AGENDA

DALLAS POLICE & FIRE PENSION SYSTEM

Date: February 5, 2021

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, February 11, 2021, 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/81503722209?pwd=am9oem5wM0Mzclg3ZzNwelFTdHI3dz09 Passcode: 758128.** 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 January 14, 2021

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

3. **Approval of Activity in the Deferred Retirement Option Plan (DROP) for February 2021**

4. **Approval of Estate Settlements**

5. **Approval of Survivor Benefits**

6. **Approval of Service Retirements**

7. **Spouse Wed After Retirement (SWAR)**

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. **Communication Plan**

2. **Risk Insurance**

3. **Chairman's Discussion Items**

    Funding Committee Update

4. **Quarterly Financial Statements**

5. Peer Compensation Review Status

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.

6. Monthly Contribution Report

7. Board approval of Trustee education and travel

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

8. Portfolio Update

9. Investment Policy Statement Review

10. Real Estate Overview – Clarion Partners Portfolio

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. Lone Star Investment Advisors Update

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.071 of the Texas Government Code.

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 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 (February 2021)
- TEXPERS Pension Observer http://online.anyflip.com/mxfu/yhmm/mobile/index.html

b. Open Records

c. Staffing 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

ITEM A

MOMENT OF SILENCE

In memory of our Members and Pensioners who recently passed away

NAME	ACTIVE/ RETIRED	DEPARTMENT	DATE OF DEATH
Ronald D. Watts	Retired	Police	Jan. 1, 2021
John W. Hudson	Retired	Fire	Jan. 3, 2021
Sidney Q. Grosvenor	Retired	Police	Jan. 4, 2021
Mark A. Taylor	Retired	Police	Jan. 6, 2021
W. E. Perry, Jr.	Retired	Police	Jan. 7, 2021
Zachariah N. Garfield	Retired	Police	Jan. 9, 2021
James L. Lewis	Retired	Police	Jan. 10, 2021
Joseph A. Desonier	Retired	Police	Jan. 12, 2021
L. M. Loggins	Retired	Fire	Jan. 21, 2021
Edwin L. Bateman	Retired	Fire	Jan. 23, 2021
Lee A. Bush	Retired	Police	Jan. 25, 2021
George L. Purnell	Retired	Police	Jan. 26, 2021
John C. Lamb	Retired	Fire	Jan. 27, 2021
Glenn L. Moore	Retired	Fire	Jan. 27, 2021
Robert Hernandez	Retired	Fire	Jan. 30, 2021
Clayton M. Miller	Retired	Fire	Jan. 30, 2021

Regular Board Meeting – Thursday, February 11, 2021

Dallas Police and Fire Pension System
Thursday, January 14, 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, Robert B. French, Gilbert A. Garcia, Kenneth Haben, Tina Hernandez Patterson, Steve Idoux, Mark Malveaux, Allen R. Vaught

Absent: None

Staff Kelly Gottschalk, Josh Mond, Kent Custer, Brenda Barnes, John Holt, Damion Hervey, Cynthia Thomas, Ryan Wagner, Greg Irlbeck, Michael Yan, Milissa Romero

Others Neal T. "Buddy" Jones, Clint Smith, Eddie Solis, Leandro Festino

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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 officer Donald H. Milliken, Gonzalo Gonzales, Norma J. Holland, Zachary N. Belton, Shirley A. Gray. Holley M. Ashcraft, and retired firefighters Royce L. Bonsal, Grady L. Foster, S. J. O'Briant, Gordon C. Johnson, Cecil W. Ledbetter, F. G. Irwin.

No motion was made.

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B. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of December 10, 2020

2. Approval of Refunds of Contributions for the Month of December 2020

DRAFT

Regular Board Meeting
Thursday, January 14, 2021

B. CONSENT AGENDA (continued)

3. **Approval of Activity in the Deferred Retirement Option Plan (DROP) for January 2021**

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 Military Leave Contributions**

After discussion, Mr. Merrick made a motion to approve the minutes of the meeting of December 10, 2020. Mr. Vaught 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. Quinn 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**

Formation of small independent study group to explore ways to enhance DPFP funding status

The Board discussed the formation of small independent study group to explore ways to enhance DPFP funding status item.

No motion was made.

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Regular Board Meeting
Thursday, January 14, 2021

2. 87th Legislative Session Preview

Neal T. "Buddy" Jones, Clint Smith, Eddie Solis from HillCo Partners, DPFP's legislative consultants, discussed the upcoming legislative session.

No motion was made.

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3. Staff Retirement Plan

The Board discussed the Staff Retirement Plan and a staff proposal to pursue legislation which could enable the staff to join the Texas Municipal Retirement System. The Board directed staff to review the total benefit compensation survey with the Board at a Special Board meeting in two weeks for a better understanding of all staff's benefits before making a decision regarding the staff retirement plan.

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4. Monthly Contribution Report

The Executive Director reviewed the Monthly Contribution Report.

No motion was made.

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5. 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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Regular Board Meeting
Thursday, January 14, 2021

6. Actuarial Services

DPFP's contract with its actuary, The Segal Company Inc. (Segal) expired December 31, 2020.

In 2015, the Board gave direction to conduct a competitive selection process for specific service providers, including the actuary firm, every five years unless the Board explicitly waives or extends the requirement. Staff discussed their rationale to retain Segal with the Board.

After discussion, Mr. Merrick made a motion to authorize the Executive Director to renew the contract with The Segal Group, Inc and waive the requirement to conduct a competitive section process until the end of the term of this contract, December 31, 2025. Mr. Haben seconded the motion, which was approved by the following vote:

For: Mr. Quinn, Mr. Merrick, Mr. Garza, Mr. Brown, Mr. Haben, Ms. Hernandez Patterson, Mr. Idoux, Mr. Malveaux, Mr. Vaught
Opposed: Mr. Garcia, Mr. French

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7. Legislative Services

DPFP's contract with its legislative consultant HillCo Partners (Hillco) expired November 30, 2020.

In 2015, the Board gave direction to conduct a competitive selection process for specific service providers, including the legislative consulting firm, every five years unless the Board explicitly waives or extends the requirement. Staff discussed their rationale to retain Hillco Partners with the Board.

After discussion, Mr. Brown made a motion to authorize the Executive Director to renew DPFP's contract with HillCo Partners on its current terms for two years (November 30, 2022) and waive the requirement to conduct a competitive selection process until after the 2025 legislative session. Mr. Vaught seconded the motion, which was approved by the following vote:

For: Mr. Quinn, Mr. Merrick, Mr. Garza, Mr. Brown, Mr. Haben, Ms. Hernandez Patterson, Mr. Idoux, Mr. Malveaux, Mr. Vaught
Opposed: Mr. Garcia, Mr. French

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Regular Board Meeting
Thursday, January 14, 2021

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. Investment Advisory Committee

a. Report on Investment Advisory Committee
b. Investment Advisory Committee Meetings

a. The Investment Advisory Committee met on December 17, 2020. The Committee Chair and Investment Staff commented on Committee observations and advice.

b. At the December 17, 2020 meeting, the Investment Advisory Committee unanimously approved a motion to recommend to the Board to make all regularly scheduled meetings of the Investment Advisory Committee open to the public provided there is no legal requirement to allow for public comment at such meetings.

The Board provided guidance for revisions to the Investment Policy Statement with respect to holding public meetings of the Investment Advisory Committee and Trustee participation in such meetings.

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10. Global Equity Structure and Passive Investment Manager

At the December 2020 Board meeting, Staff and Meketa proposed a structure for the Global Equity asset class that established target weights for the current active managers and added allocations to global passive, US small cap, and non-US small cap. Staff worked with Meketa and the Investment Advisory Committee during the fourth quarter of 2020 to evaluate potential passive global equity managers. Staff presented a brief review of the analysis and recommended an investment manager for the role.

After discussion, Mr. Garcia made a motion to approve the proposed structure for the Global Equity asset class; the Staff recommendation for hiring Northern Trust as the passive global equity investment manager; and the proposed funding for the passive global equity investment. Mr. Garza seconded the motion, which was unanimously approved by the Board.

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Regular Board Meeting
Thursday, January 14, 2021

11. 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 DPFP'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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12. Real Estate Overview

Staff provided an overview of the asset and a review of the strategy for Vista Ridge 7 managed by Bentall Kennedy, Kings Harbor managed by L&B, and Museum Tower, which is internally managed by staff.

The Board went into closed executive session at 11:03 a.m.

The meeting was reopened at 11:31 a.m.

No motion was made.

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13. Lone Star Investment Advisors Update

Investment staff updated the Board on recent performance, operational, and administrative developments with respect to DPFP investments in funds managed by Lone Star Investment Advisors.

The Board went into closed executive session at 11:03 a.m.

The meeting was reopened at 11:31 a.m.

No motion was made.

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Regular Board Meeting
Thursday, January 14, 2021

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14. 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 11:03 a.m.

The meeting was reopened at 11:31 a.m.

After discussion, Mr. Quinn made a motion to authorize the Executive Director and General Counsel to cause withdrawal of the notice of appeal in the case pending against the City of Dallas involving contributions for military leave. Mr. Vaught seconded the motion, which was unanimously approved by the Board.

Mr. Merrick and Mr. French were not present for the vote.

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15. Executive Director 2021 Objectives

The Board went into closed executive session at 11:03 a.m.

The meeting was reopened at 11:31 a.m.

The Board discussed performance objectives for the Executive Director for 2021.

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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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Regular Board Meeting
Thursday, January 14, 2021

D. BRIEFING ITEMS (continued)

2. Executive Director's report

a. Associations' newsletters
  (1) NCPERS Monitor (December 2020)
  (2) NCPERS Monitor (January 2021)
b. Open Records
c. Operational Response to COVID-19
d. Peer Compensation Review Status

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. Garcia, the meeting was adjourned at 11:34 a.m.

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William F. Quinn
Chairman

ATTEST:

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Kelly Gottschalk
Secretary

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DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C1

Topic: **Communication Plan**

Attendees: Dick Mullinax, FleishmanHillard

Discussion: During the November 2020 Board meeting the Board directed the Executive Director to develop a communication plan related to funding issues. FleishmanHillard (FH) worked with DPFP in 2016 and 2017 and understands the unique history and challenges of DPFP and defined benefit plans. FH has developed and will present a proposed communication plan to the Board.

DALLAS POLICE & FIRE PENSION SYSTEM

Communications Framework

February 11, 2021

DALLAS POLICE & FIRE PENSION SYSTEM

Overview

- Three years after DPFP, the City of Dallas and the Texas Legislature resolved a portion of the fund’s financial condition, there is more work to do to restore the fund.
- A long-term solution will again require agreement and cooperation from DPFP members as well as the leadership of the three organizations.
- The Pension Board of Trustees is considering a long-term communications plan to build awareness of the challenges and build consensus on a solution among DPFP, its active and retired members and the City of Dallas.

Key Challenges

- **Low awareness** that 2017 measures were only the first step in resolving the DPFP's long-term funding challenge.

- The Fund remains approximately **$2.5 billion underfunded.**

- **Progress** made to **sell unproductive assets**, but many remain and continue to negatively impact the Fund's financial condition.

- DPFP funding levels will **continue to decline for years**, which was accounted for in the plan adopted by the Legislature.

- Limited awareness of the **positive changes,** high-level talent added to the Board and successful sale of underperforming assets.

DALLAS POLICE & FIRE PENSION SYSTEM

The Assignment

A Long-Term Communications Plan

- Build support for additional funding for Dallas' first responders.
  - Inform active members and retirees on the current state of the fund, progress and future changes required to maintain fund viability for all members.
  - Update City of Dallas officials and legislators on the Pension Fund performance, changes to DPFP administration and leadership and the need for additional funding to restore the fund in compliance with statutory requirements.

DALLAS POLICE & FIRE PENSION SYSTEM

Our Approach

Communications Framework Development

- FH will work with DPFP's Leadership to develop a framework for a one-to-three-year communications plan:
  - Address key issues.
  - Position the Pension Fund to solidify its ability to meet payment obligations.
  - Organize as three to five interrelated plans that will build on the results of each.
  - Achieve a funding solution that is endorsed by the majority of City leadership and members.

Our Approach

Four Components

- Landscape Analysis
- Year One – Program Launch
- Years two to three – Program Extension
- Initial and ongoing measurement, evaluation and adjustment

Two-Step Process

- Assessment/Analysis
- Plan Development

DALLAS POLICE & FIRE PENSION SYSTEM

Our Approach

Assessment/Analysis

- Conduct necessary background discussions/interviews to understand situation as it evolves.
- Conduct analysis of relevant DPFP reputational information, including news coverage, social media engagement and other DPFP and select peer content to develop a competitive and reputational assessment.
- Review previously created materials that provide background on DPFP's performance and its engagement with stakeholders.
- Develop Landscape Analysis that will include key insights for use in building the long-term plan.
- Account for activities of the committee recently formed by the Mayor's Office.

Our Approach

Plan Development

- 4-6-hour workshop with selected DPFP leaders
- Develop communications plan
- Goals
  - Narrative aligned to vision, designed to positively impact both external and internal audiences
  - Stakeholder identification, categorization and prioritization
    - Active members, retirees, elected city officials, selected state legislators and Governor's Office staff
  - Key messages
  - Story/angle development
  - Targeted media, social influencers
  - Key platforms: Digital, social, print and broadcast
  - Direct engagement: small and large group, in-person meetings
  - Monitoring and social media engagement process
  - Timeline, budget, metrics
  - Operating procedures, controls and reporting
  - Master content plan and calendar for all audiences
  - Creation and assignment of key performance indicators and success goals for each year of the program

DALLAS POLICE & FIRE PENSION SYSTEM

Thank You

DALLAS POLICE & FIRE PENSION SYSTEM

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C2

Topic: **Risk Insurance**

Attendees: Iva Giddings, Area Managing Director, Arthur J. Gallagher & Co.
James Martinez, Fiduciary Liability Program Specialist, Arthur J. Gallagher & Co.

Discussion: Risk insurance (whose categories do not include employee health insurance) is the second largest expenditure for DPFP on an annual basis. The total 2021 budget for all risk insurance categories combined is $727,147. Representatives of DPFP's insurance broker, Arthur J. Gallagher & Co. will discuss the insurance market and the risk insurance renewal quotes. Changes in the Cyber, Crime and Fiduciary markets and policies will be highlighted. Staff will discuss the limits and costs of the coverage level options for Cyber, Crime and Fiduciary insurance.

DPFP currently carries $50 million in both Fiduciary and Crime insurance coverage.

Staff Recommendation: **Consider** reducing some of the excess layers of both the Fiduciary and Crime insurance coverage.

DALLAS POLICE & FIRE PENSION SYSTEM

RISK MANAGEMENT SUMMARY

February 2021

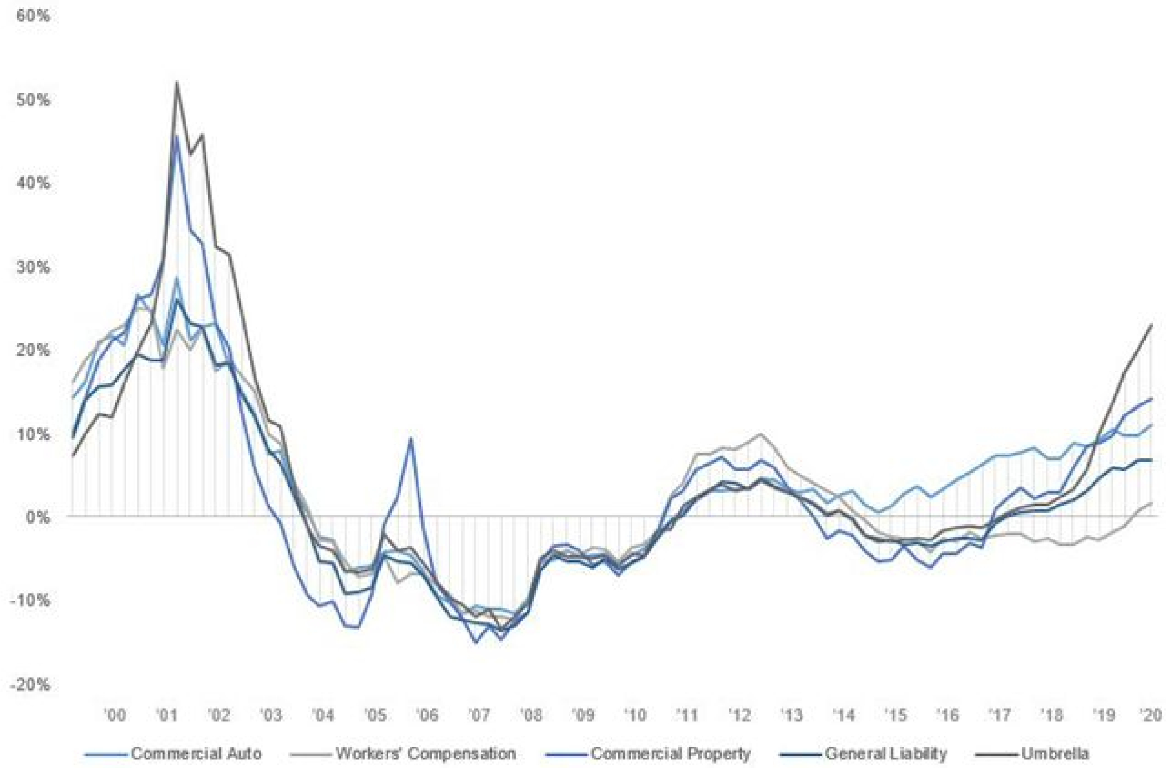
Gallagher

Insurance | Risk Management | Consulting

Management Liability Practice

Property/Casualty Market Index – Q3/2020

- Evidence the market continued to harden was apparent in Q3 2020, with premiums increasing across all-sized accounts, marking the **12th consecutive quarter of increased premium pricing across all-sized accounts**.
- Premiums continued to increase for **all lines of business** in Q3 2020. Umbrella and Management Liability premiums increased by far the most in Q3 2020, followed by Commercial Property.
- Underwriting capacity was down for the most troubled lines in Q3 2020 – Umbrella, Management Liability and Property.



*Source: The Council of Insurance Agents & Brokers. Chart Prepared by Barclays Research.

