2022

Public Fixed Income Review

October 13, 2022

Fixed Income Structure Overview



DPFP Asset Allocation	9/30/2022 $ mil.	9/30/2022 %	Target $ mil.	Target %	Variance $ mil.	Variance %
Fixed Income	**392**	**22.4%**	**438**	**25%**	**-46**	**-2.6%**
Cash	79	4.5%	53	3%	27	1.5%
ST Investment Grade Bonds	54	3.1%	105	6%	-52	-2.9%
Investment Grade Bonds	65	3.7%	70	4%	-5	-0.3%
Bank Loans	69	4.0%	70	4%	-1	0.0%
High Yield Bonds	66	3.7%	70	4%	-5	-0.3%
Emerging Market Debt	53	3.0%	70	4%	-17	-1.0%
Private Debt	6	0.3%	0	0%	6	0.4%

Source: JP Morgan Custodial Data, Staff Estimates and Calculations

Data is preliminary

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Public Fixed Income Structure Overview

Fixed Income Portfolio Milestones

- July 2017: Funded investment grade bond allocation with **Income Research and Management (IR+M).**
- Apr 2018: Approved Safety Reserve allocation and added $198MM to **IR+M** in 2Q 2018.
- Oct 2018: Approved new asset allocation which included a new 4% allocation to investment grade bonds.
- Dec 2018: Approved **Vanguard (VBTIX)** as the interim investment grade bond investment.
- Feb 2020: Initiated full redemption from **Loomis Bank Loans** and reinvested in **Pacific Asset Management (PAM)** Bank Loans, making PAM the sole Bank Loan Manager.
- Jul 2020: Fully redeemed from **Vanguard (VBTIX)** and funded **Longfellow Investment Grade Core Bonds** with $60.5M.
- Nov 2020: Fully redeemed from **Brandywine Global Bonds** with intent to eliminate the Global Bond Allocation at the next asset allocation study in 2021.
- Dec 2020: Switched the Loomis Full Discretion High Yield investment to the more benchmark aware **Loomis US High Yield** strategy.
- Jul 2021: Approved updated Asset Allocation which reduced the **Safety Reserve** from 15% to 9% and eliminated the 4% **Global Bond** allocation.
- Mar 2022: Initiated **Safety Reserve Drawdown** to fund benefit outflows.
- Oct 2022: Fully redeemed from **Ashmore's Blended Emerging Markets Debt** and funded **MetLife Blended Emerging Markets Debt** with $57M.

Portfolio Performance & Characteristics

Performance as of 8/31/22 (Net)	QTD	YTD	1 Yr	3 Yr	5 Yr	SI (Dec-10)
DPFP Public Fixed Income	1.4%	-9.3%	-10.6%	-0.9%	0.6%	3.6%
Barclays Multiverse Total Return	-1.7%	-15.4%	-17.5%	-4.3%	-1.4%	0.7%

As of 9/30/22	IR+M (ST Investment Grade)	Longfellow (Investment Grade)	Pacific Asset (Bank Loans)	Loomis (US High Yield)	DPFP Fixed Income (Total)*	Barclays Multiverse TR (Benchmark)*
Yield to Maturity	5.1%	5.3%	10.0%	8.7%	6.6%	3.3%
Average Duration	1.8	6.1	0.4	3.8	3.4	6.8
Average Quality	A+	AA	B	B+	BBB	BB

* As of 8/31/2022

Metrics provided by Meketa and Investment Managers

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Income Research + Management

Short Term Investment Grade Bonds

Market Value *(9/30/2022):*	$53,590,248	Inception Date:	July 2017
Investment Structure:	Separate Account	Benchmark:	Barclays US 1-3Yr Aggregate Bond Index

Philosophy

- Relative-value orientation with a duration neutral approach that emphasizes bottom-up security selection
- Careful security selection and risk management provide superior results over the long term
- Allocations to securitized bonds can add both high-quality diversification and yield to a portfolio

Process

- The Investment Committee sets sector allocation targets and the sector teams focus on security selection
- Research analysts perform security analysis on structure, price and credit (quality, liquidity and management)
- Portfolio construction is handled by the portfolio strategy team who takes into consideration the sector positioning, security selection, investment guidelines and cash flow needs of the portfolio
- Risk team conducts market risk evaluation, accesses relative value and monitors exposure to sectors & issuers

Organization

- Headquartered in Boston with consistent management since inception (1987)
- 195 employees and 59 investment professionals with average tenure of 12yrs for portfolio manager
- 70 employee shareholders who own 90.2% of the company
- $86.6B of assets focused exclusively on US fixed income management

Income Research + Management – Short Term Investment Grade Bonds

As of 9/30/2022	QTD	YTD	1 Yr	3 Yr	SI (7/2017)
IR+M (Net)	-1.2%	-5.1%	-4.8%	-0.2%	1.2%
Barclays US 1-3Yr Aggregate	-1.5%	-4.5%	-5.1%	-0.4%	0.6%
Excess	0.3%	-0.6%	0.3%	0.4%	0.6%

Max Drawdown	Sep-22	Mar-20	Feb-18	Nov-16	Oct-08
IR + M	-5.1%	-1.1%	-0.1%	-0.4%	-3.4%
Barclays US 1-3Yr Aggregate	-4.5%	0.4%	-0.1%	-0.4%	-0.6%

Composite used for metrics prior to inception

Performance Expectations

- Stable returns with low volatility, consistent with the fund mandate and liquidity role in DPFP portfolio
- Long-term outperformance driven by overweight of high-quality spread sectors relative to the benchmark
- Modest underperformance during risk-off/spread widening

Performance Commentary

- Positioning is historically underweight US Treasuries & overweight spread sectors, which resulted in underperformance in March 2020 and YTD 2022. This is consistent with expectations.
- The asset class has suffered one of its worst YTD performances (-4.5%) as short-term rates have significantly risen in 2022.

Longfellow Investment Management

Investment Grade Bonds

Market Value *(9/30/2022)*:	$64,886,131	Inception Date:	July 2020
Investment Structure:	Separate Account	Benchmark:	Barclays US Aggregate Index

Philosophy

- Defensive in nature as they believe upside is limited while downside risk can be substantial in fixed income
- Goal is to provide attractive risk-adjusted returns while maintaining modest tracking error and volatility
- Diversified across sectors, industries and maturities to provide risk mitigation
- Takes advantage of their smaller firm and AUM size to participate more actively in the market

Process

- Bottom-up approach that identifying undervalued sectors and mispriced securities of the fixed income market
- Attributes yield spread to various risk elements (credit, call, event, and liquidity) to identify opportunities
- Constructs portfolio with attractive bonds & diversifies by sector/maturity with duration +/- 10% of the index
- Use top-down quantitative models to perform stress tests and quantify portfolio, issuer, and sector level risks

Organization

- Headquartered in Boston and founded in 1986
- 53 employees & 26 investment professionals with average tenure of 8yrs with the firm & 20yrs in the industry
- 100% employee and 78.8% minority owned firm with 13 principles having a majority ownership
- $16.4B of firm assets with $15.6B in fixed income and $3.6B in investment grade core, its largest strategy

Longfellow Investment Management - Investment Grade Bonds

As of 9/30/22	QTD	YTD	1 Yr	SI (7/2020)
Longfellow IG Core (Net)	-4.4%	-14.8%	-14.6%	-6.9%
Barclays US Aggregate Index	-4.8%	-14.6%	-14.6%	-7.8%
Excess	0.4%	-0.2%	0.0%	0.9%

Max Drawdown*	Sep-22	Apr-22	Mar-20	Nov-16	Jun-13	Oct-08
Longfellow IG Core	-14.8%	-3.4%	-2.3%	-2.0%	-1.4%	-2.1%
Barclays US Aggregate Index	-14.6%	-3.8%	-0.6%	-2.4%	-1.6%	-2.4%

Composite used for metrics prior to inception

Performance Expectations

- Stable modest excess returns relative to the benchmark
- Long-term outperformance driven by overweight of high-quality spread sectors relative to the benchmark
- Modest underperformance during risk-off/spread widening
- Sector allocation & security selection have accounted for 70%-80% of excess returns while duration & yield curve positioning have accounted for 20%-30%

Performance Commentary

- The asset class struggled YTD from having a high duration during an interest rate hiking cycle
- There are no fallen angels in the portfolio as all investments are investment grade rated

Pacific Asset Management

Bank Loans

Market Value *(9/30/2022)*:	$69,429,319	Inception Date:	August 2017
Investment Structure:	Commingled Fund (Biweekly Liquidity)	Benchmark:	Credit Suisse Leveraged Loan Index

Philosophy

- Targets the largest and most liquid US bank loans using bottom-up credit analysis focused on capital preservation and downside risk
- Minimize defaults and distress by investing in companies with large margins of safety
- High conviction approach that leads to a selective portfolio of 80-150 issuers

