

AGENDA



Date: January 4, 2024

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, January 11, 2024, in the Second Floor Board Room at 4100 Harry Hines Boulevard, Dallas, Texas and via telephone conference for audio at 214-271-5080 access code 588694 or Toll-Free (US & CAN): 1-800-201-5203 and Zoom meeting for visual <https://us02web.zoom.us/j/83364156526?pwd=OG5CbEFhajN5V0hWaUFJMLhYcHQ2Zz09> Passcode: 923237.** Items of the following agenda will be presented to the Board:

A. MOMENT OF SILENCE

B. APPROVAL OF MINUTES

Regular meeting of December 14, 2023

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

- 1. Financial Audit Status**
- 2. Executive Director Approved Pension Ministerial Actions**
- 3. Monthly Contribution Report**
- 4. Board approval of Trustee education and travel**
 - a. Future Education and Business-related Travel
 - b. Future Investment-related Travel
- 5. Portfolio Update**
- 6. 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.

- 7. Update on Activities involving Section 2.025 of Article 6243a-1**

8. 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.

9. Closed Session - Board serving as Medical Committee

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

Disability application 2024-1D

10. Executive Director Performance Evaluation

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

D. BRIEFING ITEMS

- 1. Public Comment**
- 2. Executive Director's Report**
 - a. Associations' newsletters**
 - NCPERS Monitor (January 2024)
 - b. Open Records**

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

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



MOMENT OF SILENCE

In memory of our Members and Pensioners who recently passed away

NAME	ACTIVE/ RETIRED	DEPARTMENT	DATE OF DEATH
Cynthia M. Manion	Retired	Fire	12/04/2023
Billy W. Williams	Retired	Police	12/08/2023
James R. Wilcher	Retired	Fire	12/20/2023
Ricardo Silva	Retired	Police	12/21/2023
K D. Searcey	Retired	Fire	12/24/2023

Regular Board Meeting –Thursday, January 11, 2024

**Dallas Police and Fire Pension System
Thursday, December 14, 2023
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 8:32 a.m. Nicholas Merrick, Tina Hernandez Patterson, Michael Taglienti, Michael Brown, Mark Malveaux, Nancy Rocha, Matthew Shomer, Marcus Smith, Tom Tull

By telephone Anthony Scavuzzo

Absent Steve Idoux

Staff

Kelly Gottschalk, Josh Mond, Brenda Barnes, Ryan Wagner, Christina Wu, Akshay Patel, John Holt, Nien Nguyen, Milissa Romero, Cynthia J. Thomas, Patricia Wiley, Aubrey Rosalez

Others

Jeff Williams, Leandro Festino, Aaron Lally, Kirk Wilson, David Elliston, Cara Mendelsohn

By telephone Caitlin Grice

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The meeting was called to order at 8:32 a.m.

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A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officers Kenneth R. Johnson, Alfred M. Cessna, Robert P. Spence, Gregory J. Dugger, and retired firefighters Rhonda R. Westbrook, Guzman G. Natal, Franklin A. Dorough, Wilburn W. Sims, Richard K. Bramblitt, Raymond E. Sweeney, Robert W. Cole

No motion was made.

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**Regular Board Meeting
Thursday, December 14, 2023**

B. APPROVAL OF MINUTES

- 1. Required Public meeting #2 of November 9, 2023
- 2. Regular meeting of November 9, 2023

After discussion, Mr. Taglienti made a motion to approve the minutes of the Required Public meeting #2 and the Regular meeting of November 9, 2023. Mr. Tull 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. January 1, 2023 Actuarial Valuation

Jeff Williams and Caitlin Grice of Segal Consulting, DPFP’s actuarial firm, discussed the results of the January 1, 2023 actuarial valuation report.

After discussion, Mr. Scavuzzo made a motion to approve issuance of the January 1, 2023 actuarial valuation report, subject to final review by the auditors (BDO) and review and approval by the Executive Director. Mr. Taglienti seconded the motion, which was unanimously approved by the Board.

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2. Contract for Financial Auditing Services

Staff discussed the contract for future auditing services, the Board’s policy to conduct a competitive selection process for certain services every five years unless the Board explicitly waives the requirement, and the history of retaining BDO USA, LLP.

After discussion, Mr. Scavuzzo made a motion to authorize the Executive Director to renew the contract with BDO USA, LLC and waived the requirement to conduct a competitive selection process through the 2025 audit year. Mr. Taglienti seconded the motion, which was unanimously approved by the Board.

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3. Financial Audit Status

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

No motion was made.

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**Regular Board Meeting
Thursday, December 14, 2023**

4. Report on Professional Services Committee Meeting.

The Professional Services Committee Chair reported to the Board on its meeting with Chuck Campbell of Jackson Walker, LLP, DFP's outside legal counsel. No issues of concern were raised by Mr. Campbell.

No motion was made.

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5. Executive Director Approved Pension Ministerial Actions

The Executive Director reported on the November pension ministerial actions.

No motion was made.

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6. Monthly Contribution Report

The Executive Director reviewed the Monthly Contribution Report.

No motion was made.

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7. Board approval of Trustee education and travel

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

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

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

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**Regular Board Meeting
Thursday, December 14, 2023**

8. 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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9. Public Equity Portfolio Review

Leandro Festino and Aaron Lally of Meketa Investment Group and the Investment staff provided an overview of DPF public equity investments.

No motion was made.

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10. Third Quarter 2023 Investment Performance Analysis and Second Quarter 2023 Private Markets & Real Assets Review

Leandro Festino and Aaron Lally of Meketa Investment Group presented the Third Quarter 2023 Investment Performance Analysis and Second Quarter 2023 Private Markets & Real Assets reports.

No motion was made.

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11. Update on Activities involving Section 2.025 of Article 6243a-1

Staff briefed the Board on the status of the work related to Section 2.025 of Article 6243a-1.

No motion was made.

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**Regular Board Meeting
Thursday, December 14, 2023**

12. Information Technology Security

The Board went into closed executive session – Security Devices or Security Audits at 10:59 a.m.

The meeting reopened at 12:04 p.m.

DPFP contracts with Levi, Ray & Shoup (LRS) to serve as a virtual Chief Information Security Officer. Kirk Wilson, Cyber Security Architect of Levi, Ray & Shoup briefed the Board on past and future cyber security efforts.

No motion was made.

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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.

The Board went into closed executive session – Legal at 10:59 a.m.

The meeting reopened at 12:04 p.m.

The Board and staff discussed legal issues.

No motion was made.

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14. Executive Director Performance Evaluation

The Board went into closed executive session at 10:59 a.m.

The meeting was reopened at 12:04 p.m.

The Board reviewed the Executive Director's performance and will provide recommendations concerning yearly objectives, goals, and performance at the January Board meeting.

No motion was made.

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**Regular Board Meeting
Thursday, December 14, 2023**

D. BRIEFING ITEMS

1. Public Comments

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

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2. Executive Director’s report

a. Associations’ newsletters

- NCPERS Monitor (December 2023)
- TEXPERS Pension Observer (Vol. 4 2023)
<https://online.anyflip.com/mxfu/retw/mobile/index.html>

- b. Open Records
- c. Board Meeting 2024 Calendar
- d. Staffing Update
- e. Employee Service Awards

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. Brown and a second by Mr. Taglienti, the meeting was adjourned at 12:06 p.m.

Nicholas A. Merrick,
Chairman

ATTEST:

Kelly Gottschalk
Secretary

**Regular Board Meeting
Thursday, December 14, 2023**

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DISCUSSION SHEET

ITEM #C1

Topic: Financial Audit Status

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

Regular Board Meeting – Thursday, January 11, 2024



DISCUSSION SHEET

ITEM #C2

Topic: Executive Director Approved Pension Ministerial Actions

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

Regular Board Meeting – Thursday, January 11, 2024

Membership Actions -2024

	January	February	March	April	May	June	July	August	September	October	November	December	YTD Totals
Refunds	23												23
DROP - Join	1												1
Estate Payments	2												2
Survivor Benefits	4												4
Retirements	10												10
Alternate Payees	2												2
Spouse Wed After Retirement	0												0
Service Purchases	0												0
Earnings Test	0												0

Membership Actions -2023

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

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



DISCUSSION SHEET

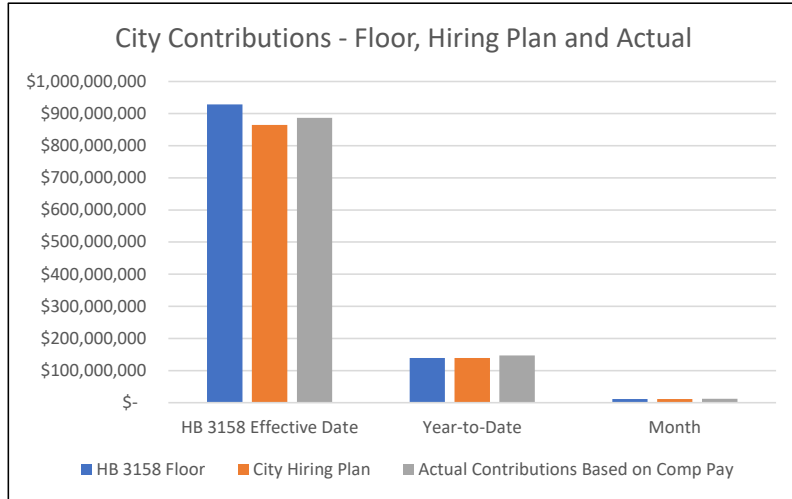
ITEM #C3

Topic: **Monthly Contribution Report**

Discussion: Staff will review the Monthly Contribution Report.

Regular Board Meeting – Thursday, January 11, 2024

Contribution Tracking Summary - January 2024 (November 2023 Data)

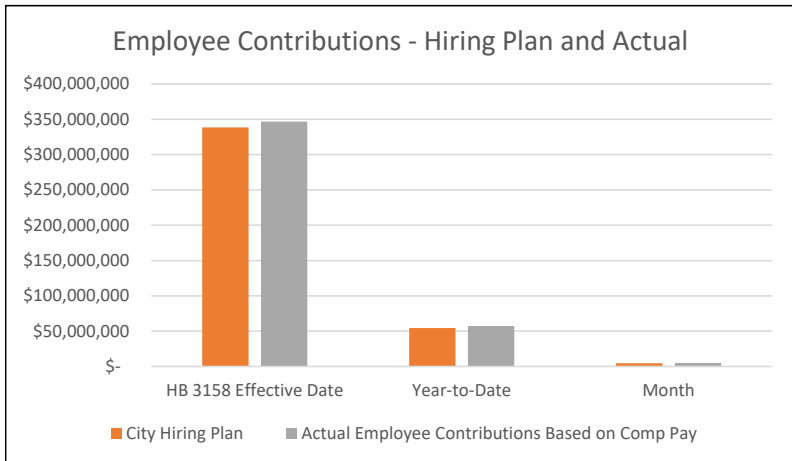


Actual Comp Pay was 103% of the Hiring Plan estimate since the effective date of HB 3158.

The Floor decreased for 2023 to equal the Hiring Plan, this was a decreased by 3.82% in 2023 for the Floor. The Hiring Plan increased by 3.79% in 2023. It is expected that actual contributions will exceed the Floor through 2024.

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

The combined actual employees was 21 less than the Hiring Plan for the pay period ending December 5, 2023. Fire was over the estimate by 194 Fire Fighters and Police under by 215 Police Officers.



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

There is no Floor on employee contributions.

Contribution Summary Data

City Contributions							
Nov-23	Number of Pay Periods Beginning in the Month	HB 3158 Floor	City Hiring Plan	Actual Contributions Based on Comp Pay	Additional Contributions to Meet Floor Minimum	Comp Pay Contributions as a % of Floor Contributions	Comp Pay Contributions as a % of Hiring Plan Contributions
Month	2	\$ 11,624,000	\$ 11,623,846	\$ 12,382,946	\$ -	107%	107%
Year-to-Date		\$ 139,488,000	\$ 139,486,154	\$ 146,680,875	\$ -	105%	105%
HB 3158 Effective Date		\$ 928,709,000	\$ 864,596,538	\$ 886,984,766	\$ 48,990,866	96%	103%
<p><i>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.</i></p>							

Employee Contributions							
Nov-23	Number of Pay Periods Beginning in the Month	City Hiring Plan	Actual Employee Contributions Based on Comp Pay	Actual Contribution Excess Compared to Hiring Plan	Actuarial Valuation Contribution Assumption	Actual Contributions as a % of Hiring Plan Contributions	Actual Contributions as a % of Actuarial Val Assumption
Month	2	\$ 4,548,462	\$ 4,846,506	\$ 298,045	\$ 4,236,924	107%	114%
Year-to-Date		\$ 54,581,538	\$ 57,413,607	\$ 2,832,068	\$ 50,843,088	105%	113%
HB 3158 Effective Date		\$ 338,320,385	\$ 346,903,819	\$ 8,583,434	\$ 327,582,754	103%	106%
Potential Earnings Loss from the Shortfall based on Assumed Rate of Return				\$ 310,819			
<p><i>Does not include Supplemental Plan Contributions.</i></p>							