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Insurance Program Renewal Summary

Dallas Police & Fire Pension System 2021-2022 Renewal Comparison - Cyber	EXPIRING 2020-2021	RENEWAL 2021-2022	ADDITIONAL OPTIONS			
CYBER LIABILITY	**ULICO - Lloyd's of London**	**ULICO - Lloyd's of London**	**ULICO - Lloyd's**	**Coalition Ins Solutions**	**Zurich - INDICATION**	**AXA/XL - INDICATION**
Policy Aggregate	$ 5,000,000	$ 5,000,000	$ 3,000,000	$ 5,000,000	$ 5,000,000	$ 5,000,000
Network Security / Privacy Liability	$ 5,000,000	$ 5,000,000	$ 3,000,000	$ 5,000,000	$ 5,000,000	$ 5,000,000
Crisis Management & Customer Notification	$ 5,000,000	$ 5,000,000	$ 3,000,000	$ 5,000,000	$ 5,000,000	$ 5,000,000
Multimedia Liability	$ 5,000,000	$ 5,000,000	$ 3,000,000	$ 5,000,000	$ 5,000,000	$ 5,000,000
Data Recovery & Business Interruption	$ 5,000,000	$ 5,000,000	$ 3,000,000	$ 5,000,000	$ 5,000,000	$ 5,000,000
Privacy Regulatory Defense & Penalties	$ 5,000,000	$ 5,000,000	$ 3,000,000	$ 5,000,000	$ 5,000,000	$ 5,000,000
Data Extortion	$ 5,000,000	$ 5,000,000	$ 3,000,000	$ 5,000,000	$ 5,000,000	$ 5,000,000
Payment Card Industry Fines or Penalties	$ 5,000,000	$ 5,000,000	$ 3,000,000	$ 5,000,000	$ 5,000,000	$ 5,000,000
Cyber Deception	$ 100,000	$ 250,000	$ 250,000	Not Covered		
All Other Retention - Each Claim	$ 2,500	$ 10,000	$ 10,000	$ 25,000	$ 50,000	$ 50,000
Cyber Deception Retention - Each Claim	$ 25,000	$ 25,000	$ 25,000	N/A		
TOTAL CYBER Premium (Incl Taxes/Fees)	**$4,897.20**	**$20,221.95**	**$16,415.70**	**$17,882.55**	**$20,000.00**	**$45,000.00**

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Insurance Program Renewal Summary

Dallas Police & Fire Pension System 2021-2022 Renewal Comparison - Crime & All Other	EXPIRING 2020-2021	RENEWAL Option 1 2021-2022	RENEWAL Option 2 2021-2023
PRIMARY CRIME	**Chubb Ins Co**	**Chubb Ins Co**	**Chubb Ins Co**
Employee Theft	$ 10,000,000	$ 5,000,000	$ 5,000,000
Forgery or Alteration	$ 10,000,000	$ 5,000,000	$ 5,000,000
Funds Transfer Fraud	$ 10,000,000	$ 5,000,000	$ 5,000,000
Money Orders & Counterfeit Money	$ 10,000,000	$ 5,000,000	$ 5,000,000
Social Engineering	$ 250,000	$ 250,000	$ 250,000
Self-Insured Retention	$25,000	$25,000	$25,000
Primary CRIME Premium (Incl Taxes/Fees)	**$36,845.00**	**$26,713.00**	**$26,713.00**
EXCESS CRIME		**Hartford Fire Ins Co**	**Great American**
Limit of Liability		$ 5,000,000	$ 30,000,000
Excess of		$ 5,000,000	$ 5,000,000
Excess CRIME Premium (Incl Taxes/Fees)	**Included Above**	**$17,984.00**	**$41,627.00**
EXCESS CRIME	**Great American Ins Co**	**Great American Ins Co**	**Hartford Fire Ins Co**
Limit of Liability	$ 40,000,000	$ 40,000,000	$ 10,000,000
Excess of	$ 10,000,000	$ 10,000,000	$ 35,000,000
Excess CRIME Premium (Incl Taxes/Fees)	**$52,193.00**	**$54,802.00**	**$18,000.00**
TOTAL CRIME Premium (Incl Taxes/Fees)	**$89,038.00**	**$99,499.00**	**$86,340.00**
Rate per $1,000 of Plan Assets	**$0.043**	**$0.046**	**$0.040**
$ Change		**$10,461.00**	**($2,698.00)**
% Rate Change		**7.19%**	**-6.99%**
ALL OTHER - PACKAGE, AUTO, WC, UMBRELLA, EPL	**Chubb Ins Co, Travelers**	**Chubb Ins Co, Travelers**	
TOTAL Premium (Incl Taxes/Fees)	**$40,781.00**	**$42,683.00**	
FIDUCIARY LIABILITY	**Markel, Hudson, Starr, RLI**	**Markel, Hudson, Starr, RLI**	**Markel, Hudson, Starr, RLI**
TOTAL Fiduciary Premium (Incl Taxes/Fees)	**$482,464.00**	**$488,408.00**	**$482,378.00**
GRAND TOTAL PROGRAM PREMIUM	**$617,180.20**	**$650,811.95**	**$631,622.95**
Overall Program Rate per $1000 of Plan Assets	**$ 0.300**	**$ 0.303**	**$ 0.294**
$ Change		**$33,631.75**	**$14,442.75**
% Change		**1.15%**	**-1.84%**

*Please note that this is a high-level summary only. Please refer to the copies of the policies for full coverage details.

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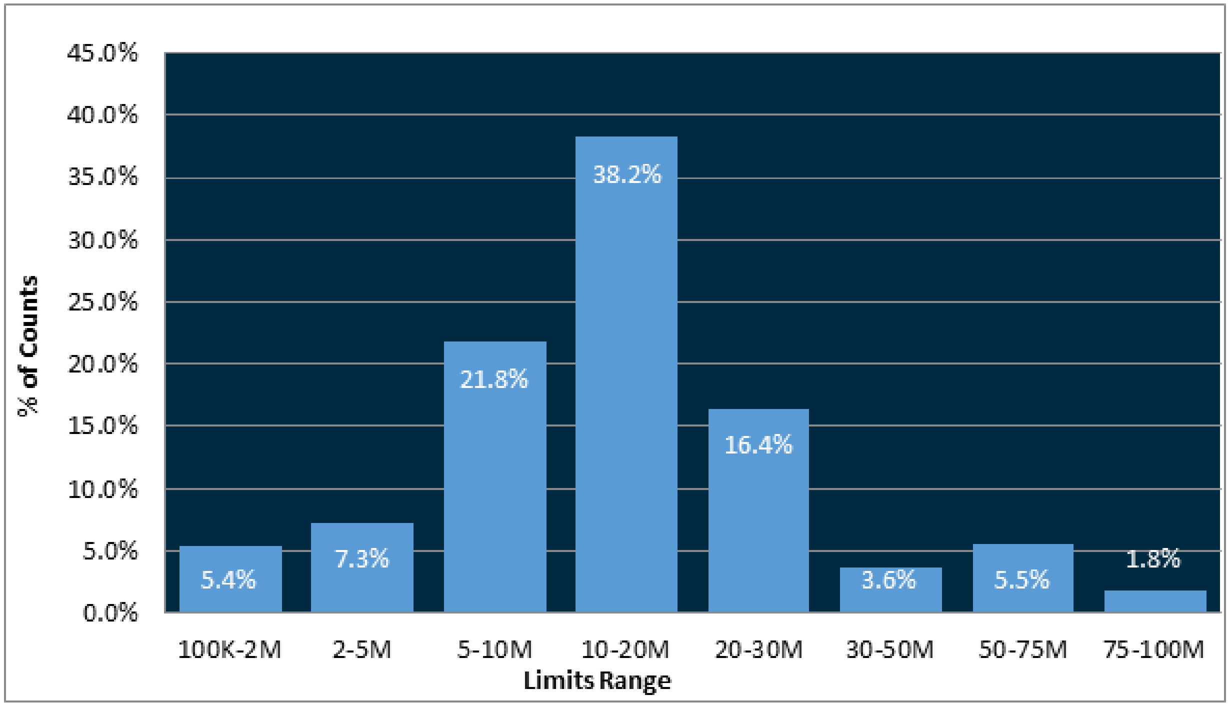
Crime Limit – Advisen Model

- The Advisen model below is based on governmental agency responses, with a **total asset size range of $1 to $4 billion**.
- Those with less than $2 billion, but more than $1 billion in total assets, purchased $20 million to $30 million in limit.
- In the model responses, three governmental organizations who responded to the survey purchased more than $50 million in Crime limits in the $1-4B asset size category.
- As shown in the chart below, Advisen, Ltd. model advises a range of **$30 million to $50 million** as appropriate limits to consider for Blanket Crime for an organization of $2 billion in assets or more.



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Fiduciary Program Renewal Summary

Dallas Police & Fire Pension System

2021-2022 Renewal Comparison - Fiduciary Liability

	EXPIRING 2020-2021	RENEWAL Option 1 2021-2022	RENEWAL Option 2 2021-2022
PRIMARY FIDUCIARY LIABILITY	**Markel American Ins Co**	**Markel American Ins Co**	**Markel American Ins Co**
Limit of Liability	$ 15,000,000	$ 15,000,000	$ 15,000,000
Self-Insured Retention - Indemfiable Claims	$200,000	$200,000	$300,000
Self-Insured Retention - Non-indemfiable Claims	None	None	None
Primary FID Premium (Incl Taxes/Fees)	**$323,164.00**	**$325,258.00**	**$319,228.00**
1ST EXCESS FIDUCIARY LIABILITY	**Markel American Ins Co**	**Markel American Ins Co**	**Markel American Ins Co**
Limit of Liability	$ 10,000,000	$ 10,000,000	$ 10,000,000
Excess of	$ 15,000,000	$ 15,000,000	$ 15,000,000
1ST XS FID Premium (Incl Taxes/Fees)	**$60,000.00**	**$60,000.00**	**$60,000.00**
2ND EXCESS FIDUCIARY LIABILITY	**Hudson Ins Co**	**Hudson Ins Co**	**Hudson Ins Co**
Limit of Liability	$ 10,000,000	$ 10,000,000	$ 10,000,000
Excess of	$ 25,000,000	$ 25,000,000	$ 25,000,000
2ND XS FID Premium (Incl Taxes/Fees)	**$48,000.00**	**$49,000.00**	**$49,000.00**
3RD EXCESS FIDUCIARY LIABILITY	**Starr Ind. & Liab. Co**	**Starr Ind. & Liab. Co**	**Starr Ind. & Liab. Co**
Limit of Liability	$ 10,000,000	$ 10,000,000	$ 10,000,000
Excess of	$ 35,000,000	$ 35,000,000	$ 35,000,000
3RD XS FID Premium (Incl Taxes/Fees)	**$36,000.00**	**$38,000.00**	**$38,000.00**
4TH EXCESS FIDUCIARY LIABILITY	**RLI Ins Co**	**RLI Ins Co**	**RLI Ins Co**
Limit of Liability	$ 5,000,000	$ 5,000,000	$ 5,000,000
Excess of	$ 45,000,000	$ 45,000,000	$ 45,000,000
4TH XS FID Premium (Incl Taxes/Fees)	**$15,300.00**	**$16,150.00**	**$16,150.00**
TOTAL Fiduciary Premium (Incl Taxes/Fees)	**$482,464.00**	**$488,408.00**	**$482,378.00**
Rate per $1,000 of Plan Assets	**$0.234**	**$0.227**	**$0.225**
$ Change		**$5,944.00**	**($86.00)**
% Rate Change		**-2.90%**	**-4.10%**

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Fiduciary Liability Program Structure

EXPIRING YEAR AND RENEWAL RESULTS

Current Program	Renewal of Current Program	Alternative Program- Higher Retention
$5M xs $45M RLI Insurance Company $15,300	$5M xs $45M RLI Insurance Company $16,150	$5M xs $45M RLI Insurance Company $16,150
$10M xs 35M Starr Indemnity & Liability $36,000	$10M xs 35M Starr Indemnity & Liability $38,000	$10M xs 35M Starr Indemnity & Liability $38,000
$10M xs $25M Hudson Ins. Co. (Euclid) $48,000	$10M xs $25M Hudson Ins. Co. (Euclid) $49,000	$10M xs $25M Hudson Ins. Co. (Euclid) $49,000
$10M xs $15M Markel American Insurance Company $60,000	$10M xs $15M Markel American Insurance Company $60,000	$10M xs $15M Markel American Insurance Company $60,000
$15,000,000 Markel American Ins. Co. (ULICO) $323,164	$15,000,000 Markel American Ins. Co. (ULICO) $325,258	$15,000,000 Markel American Ins. Co. (ULICO) $319,228
$200,000 Retention	$200,000 Retention	$300,000 Retention
Limit: $50M 2020 Cost: $482,464	Limit: $50M **2021 Cost: $488,408**	Limit: $50M **2021 Cost: $482,378**

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Fiduciary Liability Limit – Direct Peer Group

Governmental Fiduciary Market Reference
Arthur J. Gallagher

State	Plan Assets	Plan Participants	Fiduciary Limit
TX	$2B	5,000	$50M
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
GA	$500M	3,000	$5M
CO	$500M	3,000	$10M
GA	$500M	5,000	$15M
MO	$850M	10,000	$15M
TX	$1B	4,000	$5M
TX	$1B	3,000	$5M
GA	$1B	4,000	$15M
TX	$1B	7,000	$25M
GA	$1.5B	18,000	$10M
FL	$2B	5,000	$1M
AR	$2.5B	30,000	$10M
CO	$3.5B	15,000	$15M
TX	$5B	5,000	$10M
CA	$8B	20,000	$25M
CA	$8B	25,000	$25M
CA	$10B	40,000	$15M
KY	$20B	135,000	$15M

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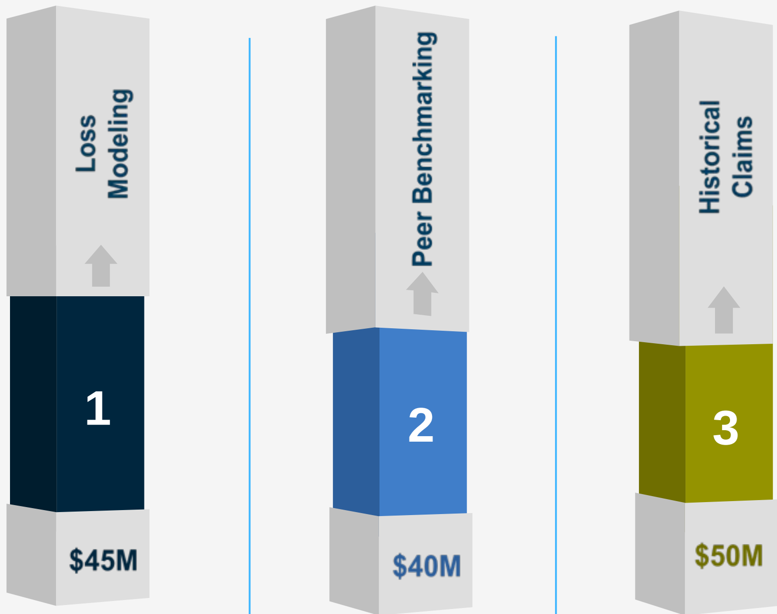
Fiduciary Liability - Additional Benchmarking

Limit Analysis: Fiduciary Liability Model Results



Fiduciary Model: Analyzes fiduciary risk – focuses on the relationship between total plan assets and historical large losses.

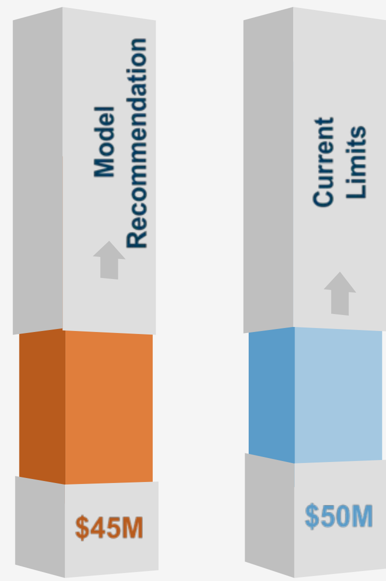
Based on:

Total Assets of **$2.1B** (most recent fiscal year end)

- Source: **Advisen**
- Company Type: **Public**
- Industries: **All**
- Country: **USA**
- Years: **Last 12-24 Months**
- Assets: **$2B or Greater**

Your limit compared to losses that pension funds, public entities and publicly traded organizations of similar size have experienced in the last 10 years, based on Filing or Accident Date and Total Amount.

- % of Settlements above your Limit**: 26.7%**



We then synthesize the results to produce a recommended level of limits.

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Gallagher at a Glance

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Founded in

1927

$5.7B

Total adjusted Brokerage & Risk Management revenues (2019)

33,000+

Employees worldwide

950+

Offices in 49 countries

150+

Countries served

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Casualty
Commercial Surety & Bonds
Credit & Political Risk
Cyber Liability
Management Liability
Property

OUR APPROACH TO RISK.

Gallagher CORE360™

CORE360™ is our unique, comprehensive approach to evaluating our client's risk management program that leverages analytical tools and diverse resources for custom, maximum impact on six cost drivers of their total cost of risk.

26+ INDUSTRY PRACTICES

Aerospace
Asia Pacific
Automotive
Construction
Energy
Enterprise Risk Management
Entertainment
Environmental
Equity and M&A
Financial Institutions
Fine Arts
Food & Agribusiness
Healthcare
Higher Education
Law Firms
Life Sciences
Marine
Nonprofit
Public Sector
Real Estate & Hospitality
Religious
Restaurant
Risk Management
Senior Living
Technology
Transportation

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For the past nine years, we've been recognized for our commitment to operating at the highest standards of ethical behavior. We're the only broker to have been given this honor. It's a reflection of the way we look after businesses, communities and people across the globe.

ETHISPHERE® WORLD'S MOST ETHICAL COMPANIES® 2012-2020

EXPERTISE. ETHICS. EXCELLENCE.

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DALLAS POLICE & FIRE PENSION SYSTEM

Thank you!