Process

- Begins with top-down research looking at macro and sector trends to determine portfolio weights
- Then portfolio managers and research teams screen the US Bank Loans universe for size and liquidity
- Bottom-up credit analysis is incorporated and looks at loan structure, capital structure and credit
- Securities are then selected and brought to the investment committee for approval
- Risk is monitored through attribution analysis as a quantitative check on the results of the decision making

Organization

- Headquartered in Newport Beach, CA & founded in 2007 as a subsidiary of Pacific Life Insurance
- $19.5B institutional fixed income firm with $7.6B in bank loans (largest and longest tenured asset class)
- 24 investment professionals with an average firm tenure of 10 years; employees own 30% of the equity

Pacific Asset Management – Bank Loans

As of Performance (9/30/22)	QTD	YTD	1 Yr	3 Yr	SI (8/2017)
Pacific Asset (Net)	1.3%	-3.1%	-2.1%	2.3%	3.3%
Credit Suisse Leveraged Loan Index	1.2%	-3.3%	-2.6%	2.1%	3.0%
Excess	0.1%	0.2%	0.5%	0.2%	0.3%

Max Drawdown	Jun-22	Mar-20	Dec-18	Feb-16	Dec-14
Pacific Asset	-4.9%	-9.6%	-3.2%	-1.1%	-1.3%
Credit Suisse Leveraged Loan Index	-4.8%	-13.7%	-3.1%	-4.7%	-1.1%

Composite used for metrics prior to inception

Performance Expectations

- Outperformance in down markets and underperformance in up markets due to the quality bias of the strategy
- Low number of defaults as a result of investing in large firms with high margins of safety

Performance Commentary

- Fund outperformed as we expected during the COVID drawdown as a higher quality portfolio provided protection
- DPFP initiated full redemption from Loomis Bank Loans (higher yielding strategy) and redeployed to Pacific in Feb 2020, which benefitted overall fixed income performance
- Performance was flat in 1Q22 for Bank Loans as the low duration of the asset class was not affected by interest rate hikes. Performance in 2Q22 and 3Q22 has struggled as credit deteriorated.

Loomis Sayles

US High Yield

Market Value *(9/30/2022)*:	$65,568,886	Inception Date:	January 2021
Investment Structure:	Separate Account	Benchmark:	BBG High Yield 2% Issuer Capped

Philosophy

- Uses top down and bottom-up research to make investment decisions
- Believe 80% of high yield returns are driven by coupon income, 20% by capital appreciation
- Contrarian value-driven approach with a strong emphasis on security selection to avoid defaults

Process

- Starts with top-down research from the macro, US Yield Curve and global asset allocation teams
- Then goes to product teams who apply long-term themes & sector strategies for security selection
- Portfolio managers manage the strategy by monitoring sector targets, security selection, quality & duration
- Overall risk is monitored through sensitivity testing of rates, spreads, currencies and concentration

Organization

- Headquartered in Boston & founded in 1926; wholly owned by Natixis Global Asset Management
- 815 employees and 279 investment professionals with an average tenure of 11 years
- $291B firmwide assets; $220B in fixed income ($2.4B with the USHY team) and $70.9B in equities
- DPFP has been invested within a Loomis Sayles High Yield Strategy since 1998
- In Dec 2020, DPFP transitioned from a Full Discretion strategy to a US benchmark aware strategy

Loomis Sayles – US High Yield

As of 9/30/2022	QTD	YTD	SI (1/2021)
Loomis US HY (Net)	-0.2%	-15.2%	-6.9%
BBG High Yield 2% Issuer Capped	-0.6%	-14.7%	-6.0%
Excess	0.4%	-0.5%	-0.9%

Max Drawdown	Sep-22	Mar-20	Dec-18	Jan-16	Sep-11
Loomis US HY	-15.1%	-12.1%	-5.1%	-8.1%	-8.0%
BBG High Yield 2% Issuer Capped	-14.7%	-12.7%	-4.5%	-9.7%	-7.2%

Composite used for metrics prior to inception

Performance Expectations

- Benchmark aware and should track benchmark closely with sector and issue selection generating alpha
- Objective is to outperform the Bloomberg Barclays US Corporate High Yield 2% Issuer Capped Index by 100-125 basis points annualized on a gross of fee basis over a market cycle

Performance Commentary

- Transition from Loomis Full Discretion High Yield portfolio to US High Yield went smoothly on 12/31/2020
- The asset class has struggled in 2022 from higher interest rates and credit deterioration
- The strategy tends to hold a yield advantage relative to the benchmark which has driven relative underperformance in 2022 given the late-stage credit cycle

MetLife Investment Management

Emerging Markets Blended Debt

Market Value *(9/30/2022):*	$57,000,000	Inception Date:	October 2022
Investment Structure:	Collective Investment Trust	Benchmark:	35% JP Morgan Emerging Market Bond Global Diversified 30% JP Morgan Emerging Local Markets Plus 30% JP Morgan Government Bond Emerging Markets

Philosophy

- Strategy allocates across EM external debt, local currency debt, corporate debt, and rates
- Blends bottom-up credit selection with top-down macroeconomic research
- Alpha is primarily generated through in-depth credit research

Process

- Investment team meets weekly to discuss corporate credit research, country selection, rates, and currencies
- Portfolio construction integrates absolute & relative valuation, fundamentals, liquidity, catalysts for change, and concentration
- Risk is monitored on a macroeconomic level as well as a portfolio level through frequent portfolio sensitivity analysis of credit, currency, rate, liquidity, yield curve, and concentration risk

Organization

- Headquartered in New Jersey and 100% owned by its publicly traded parent company MetLife Inc.
- EMD team has 2 lead portfolio managers who have been together for 13 years and 9 total investment professionals
- $579B firmwide AUM, $71B public fixed income AUM, and $2.3B Emerging Market Blended Debt AUM

MetLife Investment Management - Emerging Markets Blended Debt

As of 6/30/2022	QTD	YTD	1 Yr	3 Yr	5 Yr
MetLife EM Blended Debt	-11.2%	-16.3%	-18.2%	-3.5%	-0.4%
35% JPM EMBI GD / 30% JPM ELMI+ / 30% JPM GBIEM GD	-12.5%	-18.7%	-21.9%	-6.7%	-2.6%
Excess	1.3%	2.4%	3.7%	3.2%	2.3%

Composite (eVestment)

Max Drawdown	June-22	Mar-20	Dec-18	Jan-16	Oct-08
MetLife EM Blended Debt	-16.3%	-17.3%	-9.1%	-10.0%	-30.5%
35% JPM EMBI GD / 30% JPM ELMI+ / 30% JPM GBIEM GD	-18.7%	-10.3%	-6.2%	-6.5%	-15.9%

Performance Expectations

- Performance objective is to outperform their benchmark by 200 bps over a full market cycle of three to five years
- Expect outperformance when market volatility is low which allows their security selection to shine
- Expect underperformance during market correlated sell-offs due to their value bias

Performance Commentary

- MetLife replaced the Ashmore Emerging Market Blended Debt at the beginning of October 2022.
- MetLife was selected because they have an experienced and stable investment team, true EMD blended portfolio allocation, in depth credit research, and best overall trailing return performance of the semi-finalists

