

Dallas Police and Fire Pension System
Thursday, May 12, 2016
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

Regular meeting, Samuel L. Friar, Chairman, presiding:

ROLL CALL

Board Members

Present at 8:30	Samuel L. Friar, Joseph P. Schutz, Brian Hass, Kenneth S. Haben, Erik Wilson, Tho T. Ho, Gerald D. Brown, Clint Conway, John M. Mays
Present at 8:37	Lee M. Kleinman
Present at 8:39	Philip T. Kingston
Absent:	Scott Griggs

Staff

Kelly Gottschalk, Joshua Mond, James Perry, Summer Loveland, John Holt, Corina Terrazas, Damion Hervey, Kelly Dean, Pat McGennis, Ryan Wagner, Milissa Romero, Christina Wu, Greg Irlbeck, Linda Rickley, Kevin Killingsworth

Others

Ron Pastore, Mark Morrison, Marty Kane, John Kolb, Stuart Turner, Eric Grossman, John Philips, Rick Bodio, Oliver Williams, Kate Harkness, Courtney Cahill Phelps, Stacey Magee, Dennis Bush (by telephone), Rhett Humphreys, Michael Yang, Andrea Kim, Darrell Jordan, Mark Sales, Greg Taylor, John Turner, Jason Jordan, Ken Sprecher, Sherman Evans, A. D. Donald, Robert Sharp, Harold Holland, Dan Wojcik, W. Robison, Brad Dirks, Jerry M. Rhodes, Octavio Saldana, Rick Salinas, Esteban Maldonado, Kalon Cohen, Bill Ingram, Edward D. Davis, Diana S. Salinas, Jacqueline L. Webb, Sal Morales, Margaret Morales, Paul Sharp, Alexis Bushong

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

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A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officers, Ronald E. Bardin, Vernon C. Campbell, and Eddie C. Carlan, and retired firefighters, Buddy K. Chambers and Phillip J. Foley.

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B. CONSENT AGENDA

- 1. Approval of Minutes**
 - a. Special meeting of April 1, 2016
 - b. Regular meeting of April 14, 2016
- 2. Approval of Refunds of Contributions for the Month of April 2016**
- 3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for May 2016**
- 4. Approval of Estate Settlements**
- 5. Approval of Survivor Benefits**
- 6. Approval of Service Retirements**
- 7. Approval of Alternate Payee Benefits**
- 8. Approval of Five-Year Certificates for the First Quarter 2016**
- 9. Approval of Payment of DROP Revocation Contributions**

After discussion, Mr. Brown made a motion to approve the items on the Consent Agenda, subject to the final review of the staff. Mr. Mays seconded the motion, which was unanimously approved by the Board. Messrs. Kingston and Kleinman were absent when the vote was taken.

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C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. AEW portfolio review

Ron Pastore, Senior Portfolio Manager, and Mark Morrison, Assistant Portfolio Manager, representatives of AEW, gave an update to the Board on the status and plans for DFPF's investments in RED Consolidated Holdings, Creative Attractions, and Camel Square.

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1. AEW portfolio review (continued)

The Board went into a closed executive session – real estate at 8:39 a.m.

The meeting was reopened at 9:52 a.m.

No motion was made.

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The meeting was recessed at 9:53 a.m.

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

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2. Cornerstone strategic review

Marty Kane, Portfolio Manager, John Kolb, Portfolio Manager, Stuart Turner, Vice President – Hotel Acquisitions, Eric Grossman, Assistant Vice President – Asset Manager, and John Philips, Vice President & Associate General Counsel, representatives of Cornerstone, provided the Board the results of their review of DFPF’s investments in the Aetna Springs and Lake Luciana projects located in Napa County, California (“Napa Portfolio”) and provided a recommended course of action.

The Board went into a closed executive session – real estate at 10:04 a.m.

The meeting was reopened at 10:55 a.m.

After discussion, Mr. Kingston made a motion to authorize Cornerstone to engage a broker to market the Napa Portfolio for sale. Mr. Haben seconded the motion, which was unanimously approved by the Board.

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3. Hancock portfolio review

Hancock Agricultural Investment Group (Hancock), represented by Rick Bodio, Portfolio Manager, Oliver Williams, President, and Kate Harkness, Investment Analyst, reviewed DFPF’s portfolio and discussed their hold-sell recommendations on certain portions of the portfolio with the Board.

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3. Hancock portfolio review (continued)

The Board went into a closed executive session – real estate at 11:09 a.m.

The meeting was reopened at 12:11 p.m.

After discussion, Mr. Brown made a motion to authorize Hancock to sell portfolio properties, subject to the approval of the Executive Director. Mr. Kingston seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 12:27 p.m.

The meeting was reconvened at 12:57 p.m.

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4. Clarion: Four Leaf

Clarion, represented by Courtney Cahill Phelps, Senior Associate, and Stacey Magee, Director, discussed with the Board a potential sale of Four Leaf, a 110-acre site located in Glendale, AZ. Clarion discussed the marketing process to date and provided a recommended course of action.