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						
Year	Computation Pay			Number of Employees		
	Hiring Plan	Actual	Difference	Hiring Plan	Actual EOY	Difference
2017	\$ 372,000,000	Not Available	Not Available	5,240	4,935	(305)
2018	\$ 364,000,000	\$ 349,885,528	\$ (14,114,472)	4,988	4,983	(5)
2019	\$ 383,000,000	\$ 386,017,378	\$ 3,017,378	5,038	5,104	66
2020	\$ 396,000,000	\$ 421,529,994	\$ 25,529,994	5,063	4,988	(75)
2021	\$ 408,000,000	\$ 429,967,675	\$ 21,967,675	5,088	4,958	(130)
2022	\$ 422,000,000	\$ 439,104,541	\$ 17,104,541	5,113	5,074	(39)
2023	\$ 438,000,000			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 - 2023	Annual Divided by 26 Pay Periods	Actual	Difference	2022 Cumulative Difference	Number of Employees EOM	Difference
January	\$ 33,692,308	\$ 35,387,168	\$ 1,694,860	\$ 1,694,860	4922	(241)
February	\$ 33,692,308	\$ 35,344,223	\$ 1,651,915	\$ 3,346,776	5045	(118)
March	\$ 50,538,462	\$ 53,203,452	\$ 2,664,991	\$ 6,011,766	5080	(83)
April	\$ 33,692,308	\$ 35,355,815	\$ 1,663,507	\$ 7,675,273	5060	(103)
May	\$ 33,692,308	\$ 35,314,654	\$ 1,622,347	\$ 9,297,620	5046	(117)
June	\$ 33,692,308	\$ 35,226,620	\$ 1,534,312	\$ 10,831,932	5044	(119)
July	\$ 33,692,308	\$ 35,244,675	\$ 1,552,367	\$ 12,384,299	5056	(107)
August	\$ 50,538,462	\$ 53,134,804	\$ 2,596,342	\$ 14,980,641	5058	(105)
September	\$ 33,692,308	\$ 35,436,729	\$ 1,744,422	\$ 16,725,063	5081	(82)
October	\$ 33,692,308	\$ 35,621,220	\$ 1,928,912	\$ 18,653,975	5149	(14)
November	\$ 33,692,308	\$ 35,825,423	\$ 2,133,115	\$ 20,787,091	5142	(21)
December	\$ 33,692,308					



DISCUSSION SHEET

ITEM #C4

Topic: Board approval of Trustee education and travel

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

Discussion:

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

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

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

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

Regular Board Meeting – Thursday, January 11, 2024

**Future Education and Business Related Travel & Webinars
Regular Board Meeting – January 11, 2024**

		<u>ATTENDING</u>	<u>APPROVED</u>
1.	<p>Conference: TEXPERS Basic Trustee Training Dates: April 6, 2024 Location: Dallas, TX Est Cost: \$225</p>	MT	12/14/2023
2.	<p>Conference: TEXPERS Advance Trustee Training Dates: April 6, 2024 Location: Dallas, TX Est Cost: \$150</p>	NR	12/14/2023
3.	<p>Conference: TEXPERS Annual Conference Dates: April 7-10, 2024 Location: Dallas, TX Est Cost: \$25</p>	NR, MT	12/14/2023
4.	<p>Conference: NCPERS Trustee Educational Seminar (TED) Dates: May 18-19, 2024 Location: Seattle, WA Est Cost: TBD</p>		

**Future Education and Business Related Travel & Webinars
Regular Board Meeting – January 11, 2024**

ATTENDING APPROVED

- 5. **Conference:** NCPERS Annual Conference
Dates: May 19-22, 2024
Location: Seattle, WA
Est Cost: TBD

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



DISCUSSION SHEET

ITEM #C5

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, January 11, 2024



D A L L A S
POLICE & FIRE
PENSION SYSTEM



Portfolio Update

January 11, 2024
Board Meeting

Executive Summary

- **Estimated 2023 Return (as of 12/31/23):** 9.36% for DFPF portfolio; 16.8% for Public Portfolio (ex-Cash) which makes up 71% of the assets.
- **Liquidation of private market assets remains a top focus.**
 - \$69M in distributions received in 2023, with vast majority coming from AEW Camel Square and JPM Maritime fund.
- **Safety Reserve & Rebalancing:** At the September 2023 Board meeting, staff notified the Board that the Safety Reserve would be restored to target via rebalancing from Public Equity and Fixed Income, which occurred in October 2023.
- **New Global Growth Equity Manager:** The WCM account was funded on December 18th, 2023.
- **Custodian Search:** Staff has engaged Callan's Implementation Services group to assist with the custodian search and RFP process.

Investment Initiatives – 2024 Plan

Q1 2024

- Begin Custodian Search
- Initiate 2024 Asset Allocation Study

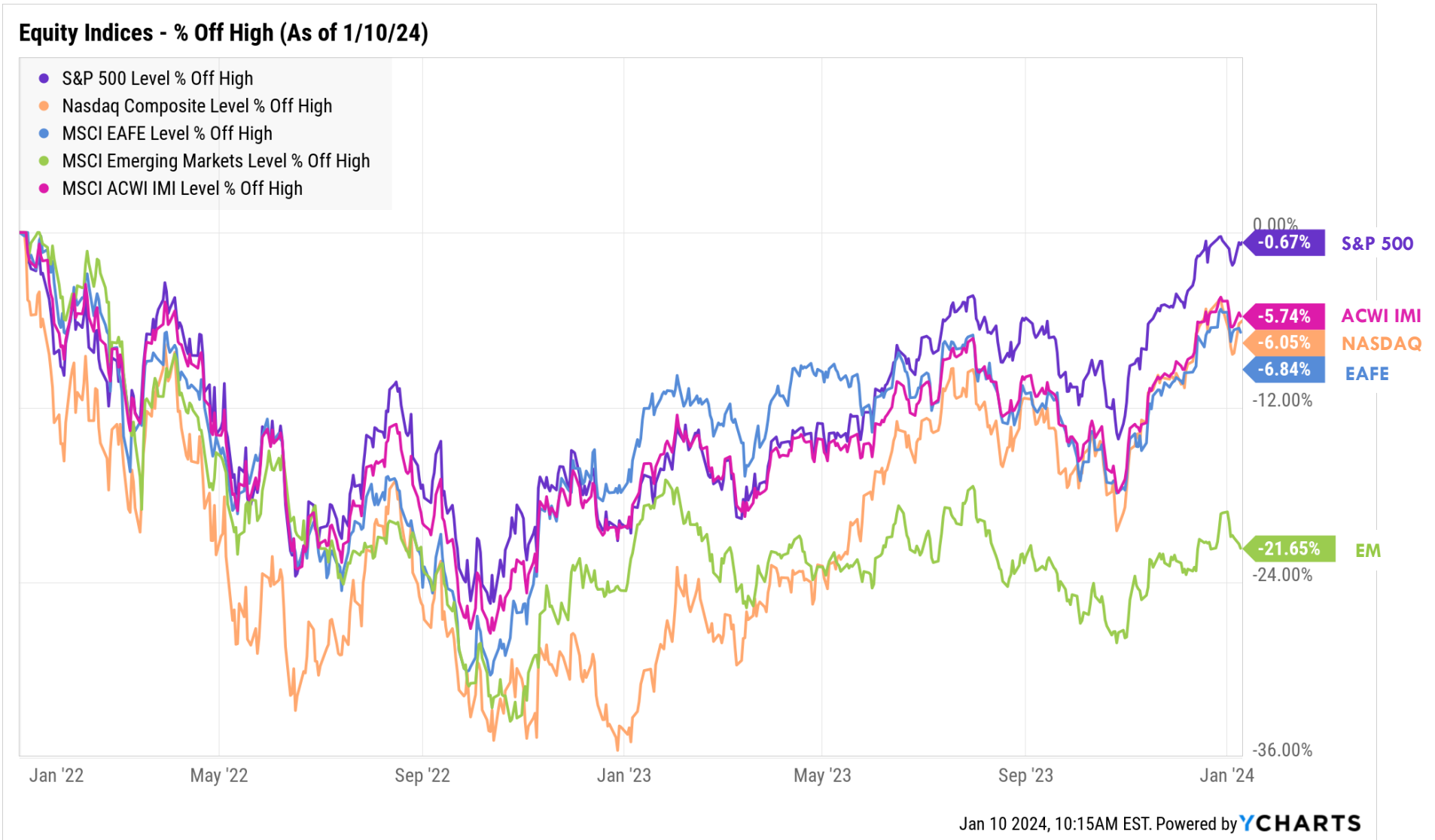
Q2 2024

- Custodian Transition
- Asset Allocation potential changes presented to IAC and Board

Q3 2024 & Beyond

- Investment Policy Statement review and updates
- Private Market Planning – Update IPS provision, pacing studies, etc.

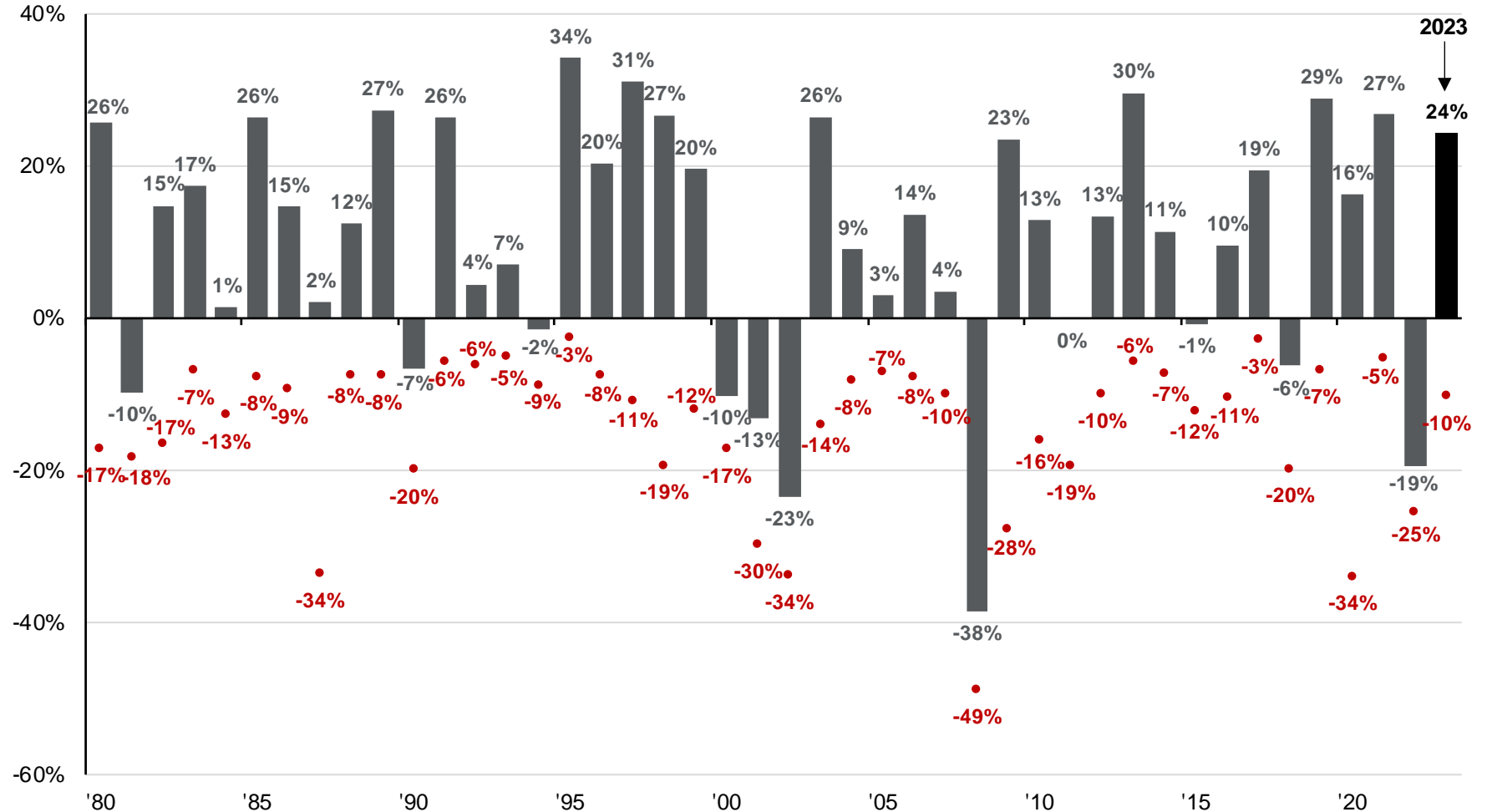
Equity Market Drawdown (1/1/22 to 1/10/24)



S&P Annual Returns and Intra-Year Declines

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

Despite average intra-year drops of 14.2%, annual returns were positive in 33 of 44 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 2023, over which time period the average annual return was 9.0%.

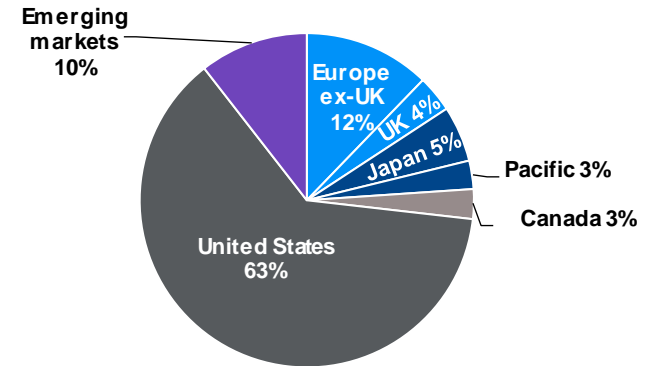
Guide to the Markets – U.S. Data are as of December 31, 2023.