DALLAS POLICE & FIRE PENSION SYSTEM

MetLife Investment Management

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C10

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

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

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

DALLAS POLICE & FIRE PENSION SYSTEM

Quarterly Private Asset Cash Flow Projection Update

October 13, 2022

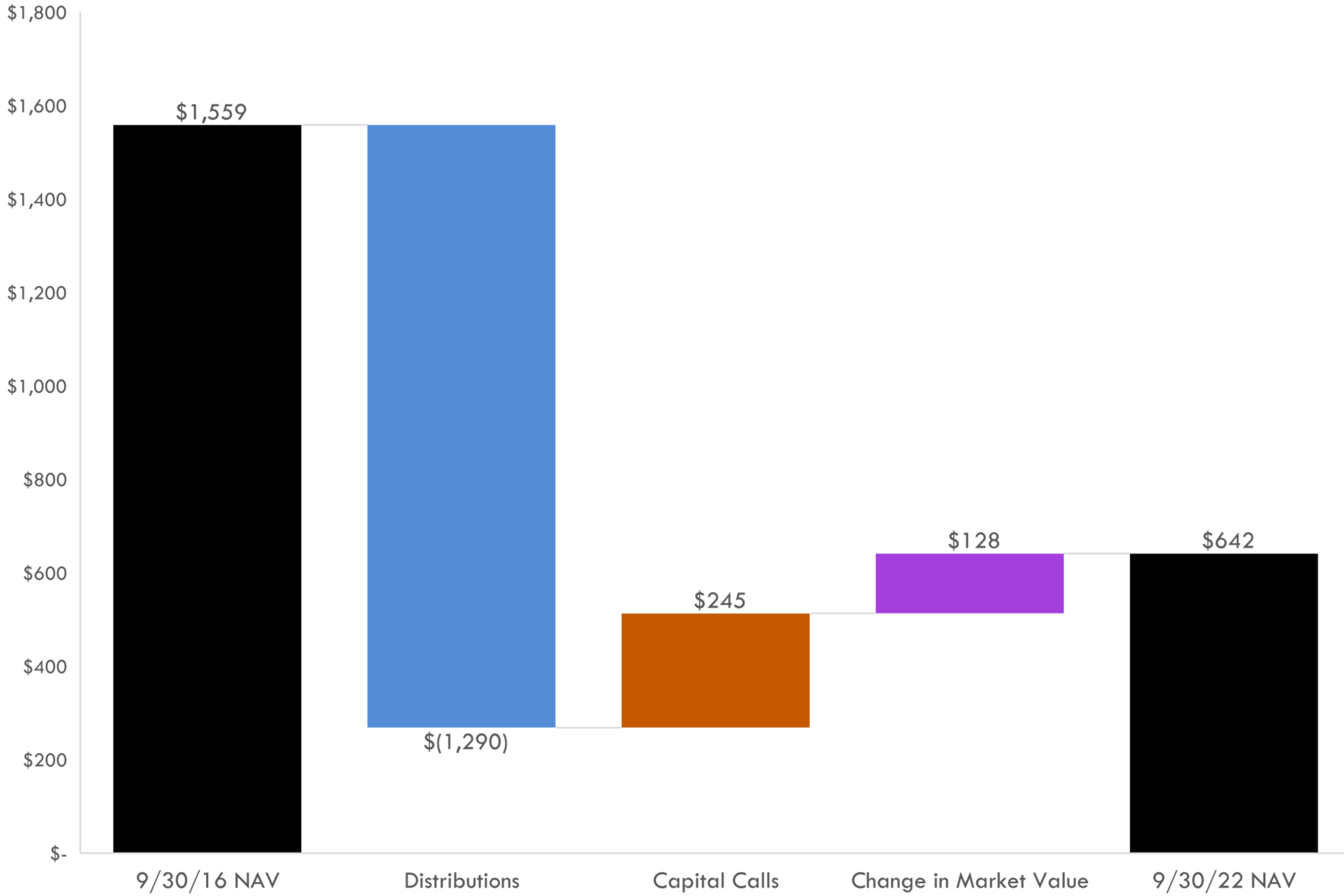
Private Asset Cash Flow Projections

Methodology Review

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

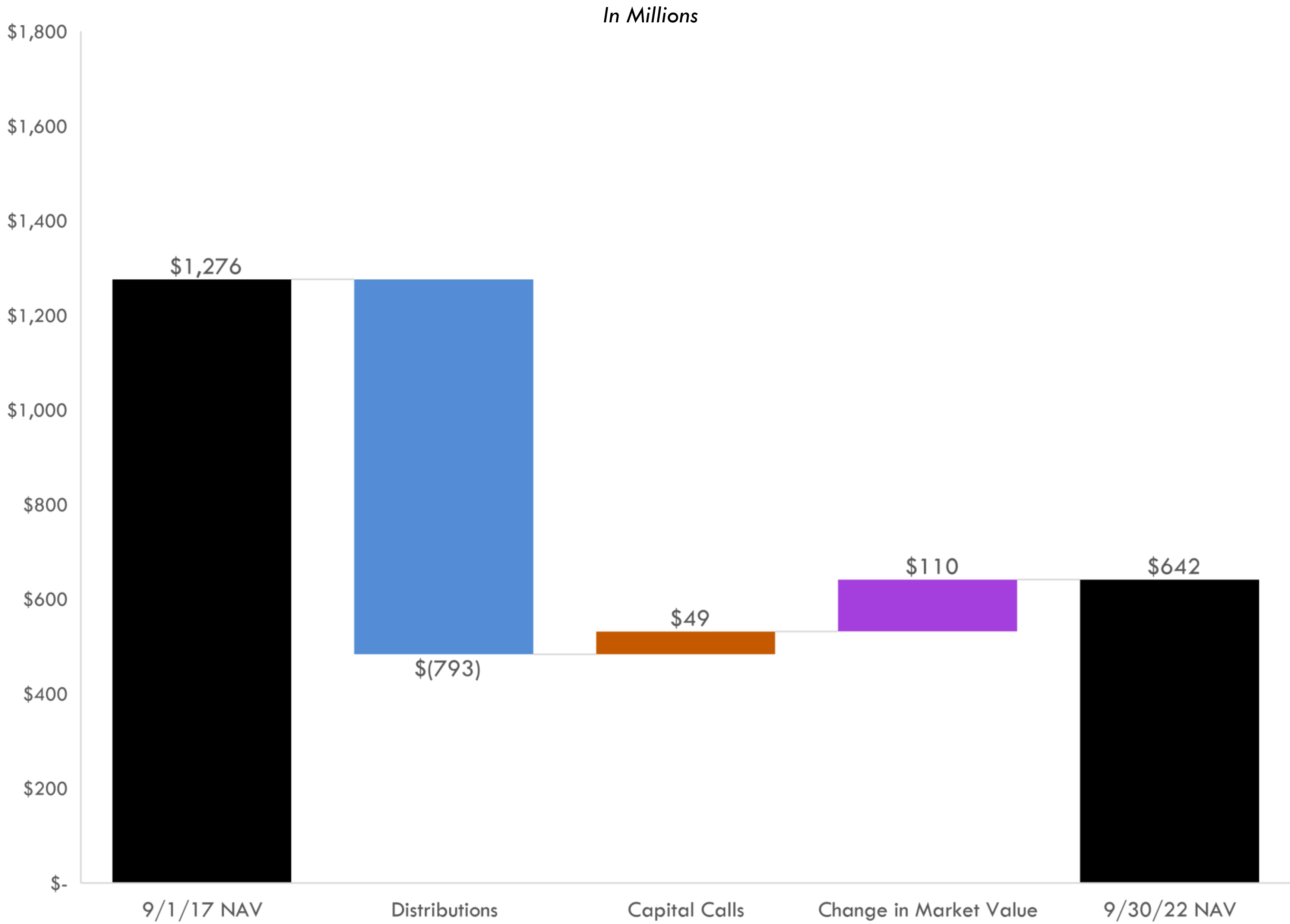
Private Asset Bridge Chart – Since 9/30/16

In Millions



Numbers may not foot due to rounding.

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



Numbers may not foot due to rounding.

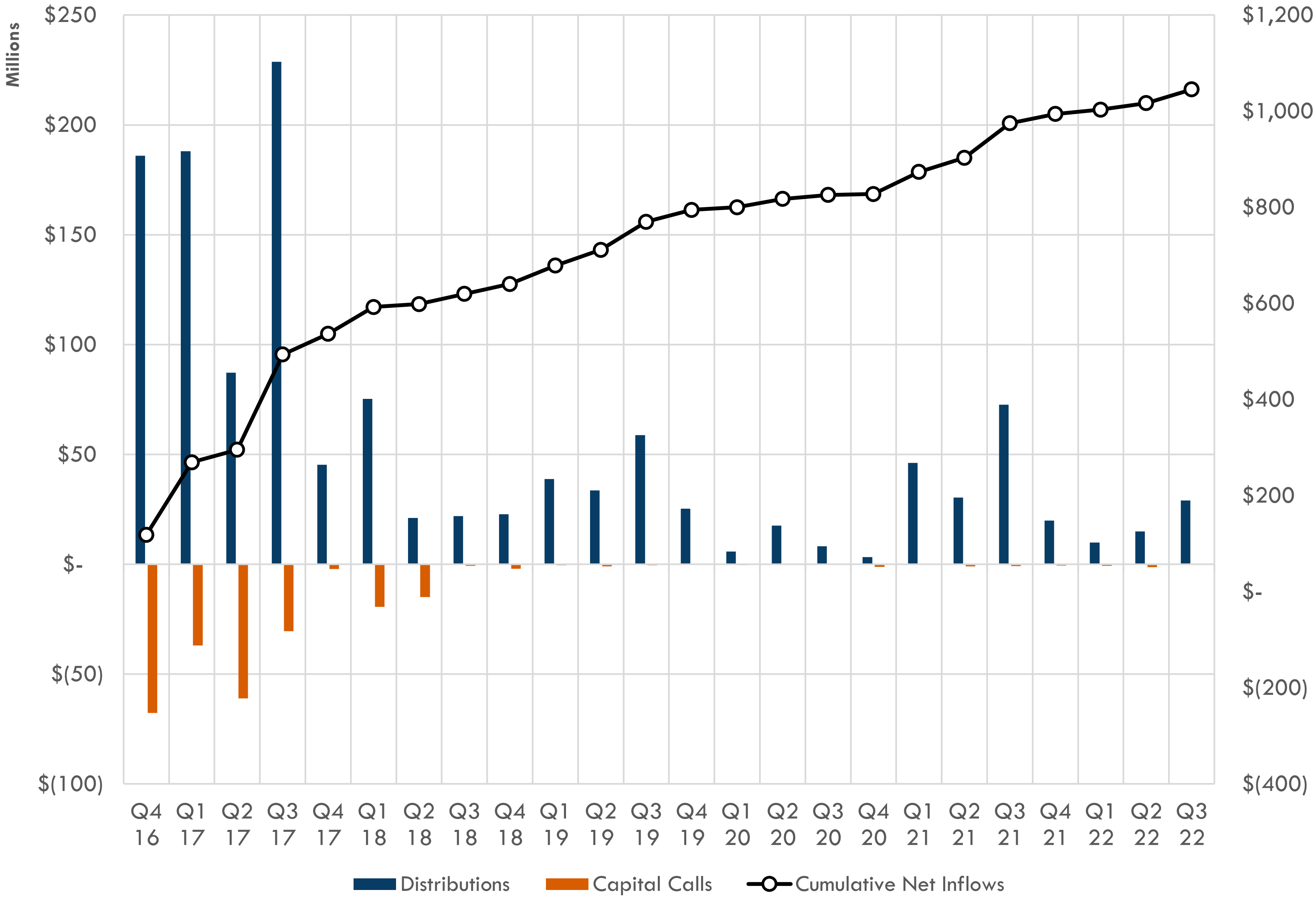
Private Asset Quarterly Cash Flows – Q3 2022

