

AGENDA



Date: August 4, 2017

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, August 10, 2017, in the Second Floor Board Room at 4100 Harry Hines Boulevard, Dallas, Texas.** 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 July 13, 2017

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

3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for August 2017

- 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 DROP Revocation Contributions**
- 9. Denial of Unforeseen Emergency Requests**

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

- 1. Financial reports**
- 2. Budget review for the first six months of Calendar Year 2017**
- 3. Investment reports**
- 4. 401(a) Money Purchase Plan**
- 5. Violation of federal law (USERRA) by the City of Dallas**
- 6. Excess Benefit Plan and Trust – Plan Amendment**

7. Legal issues

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.

- a.** Police Officer and Firefighter pay lawsuits
- b.** Potential claims involving fiduciaries and advisors
- c.** Eddington et al. v. DPF
- d.** Rawlings v. DPF
- e.** DPF v. Columbus A. Alexander III
- f.** Degan et al. v. DPF (Federal suit)
- g.** City of Dallas violation of USERRA

8. Pension Payroll Deduction Policy

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

- a.** PRB: MET Online Core Training: Fiduciary Matters and Investments
- b.** PRB: MET Online Core Training: Investments

10. Unforeseeable Emergency Requests from DROP Members

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.078 of the Texas Government Code.

11. Recognition of outgoing Trustees

D. BRIEFING ITEMS

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

- 2. Executive Director's report**

Associations' newsletters

- NCPERS Monitor (July 2017)
- NCPERS PERSist (Summer 2017)

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.



ITEM #A

MOMENT OF SILENCE

In memory of our Members and Pensioners who recently passed away

(July 8, 2017 – July 26, 2017)

NAME	ACTIVE/ RETIRED	DEPARTMENT	DATE OF DEATH
George W. Bolling	Retired	Police	July 8, 2017
James M. Lewis	Retired	Police	July 15, 2017
Charles N. Boyd	Retired	Fire	July 16, 2017
Larry G. Dalton	Active	Fire	July 16, 2017
Jackie L. Cranford	Retired	Police	July 19, 2017
Larry K. Reynolds	Retired	Fire	July 26, 2017

Dallas Police and Fire Pension System
Thursday, July 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 8:30 Samuel L. Friar, Kenneth S. Haben, Joseph P. Schutz, Brian Hass,
Jennifer S. Gates, Tennell Atkins, Tho T. Ho, Larry D. Williams, Clint
Conway, Kenneth Sprecher
Present at 9:19 Scott Griggs
Absent: Philip T. Kingston

Staff

Kelly Gottschalk, Josh Mond, Summer Loveland, John Holt, Pat
McGennis, Ryan Wagner, Milissa Romero, Christina Wu, Greg
Irlbeck, Linda Rickley, Cynthia Thomas

Others

Jeff Williams, Samantha Allen, Jill Svoboda, Rachel Pierson, Keith
Stronkowsky, Ashley B. Hyotte, Tom Heflin, Laurence Bensafi (by
telephone), David Muller, John Ricketts, Robert Gauss, Eric Dawes
(by telephone), Ed Stewart, Lloyd D. Brown, James Freeman, Carolyn
Freeman, J. M. Dunn, Joel Lavender, James Elliston, Tristan Hallman,
Lori Brown, Ken Kalthoff, Richele Harrison, David Tazalla, Zaman
Hemani, Jack Fink, Bob Hawman, Sal Rios

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

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A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officers, Dan M. Evans, Charles E. Stark, Donn T. Wheeler, Frank Willis, Edwin H. McNutt, Lane L. Weible, and retired firefighters, Michael G. Chambers, Les Wilson, Jr., J. G. Jenkins, Harold Dawson, Richard R. Coleman.

No motion was made.

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

B. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of June 8, 2017

- 2. Approval of Refunds of Contributions for the Month of June 2017**
- 3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for July 2017**
- 4. Approval of Estate Settlements**
- 5. Approval of Survivor Benefits**
- 6. Approval of Service Retirements**
- 7. Approval of Alternate Payee Benefits**
- 8. Approval of Earnings Test**
- 9. Approval of Payment of Military Leave Contributions**

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

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C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Welcome of newly-appointed and re-appointed Trustees

The Board acknowledged the following appointments to the Dallas Police & Fire Pension System Board, which were approved by the Dallas City Council on June 21, 2017:

- Position 1 – Councilmember Jennifer S. Gates
- Position 2 – Councilmember Scott Griggs
- Position 3 – Councilmember Philip T. Kingston
- Position 4 – Councilmember Tennell Atkins

No motion was made.