Global Equity Markets

Returns	2023		2022		15-years	
	Local	USD	Local	USD	Ann.	Beta
Regions						
U.S. (S&P 500)	-	26.3	-	-18.1	14.0	0.9
AC World ex-U.S.	14.7	16.2	-9.2	-15.6	7.2	1.0
EAFE	16.8	18.9	-6.5	-14.0	7.4	1.0
Europe ex-UK	17.3	22.7	-12.2	-17.3	8.0	1.2
Emerging markets	10.3	10.3	-15.2	-19.7	6.9	1.0
Selected Countries						
Japan	29.0	20.8	-4.1	-16.3	6.2	0.7
United Kingdom	7.7	14.1	7.2	-4.8	6.9	1.0
France	18.1	22.3	-6.9	-12.7	8.1	1.2
Canada	13.3	16.4	-5.8	-12.2	8.3	1.1
Germany	19.8	24.0	-16.5	-21.6	6.6	1.3
China	-10.6	-11.0	-20.6	-21.8	4.6	0.9
Taiwan	31.1	31.3	-21.3	-29.1	14.2	1.0
India	22.0	21.3	3.0	-7.5	11.1	1.0
Brazil	22.7	33.4	8.6	14.6	5.4	1.3

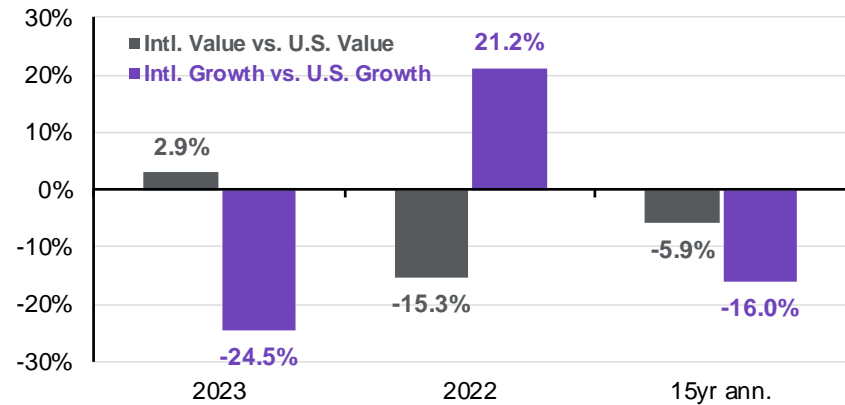
Weights in MSCI All Country World Index

% global market capitalization, float adjusted



Global Value and Growth returns

Monthly, USD, total return



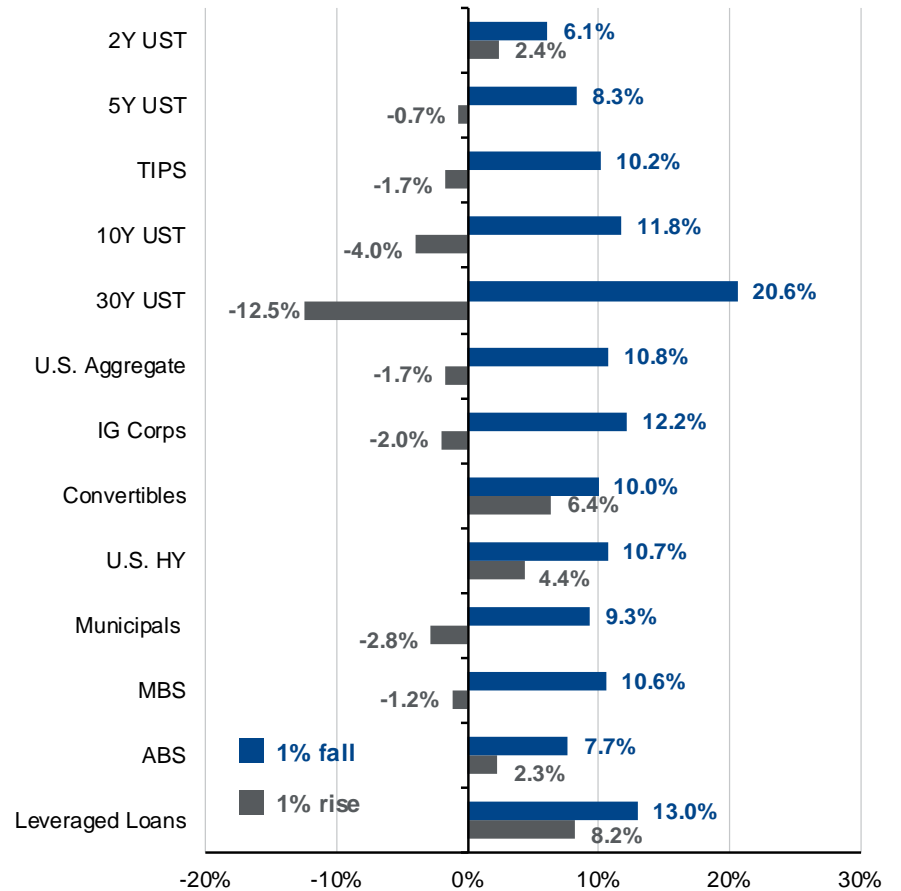
Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management. (Left) All return values are MSCI Total Return Index (Gross) data. 15-year history based on USD returns. 15-year return and beta figures are calculated using a rolling 12-month time period ending with the previously completed month. Beta is for monthly returns relative to the MSCI All Country World Index. Annualized volatility is calculated as the standard deviation of quarterly returns multiplied by the square root of 4. Chart is for illustrative purposes only. Please see disclosure page for index definitions. Past performance is not a reliable indicator of current and future results. (Bottom right) U.S. Value = Russell 1000 Value Index, U.S. Growth = Russell 1000 Growth index, intl. Value = MSCI AC World ex. U.S. Value Index, intl. Growth = MSCI AC World ex. U.S. Growth Index. The 15yr. annualized figures are based on rolling data. *Guide to the Markets – U.S.* Data are as of December 31, 2023.

Fixed Income Market Dynamics

U.S. Treasuries	Yield		Return			
	12/31/2023	12/31/2022	2023	Avg. Maturity	Correlation to 10-year	Correlation to S&P 500
2-Year	4.23%	4.41%	3.65%	2 years	0.75	0.00
5-Year	3.84%	3.99%	3.93%	5	0.94	-0.02
TIPS	4.24%	4.38%	3.90%	7.1	0.68	0.32
10-Year	3.88%	3.88%	3.21%	10	1.00	-0.06
30-Year	4.03%	3.97%	1.93%	30	0.93	-0.09
Sector						
U.S. Aggregate	4.53%	4.68%	5.53%	8.5	0.87	0.26
IG Corps	5.06%	5.42%	8.52%	10.8	0.58	0.48
Convertibles	7.88%	7.58%	13.92%	-	-0.10	0.86
U.S. HY	7.59%	8.96%	13.44%	4.9	-0.03	0.72
Municipals	3.22%	3.55%	6.40%	13.3	0.62	0.22
MBS	4.68%	4.71%	5.05%	7.5	0.77	0.24
ABS	5.65%	5.89%	7.05%	3.7	0.01	0.03
Leveraged Loans	10.59%	11.41%	13.17%	2.4	-0.30	0.52

Impact of a 1% rise or fall in interest rates

Total return, assumes a parallel shift in the yield curve



Source: Bloomberg, FactSet, Standard & Poor's, U.S. Treasury, J.P. Morgan Asset Management. Sectors shown above are provided by Bloomberg unless otherwise noted and are represented by – U.S. Aggregate; MBS: U.S. Aggregate Securitized - MBS; ABS: J.P. Morgan ABS Index; IG Corporates: U.S. Corporates; Municipals: Muni Bond; High Yield: Corporate High Yield; Leveraged Loans: J.P. Morgan Leveraged Loan Index; TIPS: Treasury Inflation-Protected Securities; Convertibles: U.S. Convertibles Composite. Convertibles yield is as of most recent month-end and is based on U.S. portion of Bloomberg Global Convertibles Index. Yield and return information based on bellwethers for Treasury securities. Sector yields reflect yield-to-worst. Correlations are based on 15-years of monthly returns for all sectors. Past performance is not indicative of future results.
 Guide to the Markets – U.S. Data are as of December 31, 2023.

Public Markets Performance Snapshot

Public Markets (ex-Cash) currently make up 71% of DFPF Investment Portfolio.

Asset Allocation & Performance | As of December 31, 2023

Performance Summary Ending December 31, 2023					
	Market Value (\$)	1 Mo (%)	YTD (%)	3 Yrs (%)	5 Yrs (%)
Total Public Portfolio (ex-Cash)	1,374,865,087	4.6	16.8	3.1	7.5
<i>60% MSCI ACWI IMI Net/40% Bloomberg Global Aggregate Index</i>		<i>4.8</i>	<i>15.1</i>	<i>1.1</i>	<i>6.9</i>
Public Equity	1,007,474,980	5.3	19.8	5.0	11.5
<i>MSCI AC World IMI (Net)</i>		<i>5.2</i>	<i>21.6</i>	<i>5.5</i>	<i>11.5</i>
Global Equity	914,762,423	5.4	20.7	5.8	12.1
<i>MSCI AC World IMI (Net)</i>		<i>5.2</i>	<i>21.6</i>	<i>5.5</i>	<i>11.5</i>
Boston Partners Global Equity Fund	115,610,058	4.8	14.3	11.1	11.7
<i>MSCI World Net</i>		<i>4.9</i>	<i>23.8</i>	<i>7.3</i>	<i>12.8</i>
Manulife Global Equity Strategy	114,883,648	3.9	20.0	8.0	12.1
<i>MSCI ACWI Net</i>		<i>4.8</i>	<i>22.2</i>	<i>5.7</i>	<i>11.7</i>
Russell Investments ACWI Growth	6,410,932	4.8	--	--	--
<i>MSCI AC World Index Growth (Net)</i>		<i>4.2</i>	<i>33.2</i>	<i>3.7</i>	<i>14.6</i>
Walter Scott Global Equity Fund	116,649,613	5.4	22.5	5.2	12.7
<i>MSCI ACWI Net</i>		<i>4.8</i>	<i>22.2</i>	<i>5.7</i>	<i>11.7</i>
WCM Global Equity	110,760,649				
<i>MSCI AC World Index Growth (Net)</i>		<i>4.2</i>	<i>33.2</i>	<i>3.7</i>	<i>14.6</i>
NT ACWI Index IMI	333,947,312	5.3	22.2	--	--
<i>MSCI AC World IMI (Net)</i>		<i>5.2</i>	<i>21.6</i>	<i>5.5</i>	<i>11.5</i>
Eastern Shore US Small Cap	61,178,677	10.1	15.1	--	--
<i>Russell 2000 Index</i>		<i>12.2</i>	<i>16.9</i>	<i>2.2</i>	<i>10.0</i>

MEKETA INVESTMENT GROUP

Public Markets Performance Snapshot

Asset Allocation & Performance | As of December 31, 2023

	Market Value (\$)	1 Mo (%)	YTD (%)	3 Yrs (%)	5 Yrs (%)
Global Alpha International Small Cap <i>MSCI EAFE Small Cap (Net)</i>	55,321,534	8.0 7.3	6.6 13.2	-- -0.7	-- 6.6
Emerging Markets Equity <i>MSCI Emerging Markets IMI (Net)</i>	92,712,557	4.5 4.0	11.2 11.7	-2.9 -3.7	4.7 4.5
RBC Emerging Markets Equity <i>MSCI Emerging Markets IMI (Net)</i>	92,712,557	4.5 4.0	11.2 11.7	-2.9 -3.7	4.7 4.5
Public Fixed Income <i>Blmbg. Global Multiverse</i>	367,390,107	2.8 4.2	9.4 6.1	-0.5 -5.3	2.2 -0.1
IR&M 1-3 Year Strategy <i>Blmbg. U.S. Aggregate 1-3 Yrs</i>	114,657,828	1.3 1.2	5.3 4.6	0.4 0.1	2.0 1.5
Longfellow Core Fixed Income <i>Blmbg. U.S. Aggregate Index</i>	63,773,538	4.1 3.8	6.1 5.5	-3.1 -3.3	-- 1.1
Aristotle Pacific Capital Bank Loan <i>Credit Suisse Leveraged Loan</i>	60,974,825	1.5 1.6	12.6 13.0	5.6 5.6	5.6 5.6
Loomis US High Yield Fund <i>Blmbg. U.S. High Yield - 2% Issuer Cap</i>	63,003,182	4.2 3.7	11.6 13.4	0.6 2.0	-- 5.4
Metlife Emerging Markets Debt Blend <i>35% JPMEMBI Global Index/35% JPM CEMBI Broad Diversified Index/ 30% JPMGBI-EM Di</i>	64,980,734	4.0 3.7	13.1 10.7	-- --	-- --