TOTAL CAPITAL CALLS & CONTRIBUTIONS		**$300,000**
BTG Pactual	Capital Call	$300,000

TOTAL DISTRIBUTIONS		**$28,961,787**
Distributions above $100K		
L&B	Kings Harbor Sale	$10,930,177
Huff Alternative	Vegas Property Sale	$8,262,512
Lone Star CRA	Distribution	$5,176,471
Lone Star Growth Capital	Sales Distribution	$4,264,533
Industry Ventures IVPH IV	Distribution	$328,093

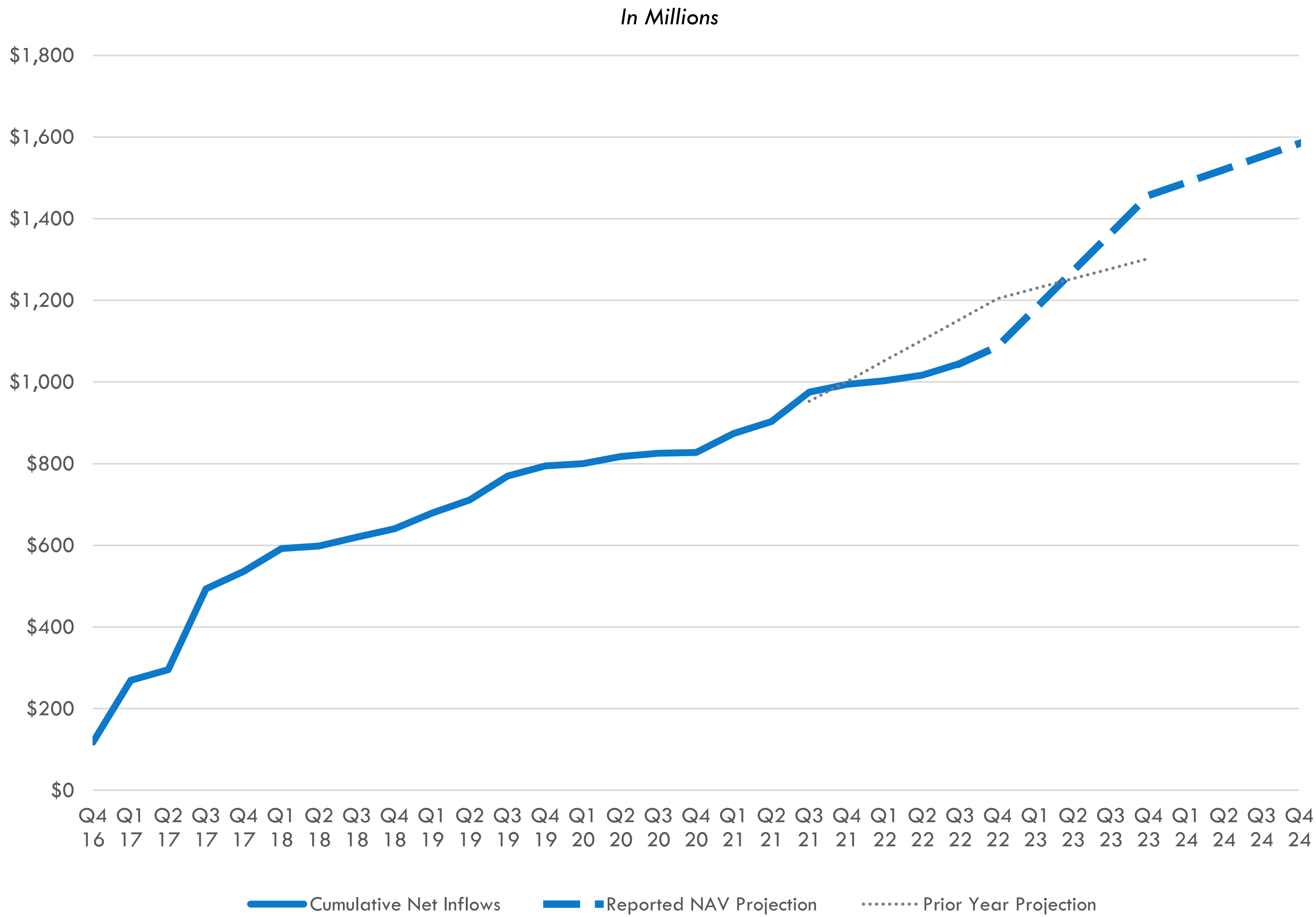
Numbers may not foot due to rounding.

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



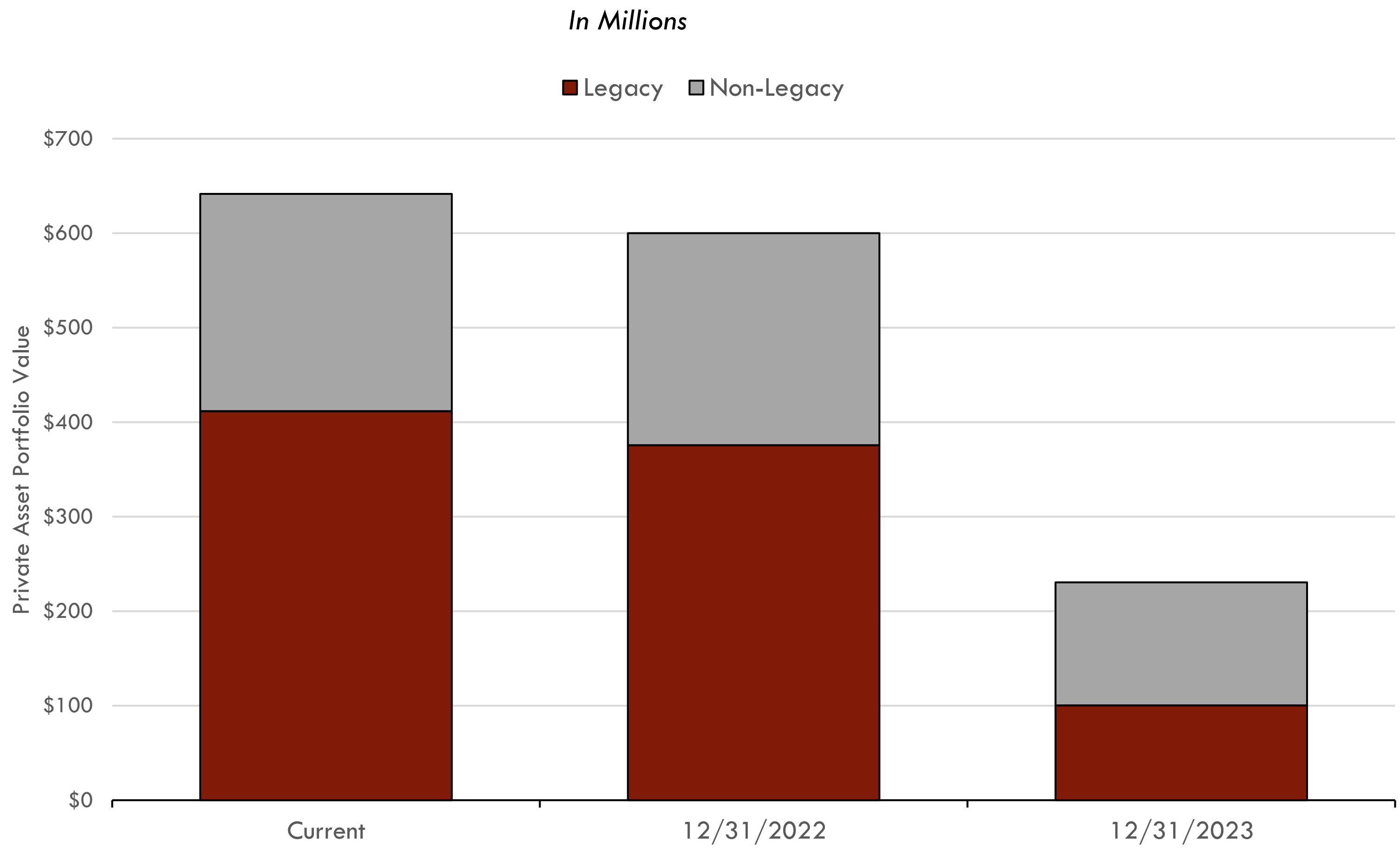
Cumulative Actual and Projected Private Asset Net Inflows

Private asset cash flow projections are based on either in-process/planned sales, if available, or a gradual disposition through 2024.