The Board went into a closed executive session – real estate at 12:57 p.m.

The meeting was reopened at 1:11 p.m.

After discussion, Mr. Brown made a motion to authorize Clarion to consummate the sale of the Four Leaf property, subject to the final approval of terms by the Executive Director. Mr. Conway seconded the motion, which was unanimously approved by the Board. Messrs. Haben, Kleinman, and Wilson were absent when the vote was taken.

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5. Hearthstone: Dry Creek

Dennis Bush – Vice President, Investment Management, of Hearthstone, participated by telephone and briefed the Board on the status of the property.

The Board went into a closed executive session – real estate at 12:57 p.m.

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5. Hearthstone: Dry Creek (continued)

The meeting was reopened at 1:11 p.m.

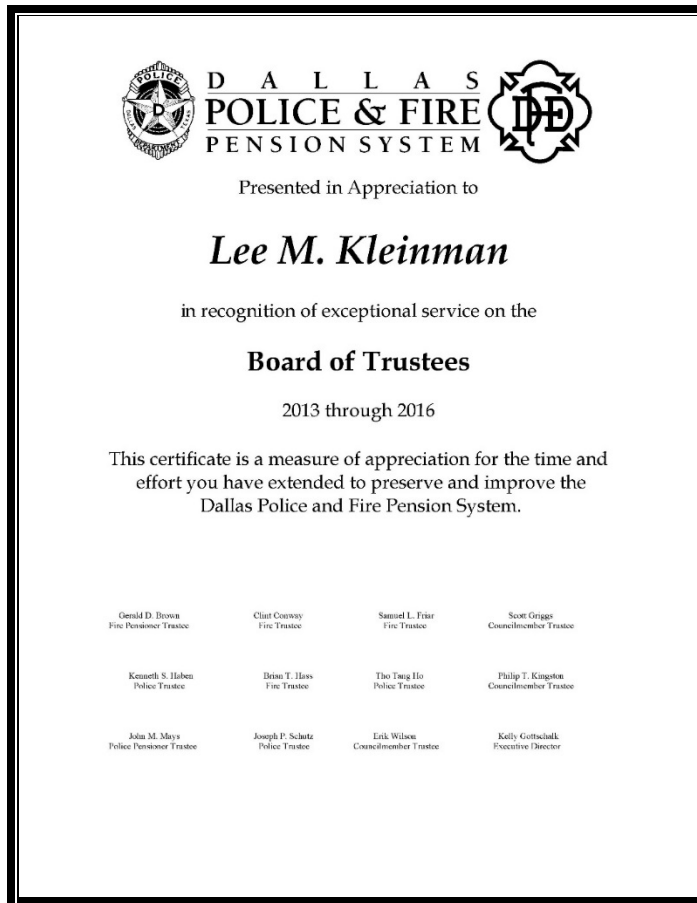
No motion was made.

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6. Recognition of outgoing Trustee

The Chairman and Executive Director, on behalf of the Board, presented a plaque of appreciation to Lee Kleinman for his dedicated service on the Board of Trustees as a Council Trustee. Mr. Kleinman was appointed to the Board on August 7, 2013. His last day of service will be May 24, 2016.

No motion was made.



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7. Global Asset Allocation structure study

The Global Asset Allocation (GAA) portfolio’s target allocation decreased from 20% to 10% when the asset allocation was approved at the March 10, 2016 Board meeting. NEPC and Staff presented the GAA structure study, which explained the build out of the GAA portfolio and discussed each of the sub-asset classes in detail, such as which managers to retain or eliminate, the reasonable number of managers in each sub-asset class and the expected timeline to complete the build out.

After discussion, Mr. Kingston made a motion to close the position in PanAgora and AQR, as well as to stop automatic rebalancing between Bridgewater’s All Weather Fund and their Pure Alpha Major Markets Fund. Mr. Brown seconded the motion, which was unanimously approved by the Board. Messrs. Kleinman and Wilson were absent when the vote was taken.

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8. Bank of America loan

Ms. Gottschalk briefed the Board on the status of the Bank of America loan.

No motion was made.

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9. Investment and financial reports

Mr. Perry reviewed the investment performance and rebalancing reports for the period ending April 30, 2016 with the Board. Ms. Loveland briefed the Board on the financial reports for the periods ending December 31, 2015 and March 31, 2016.

No motion was made.

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10. Board policies

- a. Committee Policy and Procedure
- b. Executive Director’s Performance Evaluation Policy
- c. Investment Policy Statement – Investment Advisory Committee Formation Process

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10. Board policies (continued)

- a. Based on recommendations received from Cortex Applied Research, prior discussions with the Board and input from the Governance Committee, staff proposed revisions to the Committee Policy and Procedure. The key changes included the formation of an Audit Committee and a Professional Services Committee and termination of the Administrative and Audit Advisory Committee (AAAC) and the Actuarial Funding Advisory Committee (AFC).