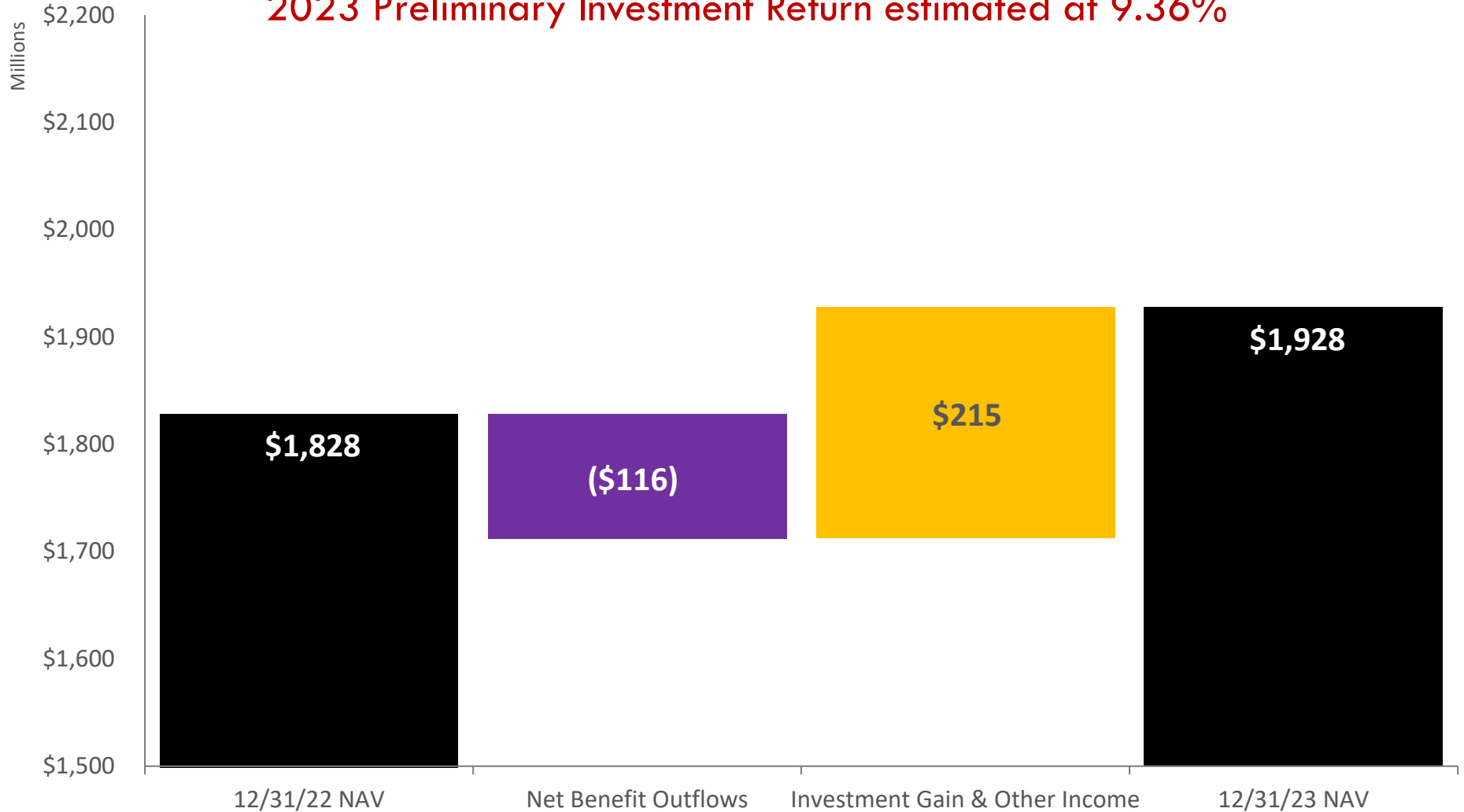
MEKETA INVESTMENT GROUP



2023 - Change in Market Value Bridge Chart

In Millions

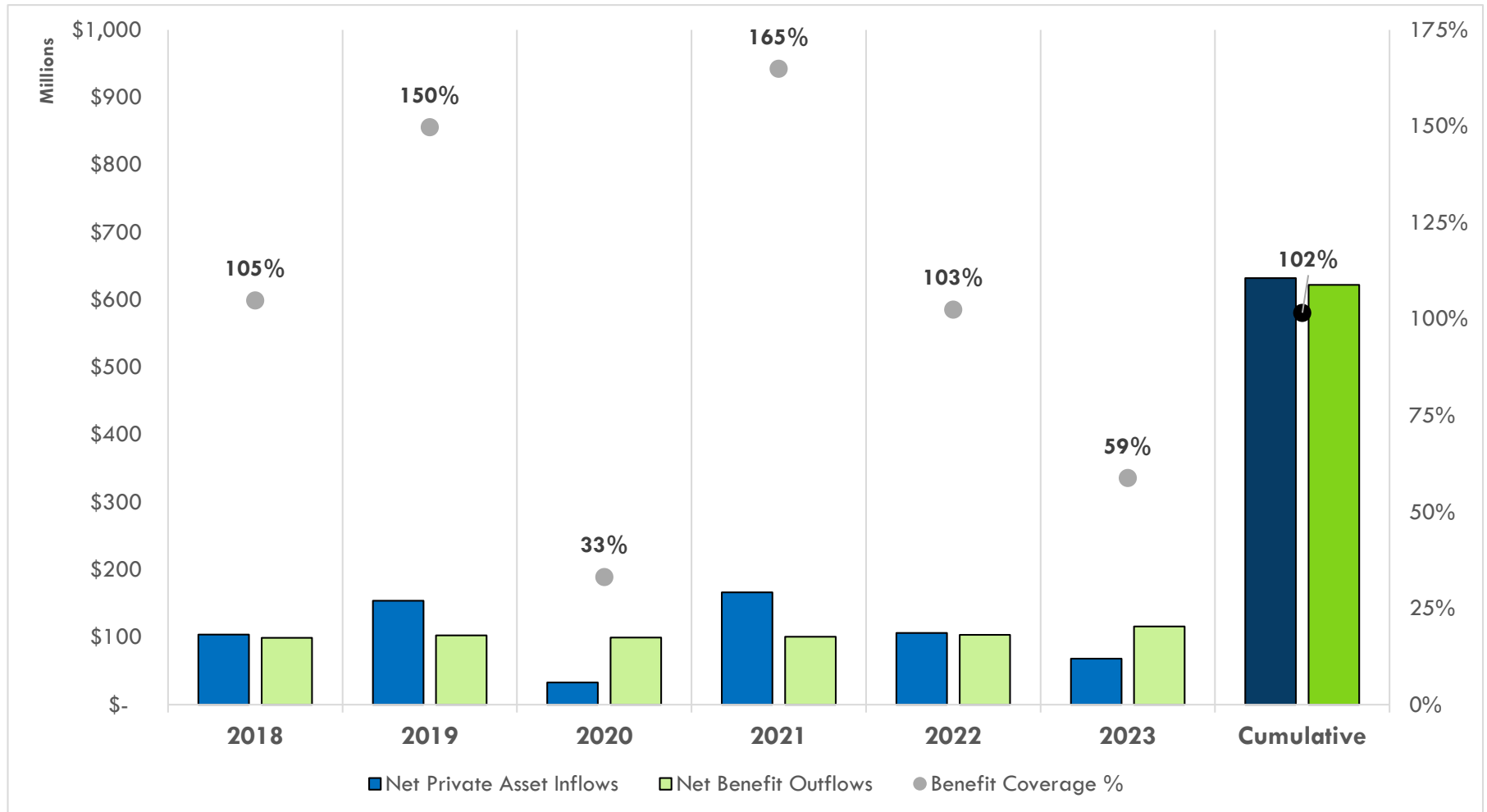
2023 Preliminary Investment Return estimated at 9.36%



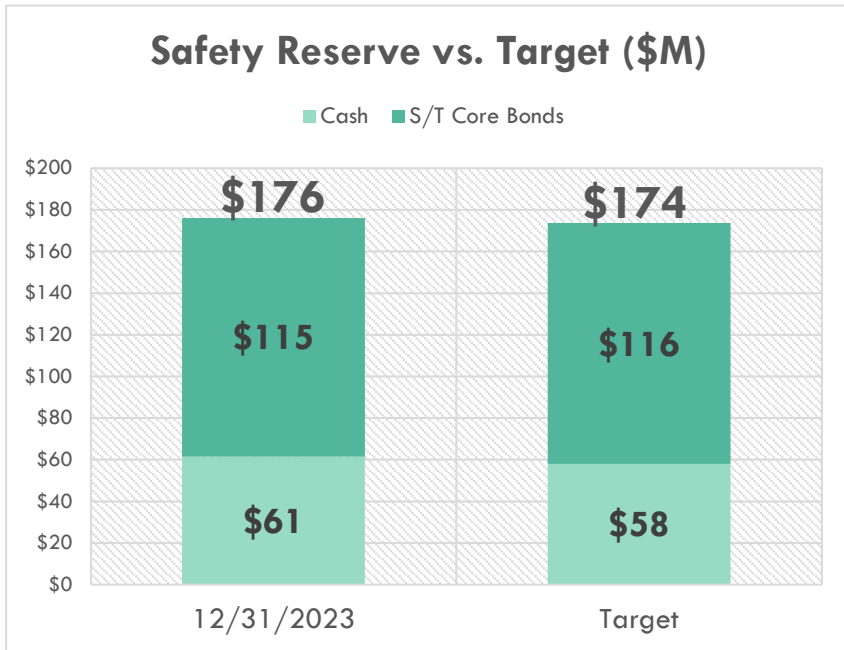
The beginning 12/31/22 value is from the Q4 2022 Meketa Performance Report and includes a one-quarter lag on private assets.
 Numbers may not foot due to rounding.

Benefit Outflow Coverage

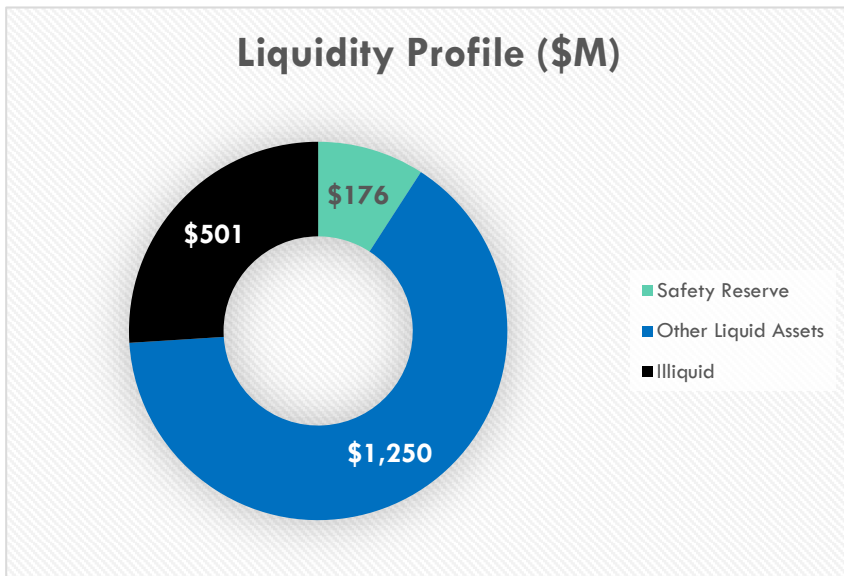
Since 2018, net Private Asset inflows have covered 102% of net benefit outflows.



Safety Reserve Dashboard



Projected Net Monthly outflows of **\$9.6M** per month. Safety Reserve of **\$176M** would cover net monthly outflows for next **18 months** or through **June 2025**.



Expected Cash Activity	Date	Amount (\$M)	Projected Cash Balance (\$M)	Projected Cash (%)
	11/30/23		\$61.5	3.2%
City Contribution	1/5/24	\$9.1	\$70.5	3.7%
City Contribution	1/19/24	\$9.1	\$79.6	4.1%
Pension Payroll	1/26/24	(\$28.5)	\$51.1	2.6%
City Contribution	2/2/24	\$9.1	\$60.1	3.1%
City Contribution	2/16/24	\$9.1	\$69.2	3.6%
Pension Payroll	2/28/24	(\$28.5)	\$40.7	2.1%
City Contribution	3/1/24	\$9.1	\$49.7	2.6%
City Contribution	3/15/24	\$9.1	\$58.8	3.0%
City Contribution	3/27/24	(\$28.5)	\$30.3	1.6%
Pension Payroll	3/29/24	\$9.1	\$39.3	2.0%