Private Asset Disposition Timeline & Composition

Private asset cash flow projections are based on either in-process/planned sales, if available, or a gradual disposition through 2024.

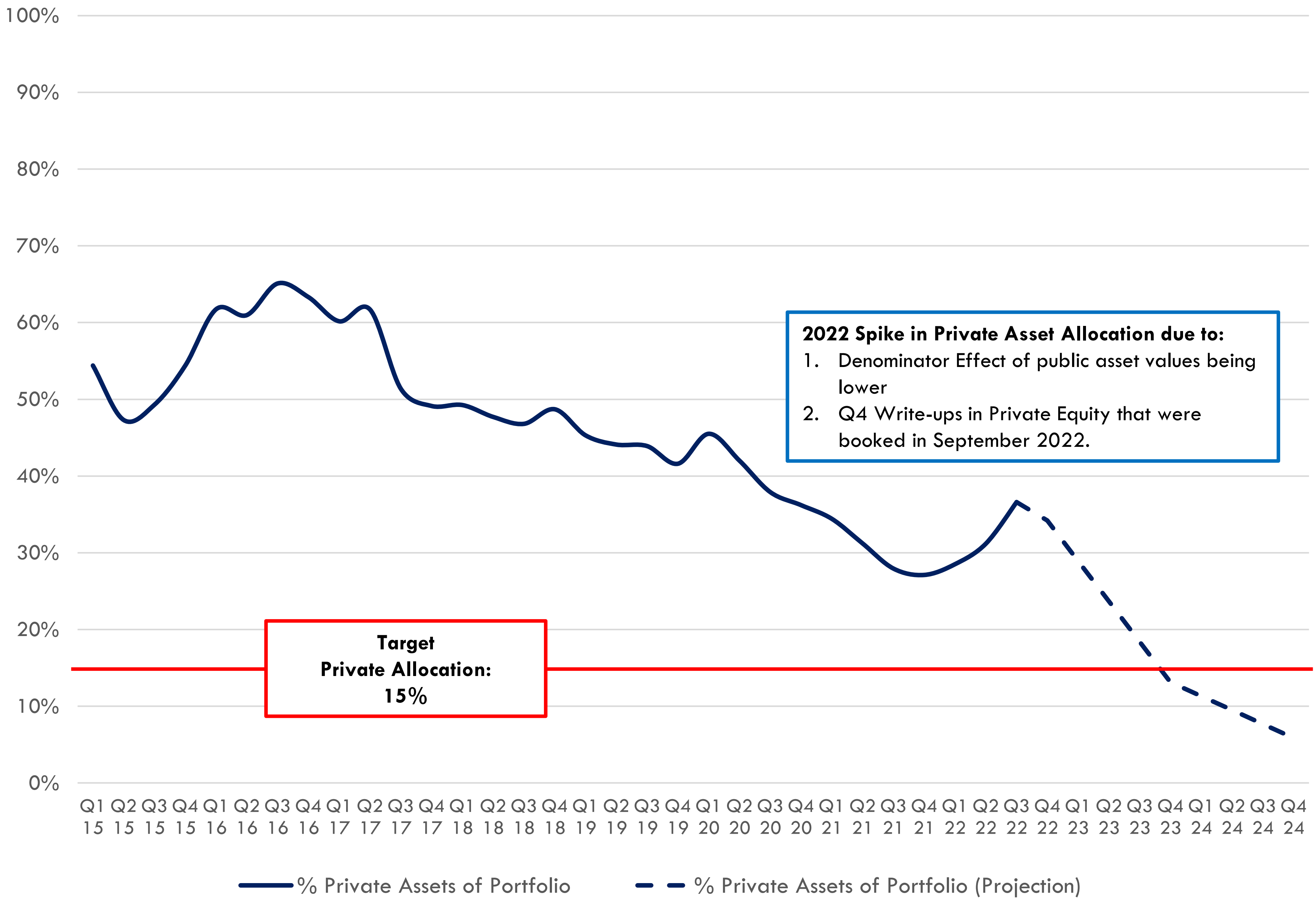


	Current	12/31/2022	12/31/2023
Legacy NAV (M)	$412	$376	$100
% of Private Portfolio	64%	63%	43%
% of DPFP Portfolio	23%	21%	6%

Private Asset Allocation Over Time

Private asset cash flow projections are based on either in-process/planned sales, if available, or a gradual disposition through 2024.

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



DISCUSSION SHEET

ITEM #C11

Topic: **Board Committee Appointments**

Discussion: The Board has three permanent committees, the Audit Committee, the Professional Services Committee, and the Investment Advisory Committee.

During the September Board meeting, Trustees were appointed to the three committees. Nancy Rocha served as a member of the Investment Advisory Committee prior to being elected as a Trustee and has expressed interest in continuing to serve on the Investment Advisory Committee.

Staff Recommendation: **Appoint** Nancy Rocha to the Investment Advisory Committee

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C12

Topic: **Board Meeting Recordings**

Discussion: In March 2020, Governor Abbott issued an emergency order that allowed public meetings to be conducted virtually with the requirement that the meetings be recorded, and the recordings made available to the public. Although the emergency order has been lifted, DPFP has continued to post recordings of the Board meetings on the website. In 1986 the Board adopted a policy against recording the Board meetings. Staff is seeking direction from the Board about whether or not to record future Board meetings.

Staff Recommendation: **Repeal** the Tape-Recording Board Meeting policy and continue to post the audio recordings of Board meetings on the website.

TAPE RECORDING BOARD MEETINGS POLICY

Adopted August 21, 1986

DALLAS POLICE & FIRE PENSION SYSTEM

TAPE RECORDING BOARD MEETINGS

Adopted August 21, 1986

PURPOSE: To state the Board of Trustees' policy on recording Board meetings.

STATEMENT: The Board of Trustees of the Dallas Police and Fire Pension Fund at the meeting for Thursday, August 21, 1986 approved as a policy of the Board that meetings of the Board will not be tape-recorded.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C13

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, October 13, 2022

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #D2

Topic: **Executive Director's report**

a. Associations' newsletters
- NCPERS Monitor (October 2022)

b. Open Records

c. Employee Update

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

THE NCPERS

MONITOR

The Latest in Legislative News

October 2022

In This Issue

3 Executive Director's Corner

Photo Illustration © 2022, shutterstock.com

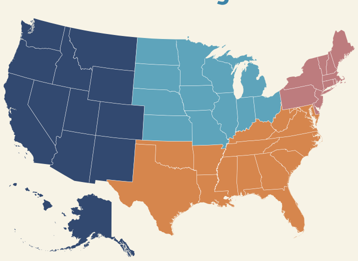
Communications professionals at public pensions are facing the daunting task of effectively engaging with and educating members with disparate needs and preferences for media consumption.

5 Dust-Up on Social Security Penalties

Photo Illustration © 2022, shutterstock.com

On September 20, the House Ways and Means Committee voted by voice vote to approve without recommendation H.R. 82, the bill to repeal the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO).

8 Around the Regions



This month, we will highlight Delaware, Illinois, Louisiana, and California.

Amid Robust Debate, Pension System Policies Remain Responsive to ESG Considerations

Photo Illustration © 2022, shutterstock.com

Debate over the proper role of environmental, social, and governance factors in investing is growing noisier and more acrimonious by the day. But one thing is clear: Love it or hate it, ESG is reshaping how pension funds invest.

Pension systems in New York City, New York State, California, and Maine are among those that have taken investment policy stances on environmental grounds. Wall Street firms, exemplified by BlackRock, Vanguard, and State Street, have been leading the way. They're often called the Big Three, and they are strong advocates of applying an ESG lens to investing. In recent years, they have articulated reasons why ESG considerations are good for business.

On the flip side, pension systems in Florida, Louisiana, Texas and other states are under pressure to limit ESG considerations. This is part of a massive backlash driven in large part by prominent Republicans who ridicule ESG as the epitome of "woke capitalism." Energy-producing states in particular have challenged the Big Three. A group of attorneys general have sent a letter to BlackRock, arguing that its ESG stance is harming state pension plans. Missouri is spearheading an investigation into Morningstar and its Sustainaltyics subsidiary over their role in evaluating ESG performance. And proxy ballots are turning up at shareholder meetings to rein in ESG policies.

