

Dallas Police and Fire Pension System
Thursday, April 13, 2017
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

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

ROLL CALL

Board Members

Present at 8:31	Samuel L. Friar, Kenneth S. Haben, Joseph P. Schutz, Brian Hass, Erik Wilson, Tho T. Ho, Gerald D. Brown, Clint Conway, Kenneth Sprecher
Present at 8:32	Jennifer S. Gates
Present at 8:53	Philip T. Kingston
Present at 9:07	Scott Griggs
Absent:	none

Staff

Kelly Gottschalk, Josh Mond, Summer Loveland, John Holt, Damion Hervey, Pat McGennis, Ryan Wagner, Milissa Romero, Christina Wu, Greg Irlbeck, Linda Rickley, Cynthia Thomas, Ann Matthews, Trish Wiley, Aimee Crews

Others

Chuck Campbell, Jeff Williams (by telephone), Ron Pastore, Mark Morrison, Bohdy Hedgcock (by telephone), Michael Yang, Jill Svoboda, Rachel Pierson, Ron Weimer, Larry Goldsmith, Paul Jarvis, Gilbert Travis, David Elliston, Ennis Hill, Lloyd D. Brown, Joseph Freeze, Dale Erves, Paul Ellzey, David Dodson, Rick Salinas, Larry Williams, Lingburge Williams, Tom Moore, Julian Bernal, H. Holland, H. R. Andrews, A. D. Donald, Jerry M. Rhodes, Jesse Hill, Jerry Minter, William A. Paris, Jr., Sal Morales, Joel Lavender, Gart S. Beck, Phillip Murray, Sandy Alexander, Wally Guerra, Mike Grimm, Jake Shannon, Brittany Jeffers, Monica Hernandez, Thomas Costley, Ken Kalthoff, Chris Kang, Tristan Hallman, Zaman Hemani, Josh Womack, James Rose

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

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**Regular Board Meeting
Thursday, April 13, 2017**

A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of active police officers, Timothy B. Casey and Mitchell L. Hamm, retired police officers, James L. Almond, Daniel H. Davis, J. L. Angell, Timothy R. Vought, Gary B. Price, Leonard L. Duncan, Jr., J. Harold Jones, and retired firefighters, Joseph E. Dempsey, Billy M. Bardwell, and Randall L. Dixon.

No motion was made.

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B. CONSENT AGENDA

1. Approval of Minutes

- a. Regular meeting of February 9, 2017
- b. Special meeting of February 14, 2017
- c. Special meeting of February 20, 2017
- d. Special meeting of February 27, 2017
- e. Regular meeting of March 9, 2017

2. Approval of Refunds of Contributions for the Month of March 2017

3. Approval of Estate Settlements

4. Approval of Survivor Benefits

5. Approval of Service Retirements

6. Approval of Alternate Payee Benefits

7. Approval of Payment of Military Leave Contributions

8. Denial of Unforeseen Emergency Requests

After discussion, Mr. Brown made a motion to approve the items on the Consent Agenda, subject to the final review of the staff. Mr. Haben seconded the motion, which was unanimously approved by the Board. Messrs. Griggs and Kingston were not present when the vote was taken.

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**Regular Board Meeting
Thursday, April 13, 2017**

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Trustee election

- a. Certify election results
- b. Call for a run-off election and approve related ballot material, if necessary

- a. Ms. Gottschalk stated that at the January 12, 2017 meeting, the Board called an election to fill four Trustee positions that expire on June 1, 2017. Voting for the 2017 Trustee Election began on Friday, March 24, 2017 at 8:00 a.m. and ended at 12:00 p.m. on Friday, April 7, 2017. The Board's Trustee Election Procedures require that the Board certify the results of the election.

Kenneth Sprecher received a majority of the votes cast for Police Pensioner Trustee Place #1 and is elected as Police Pensioner Trustee Place #1 for the term of office from June 1, 2017 through May 31, 2021.

Larry D. Williams received a majority of the votes cast for Fire Pensioner Trustee Place #1 and is elected as Fire Pensioner Trustee Place #1 for the term of office from June 1, 2017 through May 31, 2021.