Numbers may not foot due to rounding

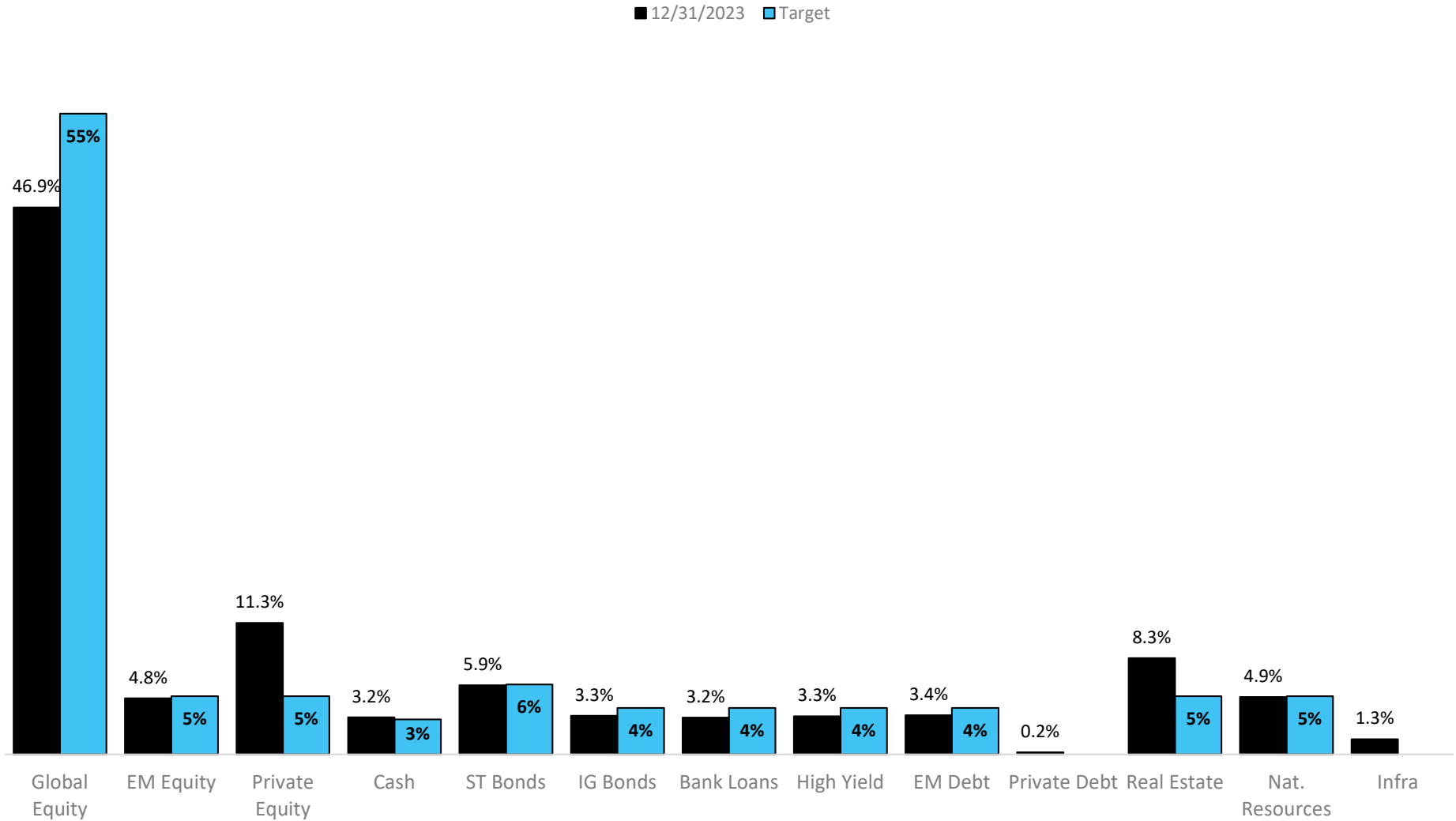
Asset Allocation Detail

DPFP Asset Allocation	12/31/2023		Targets			Variance	
	NAV	%	\$ mil.	%	% of Target	\$ mil.	%
Equity	1,215	63.0%	1,253	65%	97%	-38	-2.0%
Global Equity	905	46.9%	1,060	55%	85%	-155	-8.1%
<i>Boston Partners</i>	116	6.0%	116	6%	100%	0	0.0%
<i>Manulife</i>	115	6.0%	116	6%	99%	-1	0.0%
<i>Walter Scott</i>	117	6.1%	116	6%	101%	1	0.1%
<i>WCM</i>	111	5.7%	116	6%	96%	-5	-0.3%
<i>Northern Trust ACWI IMI Index</i>	334	17.3%	482	25%	69%	-148	-7.7%
<i>Eastern Shore US Small Cap</i>	61	3.2%	58	3%	106%	3	0.2%
<i>Global Alpha Intl Small Cap</i>	52	2.7%	58	3%	89%	-6	-0.3%
Emerging Markets Equity - RBC	93	4.8%	96	5%	96%	-4	-0.2%
Private Equity*	218	11.3%	96	5%	226%	121	6.3%
Fixed Income	433	22.4%	482	25%	90%	-49	-2.6%
Cash	61	3.2%	58	3%	106%	4	0.2%
S/T Investment Grade Bonds - IR+M	115	5.9%	116	6%	99%	-1	-0.1%
Investment Grade Bonds - Longfellow	64	3.3%	77	4%	83%	-13	-0.7%
Bank Loans - Aristotle Pacific	61	3.2%	77	4%	79%	-16	-0.8%
High Yield Bonds - Loomis Sayles	63	3.3%	77	4%	82%	-14	-0.7%
Emerging Markets Debt - MetLife	65	3.4%	77	4%	84%	-12	-0.6%
Private Debt*	4	0.2%	0	0%		4	0.2%
Real Assets*	280	14.5%	193	10%	145%	87	4.5%
Real Estate*	159	8.3%	96	5%	165%	63	3.3%
Natural Resources*	95	4.9%	96	5%	99%	-1	-0.1%
Infrastructure*	25	1.3%	0	0%		25	1.3%
Total	1,928	100.0%	1,928	100%		0	0.0%
Safety Reserve ~\$162M=18 mo net CF	176	9.1%	174	9%	102%	3	0.1%
*Private Market Assets	501	26.0%	289	15%		212	11.0%

Source: Preliminary JP Morgan Custodial Data, Staff Estimates and Calculations.

Numbers may not foot due to rounding

Asset Allocation – Actual vs Target





DISCUSSION SHEET

ITEM #C6

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 2024. These estimates are intended to assist the Board in evaluating the expected time frame to reduce DFPF's exposure to these assets and the implications for the public asset redeployment, overall asset allocation, and expected portfolio risk and return.

Regular Board Meeting – Thursday, January 11, 2024



D A L L A S
POLICE & FIRE
PENSION SYSTEM



Quarterly Private Asset Cash Flow Projection Update

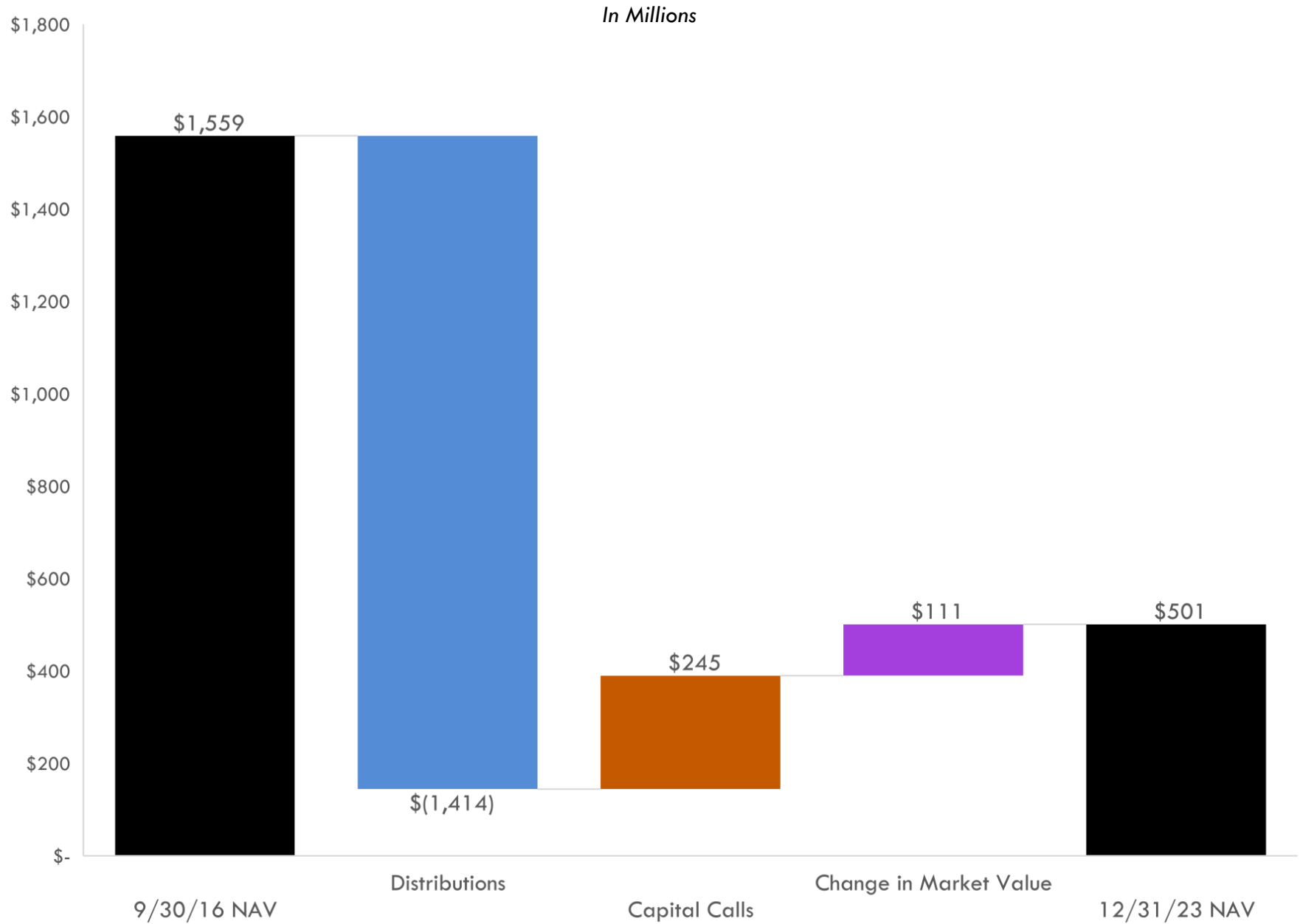
January 11, 2024

Private Asset Cash Flow Projections

Methodology Review

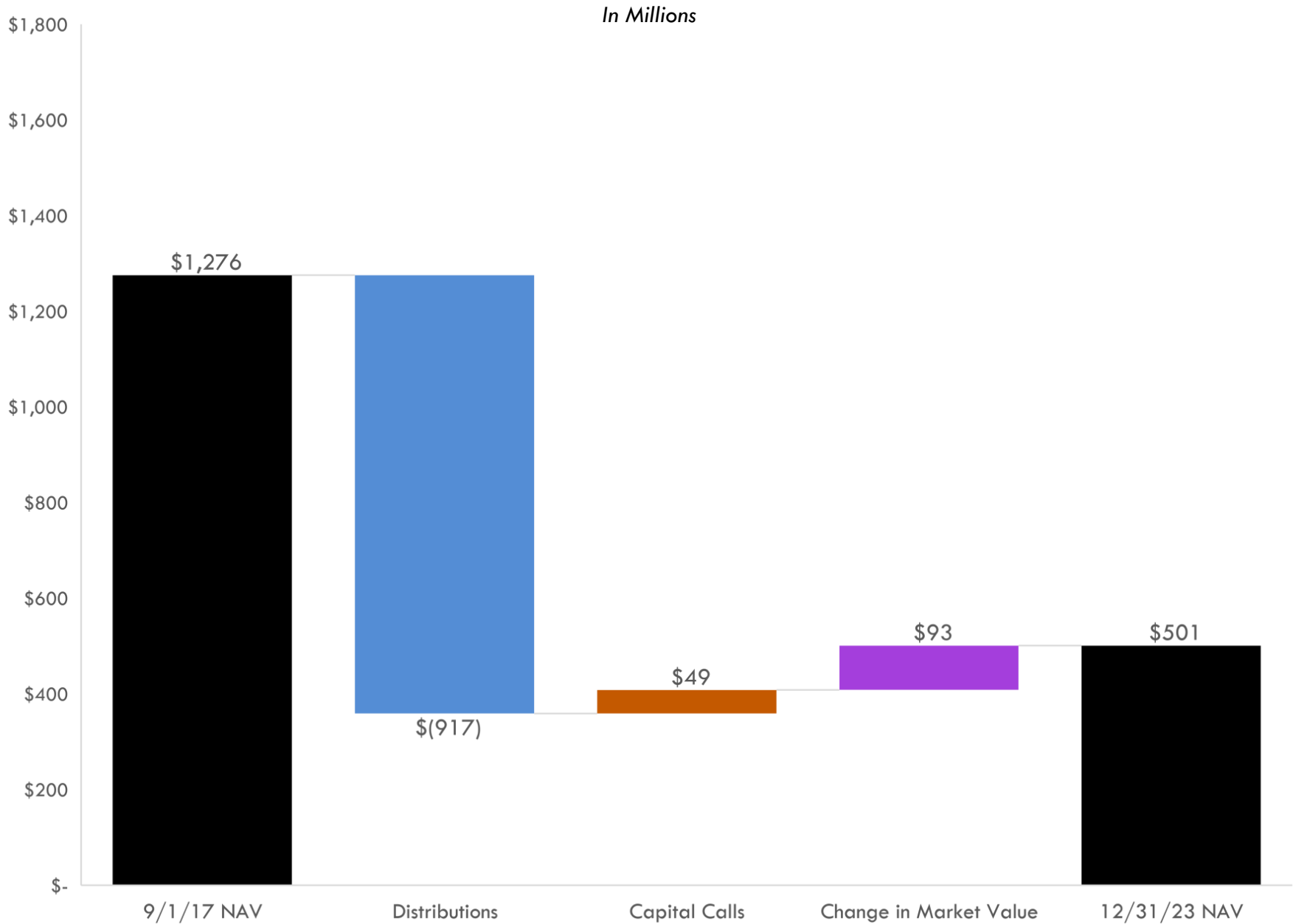
- Staff estimates capital calls and cash distributions from the Private Asset portfolio, built up by individual asset.
- DPFPP has more control over direct investments in Real Estate and Natural Resources, therefore should have more accuracy in forecasting cash flows based on planned sales. Private Equity fund investments are controlled by GP's, therefore DPFPP 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



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 Market Holdings as of 12/31/23