Iva D, Giddiens

Area Managing Director

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James Martinez

Fiduciary Liability Program Specialist
303.889.2526 | James_Martinez@ajg.com

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Insurance | Risk Management | Consulting

Management Liability Practice

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C3

Topic: **Chairman's Discussion Item**

Funding Committee Update

Discussion: The Chairman will brief the Board on this item.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C4

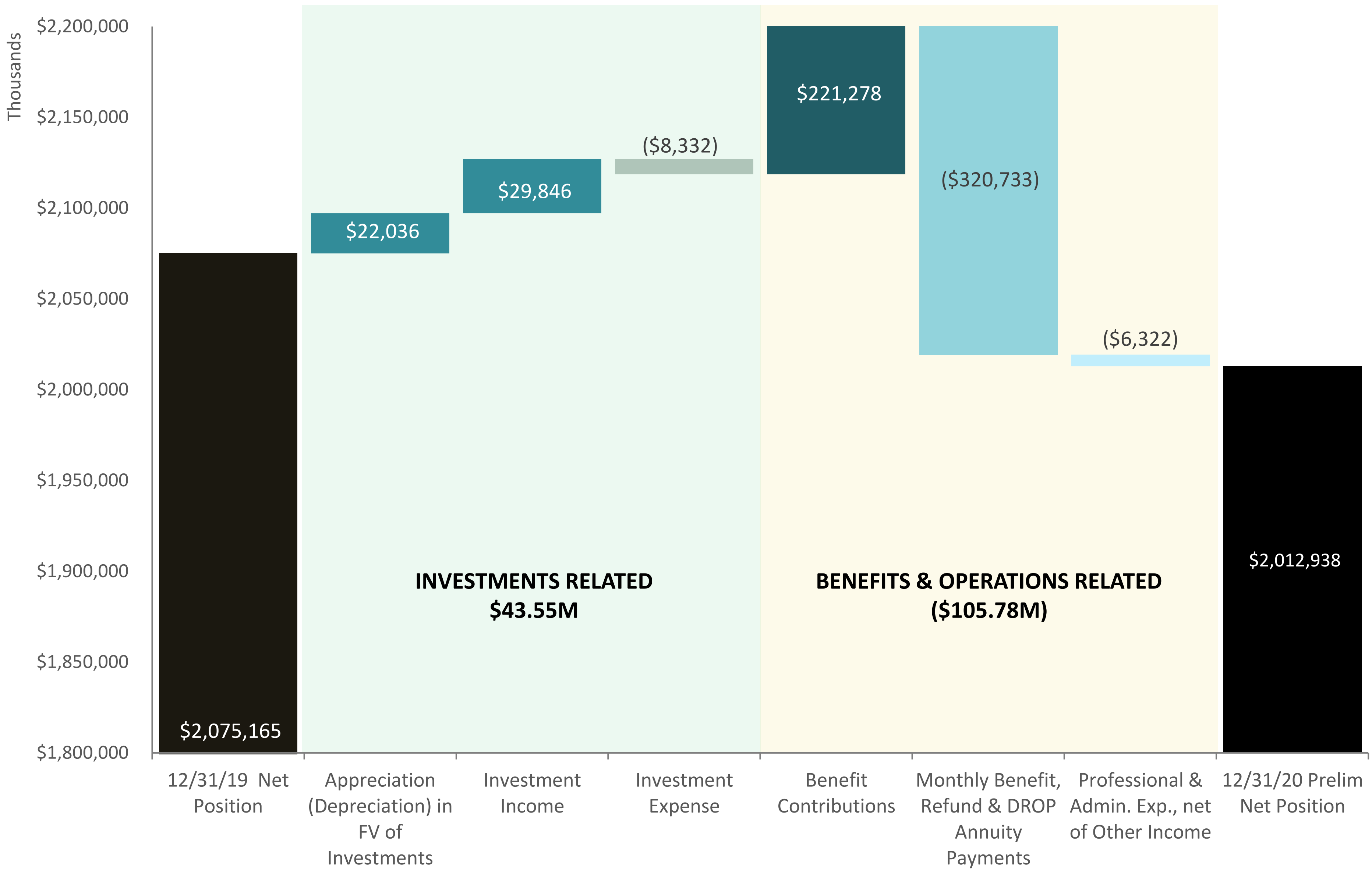
Topic: **Quarterly Financial Statements**

Discussion: The Chief Financial Officer will present the fourth quarter 2020 financial statements.

Regular Board Meeting – Thursday, February 11, 2021

Change in Net Fiduciary Position

PRELIMINARY - December 31, 2019 – December 31, 2020



Components may not sum exactly due to rounding.

DALLAS POLICE & FIRE PENSION SYSTEM
Combined Statements of Fiduciary Net Position

	PRELIMINARY December 31, 2020 (unaudited)	December 31, 2019	$ Change	% Change
Assets				
Investments, at fair value (NOTE)				
Short-term investments	$ 20,430,187	$ 25,311,029	$ (4,880,842)	-19%
Fixed income securities	472,487,992	555,384,168	(82,896,176)	-15%
Equity securities	701,317,440	555,230,590	146,086,850	26%
Real assets	518,797,567	567,186,915	(48,389,348)	-9%
Private equity	197,022,780	267,586,704	(70,563,924)	-26%
Forward currency contracts	(296,918)	652,498	(949,416)	-146%
Total investments (NOTE)	1,909,759,048	1,971,351,904	(61,592,856)	-3%
Invested securities lending collateral	-	13,025,117	(13,025,117)	-100%
Receivables				
City	4,032,755	3,035,500	997,255	33%
Members	1,445,883	1,055,869	390,014	37%
Interest and dividends	3,782,458	4,459,663	(677,205)	-15%
Investment sales proceeds	9,296,619	52,570,414	(43,273,795)	-82%
Other receivables	140,320	186,104	(45,784)	-25%
Total receivables	18,698,035	61,307,550	(42,609,515)	-70%
Cash and cash equivalents	88,491,051	89,461,720	(970,669)	-1%
Prepaid expenses	544,957	402,596	142,361	35%
Capital assets, net	12,087,827	12,328,774	(240,947)	-2%
Total assets	$ 2,029,580,918	$ 2,147,877,661	$ (118,296,743)	-6%
Liabilities				
Payables				
Securities lending obligations	-	13,025,117	(13,025,117)	-100%
Securities purchased	11,783,719	54,957,185	(43,173,466)	-79%
Accounts payable and other accrued liabilities	4,858,914	4,730,610	128,304	3%
Total liabilities	16,642,633	72,712,912	(56,070,279)	-77%
Net position				
Net investment in capital assets	12,087,827	12,328,774	(240,947)	-2%
Unrestricted	2,000,850,458	2,062,835,976	(61,985,518)	-3%
Net position held in trust - restricted for pension benefits	$ 2,012,938,285	2,075,164,750	$ (62,226,465)	-3%

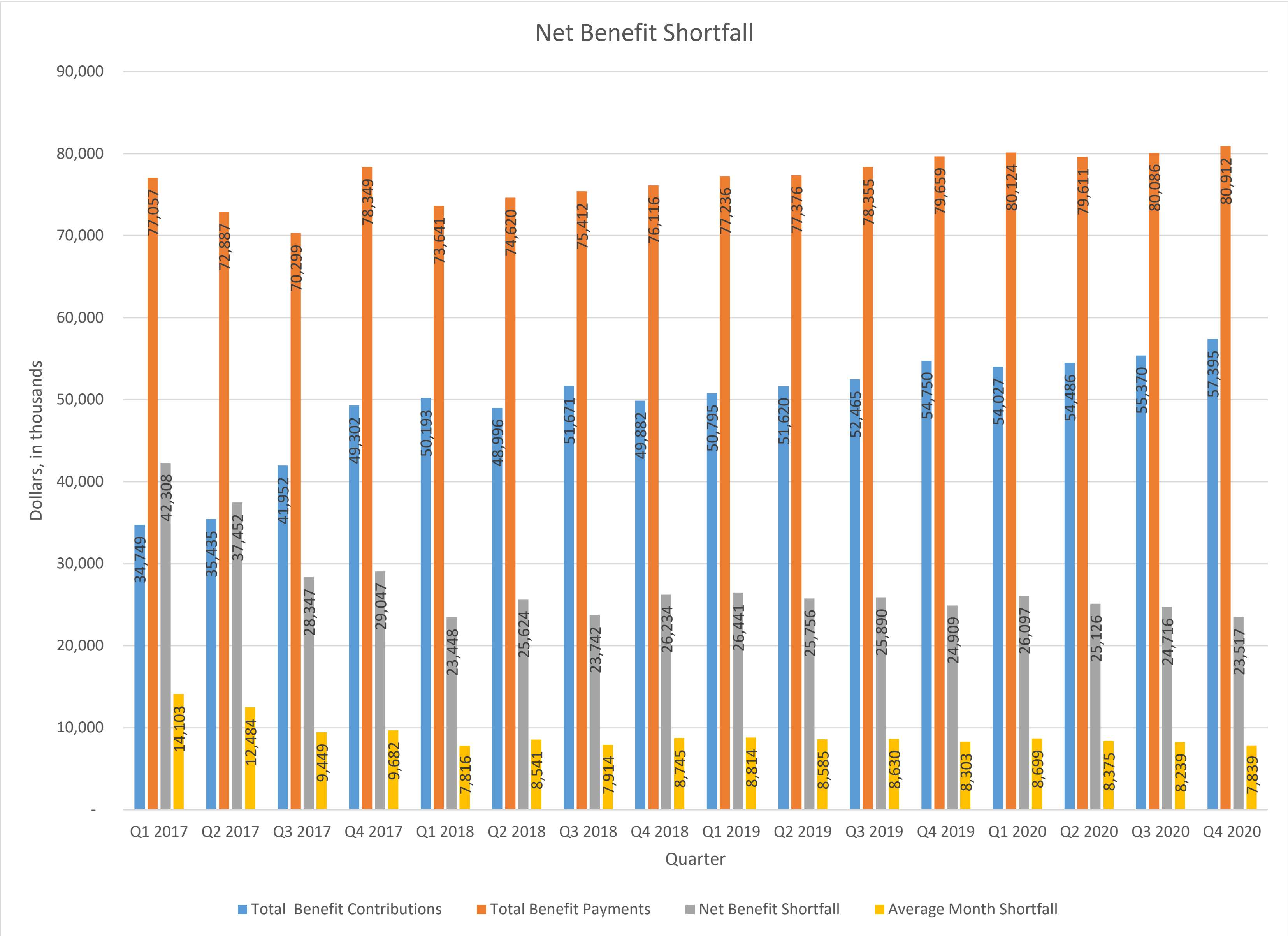
(NOTE) Private asset values have not yet been reported for Q4 20. Values will be updated as final reporting is received.

DALLAS POLICE & FIRE PENSION SYSTEM
Combined Statements of Changes in Fiduciary Net Position

PRELIMINARY

	12 Months Ended 12/31/2020	12 Months Ended 12/31/2019	$ Change	% Change
Contributions				
City	$ 163,727,494	$ 157,251,349	$ 6,476,145	4%
Members	57,550,636	52,378,953	5,171,683	10%
Total Contributions	221,278,130	209,630,302	11,647,828	6%
Investment income				
Net appreciation (depreciation) in fair value of investments **(NOTE)**	22,036,218	94,127,837	(72,091,619)	-77%
Interest and dividends	29,811,259	37,976,218	(8,164,959)	-22%
Total gross investment income	51,847,477	132,104,055	(80,256,578)	-61%
less: investment expense	(8,331,681)	(8,149,475)	(182,206)	-2%
Net investment income	43,515,796	123,954,580	(80,438,784)	-65%
Securities lending income				
Securities lending income	89,355	847,622	(758,267)	-89%
Securities lending expense	(54,329)	(733,169)	678,840	-93%
Net securities lending income	35,026	114,453	(79,427)	-69%
Other income	346,615	359,569	(12,954)	-4%
Total additions	265,175,567	334,058,904	(68,883,337)	-21%
Deductions				
Benefits paid to members	318,457,640	310,008,100	8,449,540	3%
Refunds to members	2,275,841	2,618,228	(342,387)	-13%
Legal expense	373,883	657,358	(283,475)	-43%
Legal expense reimbursement	-	(58,584)	58,584	-100%
Legal expense, net of reimbursement	373,883	598,774	(224,891)	-38%
Staff Salaries and Benefits	3,675,346	3,410,084	265,262	8%
Professional and administrative expenses	2,619,322	2,490,991	128,331	5%
Total deductions	327,402,032	319,126,177	8,275,855	3%
Net increase (decrease) in net position	(62,226,465)	14,932,727		
Beginning of period	2,075,164,750	2,060,232,023		
End of period	$ 2,012,938,285	$ 2,075,164,750		

(NOTE) Private asset values have not yet been reported for Q4 20. Values will be updated as final reporting is received.


Net Benefit Shortfall
Dollars, in thousands
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
-
Q1 2017 Q2 2017 Q3 2017 Q4 2017 Q1 2018 Q2 2018 Q3 2018 Q4 2018 Q1 2019 Q2 2019 Q3 2019 Q4 2019 Q1 2020 Q2 2020 Q3 2020 Q4 2020
Quarter
34,749 77,057 42,308 14,103
35,435 72,887 37,452 12,484
41,952 70,299 28,347 9,449
49,302 78,349 29,047 9,682
50,193 73,641 23,448 7,816
48,996 74,620 25,624 8,541
51,671 75,412 23,742 7,914
49,882 76,116 26,234 8,745
50,795 77,236 26,441 8,814
51,620 77,376 25,756 8,585
52,465 78,355 25,890 8,630
54,750 79,659 24,909 8,303
54,027 80,124 26,097 8,699
54,486 79,611 25,126 8,375
55,370 80,086 24,716 8,239
57,395 80,912 23,517 7,839
Total Benefit Contributions
Total Benefit Payments
Net Benefit Shortfall
Average Month Shortfall

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C5

Topic: **Peer Compensation Review Status**

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 Peer Compensation Review is not complete. Staff will provide an update on the review.

DISCUSSION SHEET

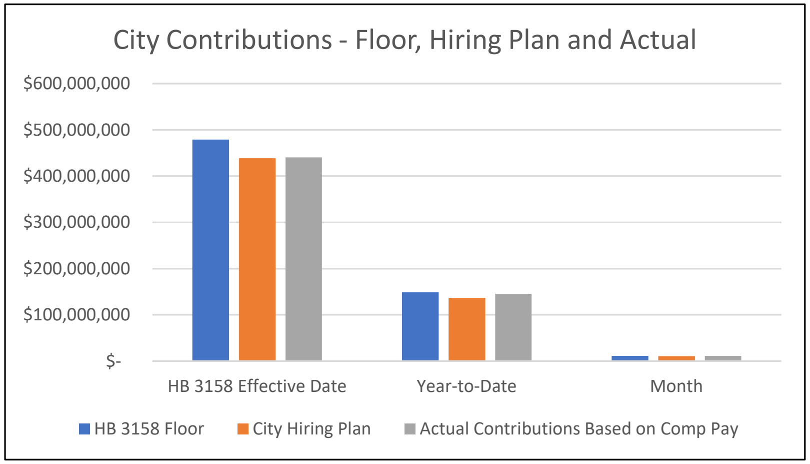
ITEM #C6

Topic: **Monthly Contribution**

Discussion: Staff will review the Monthly Contribution Report.

Regular Board Meeting – Thursday, February 11, 2021

Contribution Tracking Summary - February 2021 (December 2020 Data)



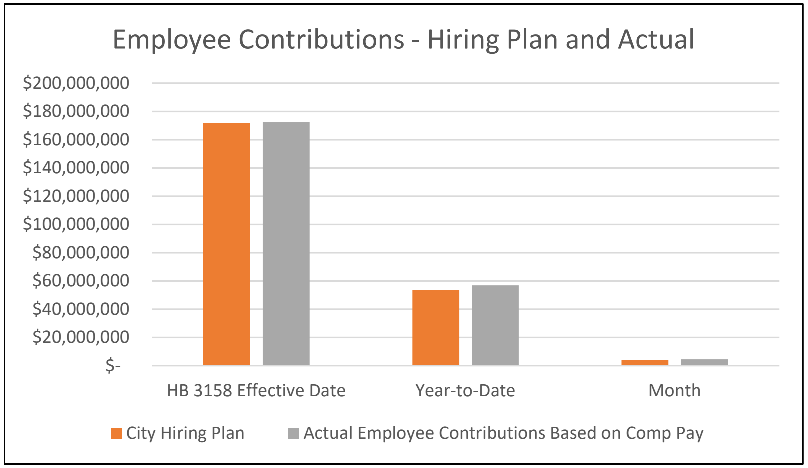
Actual Comp Pay was 100% of the Hiring Plan estimate since the effective date of HB 3158.

In the most recent month Actual Comp Pay was 109% of the Hiring Plan estimate and 100% of the Floor amount. For the year ended December 31, 2020, actual computation pay was $25.5 million more than the computation pay indicated by the Hiring Plan.

The Hiring Plan Comp Pay estimate increased by 3.39% in 2020. The Floor increased by 2.75%.

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

The combined actual hiring was 75 less than the Hiring Plan for the pay period ending January 5, 2021. Fire was over the estimate by 45 fire fighters and Police under by 120 officers.



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

There is no Floor on employee contributions.