In conjunction with the termination of the AAAC and AFC, the final minutes from each of these committees required approval as follows:

AAAC – September 24, 2015

AFC – February 19, 2015

After discussion, Mr. Brown made a motion to approve the Committee Policy and Procedure, as amended. Mr. Hass seconded the motion, which was unanimously approved by the Board. Messrs. Kingston, Kleinman and Wilson were absent when the vote was taken.

Mr. Brown made a motion to approve the termination of the Administrative and Audit Advisory Committee and Actuarial Funding Advisory Committee. Mr. Ho seconded the motion, which was unanimously approved by the Board. Messrs. Kingston, Kleinman and Wilson were absent when the vote was taken.

Mr. Brown made a motion to approve the minutes of the final meetings of the Administrative and Audit Advisory Committee and the Actuarial Funding Advisory Committee. Mr. Hass seconded the motion, which was unanimously approved by the Board. Messrs. Kingston, Kleinman and Wilson were absent when the vote was taken.

- b. Staff presented a draft of the Executive Director's Performance Evaluation Policy for the Board's consideration. The draft was reviewed by the Governance Committee at the April 26, 2016 committee meeting.

Mr. Schutz made a motion to approve the Executive Director's Performance Evaluation Policy, as amended, adding that there will be a written acknowledgement of goals and the evaluation form attached to the policy. Mr. Mays seconded the motion, which was unanimously approved by the Board. Messrs. Kingston, Kleinman and Wilson were absent when the vote was taken.

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10. Board policies (continued)

- c. Staff discussed a possible process for selection of members and formation of the Investment Advisory Committee, including the level of compensation for outside investment professionals, and requested feedback from the Board.

Mr. Mays made a motion to amend the Investment Policy Statement to allow individuals who live or work in any county that contains a portion of the City of Dallas to be eligible to be appointed to the Investment Advisory Committee. Mr. Brown seconded the motion, which was passed by the following vote:

For: Brown, Mays, Ho, Schutz, Friar, Hass, Conway
Against: Haben
Absent: Kingston, Kleinman, Wilson

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11. Ad hoc committee reports

Mr. Hass, Chair of the Long-Term Financial Stability Sub-committee, and Mr. Schutz, Chair of the Governance Sub-committee, gave updates on the ad hoc sub-committees. Mr. Mond reported on the Legal Search Sub-committee.

No motion was made.

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

Reports were given on the following meetings. Those who attended are listed.

- a. State Pension Committee Meeting

Mr. Schutz

- b. Society of Pension Professionals

Ms. Wu

- c. TEXPERS Secure Retirement for All

Messrs. Friar, Conway, Hass

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

d. Commerce Street Capital: Bank Conference

Messrs. Brown, Haben

e. Wharton: Portfolio Concepts and Management

Messrs. Hass, Conway

f. PRB Meeting

Messrs. Friar, Schutz, Mond, Ms. Gottschalk

No motion was made.

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The meeting was recessed at 2:06 p.m.

The meeting was reconvened at 2:11 a.m.

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13. Determination of Handicap Status of Dependent Child

The Board went into a closed executive session – medical at 2:11 p.m.

The meeting was reopened at 2:17 p.m.

After discussion, Mr. Brown made a motion to grant survivor benefits under the provisions of Plan Section 6.06(p). Mr. Mays seconded the motion, which was unanimously approved by the Board. Messrs. Kingston, Kleinman and Wilson were absent when the vote was taken.

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14. Legal issues

- a. Police Officer and Firefighter pay lawsuits**
- b. Potential claims involving fiduciaries and advisors**
- c. DROP amendment**

The Board went into a closed executive session – legal at 2:19 p.m.

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14. Legal issues (continued)

Erik Wilson returned at 3:25 p.m.

The meeting was reopened and recessed at 3:55 p.m.

The meeting was reconvened and then went into closed session at 4:01 p.m.

Erik Wilson left at 4:50 p.m.

The meeting was reopened at 5:03 p.m.

No motion was made.

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The meeting was recessed at 5:03 p.m.

The meeting was reconvened at 5:09 p.m.

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15. Public relations consultant

Mr. Friar discussed public relations services.

After discussion, Mr. Brown made a motion to conduct a search for a public relations consultant. Mr. Haben seconded the motion, which was unanimously approved by the Board. Messrs. Kingston, Kleinman and Wilson were absent when the vote was taken.

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D. BRIEFING ITEMS

1. Reports and concerns of active members and pensioners of the Dallas Police and Fire Pension System

The Board received comments during the open forum.

No motion was made.

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2. Executive Director's report

- a. Future Education and Business Related Travel
- b. Future Investment Related Travel
- c. Associations' newsletters
 - NCPERS Monitor (May 2016)
 - TEXPERS Outlook (May 2016)
 - TEXPERS Pension Observer (Spring 2016)

The Executive Director's report was presented. No motion was made.

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Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Conway and a second by Mr. Brown, the meeting was adjourned at 5:57 p.m.

[signature]

Samuel L. Friar
Chairman

ATTEST:

[signature]

Kelly Gottschalk
Secretary

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