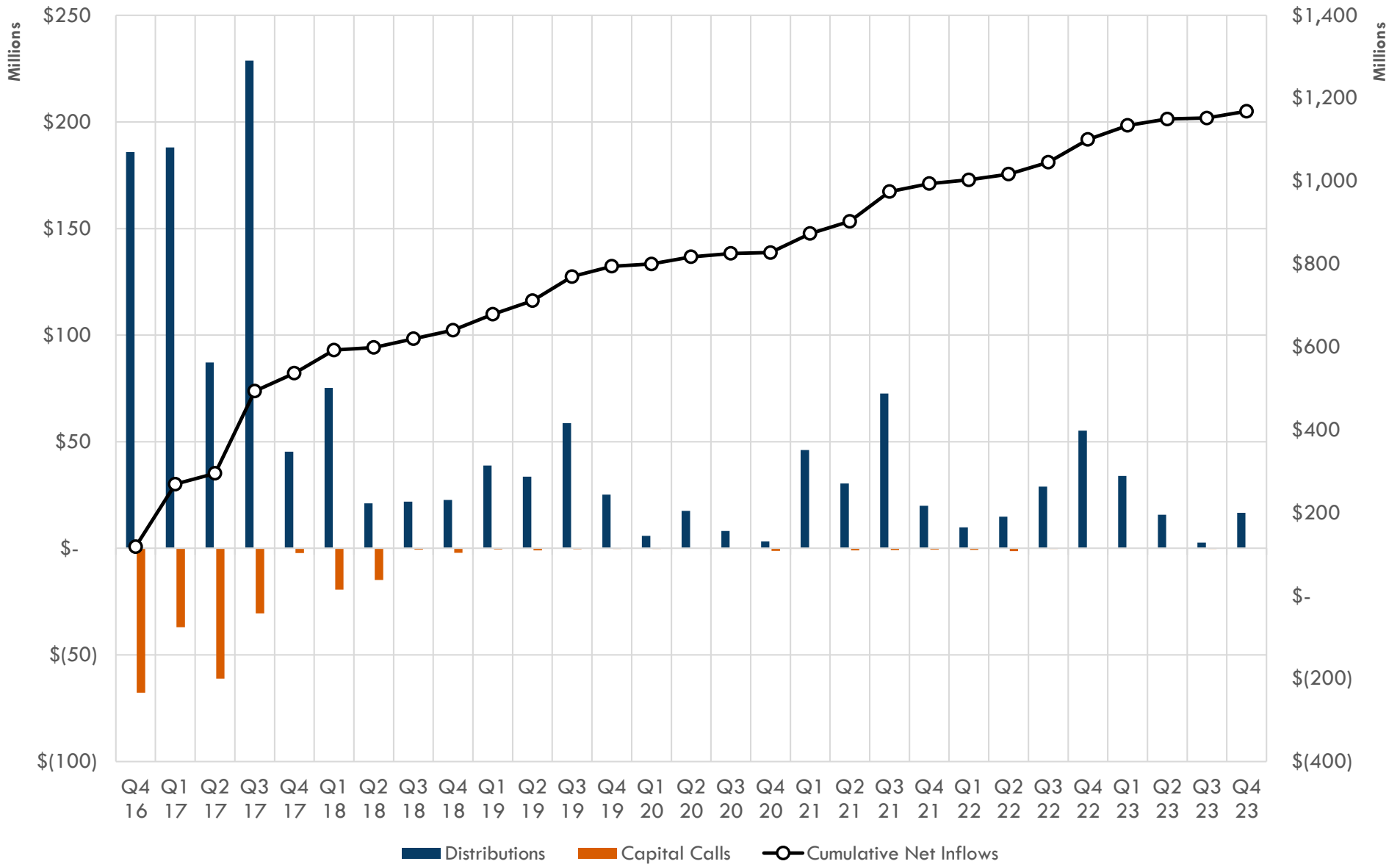
	Market Value (\$M) 12/31/2023	Exposure %
Private Equity	\$ 217.8	11.3%
Huff Alternative	0.2	0.0%
Huff Energy	151.7	7.9%
Industry Ventures	8.8	0.5%
Lone Star CRA	51.7	2.7%
Lone Star Growth Capital	0.0	0.0%
Lone Star Opportunity Fund V	4.0	0.2%
Lone Star North TX Op. Fund	1.4	0.1%
Private Debt	\$ 3.8	0.2%
Highland Crusader	0.4	0.0%
Riverstone	3.4	0.2%
Real Assets	\$ 279.7	14.5%
Natural Resource	\$ 95.1	4.9%
BTG Pactual	11.8	0.6%
Hancock	83.3	4.3%
Infrastructure	\$ 25.3	1.3%
TRG AIRRO I	18.7	1.0%
TRG AIRRO II	6.3	0.3%
JPM Global Maritime	0.3	0.0%
Real Estate	\$ 159.3	8.3%
AEW Capital Management	130.7	6.8%
Clarion Partners	28.6	1.5%
RE Opportunistic Funds	0.0	0.0%
Total Private Markets	\$ 501.3	26.0%
Legacy Assets	\$ 364.7	18.9%

Private Asset Quarterly Cash Flows – Q4 2023

TOTAL CAPITAL CALLS & CONTRIBUTIONS		\$193,842
TRG AIRRO	Capital Call	\$108,513
TRG AIRRO II	Capital Call	\$85,329
TOTAL DISTRIBUTIONS		\$16,689,211
Distributions above \$100K		
JPM Maritime	Sale Proceeds	\$15,466,068
AEW	Camel Square Excess Cash	\$948,750
Bentall Kennedy	Sale Holdback Release	\$274,393

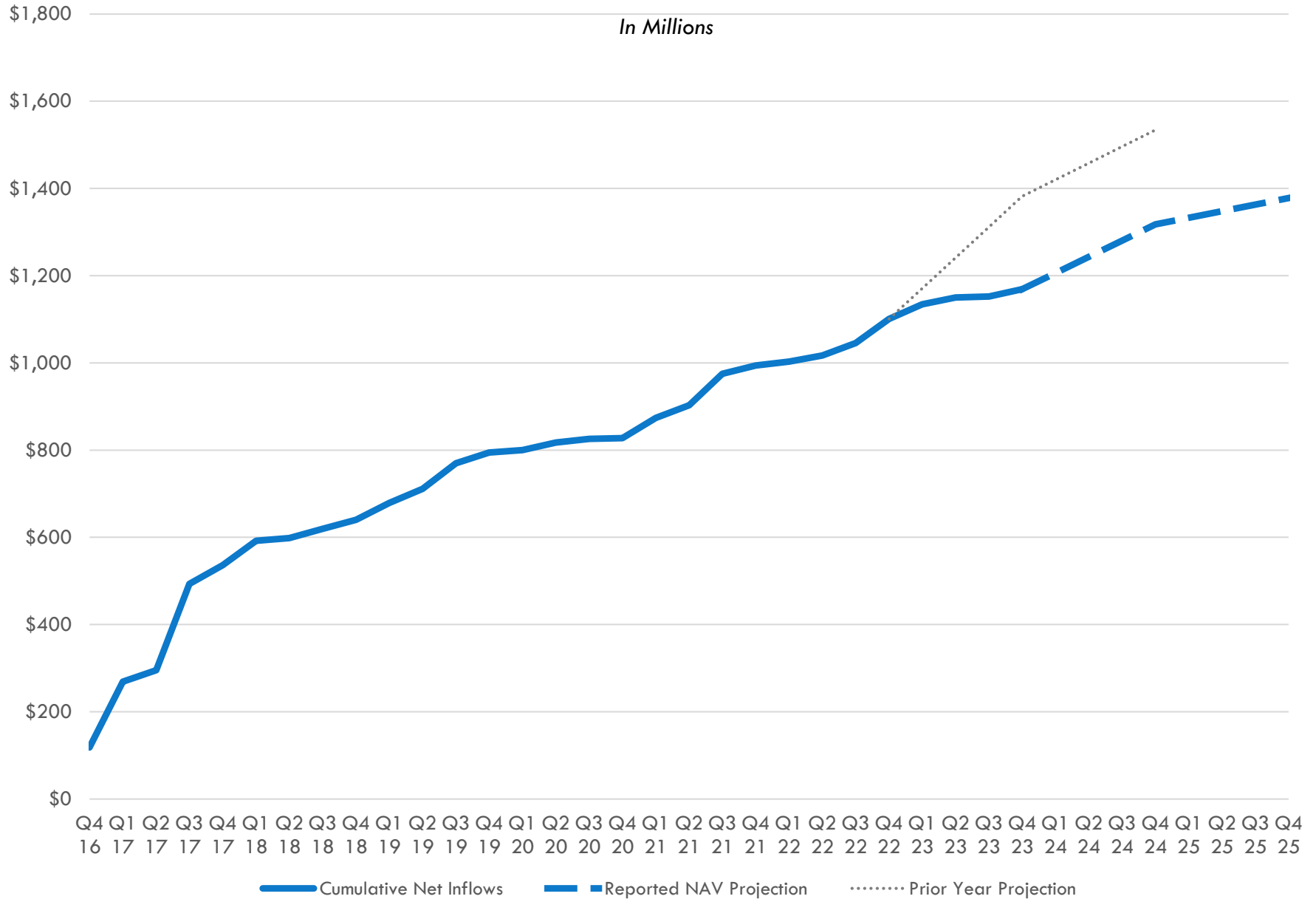
Numbers may not foot due to rounding.

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



Cumulative Actual and Projected Private Asset Net Inflows

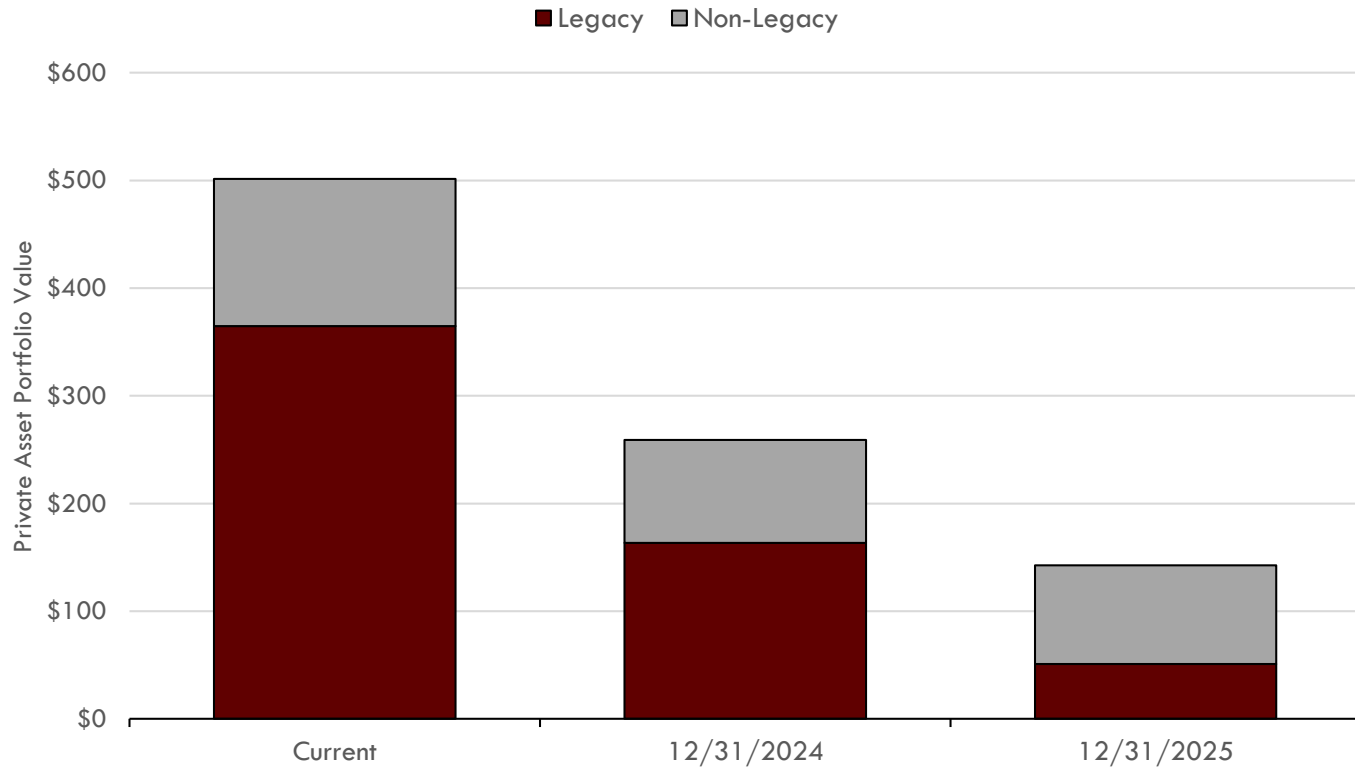
Private asset cash flow projections are based on either in-process/planned sales, if available, or a gradual disposition through 2025.



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 2025.