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

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2. January 1, 2017 actuarial valuation

Mr. Jeff Williams and Ms. Samantha Allen, of Segal Consulting, DPFP's actuarial firm, discussed the results of the January 1, 2017 actuarial valuation report, including the GASB No. 67 actuarial valuation.

After discussion, Mr. Haben made a motion to approve issuance of the January 1, 2017 actuarial valuation report, subject to final review and approval by the Executive Director. Mr. Hass seconded the motion, which was unanimously approved by the Board. Mr. Conway was not present when the vote was taken.

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The meeting was recessed at 9:31 a.m.

The meeting was reconvened at 9:38 a.m.

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3. 2016 audit

Mmes. Jill Svoboda and Rachel Pierson, of BDO, DPFP's independent audit firm, discussed the results of their audit for the year ended December 31, 2016.

Ms. Loveland presented the draft of the 2016 audited financial statements.

Ms. Gates, Chair of the Audit Committee, reported on their meeting with BDO held on July 12, 2017.

After discussion, Ms. Gates made a motion to approve issuance of the 2016 audit report, subject to final review and approval by BDO and the Executive Director. Mr. Atkins seconded the motion, which was unanimously approved by the Board. Mr. Conway was not present when the vote was taken.

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4. HB 3158 transition update

Ms. Gottschalk updated the Board on the status of the HB 3158 implementation.

Mr. Conway was not present for this item.

No motion was made.

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

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The meeting was recessed at 10:46 a.m.

The meeting was reconvened at 10:51 a.m.

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5. 2016 Comprehensive Annual Financial Report

Staff presented a draft of the 2016 Comprehensive Annual Financial Report.

After discussion, Mr. Ho made a motion to authorize the Executive Director to issue the 2016 Comprehensive Annual Financial Report upon finalization. Mr. Atkins seconded the motion, which was unanimously approved by the Board. Mr. Conway was not present when the vote was taken.

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6. Emerging Markets equity manager search

In accordance with DFPF's goal of redeploying cash into liquid asset classes while rebalancing the portfolio towards the target asset allocation, staff recommended engaging RBC Global Asset Management (RBC) to manage an emerging markets equity mandate. DFPF has an Emerging Markets Equity allocation target of 5% with no dedicated emerging markets equity managers. Staff and NEPC, DFPF's investment consultant, performed research and diligence on investment managers included on NEPC's Focus Placement List (FPL) as well as non-FPL managers. NEPC and staff agreed on the recommendation and presented an overview to the Board. Mr. Keith Stronkowsky, of NEPC, and Ms. Ashley Hyotte and Mr. Tom Heflin, of RBC, were present to give an introduction of the firm and their emerging markets equity strategy. Ms. Laurence Bensafi, of RBC, also participated by telephone.

After discussion, Mr. Conway made a motion to approve an initial investment of \$50 million to the RBC Emerging Markets Equity strategy within DFPF's Emerging Markets Equity asset allocation of the Equity asset category, with authority to increase the investment as permitted by the Investment Policy Statement. Mr. Ho seconded the motion.

Mr. Hass amended the motion to limit the investment to \$50 million with no authority given to the Executive Director to increase the investment. Mr. Conway accepted the amended motion. Mr. Ho did not accept the amended motion. Mr. Schutz seconded the amended motion.

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

6. Emerging Markets equity manager search (continued)

The motion, as amended by Mr. Hass and seconded by Mr. Schutz, to approve an initial investment of \$50 million to the RBC Emerging Markets Equity strategy within DPFPP's Emerging Markets Equity asset allocation of the Equity asset category, was approved by the following vote:

For: Conway, Hass, Schutz, Ho, Friar, Gates, Atkins, Williams, Sprecher
Against: Haben

Mr. Griggs was not present when the vote was taken.

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7. Emerging Markets debt manager search

Staff recommended engaging the Ashmore EM Blended Debt Fund LP as an emerging markets debt manager to redeploy excess cash and to build out the Emerging Markets Debt sub-asset class allocation of the Fixed Income portfolio. A portion of the investment will be funded from liquidating the Ashmore Emerging Markets Local Currency Bond Fund which was previously approved by the Board. NEPC concurred with the recommendation. Staff and Mr. Stronkowsky discussed their recommendation. Messrs. David Muller and John Ricketts, of Ashmore, presented their emerging markets blended debt strategy to the Board.

After discussion, Mr. Hass made a motion to approve funding of the Ashmore EM Blended Debt Fund LP with an initial investment of up to \$50 million. Mr. Sprecher seconded the motion. After discussion, Mr. Hass rescinded the motion.

Mr. Haben made a motion to approve funding of the Ashmore EM Blended Debt Fund LP with an initial investment of up to \$50 million with authority to increase the investment as permitted by the Investment Policy Statement. Mr. Atkins seconded the motion.

