

Dallas Police and Fire Pension System
Thursday, July 15, 2021
8:30 a.m.
Via telephone conference

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

ROLL CALL

Board Members

Present at 8:31 a.m. William F. Quinn, Nicholas A. Merrick, Armando Garza, Michael Brown, Gilbert A. Garcia, Kenneth Haben, Tina Hernandez Patterson, Mark Malveaux

Absent: Robert B. French, Steve Idoux

Staff Kelly Gottschalk, Josh Mond, Ryan Wagner, John Holt, Damion Hervey, Cynthia Thomas, Greg Irlbeck, Michael Yan, Carol Huffman

Others Leandro Festino, Aaron Lally, Caitlin Grice

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

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A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officers Carolyn J. Hovey, Howard E. Johnson, Richard Mattingly, William F. Gentry, and retired firefighters Joseph J. Kay, R. F. Massingill, Donald D. Barree, Raymond L. Jones

No motion was made.

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B. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of June 10, 2021

2. Approval of Refunds of Contributions for the Month of June 2021

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B. CONSENT AGENDA (continued)

- 3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for July 2021**
- 4. Approval of Estate Settlements**
- 5. Approval of Survivor Benefits**
- 6. Approval of Service Retirements**
- 7. Approval of Payment of DROP Revocation Contributions**

After discussion, Mr. Garza made a motion to approve the minutes of the meeting of June 10, 2021. Mr. Haben seconded the motion, which was unanimously approved by the Board.

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

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C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Chairman's Discussion Items

Funding Committee Update

The Chairman briefed the Board on the Funding Committee.

No motion was made.

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2. 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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3. Asset Allocation

Leandro Festino, Managing Principal of Meketa Investment Group and DFPF investment staff discussed asset allocation feedback from the June 2021 Board meeting, presented updated asset allocation mixes and reviewed implementation considerations. The Board expressed its approval of Mix D and staff and Meketa were supportive of this option. Mix D increases the Global Equity target to 55%, reduces the Safety Reserve target to 18 months of net benefit payments (currently 9% of total assets), reduces the Emerging Markets Equity target to 5% and eliminates the 4% target to Global Bonds.

Staff reviewed the implementation plan that would reduce the Safety Reserve to the new 9% target by the end of 2021. The reduction from the Safety Reserve and private market distributions would be reallocated equally into Global Equity, Emerging Markets Equity and Emerging Markets Debt, until Emerging Markets Equity and Emerging Markets Debt reach their target allocation.

After discussion, Mr. Quinn made a motion to approve Mix D for the long-term asset allocation and direct staff to bring amendments to the Investment Policy Statement reflecting the updated asset allocation back to the Board for its review at the August Board meeting. Mr. Garcia seconded the motion, which was unanimously approved by the Board.

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4. January 1, 2021 Actuarial Valuation Assumptions

DFPF staff reviewed the appropriateness of the current 7% discount rate/assumed rate of return given changing market factors and the asset allocation considerations and provided the Segal analysis from the June 2021 Board Meeting. Caitlin Grice, Consulting Actuary of Segal Consulting answered questions regarding the assumed rate of return. The Board directed that the item be brought back at the August Board meeting.

No motion was made.

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5. Report on the Investment Advisory Committee

The Investment Advisory Committee met on June 24 and June 30, 2021. The Investment Advisory Committee Chair and the Interim Chief Investment Officer commented on Committee observations and advice.

No motion was made.

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6. US Small Cap Equity Manager Recommendation

Leandro Festino, Managing Principal of Meketa Investment Group and staff discussed the search process and the recommendation for a US Small Cap Core equity manager. The Investment Advisory Committee provided advice regarding the search and interviewed two finalists.

After discussion, Mr. Garcia made a motion to hire Moody Aldrich-Eastern Shore as a US Small Cap Equity Manager. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

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7. Private Asset Cash Flow Projection Update

Staff provided the quarterly update on the private asset cash flow projection model. 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 DFP's exposure to these assets and the implications for the public asset redeployment, overall asset allocation, and expected portfolio risk and return.

No motion was made.

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8. Financial Audit Status

The Executive Director provided a status update on the annual financial audit.

No motion was made.

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9. Monthly Contribution Report

The Executive Director reviewed the Monthly Contribution Report.

No motion was made.

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10. 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 Trustee business-related travel or investment-related travel scheduled.

No motion was made.

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11. Board Chairman, Vice Chairman and Deputy Vice Chairman Election

Section 3.01(g) of Article 6243a-1 requires the Board in June of every odd year to elect from among its trustees a chairman, vice chairman, and a deputy vice chairman, each to serve for two-year terms. At the June 2021 Board meeting, the Board reelected the current officers but directed that this item be brought back at the July meeting.

After discussion, Mr. Haben made a motion to elect Nicholas A. Merrick, as Chairman; William F. Quinn, as Vice Chairman; and Armando Garza, as Deputy Vice Chairman. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

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

The Board went into closed executive session at 10:21 a.m.

The meeting was reopened at 10:44 a.m.

No motion was made.

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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 (July 2021)
- b. Open Records
- c. Office Update and Reopening Status
- d. CIO Recruitment

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. Garza and a second by Mr. Merrick, the meeting was adjourned at 10:45 a.m.

/s/ William F. Quinn

William F. Quinn
Chairman

ATTEST:

/s/ Kelly Gottschalk

Kelly Gottschalk
Secretary