Contribution Summary Data

City Contributions

Dec-20	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	$ 11,448,000	$ 10,509,231	$ 11,448,534	$ 48,640	100%	109%
Year-to-Date		$ 148,824,000	$ 136,620,000	$ 145,427,848	$ 3,469,859	98%	106%
HB 3158 Effective Date		$ 479,171,000	$ 438,760,385	$ 440,485,056	$ 38,759,651	92%	100%

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

Dec-20	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	2	$ 4,112,308	$ 4,408,819	$ 296,511	$ 4,112,308	107%	107%
Year-to-Date		$ 53,460,000	$ 56,763,902	$ 3,303,902	$ 53,460,004	106%	106%
HB 3158 Effective Date		$ 171,688,846	$ 172,232,982	$ 544,136	$ 166,579,642	100%	103%

Potential Earnings Loss from the Shortfall based on Assumed Rate of Return $ (570,017)

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			5,088		
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 - 2020	Annual Divided by 26 Pay Periods	Actual	Difference	2020 Cumulative Difference	Number of Employees - EOM	Difference
January	$ 30,461,538	$ 31,291,360	$ 829,821	$ 829,821	5136	73
February	$ 30,461,538	$ 31,414,646	$ 953,108	$ 1,782,929	5114	51
March	$ 30,461,538	$ 31,492,765	$ 1,031,226	$ 2,814,156	5093	30
April	$ 45,692,308	$ 47,775,422	$ 2,083,114	$ 4,897,270	5125	62
May	$ 30,461,538	$ 32,261,636	$ 1,800,098	$ 6,697,367	5113	50
June	$ 30,461,538	$ 32,512,380	$ 2,050,842	$ 8,748,209	5173	110
July	$ 30,461,538	$ 32,568,582	$ 2,107,043	$ 10,855,252	5175	112
August	$ 30,461,538	$ 32,861,998	$ 2,400,460	$ 13,255,712	5033	(30)
September	$ 45,692,308	$ 49,783,989	$ 4,091,681	$ 17,347,393	5001	(62)
October	$ 30,461,538	$ 33,160,417	$ 2,698,878	$ 20,046,271	4974	(89)
November	$ 30,461,538	$ 33,222,643	$ 2,761,105	$ 22,807,376	5093	30
December	$ 30,461,538	$ 33,184,156	$ 2,722,617	$ 25,529,993	4988	(75)

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C7

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

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

Discussion:

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

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

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

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

Future Education and Business Related Travel & Webinars
Regular Board Meeting – February 11, 2021

			ATTENDING	APPROVED
1.	**Conference:**	**NCPERS Accredited Fiduciary Program (NAF) Modules 1 and 2**		
	Dates:	March 2-5, 2021		
	Location:	Virtual		
	Cost:	$400		
2.	**Conference:**	**NCPERS Accredited Fiduciary Program (NAF) Modules 3 and 4**		
	Dates:	March 9-12, 2021		
	Location:	Virtual		
	Cost:	$400		
3.	**Conference:**	**TEXPERS Annual Conference**	KH	12/10/2020
	Dates:	May 21-26, 2021		
	Location:	Austin, TX		
	Cost:	TBD		
4.	**Conference:**	**TEXPERS Summer Conference**		
	Dates:	August 29-31, 2021		
	Location:	San Antonio, TX		
	Cost:	TBD		

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C8

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, February 11, 2021

DALLAS POLICE & FIRE PENSION SYSTEM

Portfolio Update

February 11, 2021

Adjusted Asset Allocation

In this view staff adjusts reported private market values to roughly estimate the impact of events that have not yet been recognized.

DPFP Asset Allocation Using Stressed Private Market Values	1/31/21	Adjustments		Adj. NAV		Target		Variance	
	NAV	$ mil.	% of NAV	$ mil.	%	$ mil.	%	$ mil.	%
Equity	**903**	**-48**	**-5.4%**	**854**	**45.7%**	**1,027**	**55.0%**	**-173**	**-9.3%**
Global Equity	643	0	0.0%	643	34.4%	747	40.0%	-104	-5.6%
Emerging Markets	63	0	0.0%	63	3.4%	187	10.0%	-124	-6.6%
Private Equity*	197	-48	-24.6%	149	8.0%	93	5.0%	55	3.0%
Fixed Income	**558**	**0**	**0.0%**	**558**	**29.9%**	**654**	**35.0%**	**-96**	**-5.1%**
Safety Reserve - Cash	79	0	0.0%	79	4.2%	56	3.0%	23	1.2%
Safety Reserve - ST IG Bonds	217	0	0.0%	217	11.6%	224	12.0%	-7	-0.4%
Investment Grade Bonds	74	0	0.0%	74	4.0%	75	4.0%	-1	0.0%
Global Bonds	0	0		0	0.0%	75	4.0%	-75	-4.0%
Bank Loans	72	0	0.0%	72	3.9%	75	4.0%	-3	-0.1%
High Yield Bonds	74	0	0.0%	74	4.0%	75	4.0%	0	0.0%
Emerging Mkt Debt	37	0	0.0%	37	2.0%	75	4.0%	-37	-2.0%
Private Debt*	4	0	0.0%	4	0.2%	0	0.0%	4	0.2%
Real Assets*	**516**	**-61**	**-11.8%**	**455**	**24.4%**	**187**	**10.0%**	**268**	**14.4%**
Real Estate*	347	-55	-16.0%	291	15.6%	93	5.0%	198	10.6%
Natural Resources*	126	-6	-4.5%	120	6.4%	93	5.0%	27	1.4%
Infrastructure*	44	0	0.0%	44	2.3%	0	0.0%	44	2.3%
Total	**1,977**	**-109**	**-5.5%**	**1,868**	**100.0%**	**1,868**	**100.0%**	**0**	**0.0%**
Safety Reserve ~$270M=30 mo net CF	296	0	0.0%	296	15.8%	280	15.0%	16	0.8%
*Private Mkt. Assets w/NAV Discount	718	-109	-15.2%	608	32.6%	280	15.0%	328	17.6%

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

data is preliminary

DALLAS POLICE & FIRE PENSION SYSTEM

Investment Activity

- Liquidation of private market assets remains the top focus. Significant delays expected due to COVID-19 market disruption.
- Staff continuing evaluation of and engagement with end-of-life private equity funds.
- Working on establishing passive global equity account and transition planning.
- Conducted public market benchmark review as requested by Investment Advisory Committee.
- Completed revisions to the Investment Policy Statement for review by the Investment Advisory Committee and the Board.
- On-deck: US and Non-US small-cap equity search, asset allocation study (early/mid 2021)

2021 Investment Review Plan*

January	• Real Estate Reviews: Vista 7, King's Harbor, & Museum Twr.
February	• Real Estate: Clarion Presentation
March	• Real Estate: AEW Presentation
April	• Timber: Staff Review of FIA & BTG
May	• Natural Resources: Hancock Presentation
July	• Infrastructure: Staff review of AIRRO and JPM Maritime
August	• Staff review of Private Equity and Debt
Sept.	• Public Equity Manager Reviews
October	• Fixed Income Manager Reviews

*Presentation schedule is subject to change.

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

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C9

Topic: **Investment Policy Statement Review**

Discussion: Staff and Meketa have reviewed the Investment Policy Statement and are proposing revisions as shown in the attached mark-up copy. Staff is seeking feedback and guidance from the Board. Staff will also seek input from the Investment Advisory Committee and plans to request Board approval at the March Board meeting.

Staff Recommendation: **Provide** feedback and guidance regarding revisions to the Investment Policy Statement as amended.

INVESTMENT POLICY STATEMENT

As Amended Through November 12, 2020

Commented [staff1]: All dates will be updated following Board approval

INVESTMENT POLICY STATEMENT

Adopted April 14, 2016
As Amended Through July 9, 2020

Table of Contents

DALLAS POLICE & FIRE PENSION SYSTEM

INVESTMENT POLICY STATEMENT

Adopted April 14, 2016
As Amended Through November 12, 2020

Section 1 Introduction and Purpose

This policy statement shall guide investment of the assets of the Dallas Police and Fire Pension System (DPFP). This ~~investment policy statement~~Investment Policy Statement (IPS) is issued for the guidance of the Dallas Police and Fire Pension System Board of Trustees (Board), Investment Advisory Committee (IAC), Executive Director, Staff, Consultant(s), Custodian, and Investment Managers. This IPS is intended to set forth an appropriate set of goals and objectives for DPFP. It ~~will define~~defines guidelines to assist fiduciaries and Staff in the supervision of the investments of DPFP. The investment program processes and procedures are defined in the various sections of the IPS by:

A. Stating in a written document DPFP's expectations, objectives and guidelines for the investment of assets;

B. Setting forth an investment structure for managing the portfolio. This structure includes assigning various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce an appropriate level of overall ~~diversification~~risk and total investment return over the investment time horizon;

C. Encouraging effective communications between the Board, IAC, Executive Director, Staff, Consultant(s), Investment Managers and Custodian(s);

D. Setting forth policy that will consider various factors, including inflation, global economic growth, liquidity and expenses, that will affect the portfolio's short and long-term total expected returns and risk;

E. Establishing criteria to select and evaluate Investment Managers; and

F. Complying with applicable fiduciary and due diligence requirements experienced investment professionals would utilize, and with laws, rules and regulations applicable to DPFP.

Section 2 Goals, Objectives, and Constraints

~~**A. Goals**~~

A. ~~Ensure funds are available~~Goal

Earn a long-term, net of fees, investment return that, together with contributions, will be sufficient to meet current and future obligations of the plan when due.

~~1. Earn a long term, net of fees, investment return greater than the actuarial return assumption.~~

~~2. Rank in the top half of the public fund universe over the rolling five-year period, net of fees.~~

B. Objectives

1. Maintain a diversified asset allocation that seeks to maximize the investment return while accepting prudent exposure to key investment risks..

Commented [staff2]: Consolidating to a single goal of having sufficient funds to pay obligations.

Commented [staff3]: Removed reference to the actuarial return assumption since that is primarily driven by the asset allocation defined in the IPS

~~2. Accept the minimum level of risk required to achieve the return objective.~~

B. Objectives (continued)

3. Outperform the Policy Benchmark[1] over rolling five-year periods.

4. Rank in the top half of the public fund universe over the rolling five-year period, net of fees.

~~4.~~5. Control and monitor the costs of administering and managing the investments.

Commented [staff4]: Consider deletion or modification of the ranking objective due to unique circumstances of DPFP. The public fund peer group is not homogenous.

C. Constraints

1. DPFP will be managed on a going-concern basis. The assets of the Fund will be invested with a long-term time horizon, while being cognizant of the weak actuarial funded ratio and ongoing liquidity needs.

2. The Board intends to maintain sufficient liquidity in either cash equivalents or short-term investment grade bonds to meet two to three years of anticipated benefit payments and expenses (net of contributions).

3. DPFP is a tax-exempt entity. Therefore, investments and strategies will be evaluated on a basis that is generally indifferent to taxable status.

Section 3 Ethics, Standards of Conduct, and Fiduciary Responsibility

The following are standards of conduct for the Board, Investment Advisory Committee, Staff, Investment Managers, Consultant(s), and all other investment related service providers of DPFP.[2]

A. Place the interest of DPFP above personal interests.

B. Act with integrity, competence, diligence, respect, and in an ethical manner.

C. Use reasonable care, diligence, and exercise independent professional judgment when conducting analysis, making recommendations, and taking actions.

D. Promote the integrity of and uphold the rules governing DPFP.

E. Comply with all applicable laws, rules, and regulations of any government agency, regulatory organization, licensing agency, or professional association governing their professional activities.

F. Adhere to applicable policies relating to ethics, standard of conduct and fiduciary responsibility including the:

1. Board of Trustees and Employees Ethics and Code of Conduct Policy;
2. Board of Trustees Governance and Conduct Policy; and the
3. Contractor's Statement of Ethics.

[1] The Policy Benchmark represents the return of the investable and non-investable indices as defined in Appendix B, at the target allocation for each asset class.
[2] These are informed by the CFA Institute and the Center for Fiduciary Studies.

Section 4 Core Beliefs and Long-Term Acknowledgements

This section outlines the core beliefs and long-term acknowledgements for the overall governance of DPFP. These beliefs and acknowledgements will serve as guiding principles in the decision making and implementation of DPFP's investment mandate.

A. A well-defined governance structure with clearly delineated responsibilities is critical in achieving consistent, long-term performance objectives.

B. The strategic asset allocation determines the risk reward profile of the portfolio and thus drives overall portfolio performance and volatility.

1. Asset allocation has a greater effect on return variability than asset class investment structure or manager selection.
2. It is essential to account for liabilities in setting long-term investment strategy.
3. Rebalancing the portfolio is a key aspect of prudent long-term asset allocation policy.

C. Investment costs will be monitored and minimized within the context of maximizing net return. The goal is not low fees, but rather maximum returns, net of fees.

1. The opportunity for active manager risk-adjusted outperformance (alpha) is not uniformly distributed across asset classes or Investment Managers' strategies.
2. Active strategies are preferred when there is strong conviction that they can be expected to add alpha, net of fees.
3. Passive strategies should be considered if alpha expectations are unattractive.
4. Professional fees will be negotiated when feasible.

D. Risk is multifaceted and will be evaluated holistically, incorporating quantitative measures and qualitative assessments.

1. Global investment reduces risk through diversification.
2. Diversification across different risk factors reduces risk.
3. The pattern of returns matters because volatility levels and the sequence of gains and losses can impact funded status.
4. Risk that is not expected to be rewarded over the long-term, or mitigated through diversification, will be minimized.
5. Generating positive investment return requires recognizing and accepting non-diversifiable risk. Not taking enough risk is risky; therefore, DPFP will accept a prudent amount of risk to achieve its long-term target returns.

Section 5 Roles and Responsibilities

A. Board of Trustees

The Board of Trustees (Board) has a fiduciary responsibility to ensure prudent management of the plan and compliance with all state and federal laws. Additionally, the Board:

1. Establishes investment objectives consistent with the needs of DPFP and approves the IPS of DPFP;
2. Approves strategic asset allocation targets and ranges, and asset class structures;
3. Prudently hires, monitors, and terminates key investment service providers including: Consultant(s), Investment Managers and Custodian~~;~~(s);
4. Appoints members to the Investment Advisory Committee (IAC);
5. Reviews investment related expenses;
6. Approves Board travel related to investments; and
7. Reviews the IPS annually and revises it as needed.

B. Investment Advisory Committee (IAC)

Commented [staff5]: Reordered and updated to incorporate public meeting provisions. There is a new subsection 3 that focuses on meetings. 3.e & 3.f is new language.

1. IAC Composition, Selection and Criteria
   - a. The requirement and general composition of the IAC is defined by statute.
   - b. The IAC serves at the discretion of the Board of Trustees.
   - ~~c.~~a. ~~IAC recommendations are not binding on the Board, provided however the Board may in the exercise of its fiduciary discretion grant decision-making authority to the IAC.~~
   - ~~d.~~c. The IAC is composed of up to seven members including one to~~-~~ three current Board members and a majority of outside investment professionals.
   - ~~e.~~d. IAC members will serve two-year terms.
   - ~~f.~~e. The Board will appoint members of IAC members by vote.
   - ~~g.~~a. ~~IAC meetings require a quorum of at least three IAC members, a majority of whom must not be current Trustees. Any vote by the IAC which is reported to the Board must also advise the Board as to how each member of the IAC voted who was present for such vote. IAC members shall be provided reasonable notice of upcoming meetings, but this shall not prevent the IAC from meeting on short notice for an urgent item requiring immediate attention.~~
   - ~~h.~~f. One IAC member who is also a member of the Board will function as Chair of the IAC. The Chair shall serve as liaison to the Board and preside over IAC meetings.
   - ~~i.~~g. The Board of Trustees may elect to dismiss a member of the IAC for any reason.

2. IAC Roles and Responsibilities:

   a. A key role of the IAC is to ensure that DPFP investments are prudently managed.

   b. IAC recommendations are not binding on the Board, provided however the Board may in the exercise of its fiduciary discretion grant decision-making authority to the IAC.

   ~~b.~~c. The IAC will advise regarding the search and selection process for investment managers and other matters that the Board may request.

   ~~c.~~d. All investment related agenda materials for the Board will be made available to the IAC.

   ~~d.a. The IAC will meet as needed, but at least quarterly, to discuss the investment program and provide insight and recommendations to Staff and Consultant.~~

   e. The IAC Chair will report to the Board regarding IAC activity as well as investment-related concerns and recommendations.

   f. Any IAC member may address the Board to communicate investment related concerns.

   g. IAC members are fiduciaries to DPFP.

3. IAC Meetings

   a. The IAC will meet as needed, but at least quarterly, to discuss the investment program and provide insight and recommendations to Staff and Consultant.

   b. IAC meetings require a quorum of at least three IAC members, a majority of whom must not be current Trustees.

   c. IAC members shall be provided reasonable notice of upcoming meetings, but this shall not prevent the IAC from meeting on short notice for an urgent item requiring immediate attention.

   d. Any vote by the IAC which is reported to the Board must also advise the Board as to how each member of the IAC voted who was present for such vote.

   e. IAC meetings shall be open to the public. The IAC Chairman may close any portion or all of any IAC meeting in his or her discretion if they deem it prudent to do so, provided such meeting is not a public meeting being held in compliance with the Texas Open Meetings Act.

f. Board members who are not members of the IAC may attend and participate in IAC meetings. If a quorum of the Board shall be present at an IAC meeting then the meeting shall comply with the Texas Open Meetings Act. Board members who are not on the IAC will give the Executive Director notice that they wish to attend an IAC meeting at least one week prior to the meeting. Board members who are not on the IAC may attend an IAC meeting but may not participate in IAC deliberations if such Board member or members, together with Board members on the IAC participating in such meeting equals or exceeds the number of non-Board IAC members participating in such meeting. The IAC Chairman shall determine which Board members not on the IAC, if any, may participate in such meeting to maintain compliance with the previous sentence.

C. Executive Director

1. The Executive Director is authorized to administer the operations and investment activities of DPFP under policy guidance from the Board;
2. Is authorized to manage investments approved by the Board including authority to enter into contract amendments including fund extensions, act with regard to investment governance issues and engagement of advisors as needed;
3. Manages the day to day operations of DPFP;
4. Oversees and reports to the Board on investment and due diligence processes and procedures;
5. Approves/declines all Staff travel related to investment manager on-site due diligence; and
6. Approves Investment Staff recommendations for presentation to the IAC and Board.
7. The Executive Director is a fiduciary to DPFP when exercising discretion in the performance of their duties.