Yet even in Florida—where Governor Ron DeSantis has banned state pension funds from screening for ESG risks—ESG appears to have some staying power. The Florida State Board of Administration reported that it voted in favor of more than 40 percent of social-related shareholder resolutions and nearly 30 percent of environmental-related shareholder resolutions during the fiscal year ended June 30.

And research from Morningstar has shown that state and local defined benefit pension funds support ESG shareholder resolutions at higher rates than do general shareholders.

Still, the drumbeat of opposition is intensifying. Recently, the attorneys general of Louisiana and Indiana issued opinions warning their state pension boards that ESG investing violates fiduciary duty. More such actions could follow. And the American Legislative Exchange Council (ALEC) is working with states to advance model legislation to limit pension plans' authority to reflect ESG concerns in their investing strategies.

It's worth remembering that ESG investing was intended from its inception to be compatible with investors' fiduciary duties. ESG has its roots in the United Nations Sustainable Development Goals, which are premised on the idea that reducing financial risks from factors such as climate change, worker disputes, human rights issues in supply chains, and poor corporate governance is an appropriate exercise of fiduciary responsibility.

Whether or not ESG investing violates or supports fiduciary duty is a matter that will likely take years, and many opinions and court cases, to resolve. While uncertainly lingers, it will be a critically important issue, and one that NCPERS will keep its members up to date on. We know we're not going to cross this difficult terrain by ignoring this debate. ◆

NCPERS **Executive Director's Corner**

Communication is Key for Public Pension Plans

Photo illustration © 2022, shutterstock.com

NCPERS members oversee retirement funds on behalf of seven million retirees and nearly 15 million active public servants. Those 22 million individuals span across generations—from Baby Boomers to Gen Z—and communications professionals at public pensions are facing the daunting task of effectively engaging with and educating members with disparate needs and preferences for media consumption.

Utilizing digital communications is an important part of modern financial communications, but public pension plans have lagged behind the private sector in providing account information to members through a mobile app. According to the 2021 NCPERS Public Retirement Systems Study, only 7 percent of public pension systems provide account information to members via a mobile app.

Last month, NCPERS hosted a webinar to explore the importance of digital access for pension plan members. COPERA Executive Director Ron Baker and SamCERA CEO Scott Hood discussed their decisions to work with PensionX to develop a mobile app. As Ron put it, they're trying to meet members where they are in their journey and tailor information based on their needs. Sandeep Mehta, CTO of Digital Deployment, also discussed opportunities for plans to deliver better member self-service through a mobile app or online tools.

Part of a new strategic partnership, NCPERS members now receive a 10 percent discount on the PensionX digital platform. You can watch the replay of the webinar and learn more about how to take advantage of this new member benefit here.

NCPERS members oversee retirement funds on behalf of seven million retirees and nearly 15 million active public servants.

We launched another new member benefit last month: the Communications Roundtable. Open exclusively to NCPERS pension fund and stakeholder members, this group will meet regularly via Zoom to address day-to-day communications challenges, get advice from peers, and share best practices for internal and external communications strategies.

Whether your role is dedicated to communications—or it's just one of your many responsibilities—joining the roundtable is a great way to connect with industry peers and learn from the experience of others. If you are interested in joining the Communications Roundtable, please contact NCPERS Director of Communications, Lizzy Lees, at lizzy@ncpers.org.

On January 23-24, 2023 NCPERS will also host the inaugural Pension Communications Summit. Held in conjunction with the relaunch of the annual Legislative Conference, this new event is designed to celebrate and accelerate the role of the public plan communicator.

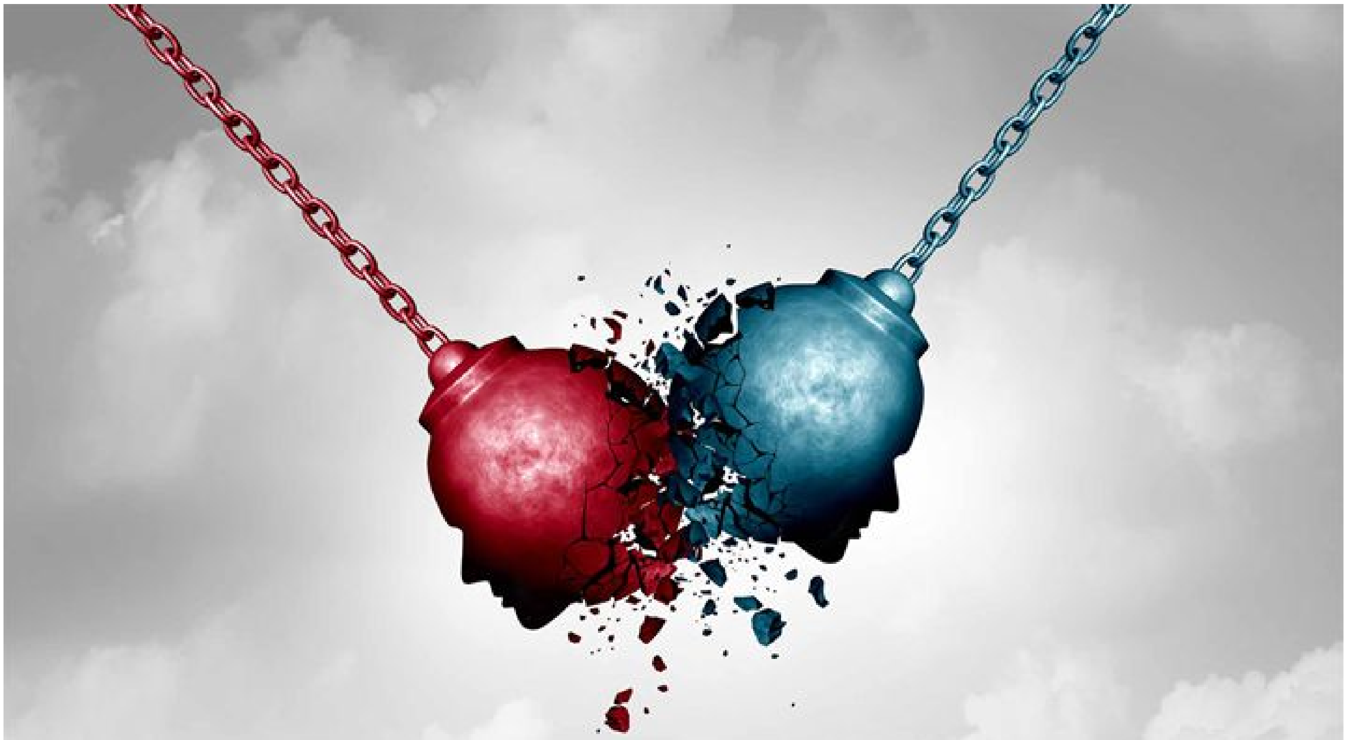
The agenda will be set by fellow public pension communications professionals—members of NCPERS Communications Roundtable—and will feature peer-to-peer learning, networking opportunities, and hands-on training from industry experts. You'll learn strategies for improving member engagement; get tips for developing effective digital content; learn best practices for developing compelling narratives for the media; and more.

The Pension Communications Summit will be held in Washington, DC and is open to all NCPERS members who work in or have an interest in external or internal communications. Stay tuned for details in the coming weeks about registration.

As evidenced by these new member benefits, NCPERS is constantly evaluating and expanding our services and benefits. With membership renewal season beginning, we hope you will continue to take advantage of the many valuable resources and offerings that our members have access to. ◆

Dust-Up on Social Security Penalties

By Tony Roda



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On September 20, the House Ways and Means Committee voted by voice vote to approve without recommendation H.R. 82, the bill to repeal the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO).

WEP reduces your Social Security benefit if you also earn a retirement benefit from non-Social Security employment. If you are hit with the full WEP penalty, your Social Security benefit will be reduced by $6,144 per year. GPO affects spousal and survivor benefits and can zero out those benefits completely.

During the markup, Social Security Subcommittee Chairman John Larson (D-CT) offered and then withdrew H.R. 2100, which is a comprehensive reform of the Social Security program, including a five-year repeal of WEP and GPO. Likewise, Senior Committee Republican Kevin Brady (R-TX) offered his WEP-only reform bill (H.R. 5834) as an amendment but then also withdrew it.

The result of the vote is that H.R. 82 will not go to the House floor under the expedited procedure that was triggered when the bill reached 290 cosponsors and was placed on the House Consensus Calendar. If the Committee did not act, H.R. 82 would have been scheduled for a House floor vote this month.

This action raises the obvious question: Why would the Ways and Means Committee intervene and prevent such a popular bill from being considered on the House floor? The answer is that despite the high number of cosponsors, Members have concerns over the bill's cost – $182 billion over 10 years – and that it would accelerate Social Security's insolvency by one year. In addition, Congressional Leadership and committee chairmen historically have opposed expedited floor procedures that effectively bypass committees and dictate when legislation will be considered on the floor, thereby removing their discretionary authority over the substance and timing of legislation.