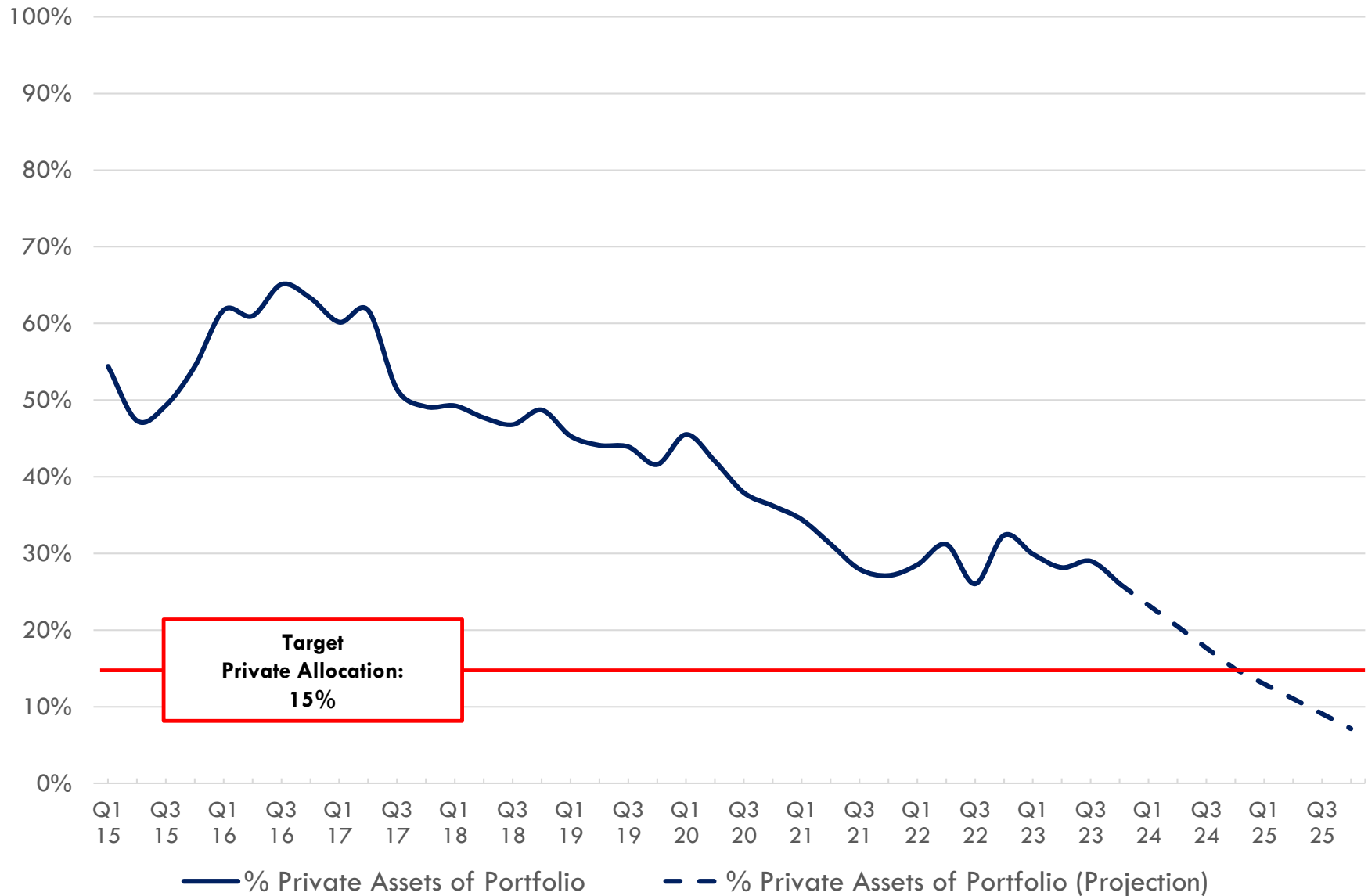
In Millions



Legacy NAV (M)	\$365	\$163	\$56
% of Private Portfolio	73%	57%	33%
% of DFPF Portfolio	19%	8%	2%

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 2025.
 Assumes 100% of private asset proceeds are reinvested into liquid investments and flat fund NAV





DISCUSSION SHEET

ITEM #C7

Topic: Update on Activities involving Section 2.025 of Article 6243a-1

Discussion: Staff will brief the Board on the status of the work related to Section 2.025 of Article 6243a-1.

Regular Board Meeting – Thursday, January 11, 2024



DISCUSSION SHEET

ITEM #C8

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 DFPF 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.

Regular Board Meeting – Thursday, January 11, 2024



DISCUSSION SHEET

ITEM #C9

Topic: Closed Session - Board serving as Medical Committee

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

Disability application 2024-1D

Discussion: A member has applied for a disability retirement. At the time of the agenda posting, staff was waiting on information from the independent physicians and the third-party disability case manager. It was included on the agenda to avoid delay in the Board's consideration of the application. This application will be discussed if the necessary information is received before the meeting.

Regular Board Meeting – Thursday, January 11, 2024



DISCUSSION SHEET

ITEM #C10

Topic: Executive Director Performance Evaluation

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

Discussion: The Board will meet with the Executive Director to review performance and provide recommendations concerning yearly objectives, goals, and performance.

Regular Board Meeting – Thursday, January 11, 2024



DISCUSSION SHEET

ITEM #D1

Topic: **Public Comment**

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

Regular Board Meeting – Thursday, January 11, 2024



DISCUSSION SHEET

ITEM #D2

Topic: Executive Director's Report

- a. Associations' newsletters
 - NCPERS Monitor (January 2024)
- b. Open Records

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

Regular Board Meeting – Thursday, January 11, 2024

THE NCPERS

MONITOR

The Latest in Legislative News

January 2024

NCPERS

Executive Director's Corner



With Pensions Poised to Make a Comeback, Increased Unionization is Key

By [Hank Kim](#), Executive Director and Counsel, NCPERS



With IBM's recent headline-making move to bring back its defined benefit plan, are pensions poised to make a comeback? Only time will tell, but there are some important lessons we can learn if we look back in time and pay attention to some key social and economic indicators.

Forty years ago, IBM was also a 'trailblazer' in the benefits space, as it was one of the first companies to offer a 401(k)-style retirement plan. Now, the company is garnering attention for its switch to what it's calling a "retirement benefit account," essentially a fixed-rate cash balance plan where the company contributes five percent of worker's pay into a defined-benefit instrument with guaranteed returns tied to a benchmark. IBM has a \$3.5 billion surplus in its DB plan, which it can use to pay for these contributions while [improving its bottom line](#).

The switch has been met with mixed reactions from current employees, as the move seems to most benefit those who have not been contributing to a retirement account. Ultimately, though, the move could hurt its employees as they miss out on potentially higher investment returns from investing in stocks and bonds.

While it's far from perfect, it has created [media buzz](#) around the 'resurgence' of pensions. Job seekers are demonstrating a renewed interest in the benefits employers are offering, and retirement security (or lack thereof) is increasingly on the minds of younger Americans skeptical of the reliability of Social Security.

Over the past three years, job seekers on Indeed have increased searches for 'pensions' by 12 percent. The number of job postings on the site that mention 'pension' have increased approximately 130 percent in that same time period. Further, employers offering pensions are also consistently receiving higher ratings on Glassdoor.

While this renewed interest in bringing back pensions is a positive sign, the key will be to ensure that the evolution of retirement benefits is ultimately in the best interest of workers, and increased participation in unions will be critical. IBM's headline-grabbing but questionable switch also highlights the need for workers to have a seat at the table to ensure changes to retirement benefits actually help improve employees' long-term retirement security.

The latest [Gallup polling](#) shows that 67 percent of Americans approve of labor unions, but has that translated to increased engagement and participation? In 2022, the rate of unionization reached its lowest level on record with only 10.1 percent of U.S. workers participating in a union. Looking closer at the Gallup polls, the percentage of respondents indicating that no one in their household is a member of a labor union decreased from 82 percent in 2003 to 86 percent in 2023.

Yet, the overall support of unions seems to be growing. Thirty-four percent of respondents indicated unions will be stronger in the future and 43 percent would like to see labor unions have more influence than they do now—both record high numbers since 1999.

A promotional banner for the 2024 Legislative Conference. The left side features a photograph of people in business attire on the steps of a government building. A stylized graphic of a capitol dome is overlaid on the image, with blue and red diagonal stripes. On the right, the NCPERS logo (a blue circle with a capitol dome and the text 'NCPERS' and '1941') is in the top right corner. The main text reads '2024 LEGISLATIVE CONFERENCE' in large blue letters, followed by 'January 22-24 Washington, DC' in smaller blue text. A red banner at the bottom contains the text 'Early-bird Registration Deadline is Friday, January 5', and a dark blue banner at the very bottom contains 'REGISTER NOW' in white capital letters.

 NCPERS
1941

2024 LEGISLATIVE CONFERENCE

January 22-24
Washington, DC

Early-bird Registration Deadline is Friday, January 5

REGISTER NOW

While union participation may be lagging, this support is actually quite significant. Looking back to the late 1930s, union membership jumped from just 13 percent to 27 percent in just two years. According to *The New York Times'* [Noam Scheiber](#), “unionization is very much a social phenomenon: Workers see it succeed in one workplace, and then emulate it in their own, even if the law or employers aren’t accommodating.”

We’re already seeing major progress as this momentum builds. Michigan repealed the state’s [‘right-to-work’ law](#), marking the first repeal of this type in nearly six decades. Approximately 300 video game workers unionized at Microsoft—one of the biggest victories thus far at a major U.S. tech company. More than 8,000 Starbucks workers have voted to unionize while facing aggressive union-busting tactics. High-profile strikes in various industries repeatedly made headlines in 2023 as unions secured historic contracts for workers across the country. In several of these negotiations, pensions were once again on the table as many pushed for improved benefits.

Employers will likely remain skeptical of reopening their corporate pensions due to the perceived cost and contribution fluctuations, but it may just require a slightly different approach than before, according to a recent [white paper](#) from J.P. Morgan. The authors suggest there may be hidden benefits to reopening an overfunded defined-benefit plan, particularly when the defined contribution (DC) plan is maintained to allow for maximum flexibility.

Referring to the benefits an overfunded plan provides, the white paper authors argue that “the surplus can serve as a storehouse of value that sponsors can access at their discretion to fund retiree medical liabilities, backstop DC plan rollovers, finance mergers and acquisitions or potentially reinstate accruals for a frozen plan, among other benefits.” The authors also suggest that as more DB plans reach a surplus, they may benefit from future regulatory flexibility as legislative pressure grows to enable companies to tap into the value of those existing plans.

If the insights from the JP Morgan paper can be married to significant gains in the private-sector unionization, there can be increased retirement security in the private sector. Whether it’s pushing for increased 401(k) contributions, higher wages, or reopening a pension, workers’ voices need to be heard. Highlighting the success stories of collective bargaining agreements has been an important step in generating interest in union participation and support.

NCPERS is here to build on this momentum by continuing to advocate for improved retirement security in 2024 and beyond. ♦

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What Public Pensions Should Know About the Latest SECURE Act 2.0 Guidance

By: [Tony Roda](#), Partner, Williams & Jensen



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On December 20, the U.S. Treasury Department and the Internal Revenue Service released its initial miscellaneous or “grab bag” guidance on the SECURE Act 2.0. There are over 90 provisions in SECURE 2.0 and collectively they touch on almost all parts of U.S. tax law related to retirement and pension plans and their plan participants. This first round of grab bag guidance addresses provisions that are either effective already or will take effect soon.

The link to the December Treasury Notice 2024-2 can be found here <https://www.irs.gov/pub/irs-drop/n-24-02.pdf>

As you will see, this first tranche of miscellaneous guidance does not address the provisions of SECURE 2.0 in which the public sector plans have been most interested, e.g., recoupment of overpayments, Roth catch up mandate (see discussion below about previous guidance on this provision), the new first responder provisions, and student loan repayments. Treasury and IRS may address these areas in future guidance. However, it is important to note that on page 61 (also footnote 17) of Treasury Notice 2024-2 governmental plans now have an extended deadline of December 31, 2029, to make plan amendments.

Earlier this year, Treasury-IRS issued guidance specific to the required minimum distribution (RMDs) provisions of SECURE 2.0. The RMD guidance can be found in Treasury Notice 2023-54. In addition, Treasury Notice 2023-62, which was released in August, provides initial guidance on the new Roth catch up contribution requirement that applies to employees who participate in 401(k), 403(b) or governmental 457(b) plans and whose prior-year Social Security wages exceeded \$145,000. In welcome news contained in that Notice, Treasury created a two-year administrative transition period to provide breathing room for retirement systems to implement the new law, which was originally set to take effect on January 1, 2024. [🔗](#)

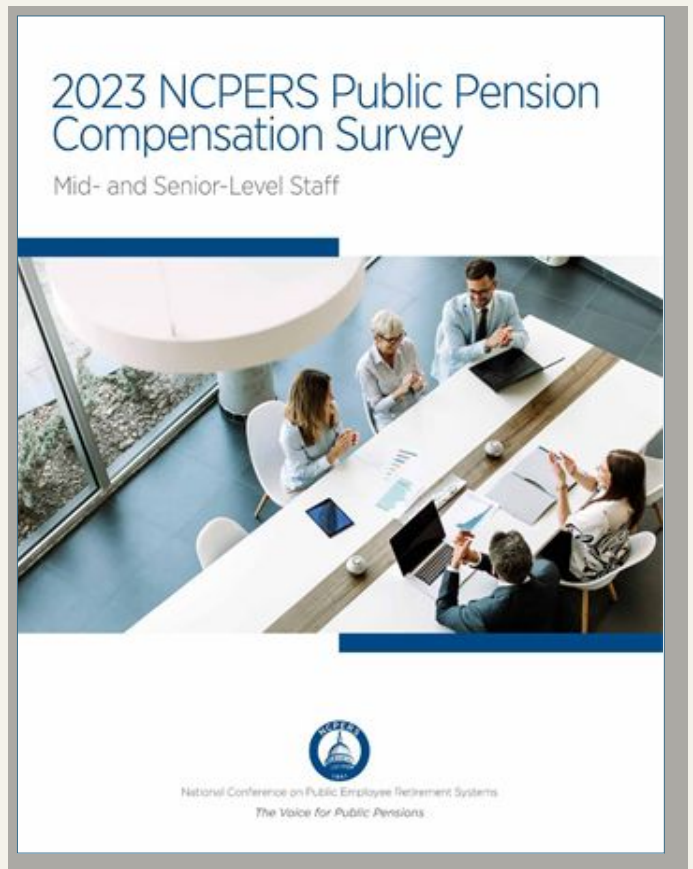
Please be assured that NCPERS will continue to monitor closely any developments related to the implementation of the SECURE Act 2.0. Our members will be hearing directly from House and Senate tax counsels on many of these topics at the [NCPERS Legislative Conference](#) in Washington, D.C. in January. ♦

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.

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What's Next for Public Pensions and ESG?