The results of the 2017 Trustee Election, as reported by Election America, Inc. and the Pension System Executive Director, are shown in Minute Book Number 45, page _____.

Kenneth Haben was unopposed for Police Trustee Place P-1; therefore, according to the Trustee Election Procedures, no election was held for that trustee place and he is deemed elected as Police Trustee, Place P-1 for the term of office from June 1, 2017 through May 31, 2021.

Samuel Friar was unopposed for Fire Trustee Place F-1; therefore, according to the Trustee Election Procedures, no election was held for that trustee place and he is deemed elected as Fire Trustee, Place F-1 for the term of office from June 1, 2017 through May 31, 2021.

- b. No run-off election was needed, since one candidate in each Place received a majority of the votes cast in the election.

After discussion, Mr. Conway made a motion to certify the Trustee Election results. Mr. Schutz seconded the motion, which was unanimously approved by the Board. Messrs. Griggs and Kingston were not present when the vote was taken.

Regular Board Meeting Thursday, April 13, 2017



Election-America, Inc.
1775 Eye Street NW, Suite 1150
Washington, DC 20006
Phone: (202) 360-4420
Toll Free: (866) 514-2995
services@election-america.com



Official Declaration of the Vote 2017 DPFPS Trustee Election Certified Results

Provided by Election-America, Inc.

2017 DPFPS Trustee Election

Race	Candidate	Votes
Fire Pensioner Trustee, Place 1	Jerry T. Minter	184
	Larry D. Williams	303
	<i>Total</i>	<i>487</i>

Police Pensioner Trustee, Place 1	Thomas D. Bowers	88
	Kenneth Sprecher	373
	Joseph Thompson	188
	<i>Total</i>	<i>649</i>

**Regular Board Meeting
Thursday, April 13, 2017**

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2. Discussion and possible action on Legislative Matters

- a. Status of DPFPP plan legislation
- b. Other pension-related legislative issues
- c. Consideration of Board support for proposal to reallocate sales tax from DART

Staff updated the Board on the status of the City's and DPFPP's proposed plans at the legislature as well as status of the discussions between the City and DPFPP. Jeff Williams, of Segal Consulting, DPFPP's actuary, was available by telephone to answer questions.

Staff briefed the Board on pension bills that have been filed which may bear on DPFPP.

Based on the Board's direction at the March 13, 2017 Board meeting, staff proposed a resolution for consideration of Board support for a proposal to reallocate sales tax from Dallas Area Rapid Transit (DART).

After discussion, Mr. Sprecher made a motion to adopt the proposed resolution. Mr. Griggs seconded the motion, which was passed by the following vote:
For: Sprecher, Griggs, Friar, Haben, Schutz, Hass, Ho, Brown, Conway, Kingston
Against: Gates, Wilson

The Board resolution is shown below.

RESOLVED, that the Board of Trustees of the Dallas Police and Fire Pension System supports increased funding from the City of Dallas in order to ensure the solvency of DPFPP through any means the City of Dallas deems appropriate which may include the use of a portion of sales taxes currently required to be paid to the Dallas Area Rapid Transit.

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Regular Board Meeting
Thursday, April 13, 2017

3. Consideration of possible Deferred Retirement Option Plan (DROP) accounts distribution in accordance with DROP Policy Addendum

- a.** Certification of reserve amount
 - b.** Certification of excess liquidity amount
 - c.** Determination of distribution amount
- a.** The Staff presented the components of the reserve amount calculated in accordance with the DROP Policy Addendum for the Board's consideration. The reserve amount is used in determining whether DROP distributions are available for payment to eligible members for the current month and considers the following obligations that are essential to DPF's efficient administration:
- i.** No less than 12 months of monthly annuity benefit payments, less monthly contributions for the same period;
 - ii.** No less than 12 months of anticipated operating expenses;
 - iii.** No less than 12 months of Minimum Annual Distributions pursuant to the DROP Policy Addendum;
 - iv.** All anticipated Required Minimum Distributions for the coming year;
 - v.** All outstanding indebtedness; and
 - vi.** All outstanding capital commitments for existing private market investments as well as no less than 12 months of other anticipated investment-related expenditures.
- b.** The Staff presented the determination of the excess liquidity amount calculated in accordance with the DROP Policy Addendum for the Board's consideration. The excess liquidity amount represents the amount of total liquid assets in excess of 1) the reserve amount, and 2) the Minimum Annual Distributions to be paid for the current month.
- c.** The Staff discussed the possible effects of payment of excess liquidity amounts on the efficient administration of DPF.