D. Investment Staff

1. The Investment Staff (Staff) has primary responsibility for oversight and management of the investment portfolio. Staff is responsible for investment manager due diligence and recommendations, portfolio implementation consistent with the Board approved asset allocation, and assessment of the Consultant(s);
2. Helps the Board and the IAC to oversee Investment Managers, Consultant(s), Custodian~~,~~(s), and vendors;

D. Investment Staff (continued)

3. Reports to the Executive Director through the Chief Investment Officer;
4. Works closely with the Investment Consultant(s);
5. Notifies Consultant in writing of rebalancing needs and recommended implementation;
6. Coordinates the preparation and annual review of the IPS;
7. Prepares Staff Investment Manager recommendations, submits Staff and Consultant(s) recommendations to Executive Director for review;
8. After Board approval of investment, Staff approves Investment Manager ~~S~~strategy guidelines which will be outlined in the Investment Manager agreements, as applicable;
9. Monitors all investments, Investment Managers and investment-related vendors;
10. Accounts for and reviews all external management fees and investment expenses; and
11. Ensures all investment fiduciaries to DPFP are aware of their fiduciary obligations annually.[3]

E. Consultant(s)

1. The Consultant(s) provides independent investment expertise to the Board, IAC, and Staff;
2. Reports to the Board and works closely with Staff;
3. Monitors and reports qualitative and quantitative criteria related to Investment Managers and aggregate portfolio activity and performance;
4. Reviews strategic asset allocation targets, ranges, and benchmarks for asset classes as required by the IPS and recommends improvements to the Board;
5. Documents asset allocation recommendations with asset class performance expectations including standard deviation, expected return and correlations for each asset class used by DPFP;
6. Reviews asset class structures periodically as required by the IPS and recommends improvements to the Board.
7. Assists in the selection process and monitoring of Investment Managers;
8. Documents and delivers to Staff written recommendations on Investment Manager new hire, hold and termination reviews;
9. Recommends benchmark and appropriate asset class and sub-allocation for investment managers;
10. Approves and verifies in writing each of Staff's rebalancing recommendations and implementation;

[3] Verification of this may be through contract, agreement, or annual fiduciary acknowledgement letter.

E. Consultant(s) (continued)

11. Monitors the diversification, quality, duration, and risk of holdings as applicable;
12. Assists Staff in negotiation of terms of vendor contracts; and
13. Prepares quarterly investment reports, which include the information outlined in Appendix C.
14. An Investment Consultant is normally a fiduciary to DPFP and this responsibility must be acknowledged in writing. DPFP may engage subject matter advisors that, while acting in DPFP's interest, may not be a contractual or statutory fiduciary to DPFP.

F. Investment Managers

1. Public Separate Account Investment Managers
   a. Acknowledge in writing acceptance of the objectives, guidelines, and standards of performance;
   b. Invest the assets of DPFP in accordance with its objectives, guidelines and standards;
   c. Exercise full discretionary authority as to all buy, hold and sell decisions for each security under management, subject to the guidelines established in the Investment Management Agreement or applicable contract;
   d. Send trade confirmations to the Custodian;
   e. Deliver monthly report to Consultant(s)/Staff describing portfolio asset class weights, investment performance, security positions, and transactions;
   f. Adhere to best execution and valuation policies;
   g. Inform Staff and Consultant, as soon as practical, in writing of any breach of investment guidelines, ethics violations or violations of self-dealing;
   h. Inform Staff and Consultant as soon as practical, in writing, of any significant changes in the ownership, organizational structure, financial condition, personnel staffing, or other material changes at the firm; and
   i. Act as a fiduciary to DPFP. All separate account investment managers are fiduciaries to DPFP and this responsibility must be acknowledged in the contract for services.
2. Public Commingled Fund Investment Managers
   a. Provide the objectives, guidelines, and standards of performance of the fund;
   b. Provide a report detailing fund performance and holding on a monthly basis or as agreed by DPFP;
   c. Prices and fair market valuations will be based on reference to liquid markets, or obtained from an independent service provider if the assets held by the fund cannot be reasonably valued by reference to liquid markets;

F. Investment Managers (continued)

2. Public Commingled Fund Investment Managers

   d. The investment manager of the commingled fund must act as a Fiduciary to the commingled fund.

   e. Mutual funds where the investment advisor or manager of the mutual fund is subject to the Investment Company Act of 1940 meet the requirements of this subsection 2.

3. Private Investment Managers

   a. Provide objectives, strategy guidelines, and standards of performance as evidenced in investment manager, operating, or partnership agreement;

   b. Ensure that financials statements undergo annual audits and that investments are reported at fair market value, as outlined in the Investment Management, Partnership, or Operating Agreement(s);

   c. Communicate to Staff any material changes in the ownership or management of the firm, and or the stability of the organization;

   d. Inform Staff, as soon as practical, in writing of any breach of investment guidelines, ethics violations or violations of self-dealing.

G. Custodian

1. Safe keep and hold all DPFP's assets in the appropriate domestic accounts and provide highly secure storage of physical stock certificates and bonds such that there is no risk of loss due to theft, fire, or accident;[4]
2. Maintain separate accounts by legal registration;
3. Arrange for timely execution and settlement of Investment Manager securities transactions made for DPFP;
4. Proactively reconcile transactions and reported values to Investment Manager statements;
5. Provide for receipt and prompt crediting of all dividend, interest and principal payments received as a result of DPFP portfolio holdings or securities lending activities;
6. Monitor income receipts to ensure that income is received when due and institute investigative process to track and correct late or insufficient payments, including reimbursement for any interest lost due to tardiness or shortfall;
7. At the direction of the Staff, expeditiously transfer funds into and out of specified accounts;
8. Timely collection of income, including tax reclaim;
9. Prompt and accurate administration of corporate actions, including proxy issues; and
10. Manage securities lending~~.~~, if authorized by the Board.

Commented [staff6]: Added qualifying language in recognition that securities lending has been suspended.

[4] Electronic transfer records at the Depository Trust Company ("DTC'') are preferred.

Section 6 Strategic Asset Allocation and Rebalancing

Note: The investment portfolio is undergoing a transition from a legacy allocation with substantial exposure to illiquid private market assets to a more traditional allocation profile. Significant variances to long-term allocation targets are expected to gradually diminish as private market assets are monetized. The asset allocation implementation plan (Appendix B1) prioritizes the reallocation of private market distributions.~~In October 2018, the Board approved a new long-term asset allocation, recognizing that implementation would be subject to the gradual unwinding of private market assets. In November 2018, the Board approved an asset allocation implementation plan to prioritize the reallocation of cash distributions from private market assets. Initial variances to long-term allocation targets may be quite large but are expected to gradually diminish.~~ Rebalancing ranges have been established to accommodate current variances to target and will be tightened over time as appropriate.

Commented [staff7]: Shortened for clarity and to remove 2018 reference, which has become dated. This same change is made to footnote 1 of Appendix B.

A. Asset Allocation

1. The strategic asset allocation establishes target weights and rebalancing ranges for each asset class and is designed to maximize the long-term expected return of the Fund within an acceptable risk tolerance while providing liquidity to meet cash flow needs.
2. A formal asset allocation study will be conducted as directed by the Board, but at least every three years.
3. Asset allocation targets will be reviewed annually for reasonableness in relation to significant economic and market changes or to changes to the investment objectives.
4. Asset class descriptions are provided in Appendix A.
5. The approved asset allocation is included in Appendix B.

B. Asset Class Structure

1. The asset class structure establishes the investment manager roles that will be used to implement the asset allocation.
2. The asset class structure will emphasize simplicity and cost control, and toward that end will employ the minimum number of managers necessary to assure appropriate diversification within each asset class.
3. Asset class structures will be reviewed periodically, approximately every two years.
4. Any changes to the asset class structure must be approved by the Board.

C. Rebalancing

1. In general, cash flows will be allocated to move asset classes toward target weights and shall be prioritized according to the Asset Allocation Implementation Plan detailed in Appendix B1.
2. Staff shall submit a rebalancing recommendation to the Consultant at least annually based on consideration of the entire portfolio, and additionally as soon as practicable when an asset class breaches an established rebalancing range or when deemed prudent by Staff or Consultant.

C. Rebalancing (continued)

3. The allocations to Cash and Short-Term Investment Grade bonds (the "Safety Reserve") are designed to cover approximately 2.5 years of projected net cash outflows. Per the current policy targets approved by the Board, the Safety Reserve target allocation is 15% of the Fund. Staff and Consultant will evaluate the size of the Safety Reserve in both dollar terms and percentage terms when making rebalancing recommendations. The purpose of the Safety Reserve is to be the primary source of meeting any liquidity needs, particularly during a prolonged period of investment market stress. While the projected net cash outflows are effectively known in advance, the market value of the Pension Fund's assets will fluctuate with market activity. Consequently, the size of the Safety Reserve, as a percentage of Pension Fund assets, will fluctuate. The Safety Reserve is not required to be rebalanced to target if deemed prudent by Staff and Consultant.

4. Rebalancing recommendations should consider expected future cash flows, investment liquidity, market volatility, and costs.

5. Transition management sh~~a~~oul~~l~~d be ~~used when prudent~~ considered to minimize transition costs.

6. Staff is responsible for implementing the rebalancing plan following Consultant approval.

7. Rebalancing recommendations and activity shall be reported to the Board and the IAC.

D. Private Market Provisions

1. DPFP will not commit capital to any direct private market investments or co-investments that are tied to a single company. This restriction does not prevent DPFP from holding direct investments that result from the dissolution of a private market fund.

2. DPFP will not commit capital to any private market fund if such commitment would likely result in DPFP holding greater than a 10% interest in the fund.

3. DPFP will not commit capital to any private market fund if such commitment exceeds 2% of the total market value of the DPFP investment portfolio.

4. DPFP will not commit to any private market fund if the current value plus total unfunded commitments to related funds (e.g. fund family) exceeds 5% of the total market value of the DPFP investment portfolio.

5. The private market commitment limitations outlined above, do not prevent the Board from making contributions necessary to protect DPFP interests.

~~5.~~6. The Board and Staff may consider and approve sales of private assets for less than the current net asset value of the asset reported to the Board. Factors affecting such a decision would include prices obtained after marketing the asset, liquidity, or overallocation to the relevant asset class.

Section 7 Investment Manager Search, Selection, and Monitoring

A. Investment Manager Search and Selection

1. The selection of investment managers will utilize a robust process to ensure an open and competitive universe, proper evaluation and due diligence, and selection of candidates that are best able to demonstrate the characteristics sought in a specific search.
2. Investment manager searches shall be based on one or more of the following reasons:
   a. Changes to the approved asset allocation;
   b. Changes to the approved asset class structure; or
   c. Replacement for terminated manager or manager of concern.
3. The IAC will advise regarding the search and selection process for investment managers.
4. Staff and Consultant shall define and document the search process, including evaluation criteria, prior to initiating the search process.
5. Each investment manager hiring recommendation shall be supported by a rationale that is consistent with the pre-established evaluation criteria.
6. Each hiring recommendation will generally include the following information:
   a. A description of the investment and the suitability within the relevant asset class;
   b. Whether the investment is categorized as Alternative or Traditional based on the criteria in Appendix D.
   ~~a.~~c. A description of the organization and key people:
   ~~b.~~d. A description of the investment process and philosophy;
   ~~c.~~e. A description of historical performance and future expectations;
   ~~d.~~f. The risks inherent in the investment and the manager's approach;
   ~~e.~~g. The proper time horizon for evaluation of results;
   ~~f.~~h. Identification of relevant comparative measures such as benchmarks and/or peer samples;
   ~~g. The suitability of the investment within the relevant asset class; and~~
   ~~h.~~i. The expected cost of the investment.
7. Alternative Investments

   The Board has adopted the definition of "Alternative Investments" as outlined in Appendix D, which will be reviewed as part of the due diligence process for any new investment. Pursuant to Section 4.07 of Article 6243a-1, the vote of eight trustees is required to approve any Alternative Investment.

B. Investment Monitoring

1. Staff and Consultant(s) are responsible for ongoing monitoring of all Investment Managers using qualitative and quantitative factors as appropriate.
2. Qualitative factors may include:
   a. Consistent implementation of philosophy and process;
   b. Ownership changes or departure of key personnel;
   c. Assets under management at the firm and product level;
   d. Conflicts of interest;
   e. Material litigation or regulatory challenges involving the investment manager;
   f. Adequate reporting and transparency; and
   g. Material client-servicing problems.
3. Quantitative factors may include:
   a. Long-term (3-5 years) performance relative to assigned benchmarks;
   b. Unusually large short-term performance variance (over or under); and
   c. Risk metrics such as volatility, drawdown, and tracking error.
4. Staff and the Consultant will highlight Investment Manager concerns to the IAC and the Board and recommend an appropriate course of action.

Section 8 Risk Management

Commented [staff8]: Slight change of language to conform to GASB 40

Staff will work within the parameters of this Investment Policy Statement to mitigate the risk of capital loss. By implementing this Policy, the Board has addressed:

A. Custodial Credit Risk for both public and private holdings;[5]

B. Interest Rate Risk through fixed income duration ~~and credit~~ monitoring;[6]

C. Concentration ~~and~~of Credit Risk through asset allocation targets and ranges, rebalancing, and the monitoring of investment guidelines.

Furthermore, through this Policy, Staff has established the necessary criteria to monitor the Custodian, Consultant(s), and Investment Managers, such that DPFP controls and manages interest rate, custody, concentration, and credit risks.

[5] ~~Please review~~Reference Custodian responsibilities in Section 5.
[6] ~~Please review~~ Reference IPS Annual Review ~~of~~in Section 5.A.7of IPS and Investment Manager strategy guidelines reviewed and approved by Staff.

Section 9 Approval and Effective Date

Commented [staff9]: All dates will be updated following Board approval

The Investment Policy Statement was originally adopted by the Board on April 14, 2016 and was subsequently amended and adopted on the following dates.

December 14, 2017
January 10, 2019
March 14, 2019
February 13, 2020
July 9, 2020

APPROVED on November 12, 2020 by the Board of Trustees of the Dallas Police and Fire Pension System.

____
William Quinn
Chairman

Attested:

____
Kelly Gottschalk
Secretary

Appendix A – Asset Class Descriptions

DPFP investment assets are prudently diversified to optimize expected returns and control risks. Assets can generally be categorized into four functional categories of Growth, Income, Inflation Protection, and Risk Mitigation

A. Growth Assets

1. Role: Capital appreciation, primary driver of long-term total return

2. Investment Approach: Growth assets generally represent equity or equity-like interests in current and future income streams and capture long-term economic growth trends throughout the world.

3. Risk Factors: The cost of the high expected long-term returns is higher expected volatility. Growth assets are highly sensitive to economic conditions and are subject to potential loss during economic downturns, rising/unexpected inflation, and rising interest rates.

4. Asset Classes

   a. **Global Equity** represents publicly traded stock holdings of companies across the globe. Liquidity is a key benefit as stocks can be traded daily. Foreign currency volatility can be a source of risk and return.

   b. **Emerging Markets Equity** represents publicly traded stock holdings of companies located in or highly dependent on developing (emerging) countries. Emerging markets equity is expected to capture the higher economic growth of emerging economies and provide higher long-term returns than global equity coupled with higher volatility. Foreign currency volatility can be a source of risk and return.

   c. **Private Equity** refers to investments in private companies (direct investments) or funds that hold investments in private companies or securities that are not typically traded in the public markets. Frequently these investments need "patient" capital to allow time for growth potential to be realized through a combination of capital investment, management initiatives, or market development. Private equity is expected to provide higher long-term returns than global equity, but illiquidity is a key risk as investment contributions may be locked up for several years.

B. Income Assets

1. Role: Current income and moderate long-term appreciation

2. Investment Approach: Income assets are generally fixed claims on assets or income streams of an issuer (e.g. government, corporation, asset-backed securities).

3. Risk Factors: The primary risk for Income assets is the failure of the borrower to make timely payments of interest and principal (credit risk) and the price volatility related to credit risk. Bonds with greater credit risk (i.e., bonds with lower credit ratings) are typically less liquid than higher quality bonds. Income assets may also be susceptible to interest rate (duration) risk where higher market interest rates reduce their value. Longer maturities have relatively higher interest rate risk.

4. Asset Classes

   a. **Global Bonds** ~~includes~~refers to sovereign and corporate debt issued by countries and companies located throughout the world in local currency and U.S. dollars. Expanding the investable universe beyond the U.S. provides a diversified source of returns.

   b. **Bank Loans** are like high yield bonds in that both represent debt issuers with higher credit risk. Compared to high-yield bonds, bank loans typically have higher seniority in the capital structure, which has historically resulted in much higher recovery following default.

   c. **High Yield Debt** refers to bonds with higher credit risk and lower credit ratings than investment-grade corporate bonds, Treasury bonds and municipal bonds. Because of the higher risk of default, these bonds pay a higher yield than investment grade bonds.

   d. **Emerging Markets Debt** (EMD) refers to bonds issued by developing countries or corporations based in developing countries. EMD bonds can be denominated in U.S. Dollars or local currency. The primary risk factor is credit quality, but interest rates and foreign currency are also factors.

   e. **Private Debt** refers to non-bank direct lending arrangements. Features are similar to bank loans with somewhat higher credit risk and yields. Investments are typically structured in a private market vehicle with limited liquidity. Private debt may be included within the private equity asset class in the strategic asset allocation.

Commented [staff10]: Will remove reference to Global Bonds in future revision, following adoption of new asset allocation.

C. Inflation Protection (Real Assets)

1. Role: Current income, inflation protection, diversification

2. Investment Approach: Generally, ownership in physical assets.

3. Risk Factors: Real Assets may not provide the desired inflation protection. Loss of principal is also a risk. Foreign assets are also subject to currency movements against the U.S. dollar.

4. Asset Classes

   a. **Real Estate** includes investments in office buildings, apartments, hotels, industrial warehouses, retail, raw land, and development projects.

   b. **Natural Resources** broadly refers to anything mined or collected in raw form but may include assets subject to further processing. Typical assets include permanent and row crops, timber, minerals, and metals.

   c. **Infrastructure** refers to investments in physical systems that support world economies. Typical investments include transportation, communication, utilities (electricity, gas, water, sewage).

D. Risk Mitigation

1. Role: Liquidity to fund benefit payments and other cash flow needs, capital preservation, modest current income, diversification to growth assets.

2. Investment Approach: Cash equivalents or high-quality domestic bonds.

3. Risk Factors: Risks are substantially lower for risk mitigation assets but may include modest exposure to credit or interest rates (duration).

4. Asset Classes

   a. **Cash Equivalents**

   b. **Short Term Investment Grade Bonds** have moderate interest rate risk.

   c. **Investment Grade Bonds** including bonds and notes issued by the U.S Treasury, U.S. Government Agencies, state and local municipalities, corporations, or other issuers with similar conservative risk profiles. Risk factors include duration and credit.