If there was a positive result from the dust-up, it was that full Committee Chairman Richard Neal (D-MA) and Ranking Member Brady publicly renewed their commitment to work toward finding solution to the WEP issue. It appears that neither Member seems open at this point to also tacking the GPO issue.

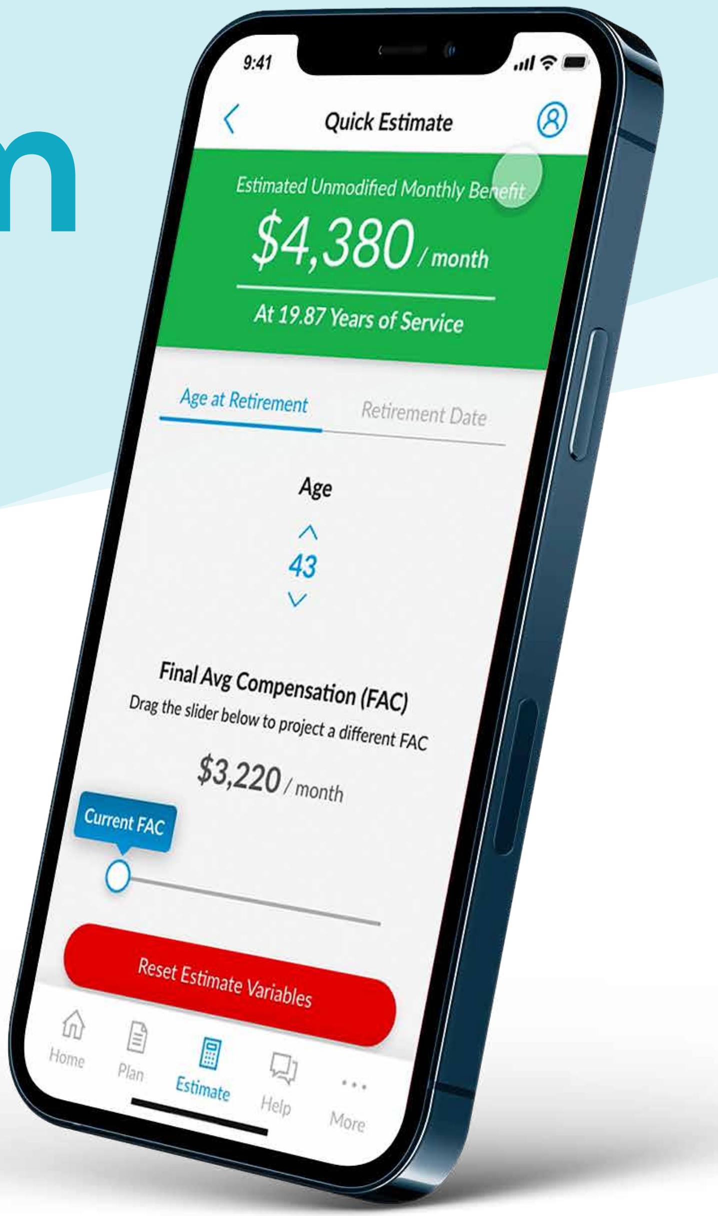
Neal and Brady each have their own WEP-only bills. If reconciled, a compromise version could gain enough traction for House passage and the possibility of approval by the Senate. Chairman Neal has introduced H.R. 2337, and Ranking Member Brady has introduced H.R. 5834. The bills take a similar approach – (1) provide current retirees who are being impacted by WEP a monthly rebate (Neal's bill is set at $150; Brady's at $100), and (2) begin utilizing a new proportional formula instead of the one-size-fits-all WEP penalty. The Brady bill would give future retirees ages 21 and over the better of the new formula or WEP. This type of provision is commonly referred to as a "hold harmless" provision. Chairman Neal's bill would extend the hold harmless treatment in perpetuity. The Neal bill would transfer funds from general revenues to offset the cost of the changes. The Brady bill is designed to be budget neutral to the Social Security trust fund.

The seeds of a compromise are present and with Brady's retirement at the end of the 117th Congress there is even greater urgency on the need for Congress to act this year.

Please be assured that NCPERS will continue to keep its members informed on the latest developments regarding the Windfall Elimination Provision and the Government Pension Offset. ◆

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. He 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 PensionX Digital Platform



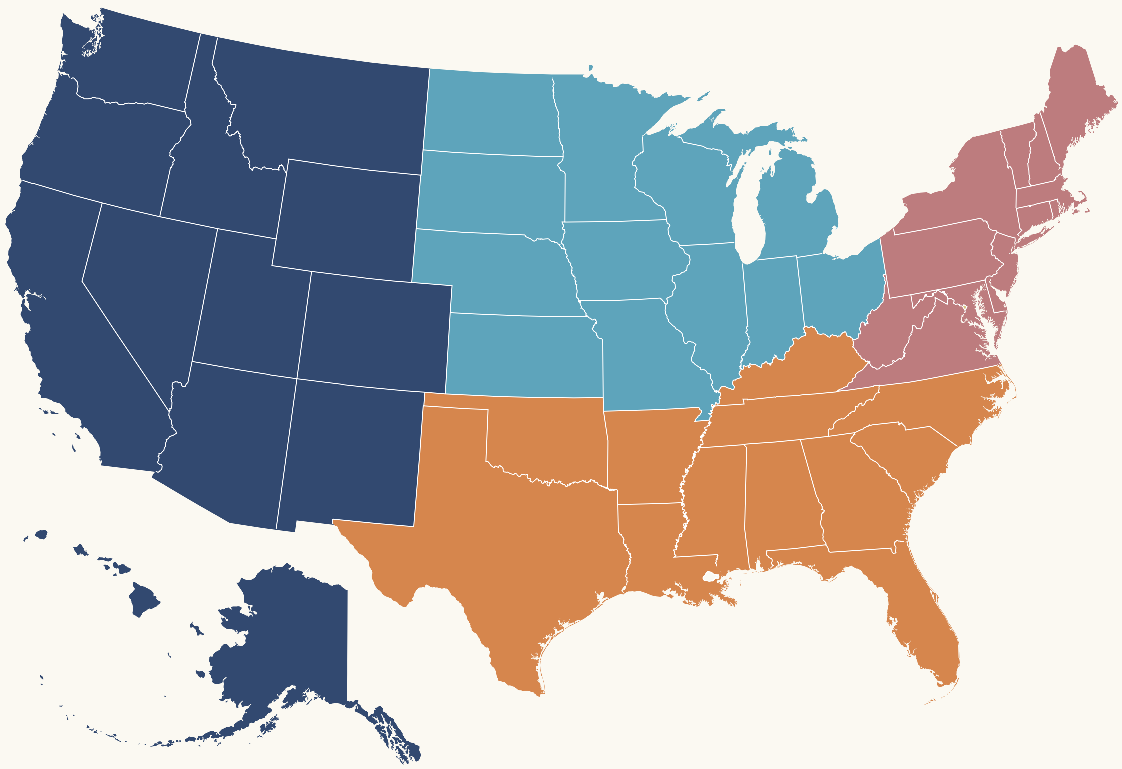
NCPERS has partnered with Digital Deployment to offer its members a **10% DISCOUNT** on PensionX, the premier digital platform that securely enables pensions to engage with active and retired participants via a mobile self-service app and portal.

NCPERS 1941 | pensionX

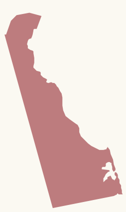
Learn more about this new NCPERS member benefit at ncpers.org/pensionx

NCPERS Around the Regions

This month, we will highlight Delaware, Illinois, Louisiana, and California.



NORTHEAST: Delaware



Delaware EARNS has become law, bringing to 16 the number of states that have created retirement programs designed to foster savings by private-sector employees. The law is expected to be implemented in 2025.

Governor John Carney on August 18 signed legislation creating the state-run program. His action came two months after the state Senate voted to authorize the program. Delaware EARNS is expected to extend retirement benefits to almost 150,000 private sector workers, or 38 percent of the state's workforce.

"What we currently know is that hundreds of thousands of Delawareans, particularly middle to low income, and particularly woman, really do not have access to a workplace retirement savings program," Lt. Gov. Bethany Hall-Long said in a TV news interview.

State Representative Larry Lambert, a Democrat, was the legislation's prime sponsor, and State Treasurer Colleen Davis has been a driver of the initiative. AARP research shows that Americans are 15 times more likely to save for retirement when they can do so at work, and are 20 times more likely if their workplace savings is automatic.

Delaware EARNS requires businesses with more than five employees that don't currently offer a retirement plan to participate through a payroll deduction process. The State Treasurer's Office, with the oversight of the Plans Management Board, will handle all duties and functions of the plan once initial design and implementation are complete.