Mr. Hass proposed a substitute motion which would limit staff's authority to invest to \$70 million. Mr. Schutz seconded the substitute motion. Mr. Haben did not accept the substitute as an amendment to his motion.

Mr. Hass's substitute motion to approve funding of the Ashmore EM Blended Debt Fund LP with an initial investment of up to \$50 million with authority to invest an additional \$20 million, seconded by Mr. Schutz, failed by the following vote:

For: Hass, Schutz, Sprecher, Gates
Against: Friar, Haben, Atkins, Ho, Williams, Conway

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

7. Emerging Markets debt manager search (continued)

Mr. Haben's original motion was voted on and passed by the following vote:

For: Haben, Conway, Friar, Atkins, Williams, Ho
Against: Gates, Hass, Schutz, Sprecher

Mr. Griggs was not present when the votes were taken.

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Mr. Atkins left the meeting at 2:27 p.m.

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8. Deferred Retirement Option Plan (DROP) annuitization rollovers

Staff stated that HB 3158 provides that DROP accounts will be annuitized over the life expectancy of each DROP participant. In the case of retirees and other non-active member DROP participants, this annuitization occurs as soon as practicable after September 1. In the case of active members, this annuitization occurs upon retirement. Many retirees have questioned why these annuity payments cannot be rolled over to another tax deferred account.

DPFP tax counsel Robert Gauss (present) and Eric Dawes (by telephone) of Ice Miller, discussed the reasons for the tax treatment of the annuitized DROP accounts.

Mr. Conway was not present for this item.

No motion was made.

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9. Violation of federal law (USERRA) by the City of Dallas

The Board went into a closed executive session – legal at 11:12 a.m., which included all Trustees present at the meeting.

The meeting was reopened at 12:10 p.m.

Mr. Conway returned to the meeting at 11:20 a.m.

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

10. Legal issues

- a. Police Officer and Firefighter pay lawsuits
- b. Potential claims involving fiduciaries and advisors
- c. Eddington et al. v. DFPF
- d. Rawlings v. DFPF
- e. DFPF v. Columbus A. Alexander III
- f. Degan et al. v. DFPF (Federal suit)
- g. City of Dallas violation of USERRA
- h. Internal Revenue Service Voluntary Compliance Program

The Board went into a closed executive session – legal at 11:12 a.m. to discuss “g.” and “h.” above, which included all Trustees present at the meeting.

The meeting was reopened at 12:10 p.m.

After discussion, Mr. Atkins made a motion to authorize staff and counsel to file with the Internal Revenue Service (i) a submission under the Voluntary Correction Program with respect to all matters staff and counsel believe are appropriate to correct certain operational failures of the plan and (ii) a private letter ruling with respect to a proposed excess benefit plan and trust to cover any amounts paid in excess of the limits contained in Section 415(b) of the Internal Revenue Code of 1986, as amended. Mr. Sprecher seconded the motion, which was unanimously approved by the Board.

The Board went into a closed executive session – legal at 2:54 p.m. to discuss “a.” through “f.” above, which included all Trustees present at the meeting.

The meeting was reopened at 3:18 p.m.

No motion was made.

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Mr. Ho left the meeting at 3:18 p.m.

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

11. Investment reports

Staff reviewed the investment performance and rebalancing reports for the period ending June 30, 2017 with the Board.

No motion was made.

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The meeting was recessed at 2:46 p.m.

The meeting was reconvened at 2:52 p.m.

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12. 2017 Budget adjustment – Public relations

Staff briefed the Board on public relations expenses incurred year to date as compared to the budgeted amount, as well as proposed additional services in this area for the remainder of 2017.

	2017 Budget	Incurred as of 6/30/17	Proposed Revised Amount
Public relations	\$ 220,000	\$ 230,000	\$ 290,000

After discussion, Mr. Conway made a motion to approve an increase in the budget for public relations for 2017 to the proposed revised amount of \$290,000. Mr. Hass seconded the motion, which was approved by the following vote:

For: Conway, Hass, Friar, Haben, Schutz, Williams, Sprecher
Against: Gates

Messrs. Atkins, Griggs, and Ho were not present when the vote was taken.