Appendix B – Strategic Asset Allocation and Rebalancing Ranges

Asset Class	Policy Benchmark	Target Weight[1]	Minimum Weight	Maximum Weight
Equity		55%		
Global Equity	MSCI ACWI IMI Net	40%	22%	48%
Emerging Markets Equity	MSCI Emerging Markets IMI Net	10%	2.5%	12%
Private Equity	Cambridge Associates U.S. Private Equity Index 1Q Lag	5%	N/A[2]	N/A[2]
Fixed Income		35%		
Cash	91 Day T-Bills	3%	0%	5%
Short Term Investment Grade Bonds	Bloomberg Barclays ~~US Treasury~~ 1-3 Year Aggregate	12%	5%	15%
Investment Grade Bonds	Bloomberg Barclays U.S. Aggregate	4%	2%	6%
Bank Loans	Credit Suisse Leveraged Loan	4%	2%	6%
High Yield Bonds	Bloomberg Barclays US Corp HY	4%	2%	6%
~~Bank Loans~~	~~Credit Suisse Leveraged Loan~~	~~4%~~	~~2%~~	~~6%~~
Global Bonds	Bloomberg Barclays Global Aggregate	4%	~~2~~0%	6%
Emerging Markets Debt	50% JPM EMBI/ 50% JPM GBI-EM	4%	0%	6%
Private Debt	Barclays ~~Global~~U.S. HY + 2% (Rolling 3 Mo.)	0%	N/A[2]	N/A[2]
Real Assets		10%		
Real Estate	NCREIF Property Index 1Q Lag	5%	N/A[2]	N/A[2]
Natural Resources	NCREIF Farmland Total Return Index 1Q Lag	5%	N/A[2]	N/A[2]
Infrastructure	S&P Global Infrastructure (Rolling 3 Mo.)	0%	N/A[2]	N/A[2]
Total		100%		

1 – The investment portfolio is undergoing a transition from a legacy allocation with substantial exposure to illiquid private market assets to a more traditional allocation profile. Significant variances to long-term allocation targets are expected to gradually diminish as private market assets are monetized. The asset allocation implementation plan (Appendix B1) prioritizes the reallocation of private market distributions.~~In October 2018, the Board approved a new long-term asset allocation, recognizing that implementation would be subject to the gradual unwinding of private market assets. Appendix B1 reflects the Board-approved asset allocation implementation plan to prioritize the reallocation of cash distributions from private market assets. Initial variances to long-term allocation targets may be quite large but are expected to gradually diminish.~~ Rebalancing ranges have been established to accommodate current variances to target and will be tightened over time as appropriate.

2 – Rebalancing Ranges are not established for illiquid asset classes.

Commented [staff11]: Proposing benchmark change for IRM and asset class to incorporate more credit risk.

Commented [staff12]: Moved Bank Loans high in table to reflect relatively lower risk.

Commented [staff13]: Global Bonds will likely be removed following adoption of new asset allocation. Changed lower limit to zero to reflect current allocation.

Commented [staff14]: DPFP private debt is all USA

Commented [staff15]: Footnote 1 shortened for clarity and to remove 2018 reference, which has become dated. This same change is made in Section 6.

Appendix B1 – Asset Allocation Implementation Plan

The investment portfolio is undergoing a transition from a legacy allocation with substantial exposure to illiquid private market assets to a more traditional allocation profile. In October 2018, the Board approved a new long-term asset allocation, recognizing that implementation would be subject to the gradual unwinding of private market assets. In November 2018, the Board approved the following implementation plan to prioritize the reallocation of cash distributions from private market assets.

Order of Reallocation

Allocate up to Target, then proceed to next asset class
1. Safety Reserve – Cash[1]
2. Safety Reserve – Short-Term Investment Grade Bonds[1]
3. Global Equity, only if current exposure is less than 22% of DPFP[2]
4. Emerging Markets Equity, only if current exposure is less than 2.5% of DPFP[3]
5. Investment Grade Bonds
6. Global Bonds
7. Bank Loans
8. High Yield Bonds
9. Global Equity above 22%, contributions limited to 6% per year.
10. Emerging Markets Debt
11. Emerging Markets Equity above 2.5%, contributions limited to 2.5% per year
12. Private Real Estate (aggregate illiquid exposure must be under 20%)
13. Private Equity (aggregate illiquid exposure must be under 15%)

1 – The Safety Reserve is not required to be allocated to target if deemed prudent by Staff and Consultant.
2 – Global Equity target weight is 40%. If current exposure is more than 22% proceed to next asset class in the matrix. The reallocation framework is designed to maintain at least the mid-2018 exposure to public equity, prior to increasing fixed-income exposure.
3 – Emerging Markets Equity Target weight is 10%. If current exposure is more than 2.5% proceed to next asset class in the matrix. The reallocation framework is designed to maintain at least the mid-2018 exposure to public equity, prior to increasing fixed-income exposure.

Appendix C – Investment Consultant Reporting Requirements

The investment consultant is required to provide the Board with quarterly investment information for portfolio monitoring purposes. Generally, these are as follows:

Quarterly (due in advance of the meeting)

1. DPFP's actual asset allocation relative to its target asset allocation as defined in Appendix B.
2. DPFP's return relative to its Policy Benchmark return and other public pension funds.
3. DPFP's risk adjusted returns relative to the policy and other public pension funds.
4. Asset class performance relative to the benchmarks as defined in Appendix B.
5. Individual Investment Manager returns relative to their stated benchmark.
6. Report will specifically acknowledge any underperforming Investment Managers.
7. Any reportable events affecting any of DPFP's Investment Managers.
8. Private Markets reports which covers Private Debt, Private Equity, Infrastructure, ~~Real Assets~~ Natural Resources and Real Estate.

Appendix D – Alternative Investments

Alternative Assets means any investment that is not a Traditional Asset.

Traditional Assets include:

1. Common Stocks: publicly traded securities representing ownership in a corporation; also known as publicly-traded equity. Examples include publicly traded equity shares of public companies, REITs, and ADRs. Regional examples include shares of companies domiciled in the US, non-US developed markets and emerging markets.

2. Bonds: publicly-traded securities, the holders of which serve as creditors to either governmental or corporate entities. Examples include government bonds and corporate bonds, including senior bank loans. Regional examples include US government issued bonds, non-US international developed markets issued bonds, and emerging markets issued bonds. Credit examples include investment grade bonds and non-investment grade bonds (e.g. high yield bonds and bank loans).

3. Cash Equivalents: short-term investments held in lieu of cash and readily convertible into cash within a short time span. Examples include CDs, commercial paper, and Treasury bills.

Though an exhaustive list is not included, some of the defining characteristics of Alternative Assets and their vehicles include:

1. Private ownership vehicles
2. Liquidity-constrained, and a lock-up of capital for extended time periods (one-year or longer)
3. Use of leverage
4. Ability to take short positions
5. Use of derivatives

The Board recognizes that certain investments may have characteristics and underlying securities that could be classified as both a Traditional and Alternative Investment. On any new investment recommendation, Staff and Consultant will propose a categorization for such investment as either Alternative or Traditional based on these criteria, with a focus on liquidity of the investment, for the Board's consideration.

DISCUSSION SHEET

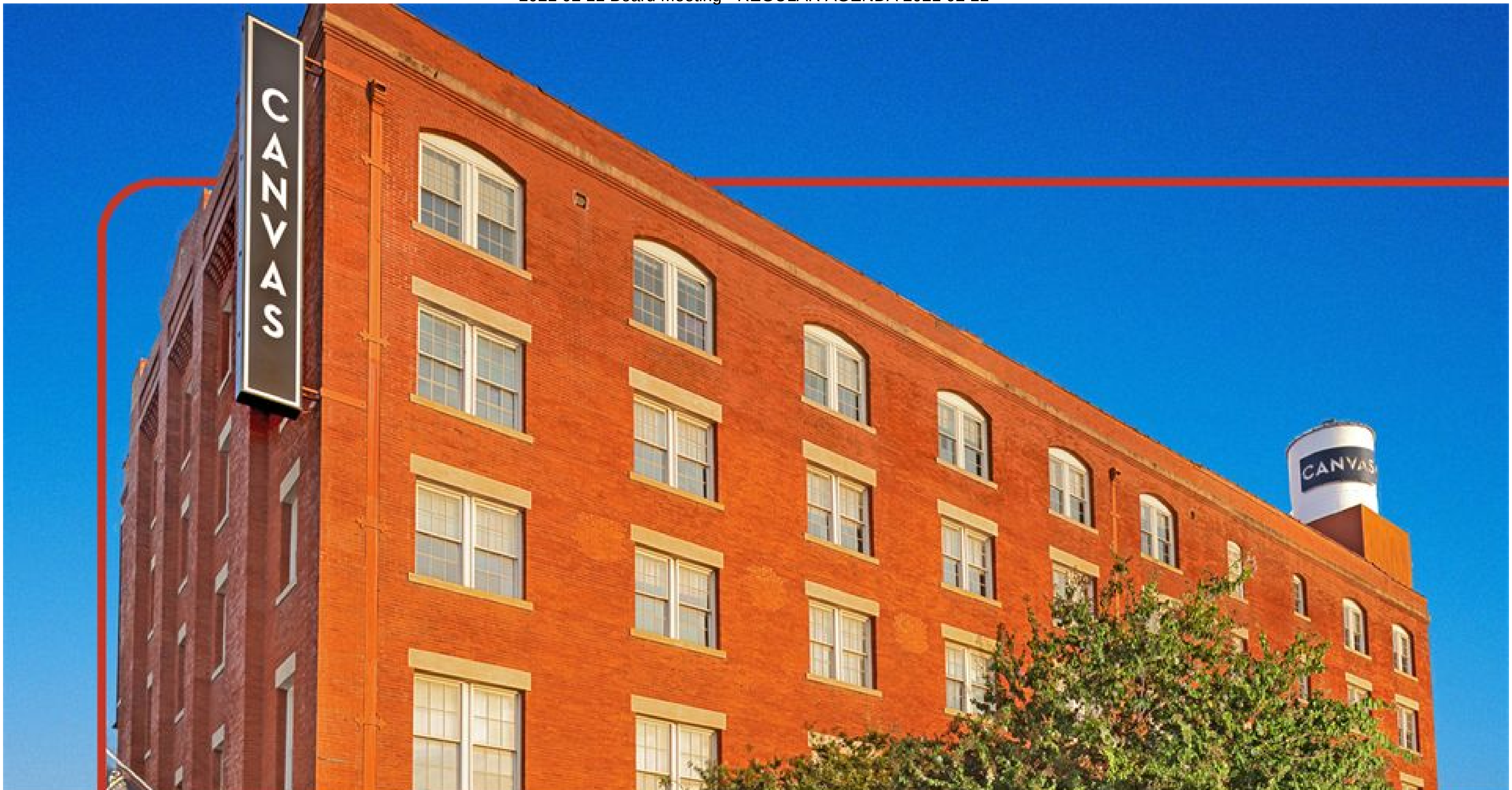
ITEM #C10

Topic: **Real Estate Overview – Clarion Partners Portfolio**

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

Attendees: Bohdy Hedgcock, Senior Vice President
Kevin McCabe, Associate

Discussion: Clarion will update the Board on the status and plans for DPFP's investment in CCH Lamar. Clarion was engaged in October 2015 to take over the investment management of DPFP's interest in several Dallas area real estate assets, with only one asset remaining.



CLARION PARTNERS

Dallas Police and Fire Pension System

| DPFP BOARD | FEBRUARY 2021

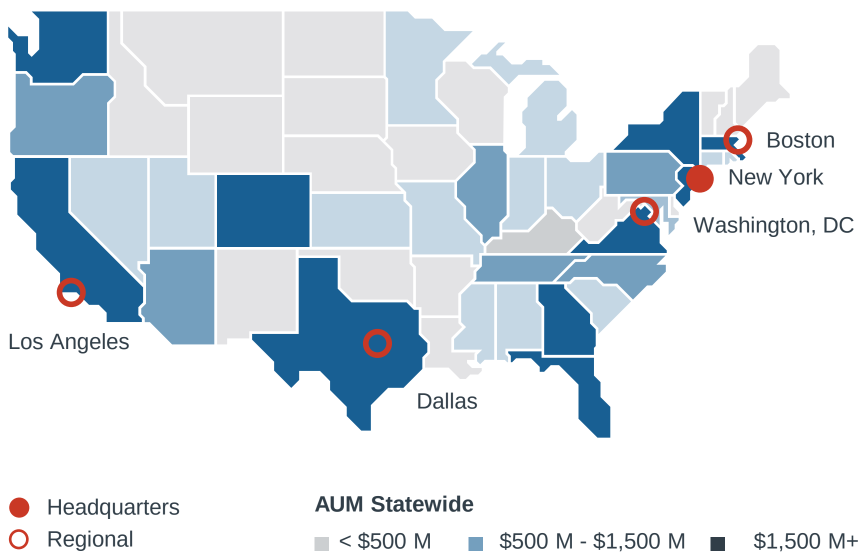
Global Investment Management Platform with Local Execution

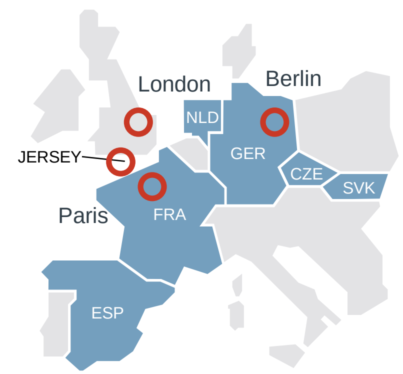
$55.6
AUM ($bn)

1,313
ASSETS

9
OFFICES

288
EMPLOYEES



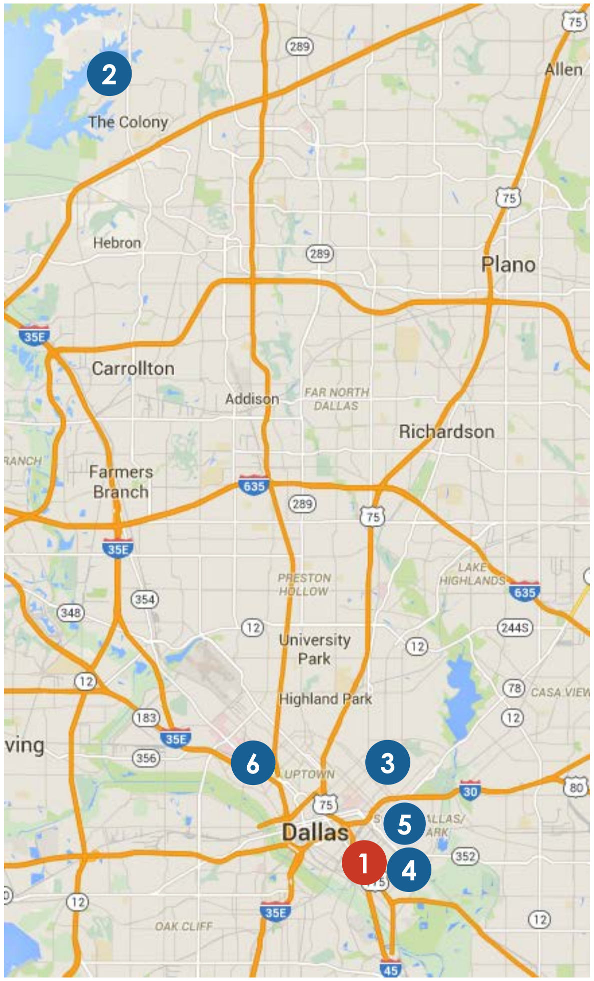


INVESTMENT RESEARCH	ACQUISITIONS	ASSET MANAGEMENT
10 TEAM MEMBERS	32 TEAM MEMBERS	73 TEAM MEMBERS

Personnel data as of December 31, 2020. All other data as of September 30, 2020.
Geographic information represents GRE; compared to Firm -level GAV.
Past performance is not indicative of future results. Please see the disclosures above and the Important Legal Information at the end of this presentation.