"This plan has an initial one-time cost and then is self-sustaining, entirely funded through employee contributions," Davis said, according to an article in Plan Sponsor. "The oversight of the investments, product offerings and negotiated contracts is done by my office with the insights of a board composed of both public and private sector members to ensure transparency in all that we do and a collective stance on all aspects of these and other investment vehicles."

NCPERS Around the Regions

Three state programs—OregonSaves, CalSavers, and Illinois Secure Choice—are out in front of the trend, with additional state programs under construction and preparing to launch over the next years. One of the newest was Maryland, which launched on September 15. Maryland announced that it will waive an annual $300 filing fee for businesses that sign up by December 1 to enable automatic employee enrollment.

MIDWEST: Illinois

Last month, Chicago Mayor Lori Lightfoot proposed to enact a 2.5 percent property tax hike on January 1, 2023, with the entire $42.7 million proceeds going to public pensions. In her budget message, Lightfoot called Chicago's pension obligations "sacrosanct," adding, "It's important to remember that we made promises to our now-pensioners over years that must be kept."

Bloomberg reported that in fiscal year 2022, more than 80 percent of Chicago's property taxes collections covered city employee pensions, according to an analysis from the watchdog Civic Federation. This is an unusually high share, and it has nearly doubled since 2013, making Chicago "unique" among US cities, said Justin Marlowe, a public finance research professor at the University of Chicago.

Shortly after last month's announcement, however, Lightfoot scrapped plans for the pre-election property tax hike at the urging of her closest allies. Despite the pivot, she remains committed to her mission to push the cities four public pensions closer to the 90 percent funded level.

On October 3, Bloomberg reported that Lightfoot is planning to advance payments to the city's pension funds as part of her $16.4 billion proposed budget for 2023. The city would contribute an additional $242 million in early payments in 2023 on top of its regular contributions. The first $40 million check from Bally's for the new Chicago casino would also support pensions for police and firefighters.

According to the city's annual financial report, Chicago's pension for firefighters was funded at 20.9 percent as of December 2021; for municipal employees, at 23.4 percent; for police at 23.5 percent; and for laborers at 45.9 percent. These ratios, coupled with rising liabilities, are considered a strain on the city's credit rating, which currently has a stable outlook.

SOUTH: Louisiana

Louisiana has joined a groundswell of opposition to the policies of the "Big Three" investment firms' practice of factoring environmental, social, and governance (ESG) considerations into decision-making.

The state's attorney general, Jeff Landry, issued guidance August 31 to legislators and state retirement boards that BlackRock, Vanguard, and State Street have violated their fiduciary duty by placing "their interest in the ESG agenda above the interest of their investor-clients."

Oil- and gas-producing states, including Texas and Oklahoma, have become increasingly vocal about their opposition to ESG policies, creating a backlash to an investment approach that has gained traction in recent years.

Landry previously announced he was joining 17 other state attorneys general in an investigation into Morningstar's role in evaluating ESG issues.

"Policy is made in our legislative branch, not woke corporate boardrooms," Landry said in the guidance. "The Big Three have a responsibility to invest with their client's best interests in mind rather than their own agenda on climate change, politics, and other self-interests."

He argued that investment firms that operate as investment advisors in Louisiana and utilize ESG factors without full disclosure to their investor-clients are likely in violation of their fiduciary duties imposed by Louisiana law. In Louisiana, those investor-clients include entities such as the Louisiana Treasury and Louisiana State Retirement Boards – including the Louisiana State Employees Retirement System.

The attorney general cited BlackRock's imposition of ESG requirements on Exxon but not on PetroChina as an example of breach of fiduciary duty.

NCPERS Around the Regions

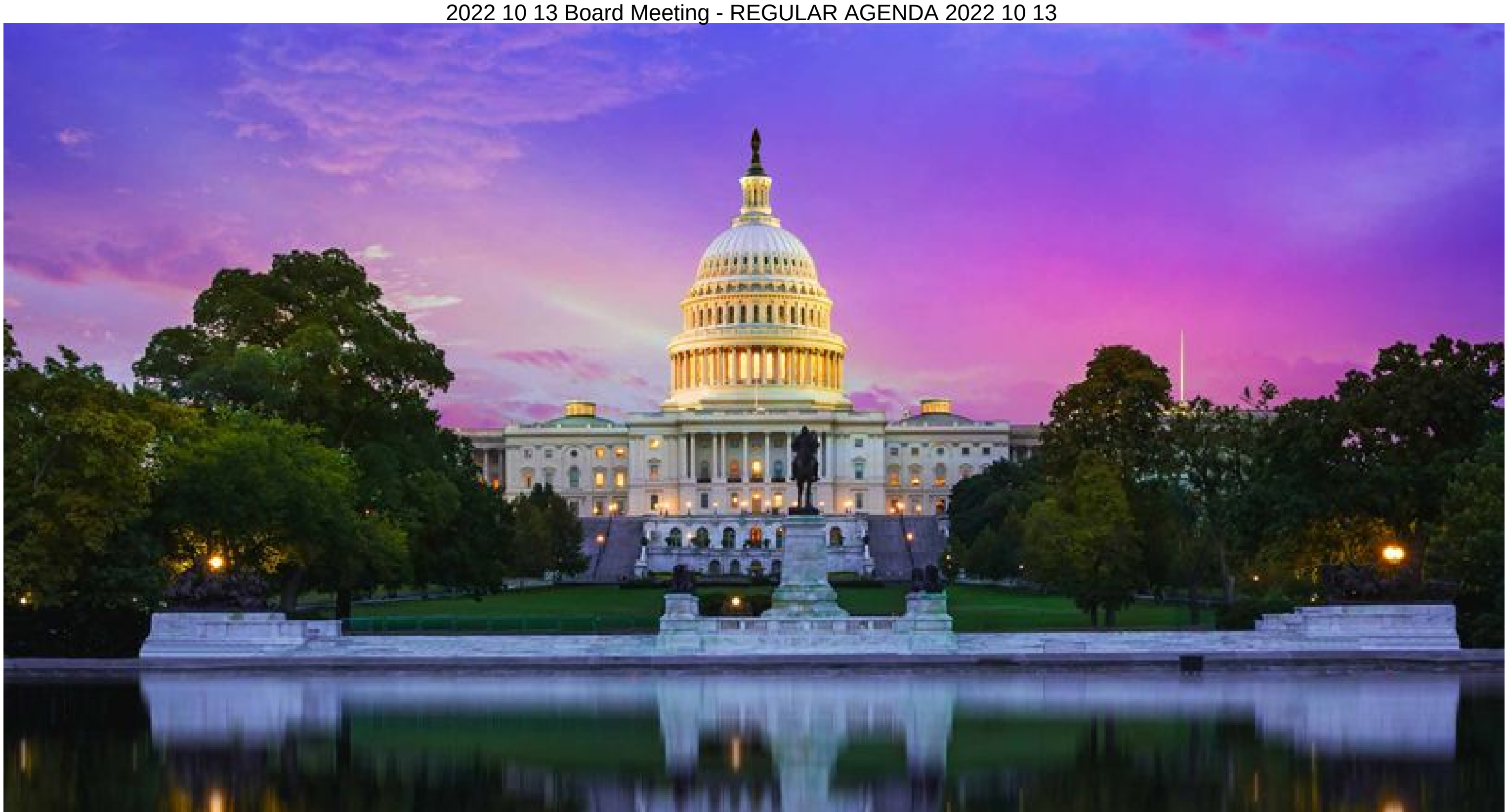
WEST: California

American Express, Mastercard International, and Visa said they plan to start separately categorizing sales at gun shops. The move is at least in part a response to pressure from the California State Teachers' Retirement System and the New York City Employees' Retirement System, Teachers' Retirement System and Board of Education Retirement System.

In letters to the three companies, the pension systems noted that financial companies already report potential money laundering and other kinds of criminal activity, and argued they should do the same for suspicious gun sales. They asked the companies to support a new merchant-category code, or MCCs for gun and ammunition shops. MCCs are four-digit numbers that networks use to identify types of merchants by the goods and services they sell. Gun shops have typically been counted among broader categories such as specialty retailers or durable-goods sellers.

CalSTRS has engaged with the gun industry since at least 2018, following a series of gun-related tragedies in schools. Gun control advocates say the move will improve tracking of suspicious surges of gun sales that could be a prelude to a mass shooting. But gun rights advocates have argued that step would unfairly segregate legal gun sales when most sales do not lead to mass shootings.

Officials from CalSTRS and the three New York City retirement systems began the push in August, according to a report in Pensions & Investments. Executives for the pension systems reached out to American Express and Mastercard International as well as Visa. They argued that the credit card firms have "a responsibility to prohibit the use of its network for illegal activity," and that not doing so "can result in regulatory, reputational, and litigation risks that may harm long-term shareholder value."



Calendar of Events 2022

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October

NCPERS Accredited Fiduciary (NAF) Program
October 22 – 23
Nashville, TN

Public Safety Conference
October 23 – 26
Nashville, TN

The Voice for Public Pensions

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