By: [Lizzy Lees](#), Director of Communications, NCPERS



A decade ago, most had never heard of ESG. While the concept of socially responsible investing has been around for more than 70 years, the term has made its way to mainstream media over the past year as a political talking point—and public pensions are increasingly being caught in the crossfire.

Before we look at what may be next, it's important to look back at some of the key, ESG-related developments that have taken place over the past 18 months.

On the federal level, the ESG debate ramped up near the end of 2022 with the DOL's regulation that permits retirement plan fiduciaries to use ESG strategies. After being challenged by a group of 26 conservative state attorneys general and private plaintiffs, the rule was [upheld](#) in late 2023 by a well-known conservative jurist. The House has approved a number of ESG-limiting bills, but the Senate has had no appetite—effectively stalling any far-reaching legislation from moving forward. As a result, most of the activity has been at the state level.

ESG-related investment restrictions gained attention in [Texas](#) with the 2021 bans on governmental agencies engaging with companies that boycott firearm entities or financial companies the Comptroller determines are boycotting energy companies. The momentum has continued as many red states have implemented or proposed similar bans restricting the use of ESG factors or banning investments with certain financial institutions deemed to be boycotting energy companies. For example, in 2022, Florida Gov. Ron DeSantis announced restrictions on the State Board of Administration fund managers from considering ESG factors, and later adopted additional restrictions with [H3/S302](#). In [Oklahoma](#), legislation was adopted banning state retirement systems from investing in companies the Treasurer determines are boycotting oil and gas companies.

On the other end of the spectrum, several pension funds in blue states have implemented investment policies designed to divest from fossil fuels and/or achieve net zero emissions in their investment portfolios. There has also been legislation introduced to mandate divestment from certain industries. Maine adopted legislation prohibiting Maine PERS from investing in the 200 largest publicly traded fossil fuel companies. [New York City](#) pension funds, for example, announced plans to reach their goal of net zero emissions in their investment portfolios by 2040. ☺

These pro- and anti-ESG policies have resulted in several key lawsuits—the results of which will likely have last implications for public pensions across the country.

The first, *Wong et al. vs. New York City Employees' Retirement System et al.*, was filed on behalf of four participants within the New York City Retirement Systems in May 2023, claiming the funds' divestment from fossil fuel investments violated their fiduciary duties. "Defendants breached those duties by subordinating the retirement security of plan participants to the trustees' pursuit of a 'green' climate agenda," the suit alleges. The action was sponsored by the conservative, anti-union organization Americans for Fair Treatment (AFFT).

The New York City funds have since filed a motion to dismiss the complaint with prejudice, and the plaintiffs responded with a motion to reject the dismissal. In October, the Corporation Counsel of the City of New York and Groom Law Group filed a [memorandum](#) in which they argue that the plaintiffs' standing claims hinges on "three fundamental legal errors."

The case is currently awaiting decision by the court. "It is not difficult to imagine how AFFT and other conservative activists could deploy the same model to launch litigations challenging the use of ESG investing more generally on the same fiduciary duty theory ... It would further appear that the anti-ESG interests behind the NYC suit are motivated and well-funded," Amy Roy and Robert Skinner of Ropes & Gray wrote in a recent [article](#).

In the [second key case](#) for public pensions to watch, a retired Oklahoma state employee alleges the state's Energy Discrimination Elimination Act is unconstitutional and violates the First Amendment because it prevents state-managed pension funds from operating for the "exclusive benefit" of their beneficiaries.

The 2022 law has allowed Treasurer Todd Ross to maintain a list of firms that are essentially blacklisted for factoring ESG issues into their investment decision making. Keenan also claims in the suit that the law gives Russ "a lot of leeway" in determining which firms are discriminating against the oil and gas industry. The lawsuit is part of a coalition effort led by Keep Oklahoma's Promises Coalition, Oklahoma Retired Educators Association and the Oklahoma Public Employees Association.

Looking at the two cases, we're seeing a pattern of outside organizations with their own agendas working with individual plan participants to pursue litigation to restrict how pension funds can invest. [NCPERS views these restrictions](#) as potentially dangerous, as they ultimately can impact diversification and the long-term returns by reducing the universe of investments. With these restrictions, there are also often increased overhead costs and administrative challenges for funds.

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

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As a result of the politicization of ESG, we're also starting to see a shift in the terminology companies and public pensions are using when talking about their policies. For example, MassPRIM's board [recently voted](#) to change the name of the fund's ESG Committee to the Stewardship and Sustainability Committee, noting the shift would make the committee's work easier for the public to understand.

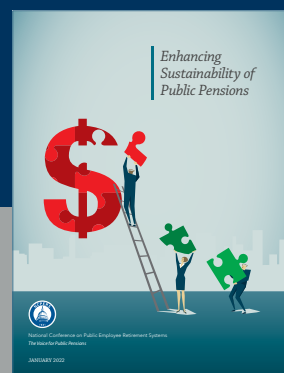
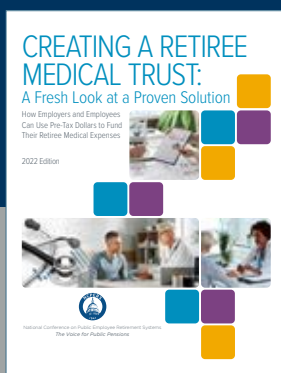
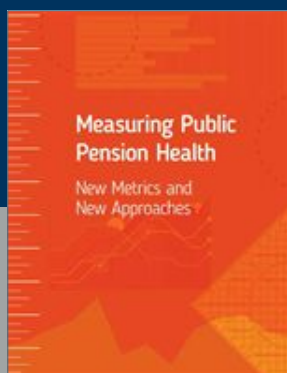
Looking ahead, it's worth considering how these policies restricting investment decisions will impact the broader markets and, more specifically, municipal bonds. Last month, Citigroup became the second large bank to shutter its municipal bond division—nearly one year after the Texas Attorney General Ken Paxton banned the firm from working on muni deals in the state.

Many believe Citi's decision is related to the broader bank boycotts by conservative politicians, and the exit reflects the political risks involved with staying in the municipal bond market. The result, however, could mean less competition and higher borrowing costs. In the first eight months, Texas incurred an [estimated \\$300-500 million](#) in additional interest costs on municipal bonds as a result its 2021 anti-ESG policies.

As cities and states reckon with the need to improve failing infrastructure or the desire to invest public funds in shiny new [sports stadiums](#), it's important to consider these increased costs that ultimately fall on taxpayers and potentially impact the ability to meet actuarially determined contributions.

NCPERS will continue to keep its members informed on any newly proposed legislation and any related lawsuits or developments in this space. If you have any questions, please contact info@ncpers.org to connect with the appropriate NCPERS staff person. ♦

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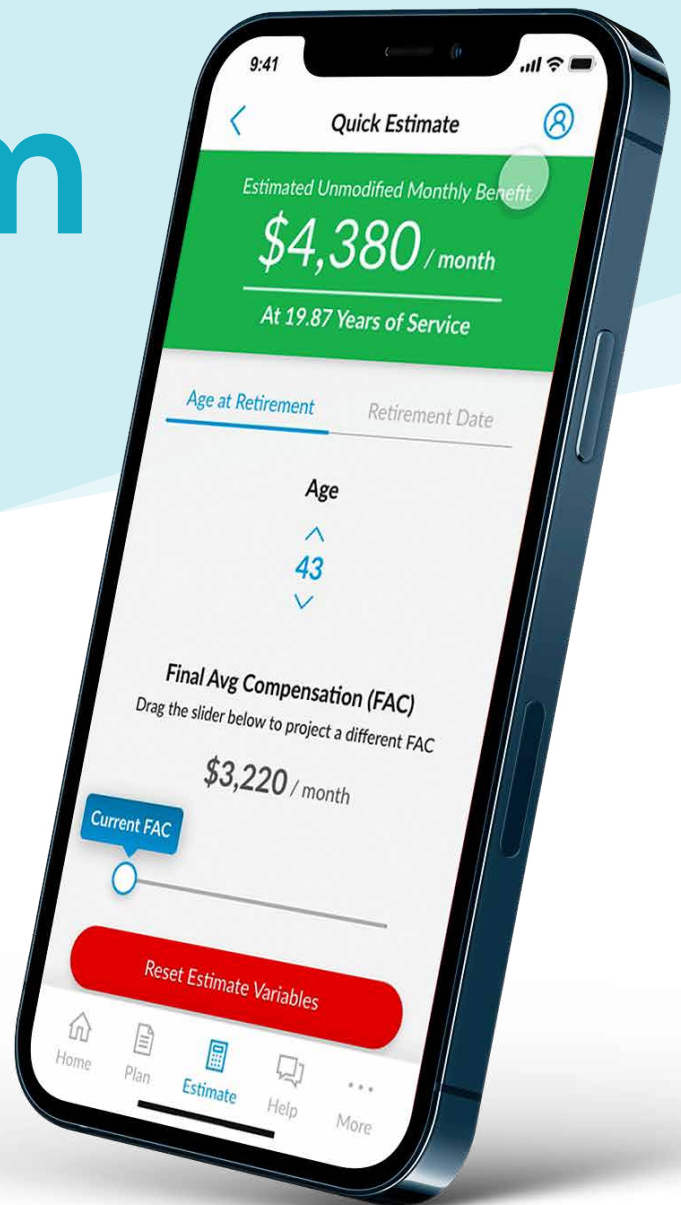
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Around the Regions

[Detroit Police and Fire Pension Board Appeals Ruling, Fights for 20-year Amortization Plan](#)

Detroit's Police and Fire Retirement System is fighting back with an appeal of a ruling allowing the city to make catch-up pension payments, which were delayed during bankruptcy, over the next 30 years instead of 20 years.

[READ MORE](#)

Source: *Detroit Free Press*

[CalPERS Announces \\$100 Billion Net Zero Pledge and New Climate Accountability Measures](#)

CalPERS announced a sweeping sustainable investing strategy to accelerate moving the fund's portfolio toward net zero, where carbon emissions from investments are evenly balanced with carbon reductions. The new effort will commit \$100 billion toward climate solutions by 2030 and ensure corporate accountability through the sale of investments that do not have a credible plan to reduce carbon emissions.

[READ MORE](#)

Source: *CalPERS Newsroom*

[Public Pension Funding Improvements on Display in West Virginia](#)

West Virginia has been one of the most impressive states in turning around pension funding, reducing debt by 90% in recent decades through positive amortization, policy revision and supplemental funding, according to a report from The Pew Charitable Trusts.

[READ MORE](#)

Source: *The Bond Buyer*

NCPERS 2023 Public Retirement Systems Study:

Trends in Fiscal, Operational, and Business Practices

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NY Governor Signs Bill to Allow Auto-Enrollment of NYC Board of Education Employees

New York Governor Kathy Hochul signed State Senate Bill S6962 on Monday, requiring new and existing New York City Board of Education Retirement System-eligible employees to be automatically enrolled into the BERS plan.

[READ MORE](#)

Source: PlanSponsor

Illinois Teachers to Receive \$6.2B From State to Boost Funded Status

Illinois will contribute \$6.2 billion to the Teachers' Retirement System of the State of Illinois, the fund at its December board meeting. The contribution will be granted in fiscal 2025, which begins in July 2024, and will be a 2.7% increase over the state's \$6.04 billion contribution this fiscal year.

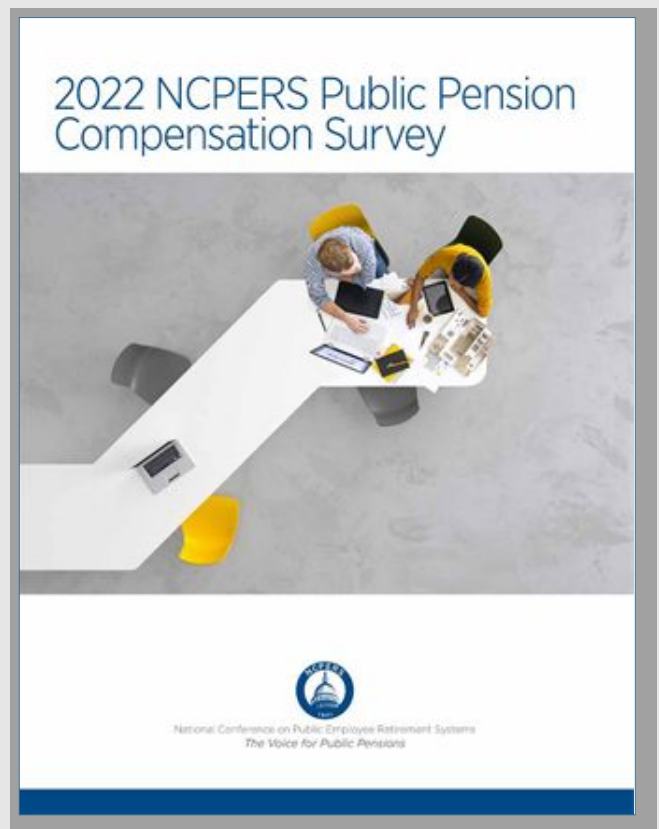
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Source: Chief Investment Officer

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Pension Communications Summit

January 21–22
Washington, DC

Legislative Conference

January 22–24
Washington, DC

May

NCPERS Accredited Fiduciary (NAF) Program

May 18–19
Seattle, WA

Trustee Educational Seminar (TEDS)

May 18–19
Seattle, WA

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

May

Annual Conference & Exhibition (ACE)

May 19–22
Seattle, WA

June

Chief Officers Summit

June 17–19
Nashville, TN

August

Public Pension Funding Forum

August 18–20
Boston, MA

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