Portfolio Overview

Take Over Assignment Awarded October 2015

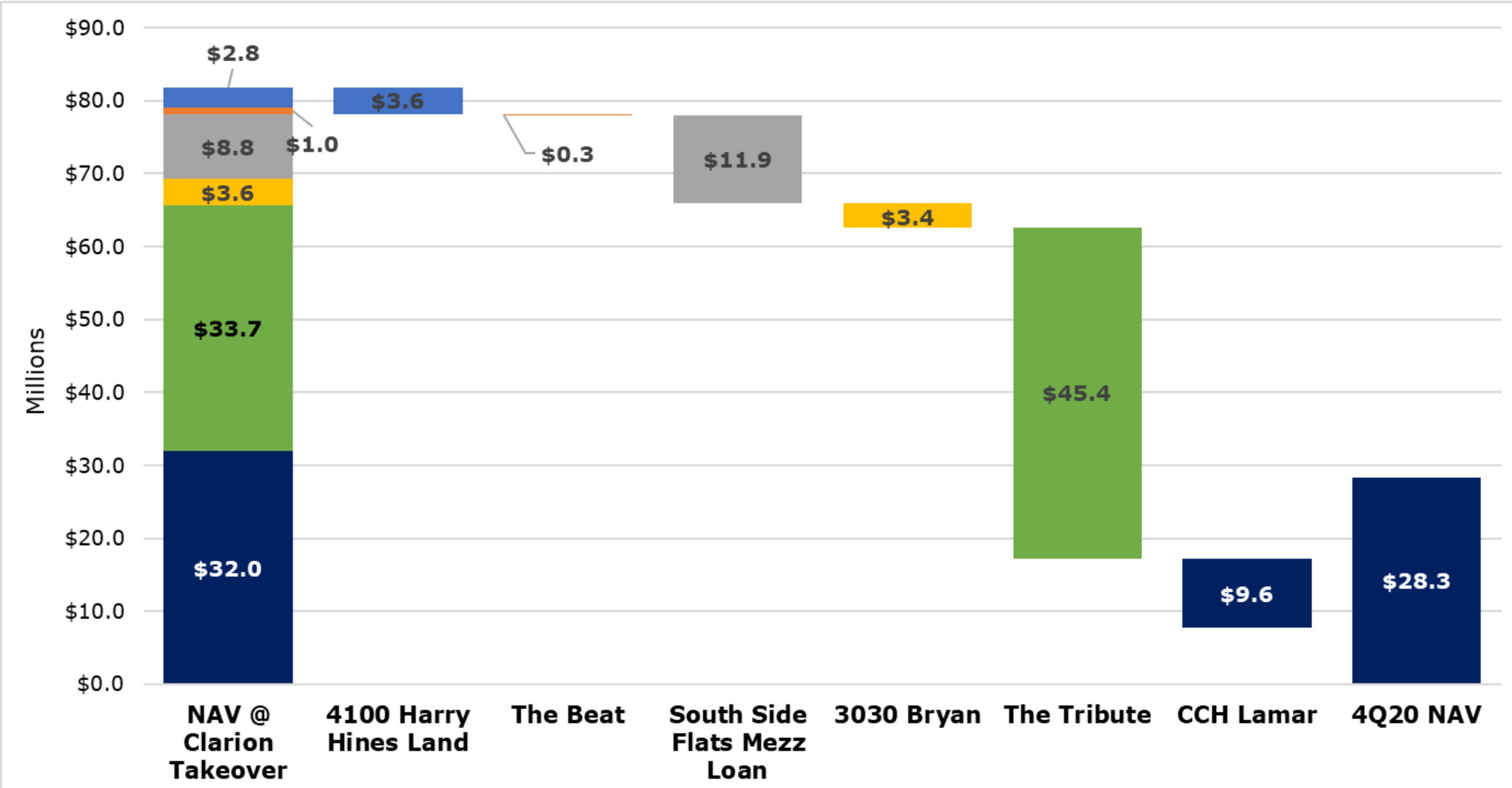


	Property	Property Type	Location	Partner	Status
1	**CCH Lamar**	**Mixed Use**	**Cedars**	**MSW**	**Active**
2	The Tribute	Residential Lots & Land; Golf Courses	The Colony	MSW	Realized November 2019
3	3030 Bryan	Condos	East Dallas	Reeder/ Smith	Realized June 2018
4	South Side Flats Mezz. Loan	Multifamily	Cedars	Buitte Againn	Realized June 2017
5	The Beat	Condos	Cedars	MSW	Realized February 2017
6	4100 Harry Hines Land	Vacant Land	Uptown	None	Realized December 2016

Past performance is not indicative of future results. Please see the disclosures above and the Important Legal Information at the end of this presentation.

Portfolio Distributions Since Clarion Takeover

Gross distributions of $74.2 million since takeover; $28.3 million current NAV



Past performance is not indicative of future results. Please see the disclosures above and the Important Legal Information at the end of this presentation.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C11

Topic: **Lone Star Investment Advisors Update**

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.071 of the Texas Government Code.

Discussion: Investment Staff will update the Board on recent performance, operational, and administrative developments with respect to DPFP investments in funds managed by Lone Star Investment Advisors.

Regular Board Meeting – Thursday, February 11, 2021

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C12

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.

DISCUSSION SHEET

ITEM #D1

Topic: **Public Comment**

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

Regular Board Meeting – Thursday, February 11, 2021

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #D2

Topic: **Executive Director's report**

a. Associations' newsletters
- NCPERS Monitor (February 2021)
- TEXPERS Pension Observer
  http://online.anyflip.com/mxfu/yhmm/mobile/index.html

b. Open Records

c. Staffing Update

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

THE NCPERS
MONITOR

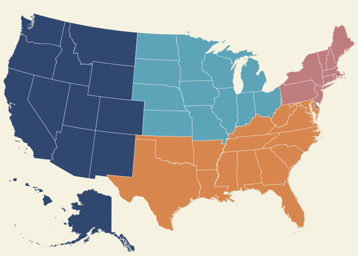
The Latest in Legislative News February 2021

In This Issue

Photo Illustration © 2021, adobestock.com

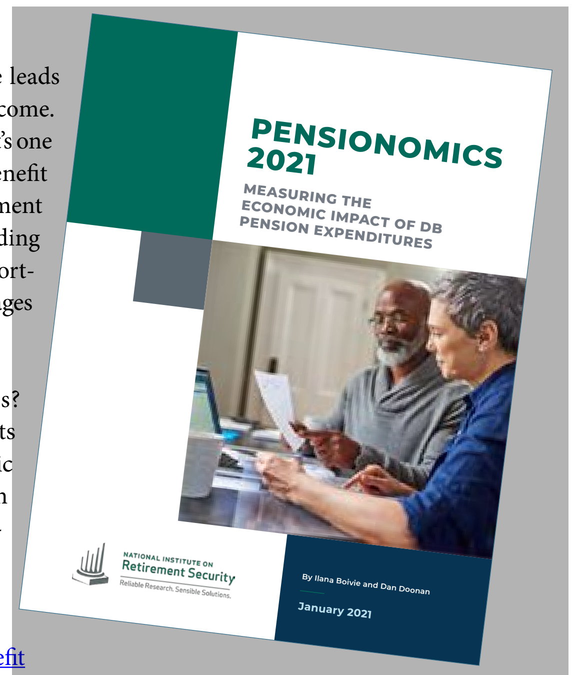
With the Senate fresh off a new power sharing agreement between the two parties and in rapid-fire succession set to consider President Biden's Covid-19 relief package.

E very year, NCPERS takes a comprehensive look at public sector retirement system practices—and every year, we learn something new.



This month, we will highlight Rhode Island, Kansas, Kentucky and California.

Public Pensions Provided $675 Billion in Economic Activity, NIRS Study Finds



In an open economy, extra income leads to spending, which creates more income. It's called the multiplier effect, and it's one of the superpowers of defined benefit pensions. By providing steady retirement income, pensions encourage the spending that helps communities thrive by supporting job creation, which in turn encourages spending. The ripples go on and on.

How big is the impact of DB plans? In 2018, spending of pension benefits generated $1.3 trillion in total economic output, supported nearly seven million jobs, and added $192 billion in government tax revenues at the federal, state and local levels. That is a key finding of Pensionomics 2021: Measuring the Economic Impact of Defined Benefit Pensions, published by the National Institute on Retirement Security (NIRS).

At a time of severe economic stress in the U.S., "retirees' spending of their pension income is critical for sustaining and stabilizing consumer spending, which supports millions of jobs across the nation," said Dan Doonan, NIRS executive director and the study's co-author. Retirees can rely upon the steady, predictable income from a DB plan. By contrast, retirees often hesitate to tap their 401(k) plan savings because their value varies, and can swing wildly during periods of upheaval.

Pension beneficiaries pay taxes directly on their pension benefits and on expenditures in the local economy, such as retail sales tax, and this props up state and local government tax revenue amid economic volatility. Beneficiaries also buy food, clothing and medicine locally and may be able to make bigger purchases such as cars, furniture and computers because their income is reliable.

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Federal Legislative Forecast for the 117th Congress

By Tony Roda

Photo illustration © 2021, adobestock.com

With the Senate fresh off a new power sharing agreement between the two parties and in rapid-fire succession set to consider President Biden's Covid-19 relief package and hold an unprecedented second impeachment trial of former President Trump, it is a good time to pause and get our bearings on which retirement-related proposals have a chance of approval in this Congress.

At the outset let me say that Congress is expected to spend considerable time on legislation to provide financial relief to private sector, collectively-bargained, multiemployer pension plans ("Taft-Hartley" plans). If this legislation is confined solely to Taft-Hartley plans, it would not affect state and local governmental plans. However, over the years the public pension community has watched the development of multiemployer legislation very closely to make sure that amendments to it are not harmful to our plans. While a Democratic-controlled Congress is unlikely to push for inclusion of reporting requirements under PEPTA, caps on discount rates, Roth mandates, or the imposition of the Unrelated Business Income Tax (UBIT) on plan assets, we will continue to be vigilant in opposing these measures.

Examining the waterfront of issues that the public plan community, in general, or a group of individual plans are advancing in Congress, three issues stand out for potential action – improvements to the HELPS provision, repeal or reform of the Windfall Elimination Provision (WEP), and an early age Medicare buy in for retired first responders.

Section 402(l) of the federal tax code, known as HELPS, allows retired public safety officers to exclude from gross income up to $3,000 per year from governmental retirement plan distributions, provided the monies are paid directly from the retirement plan to a health care or long-term care provider. There will be efforts to enhance this provision in the 117th Congress, including proposals to increase the annual exclusion amount (H.R. 4897, 116th Congress), index the exclusion amount in subsequent years, and repeal the direct payment requirement (H.R. 6436, 116th).

Second, the Social Security penalty known as WEP reduces your Social Security benefit if you earn a retirement benefit from non-Social Security covered employment (i.e., no FICA tax). Twenty five percent (25%) of all public employees are not covered by Social Security and may be impacted by the WEP penalty, which could result in receiving up to $5,555 less in their Social Security benefit each year.

Legislation was introduced in the 116th Congress to repeal WEP, S. 521, Sen. Sherrod Brown, and H.R. 141, Rep. Rodney Davis (R-IL). Legislation, S. 710, was also introduced by Sen. Pat Toomey (R-PA) to exempt public safety personnel with five years of service. Finally, separate legislation by House Ways and Means Chairman Richard Neal (D-MA) and Kevin Brady (R-TX) would provide rebates to those currently being hit by the WEP penalty and subject new Social Security recipients to a proportional formula. The bills introduced in the 116th Congress were H.R. 4540 (Neal) and H.R. 3934 (Brady). The bills include broad grandfather and

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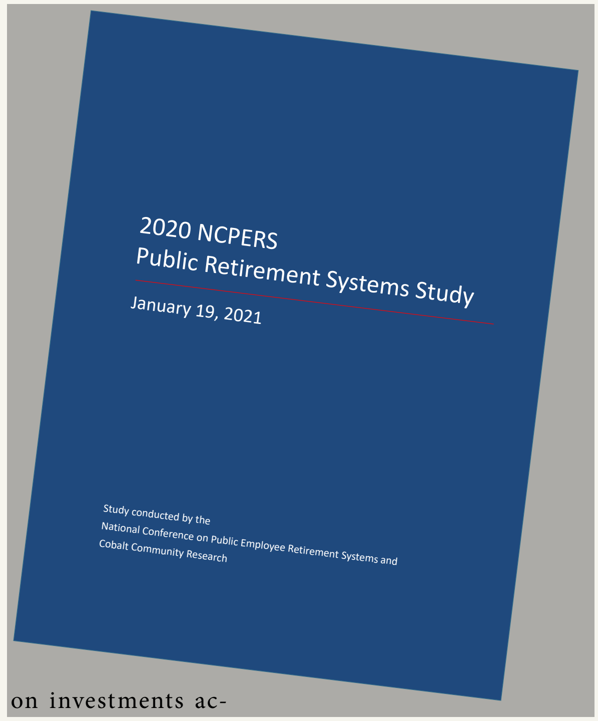
NCPERS Executive Directors Corner

PERS Study and Dashboard Offer Vital Benchmarks for Public Pension Systems



Every year, NCPERS takes a comprehensive look at public sector retirement system practices—and every year, we learn something new.

The 2020 NCPERS Public Retirement Systems Study, which we conducted between September and December, show that even before the disruption caused by the Covid-19 pandemic, public pension systems had taken a big leap forward. Keep in mind, by its nature the statistical information collected in this PERS study is backward-looking, covering the previous fiscal year. In most cases, that means calendar year 2019.

During that period, 58 percent of pension systems said their board members could participate and vote by phone or videoconference, up from 19 percent. About 54 percent of funds offered live web conferences to members, and 19 percent were considering it. The share of pension systems that had implemented enhanced online portals to allow members to access account information rose to 52 percent, from 47 percent a year earlier.

Of course, we expect to see these numbers continue to grow as we enter Year 2 of the pandemic. But it is impressive to see the level of readiness that preceded the Covid-related shutdowns that began in March 2020.

Most findings are more incremental, as one would expect from pension systems that, by their nature, operate for the long term.

The 10th annual PERS study found, for example, that earnings on investments accounted for 71 percent of public retirement system revenues, up from 69 percent a year earlier. Employer contributions provided 20 percent, down from 22 percent, and employee contributions were steady at 9 percent.

The 2020 NCPERS Public Retirement Systems Study, which we conducted between September and December, show that even before the disruption caused by the Covid-19 pandemic, public pension systems had taken a big leap forward.

The PERS study also found that the average funded level of public pensions reached 75.1 percent, up from 72.4 percent in 2019. While funded levels are not as important to pensions' sustainability as steady contributions are, the trend is positive.

Naturally, it's tricky to ascribe meaning to small shifts such as these, but the big picture is what's important. The PERS study data are a reminder that patient, long-term investing that reliably produce earnings are what truly differentiates public pensions from other retirement vehicles. Yes, employer and employee contributions matter, and when employers skip their contributions, trouble follows. But that 71 percent figure is a powerful reminder

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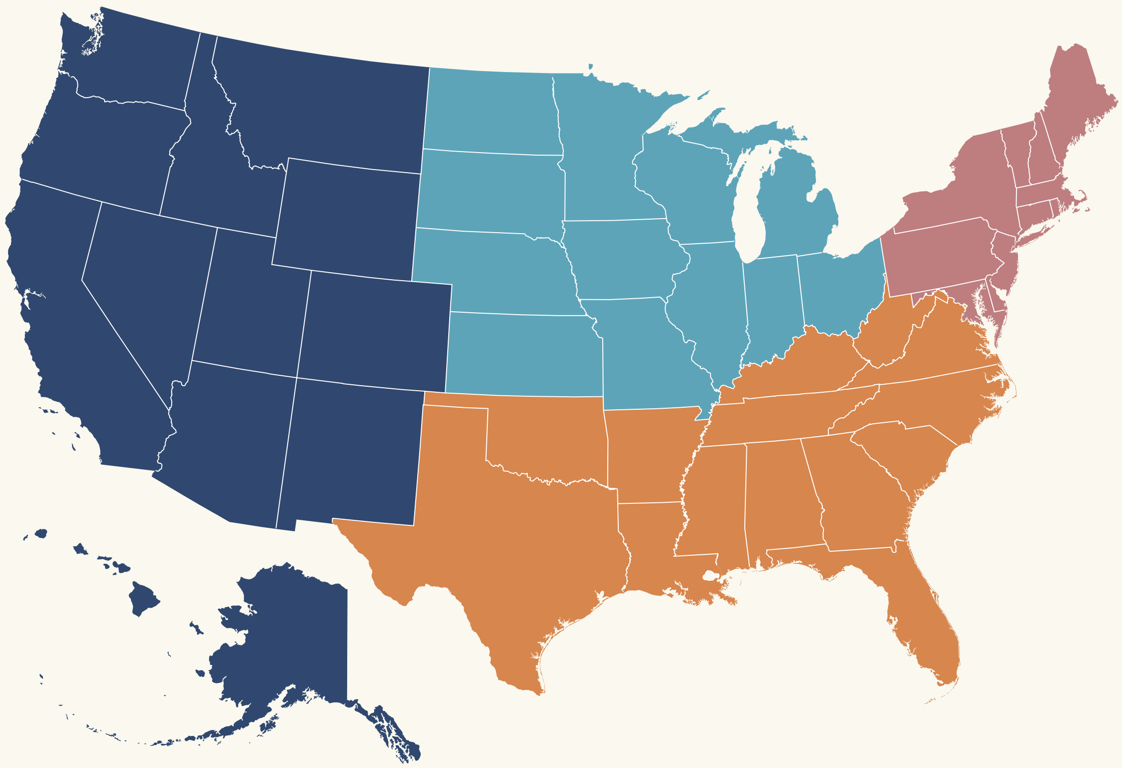
NCPERS Around the Regions

This month, we will highlight Rhode Island, Kansas, Kentucky and California.



NORTHEAST: Rhode Island

The State of Rhode Island is seeking to trim payroll costs in the wake of the Covid-19 pandemic by offering a voluntary retirement incentive: A one-time payment of up to $40,000 to state workers who are eligible to retire in 2021.

According to a memorandum distributed by the office of Brett Smiley, director of the Department of Administration, the state increased its incentive to help it "navigate the financial uncertainty associated with the pandemic and its long-term consequences."

The offer is open to participants in the Employee Retirement System of Rhode Island who were actively employed by the state as of on January 4, 2021, were in continuous employment for at least one year previous to that date, and are eligible for a full benefit retirement on or before December 31, 2020. Only those employees with a longevity amount calculated as a percentage additional to an employee's salary are covered by the voluntary retirement incentive.

The incentive is available only to those working for the executive branch, the legislature and the public defender's office. Correctional officers, sheriffs, state police and judges in the state retirement system are not eligible. Approximately 900 employees are eligible to retire, according to Department of Administration spokesman Robert Dulski told the *Providence Journal*.

Under the state's timetable, eligible workers who qualified for a 20 percent longevity bonus have until March 15 to submit notice of their intent to retire on or before April 15, 2021. Those with 17.5 percent and 15 percent longevity bonuses have until April 15 to signal their intent to retire by May 15. Others have until May 15 to submit paperwork to retire by June 15.