After discussion, Mr. Sprecher made a motion to adjust the 5% volatility allowance down to 3% in order to allow an excess liquidity amount for DROP distributions. The motion failed for the lack of a second.

**Regular Board Meeting
Thursday, April 13, 2017**

3. Consideration of possible Deferred Retirement Option Plan (DROP) accounts distribution in accordance with DROP Policy Addendum (continued)

After discussion, Mr. Kingston made a motion to certify the reserve amount of \$952,058,521, the excess liquidity amount of \$0.00, and pass a resolution that, as a result, no amounts are available for pro-rata distribution in April 2017 under Section 5 of the DROP Policy Addendum adopted by the Board on January 12, 2017. Mr. Schutz seconded the motion, which was approved by the Board by the following vote:

For: Kingston, Schutz, Friar, Haben, Griggs, Hass, Gates, Wilson, Ho, Brown, Conway

Against: Sprecher

The Resolution is shown in Minute Book 45 on Pages ___.

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The meeting was recessed at 9:55 a.m.

The meeting was reconvened at 10:07 a.m.

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**Regular Board Meeting
Thursday, April 13, 2017**

Resolution

WHEREAS, the Board of Trustees adopted a DROP Policy Addendum at its meeting of January 12, 2017 to ensure that distribution of DROP accounts was consistent with the efficient administration of the System;

WHEREAS, Section 2.c. of the Addendum provides that the Board is to certify a "Reserve Amount" that is necessary to satisfy obligations essential to the efficient administration of the System, including obligations relating to outstanding indebtedness;

WHEREAS, Section 2.b. recognizes that the Reserve Amount will vary as the needs associated with the obligations comprising the Reserve Amount change and that it should include amounts necessary to ensure the System can satisfy its obligations in a prudent and efficient manner;

WHEREAS, the System currently has outstanding indebtedness in connection with its interest in Red Consolidated Holdings (RCH), and the terms of such debt require that the System maintain a certain level of assets;

WHEREAS, the Board has been presented with information that reveals that failure to maintain the required level of assets under the System would have an adverse impact on the System's interest in RCH that would be inconsistent with the efficient and prudent administration of the System;

WHEREAS, the Board has been presented with information by staff that sets forth a recommended Reserve Amount that includes an amount that the staff believes is reasonably necessary to ensure that the level of the System's assets do not fall below the level required under the outstanding indebtedness in connection with the System's interest in RCH;

WHEREAS, the Board otherwise finds that the recommended Reserve Amount is consistent with an appropriate liquidity reserve that should be retained by the System in its present circumstances;

WHEREAS, Section 3.b. of the Addendum provides that the Board is to certify an "Excess Liquidity Amount", which is equal to the amount that the total liquid assets

Approved April 13, 2017

**Regular Board Meeting
Thursday, April 13, 2017**

held by the System exceed the Reserve Amount as of the date the Board certifies the Reserve Amount and any minimum annual distributions as described in Section 7 of the Addendum;

WHEREAS, Section 5.a of the Addendum provides that the Excess Liquidity Amount certified by the Board will be available for pro-rata distribution to eligible DROP participants that have made a valid request under the terms of the Addendum;

WHEREAS, the Board has been presented with information by staff that shows that the total liquid assets of the System will not exceed the Reserve Amount and the amount of minimum annual distributions, and thus no Excess Liquidity Amount is available for pro-rata distribution; and

WHEREAS, Section 7.c of the Addendum provides that the unavailability of the pro-rata distribution does not impact the minimum annual distributions under Section 7 of the Addendum;

NOW THEREFORE, BE IT RESOLVED that, pursuant to the Section 2.c. of the Addendum, the Board certifies a Reserve Amount equal to \$952,058,521, which is the amount that the Board determines is necessary to satisfy the obligations essential to the System's efficient administration and includes amounts necessary for the System to retain an adequate level of total assets to ensure contractual obligations under outstanding indebtedness related to the System's interest in RCH are satisfied;

RESOLVED further that, pursuant to Section 3.b. of the Addendum, the Board certifies an Excess Liquidity Amount of \$0.00, as total liquid assets held by the System do not exceed the Reserve Amount certified by the Board, and as a result, no amounts are available for pro-rata distribution under Section 5 of the Addendum.

RESOLVED further that the Board also acknowledges that the minimum annual distributions will still proceed and be unaffected by this action as provided under Section 7.c. of the Addendum.

Approved April 13, 2017

**Regular Board Meeting
Thursday, April 13, 2017**

4. Legal issues

- a. Police Officer and Firefighter pay lawsuits
- b. Potential claims involving fiduciaries and advisors
- c. Eddington et al. v. DPFPP
- d. Rawlings v. DPFPP
- e. DPFPP v. Columbus A. Alexander III
- f. Degan et al. v. DPFPP (Federal suit)

The Board went into a closed executive session – legal at 10:07 a.m., which included all 12 Trustees.

The meeting was reopened at 10:32 a.m.

No motion was made.

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Mr. Wilson left the meeting at 10:32 a.m.

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5. AEW portfolio review

Ron Pastore and Mark Morrison, of AEW, updated the Board on the status and plans for DPFPP’s investments in RED Consolidated Holdings (“RCH”), Camel Square, and Creative Attractions.

The Board went into a closed executive session – real estate at 10:53 a.m.

The meeting was reopened at 2:02 p.m.

Mr. Wilson was not present for this item.

Mr. Griggs left the meeting at 1:03 p.m.

No motion was made.

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**Regular Board Meeting
Thursday, April 13, 2017**

6. Clarion Partners: 1210 South Lamar

Bohdy Hedgcock, of Clarion Partners, updated the Board by telephone on the sale of the 1210 South Lamar multifamily investment.

The Board went into closed executive session – real estate at 10:53 a.m.

The meeting was reopened at 2:02 p.m.

Messrs. Griggs and Wilson were not present for this item.

No motion was made.

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7. NEPC: Real estate portfolio review

Michael Yang, NEPC, DFPF’s investment consultant, presented an overview of the real estate allocation including a detailed review of separate account holdings.

The Board went into closed executive session – real estate at 10:53 a.m.

The meeting was reopened at 2:02 p.m.

Messrs. Griggs and Wilson were not present for this item.

No motion was made.

Mr. Kingston left the meeting at 2:02 p.m.

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The meeting was recessed at 2:02 p.m.

The meeting was reconvened at 2:14 p.m.

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Regular Board Meeting
Thursday, April 13, 2017

8. Investment reports

Staff reviewed the investment performance and rebalancing reports for the period ending March 31, 2017 with the Board.

No motion was made.

Messrs. Griggs, Kingston, and Wilson were not present for this item.

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9. Executive Director Authority under Investment Policy Statement

Ms. Gottschalk stated that the current Investment Policy Statement (IPS), which was approved in May 2016, included asset class targets and ranges. Pursuant to the IPS, staff has authority to rebalance to the upper and lower bounds of the target asset class ranges with the investment consultant's approval.

At the November 2016 Board meeting, it was noted that since several asset classes were at or below the lower bound of the target range, rebalancing certain asset classes below the lower bound of the range would be required. At that meeting, the Board approved a motion allowing staff and the investment consultant, for a six-month period ending with the April 13, 2017 Board meeting, to (i) rebalance outside the target ranges set forth in the IPS or (ii) terminate managers for rebalancing purposes, in both situations where prior approval of the Board is not possible due to timing and it is the Executive Director's determination that such rebalancing is in DPF's best interest, provided that if such actions are taken, the Board is advised at the next regularly scheduled Board meeting.