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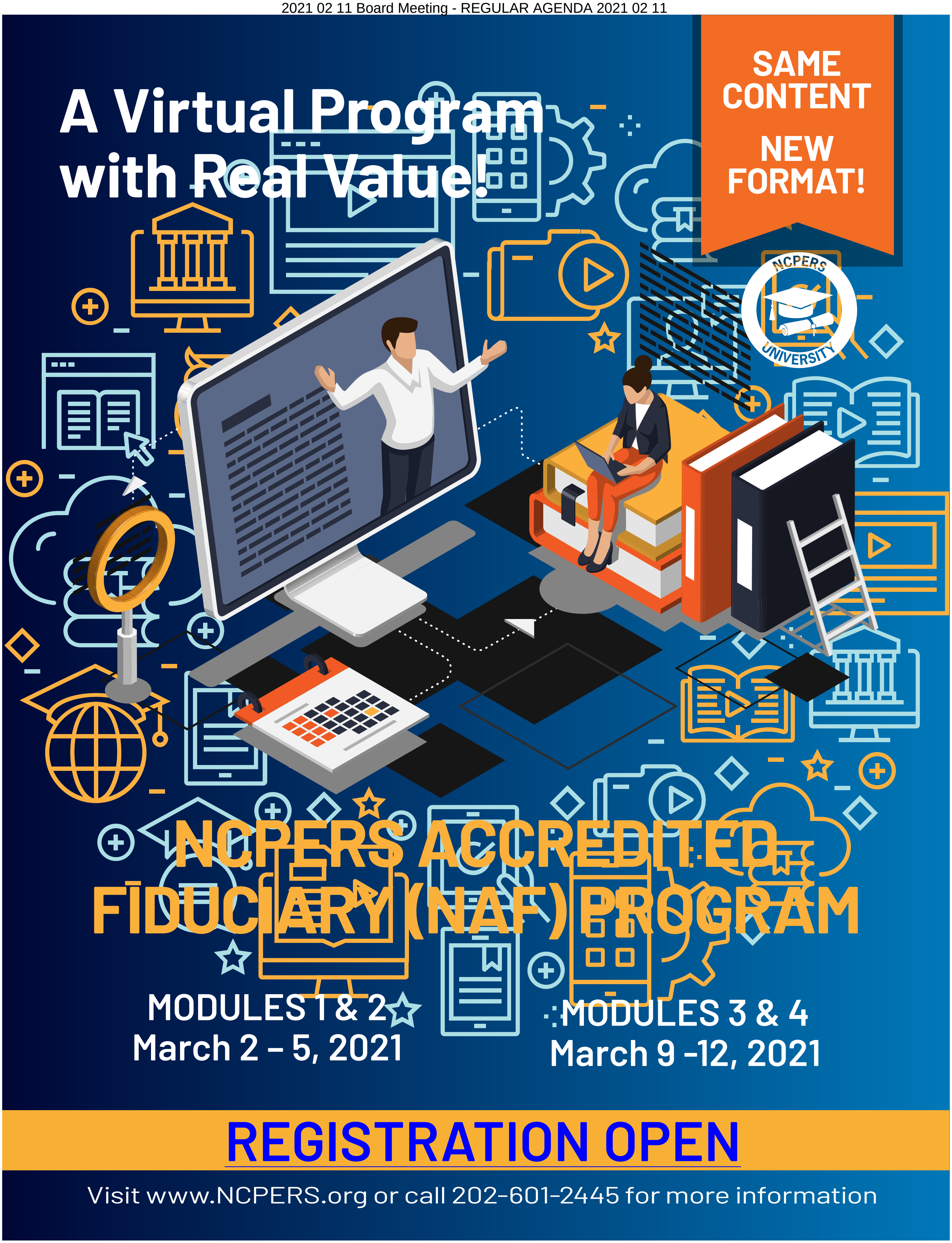

A Virtual Program with Real Value!
SAME CONTENT
NEW FORMAT!
NCPERS UNIVERSITY
NCPERS ACCREDITED FIDUCIARY (NAF) PROGRAM
MODULES 1 & 2
March 2 – 5, 2021
MODULES 3 & 4
March 9 -12, 2021
REGISTRATION OPEN
Visit www.NCPERS.org or call 202-601-2445 for more information

NIRS STUDY CONTINUED FROM PAGE 1

The study found that in 2018, $578.7 billion in pension benefits were paid to 23.8 million retired Americans. Of this total, 53 percent, or $308.7 billion, was paid to approximately 11 million state and local government retirees and their beneficiaries. Their average benefit payment was $2,335 per month, or $28,019 per year.

Expenditures made out of all DB payments collectively supported 6.9 million American jobs that paid nearly $394.2 billion in labor income, the study found. DB pensions support $1.27 trillion in total economic activity, 53 percent of which, or $674.9 billion, is attributable to state and local pensions. The value added to the national economy, as measured by gross domestic product, equals $703.9 billion, and the 53 percent share attributable to public pensions equals $375.5 billion.

Each dollar paid out in pension benefits supported $2.19 in total economic output nationally. And each taxpayer dollar contributed to state and local pensions supported $8.80 in total output nationally. This represents the leverage created by long-term investment returns as well as the funding responsibilities met by employers and employees. The largest employment impacts occurred in the real estate, food services, healthcare, and retail trade sectors, the study found.

The study included detailed information on the economic impacts of public pension on a state-by-state basis according to measures that include employment, income and output, and tax impacts. ◆

EXECUTIVE DIRECTORS CORNER CONTINUED FROM PAGE 3

that earnings are pensions' jet fuel. A long investing horizon is what positions pensions to provide safe, reliable retirement income for millions of public servants. And a funding level that is moving up—and has now surpassed 75 percent—is a powerful rebuke to critics who question public pensions' sustainability.

The annual PERS study, based on responses from 138 state and local pension systems, with 12.8 million active and retired members and assets exceeding $1.5 trillion in actuarial and market value. They were roughly evenly split between statewide pension systems—51 percent—and local pension systems—49 percent.

Because it is packed with granular detail on the fiscal and operational integrity of public pensions, the PERS study is a dynamic tool for benchmarking and comparing practices of public pension systems. We will review how to use the study's dashboard and how you can refine data to your specifications at February 16 webinar at 1 p.m. Eastern Standard Time. Both the dashboard and the webinar are part of your membership value proposition; they are available at no fee to dues-paying members only. Members use the dashboard to build their own comparisons and peer groups in order to analyze their performance, assumptions, and expenses.

Some other takeaways include:

- The average investment assumed rate of return for responding funds was 7.26 percent, compared with 7.24 percent the previous year.
- The overall average expense for all respondents to administer the funds and to pay investment management fees was 60 basis points (0.6 percent). This was an increase from 55 basis points (0.55 percent) in the 2019 survey and on par with the level in the 2018 survey.
- Among pension systems that offered a cost-of-living adjustment (COLA) to members, the average in the most recent fiscal year was 1.7 percent, slightly higher than a year earlier. Many responding funds did not offer a COLA in the most recent fiscal year.
- Funds reported one-year returns averaging 8.1 percent, five-year returns of 6.8 percent annually, 10-year returns of 8.7 percent annually and 20-year returns of 6.3 percent annually. The 20-year returns fell below the assumed rate of return as the strong performance of the late 1990s began to roll off the average.
- In all, 52 percent of responding funds said they lowered their assumed rate of return, and 17 percent are considering this measure.
- Some 31 percent set higher benefit age and service requirements, and 4 percent are considering doing so.
- Thirty-four percent increased employee contributions, and 12 percent are considering this option.
- Just more than half of respondents—51 percent—excluded overtime pay from the benefit calculation in their most recent fiscal year, versus 55 percent a year earlier.

The PERS study is rich with detailed, relevant information. We hope you'll dig into the data and put it to work for you. And we hope to see you at the February 16 webinar. ◆

FORECAST FOR THE 117TH CONGRESS CONTINUED FROM PAGE 2

hold harmless protections to ensure that no one would put in a negative position by enactment of the new legislation.

Finally, our nation's first responders generally retire in their mid-fifties. That is well short of the Medicare eligibility age of 65. Given rising costs, state and local employers are finding it increasingly difficult to provide retiree health care. In the 116th Congress, Sen. Sherrod Brown (D-OH) and Rep. Tom Malinowski (D-NJ) introduced identical legislation, S. 2522 and H.R. 4527, respectively, which would allow retired first responders who have reached age 50 to buy into Medicare under the same terms as individuals who have reached the current eligibility age of 65. All facets of Medicare – Part A (hospital insurance), Part B (medical insurance), Part C (Medicare Advantage) and Part D (prescription drug coverage) – would be available. We expect the legislation to be reintroduced in this current Congress and for this proposal to be part of the debate on Medicare and health care reform.

In addition, Congress has been looking at a raft of other pieces of legislation that could bear on public pension plans, including Required Minimum Distributions (RMDs) and investments in infrastructure.

Federal tax law was changed through enactment of the SECURE Act at the end of 2019 to increase the age trigger for Required Minimum Distributions (RMDs) to 72 from the previous age of 70 ½. The RMD rules apply to Internal Revenue Code Section 401(a) plans, 401(k) plans, governmental 457(b) plans, 403(b) plans, and IRAs. RMDs do not apply to Roth accounts.

At the end of the 116th Congress, legislation was pending to increase the age trigger yet again. The House bill would have increased the age to 75 beginning in year 2021; the Senate bill would have moved the trigger to age 75 as well but not until 2029. In addition, the House legislation included an exception from the RMD rules for holders of small accounts, which was defined as aggregate defined contribution account holdings of less than $100,000.

On infrastructure, House Budget Committee Chairman John Yarmuth (D-KY) has been working on legislation that would create a National Infrastructure Development Bank, which would be financed through the sale of $75 billion worth of Rebuild America Bonds on the credit of the U.S. Treasury. Importantly for the public pension plan community, the bonds may be purchased only by pension plans – both plans governed by ERISA and governmental plans as defined by ERISA, which includes state and local governmental pension plans. The bonds will bear an interest rate of 200 basis points above the 30-year Treasury bond.

Also, some proponents of greater participation by public plans in infrastructure investing argue that it would be a benefit to plans to have full or partial ownership of the actual infrastructure asset and the revenue stream produced by that asset. They have identified a barrier in federal tax law to such acquisitions, namely whether public pension plans would meet the criteria for an instrumentality of one or more states or political subdivisions. Legislation may be introduced on this technical tax matter.

Please be assured that NCPERS will closely monitor the issues outlined in this article as well as new issues that arise. We will keep our members informed of significant developments. ◆

Tony Roda is a partner at the Washington, D.C. law and lobbying firm Williams & Jensen, where he specializes in federal legislative and regulatory issues affecting state and local governmental pension plans. He represents NCPERS and statewide, 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 Catholic University of America, and LL.M (tax law) from Georgetown University.

NCPERS Around the Regions

AROUND THE REGIONS CONTINUED FROM PAGE 4

MIDWEST: Kansas

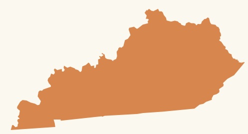
The newly appointed Kansas State Treasurer, Democrat Lynn Rogers, is expected to throw his support behind Governor Laura Kelly's push to refinance the Kansas Public Employee Retirement System, the *Kansas Reflector* reported.

Kelly, also a Democrat, has proposed unsuccessfully for two years to pay the next 12 years' worth pension over 25 years, but the plan has met with strong Republican opposition in the legislature. The Kansas Reflector quoted Rogers as warning that the legislature faces a difficult task if it does not refinance annual KPERS payments that are set to balloon by $300 million.

"If they don't want the governor or KPERS to reamortize, then they have to commit to funding the payments that are going to be escalating for the next few years," Rogers said. Kansas, like many states, is experiencing fiscal strains because of the pandemic.

Kelly tapped Rogers, who was formerly her lieutenant governor, to fill was treasurer's role after it was vacated by Jake LaTurner, a Republican who was elected to Congress in November. Rogers, a former banker, state senator, and Wichita Board of Education president, was sworn into office on January 4.

SOUTH: Kentucky



Pensions are expected to be on the agenda as Kentucky's General Assembly convenes for a legislative session that runs through March 30.

Under consideration: House Bill 258, proposed on January 13 by Rep. C. Ed Massey, a Republican. It would switch newly hired teachers to a hybrid pension plan, a step toward moving the defined benefit pension system over time toward a defined contribution plan. It would apply to educators who enter the Teachers Retirement System (TRS) after January 1, 2022.

Also on January 13, Massey also introduced House Bill 8, which would change the method for determining employers' contribution to amortize the unfunded actuarial accrued liability among employers in the KERS Non-Hazardous System. Currently employers contribute a percentage of their covered payroll; the proposed legislation would allocate a dollar contribution amount that is based on the percentage of the System's total actuarial accrued liability that is attributable to each employer's current and former employees.

In other news from the Bluegrass State, the Kentucky Retirement System has welcome a new chief investment officer, Steven Herbert. He arrives as the KRS is preparing to be split into three board systems. Effective April 1, one board will oversee the two separate plans for state employees and state police; the second will oversee county plans; and the third will oversee ongoing and administration and investment management of the entire system.

Chief Investment Officer reported that one of the first steps for Herbert will be to determine how to split up assets that previously belonged to a single trust. These assets include illiquid funds allocated among 70 private equity managers.

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AROUND THE REGIONS CONTINUED FROM PAGE 8

WEST: California

It was bound to happen. Advisors, sniffing opportunity, are looking for ways promote alternatives to the highly successful CalSavers program.

CalSavers establishes a way for employers who don't already offer retirement savings benefits to their workers to do so through a state-run program. Modeled on the SecureChoice model championed by NCPERS, CalSavers had enrolled 244,000 Californians by the end of 2020—68 percent of them in the last three months of the year, following the first registration deadline for the largest employers. Nearly 100,000 were already saving by the end of the year, and had amassed $28.4 million.

Along comes the California 401(k) Plan, which promotes itself as a pooled employer plan (PEP) sponsored by the 401(k) Plan Co.

Which is what, exactly?

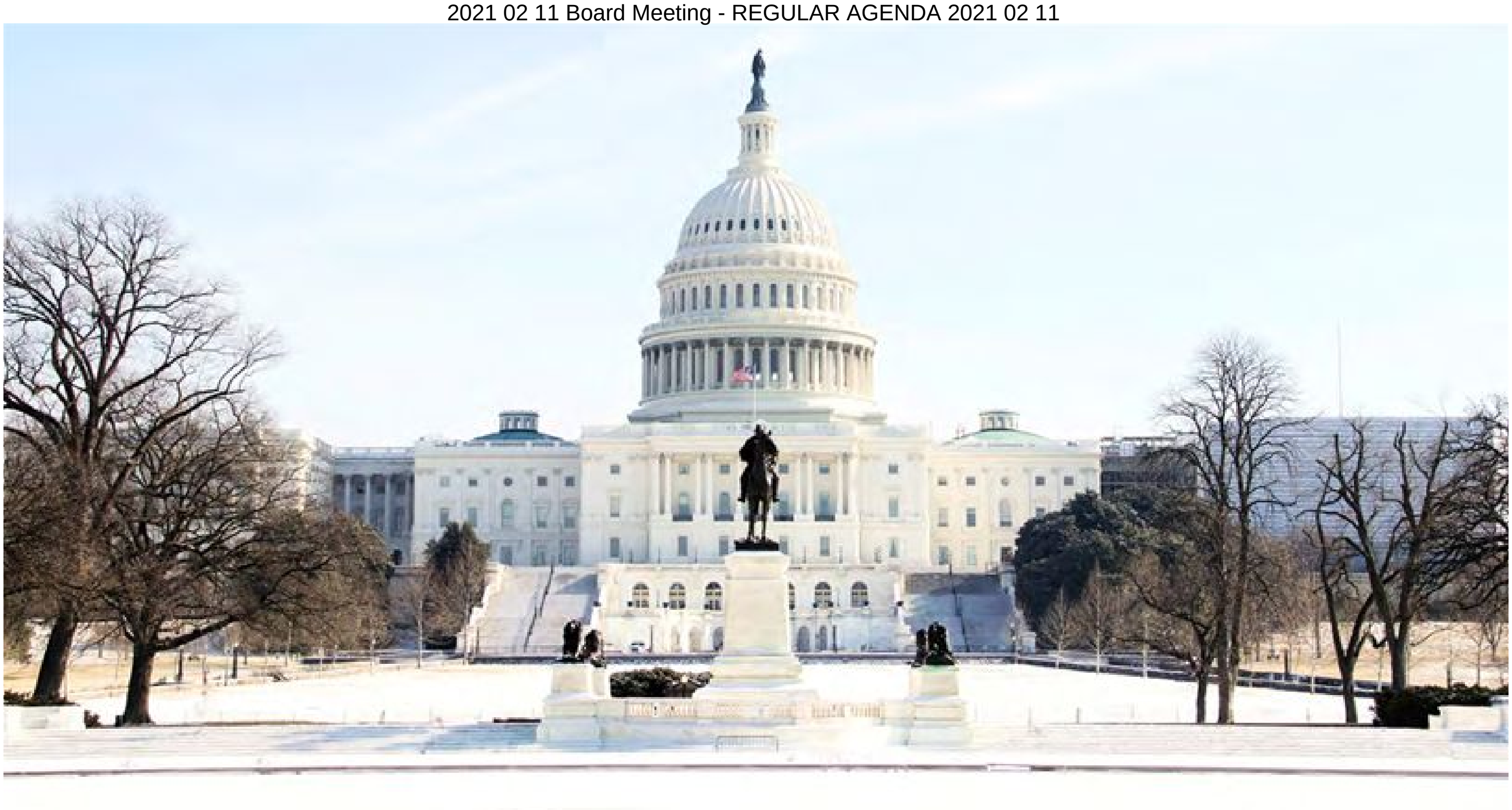
It's a brand new (September 2020) private sector effort to leech whatever it can from a carefully vetted program run by professional investors. It is the brainchild of Thomas Frost, a graduate of St. Lawrence University, who notes in his biography that he was president of student government in 1997 and also graduated from "Kent, School" in Connecticut. We're pretty sure he means Kent School.

As Frost's LinkedIn page proclaims, "We are an aspirin for CFO and HR 401(k) Headaches. No really, we 'actually' solve the issues you are resigned that you have to do: Goodbye Audit, Goobdye 5500, Goodbye Notice requirements, 'Hello Best Interest!'"

Yes, Goobdye.

Frost continues: "As you can tell, I'm a pretty focused, but flexible and determined person. After all, in 2008 I was named the number one Advisor in California, 11th nationally, and today I advise to well over $50MM of 401(k) assets, so what you are reading is the capstone apex of my career."

Well, yes, if his last notable achievement was in 2008, we're pretty sure this is his career capstone. "All we can say to Tom Frost is Goobdye and Goobdluck," said Hank Kim, NCPERS executive director and chief counsel. ◆



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Calendar of Events 2021

February

NCPERS FALL Conference
February 2 -3, 2021
Virtual

March

NCPERS Accredited Fiduciary Program (NAF): Modules 1&2
March 2 – 5, 2021
Virtual

NCPERS Accredited Fiduciary Program (NAF): Modules 3&4
March 9 -12, 2021
Virtual

April

2021 Legislative Conference Webcast
April 20, 2021

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