After discussion, Mr. Conway made a motion to extend the Executive Director's authority for an additional five-month period ending with the September 8, 2017 Board meeting, the motion approved by the Board at the November 2016 meeting to (i) rebalance outside the target ranges set forth in the IPS or (ii) terminate managers for rebalancing purposes, in both situations where prior approval of the Board is not possible due to timing and it is the Executive Director's determination that such rebalancing is in DPF's best interest, provided that if such actions are taken, the Board is advised at the next regularly scheduled Board meeting. Mr. Brown seconded the motion, which was unanimously approved by the Board. Messrs. Griggs, Kingston, and Wilson were not present for this item.

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**Regular Board Meeting
Thursday, April 13, 2017**

10. 2016 audit plan

Jill Svoboda, and Rachel Pierson, of BDO, DFPF's external independent audit firm, were present to discuss their audit plan for the year ended December 31, 2016.

No motion was made.

Messrs. Griggs, Kingston, and Wilson were not present for this item.

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11. Annual 2016 budget review

Ms. Loveland reviewed actual expenses as compared to the budget for the calendar year 2016.

No motion was made.

Messrs. Griggs, Kingston, and Wilson were not present for this item.

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12. Employee recognition – First Quarter 2017

- a. Employee Service Award
- b. Employee of the Quarter award

a. Mr. Friar and Ms. Gottschalk presented Employee Service Awards to Annette Matthews, Retirement Counselor, for ten years of service, Patricia McGennis, Benefits Manager, for fifteen years of service, and Carol Huffman, Executive Secretary, for forty years of service.

**Regular Board Meeting
Thursday, April 13, 2017**

12. Employee recognition – First Quarter 2017 (continued)



**Regular Board Meeting
Thursday, April 13, 2017**

12. Employee recognition – First Quarter 2017 (continued)



- b. Mr. Friar and Ms. Gottschalk presented a performance award for Employee of the Quarter, First Quarter 2017, to Kimberly L. Boone, Administrative Clerk.



No motion was made.

**Regular Board Meeting
Thursday, April 13, 2017**

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

- a. BTIG Value Manager Event/Berkshire Hathaway Shareholders Meeting
- b. Developing Managerial Skills
- c. TEXPERS Annual Conference

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

- a. BTIG Value Manager Event/Berkshire Hathaway Shareholders Meeting

Mr. Schutz

- b. Developing Managerial Skills

Mr. Schutz

- c. TEXPERS Annual Conference

Messrs. Friar, Haben, Brown

No motion was made.

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14. Unforeseeable Emergency Requests from DROP Members

There were no Unforeseeable Emergency Requests from DROP members requiring Board action.

No discussion was held.

No motion was made.

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15. Amendment of Group Trust Declaration

Staff briefed the Board on a technical amendment to the Group Trust Declaration.

After discussion, Mr. Brown made a motion to adopt the proposed amendment to the Group Trust Declaration. Mr. Haben seconded the motion, which was

**Regular Board Meeting
Thursday, April 13, 2017**

15. Amendment of Group Trust Declaration (continued)

unanimously approved by the Board. Messrs. Griggs, Kingston, and Wilson were not present for this item.

After discussion, Mr. Brown made a motion to adopt the proposed amendment to the Group Trust Declaration. Mr. Haben seconded the motion, which was unanimously approved by the Board. Messrs. Griggs, Kingston, and Wilson were not present for this item.

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16. Performance review of the Executive Director

The Board went into closed executive session – personnel at 3:23 p.m.

The meeting was reopened at 4:26 p.m.

After discussion, Mr. Conway made a motion to approve a \$10,000 salary increase and a one-time bonus of \$10,000. Mr. Ho seconded the motion, which was unanimously approved by the Board. Messrs. Griggs, Kingston, and Wilson were not present for this item.

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D. BRIEFING ITEMS

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

The Board received comments during the open forum.

No motion was made.

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**Regular Board Meeting
Thursday, April 13, 2017**

2. Executive Director's report

- a. Future Education and Business Related Travel
- b. Future Investment Related Travel
- c. Associations' newsletters
 - NCPERS Monitor (March 2017)
 - NCPERS PERSist (Winter 2017)

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

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Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Haben and a second by Mr. Ho, the meeting was adjourned at 4:27 p.m.

[signature]

Samuel L. Friar
Chairman

ATTEST:

[signature]

Kelly Gottschalk
Secretary