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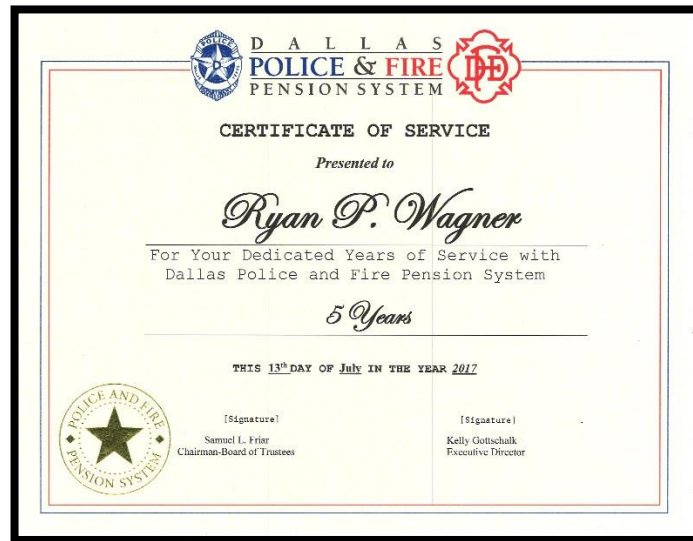
13. Employee recognition – Second Quarter 2017

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

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

13. Employee recognition – Second Quarter 2017 (continued)

- a. Mr. Friar and Ms. Gottschalk presented Employee Service Awards to Ryan P. Wagner, Investments Director, for 5 years of service, Cynthia J. Reyes, Administrative Clerk, for 10 years of service, and Aimee M. Crews, Retirement Counselor, for 10 years of service.

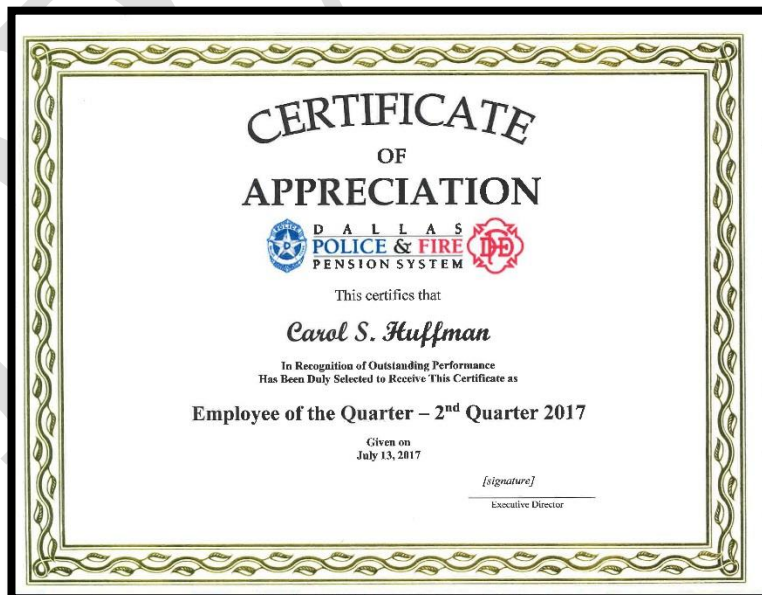


**Regular Board Meeting
Thursday, July 13, 2017**

13. Employee recognition – Second Quarter 2017 (continued)



- b. Mr. Friar and Ms. Gottschalk presented a performance award for Employee of the Quarter, Second Quarter 2017, to Carol S. Huffman, Executive Secretary.



No motion was made.

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

14. Closed Session - Board serving as Medical Committee

Disability application

The Board went into closed executive session – medical at 3:38 p.m.

The meeting was reopened at 3:40 p.m.

After discussion, Mr. Haben made a motion to approve a non-service-connected disability for Police Officer 2017-01, to waive all further medical reviews, and to waive all further Earnings Test Reviews. Mr. Conway seconded the motion, which was unanimously approved by the Board. Messrs. Atkins, Griggs, and Ho were not present when the vote was taken.

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15. Unforeseeable Emergency Requests from DROP Members

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

No motion was made.

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16. Possible sale of Lone Star Investment Advisors interests

The Board went into closed executive session – legal at 9:38 a.m.

The meeting was reopened at 9:49 a.m.

Chairman Friar appointed a committee of the Board to review with advisors and staff valuation work in light of a possible viable offer for DFPF's interests in three Lone Star Investment Advisors funds. The committee members are: Ken Sprecher - Chair, Larry Williams, and Tennell Atkins.

Mr. Conway was not present during the discussion of this item.

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

D. BRIEFING ITEMS

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

The Board heard member and pensioner comments.

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2. Executive Director's report

Associations' newsletters

- NCPERS Monitor (June 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. Conway, the meeting was adjourned at 3:43 p.m.

Samuel L. Friar
Chairman

ATTEST:

Kelly Gottschalk
Secretary



DISCUSSION SHEET

ITEM #C1

Topic: Financial reports

Discussion: The Chief Financial Officer will present the second quarter 2017 financial statements.

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

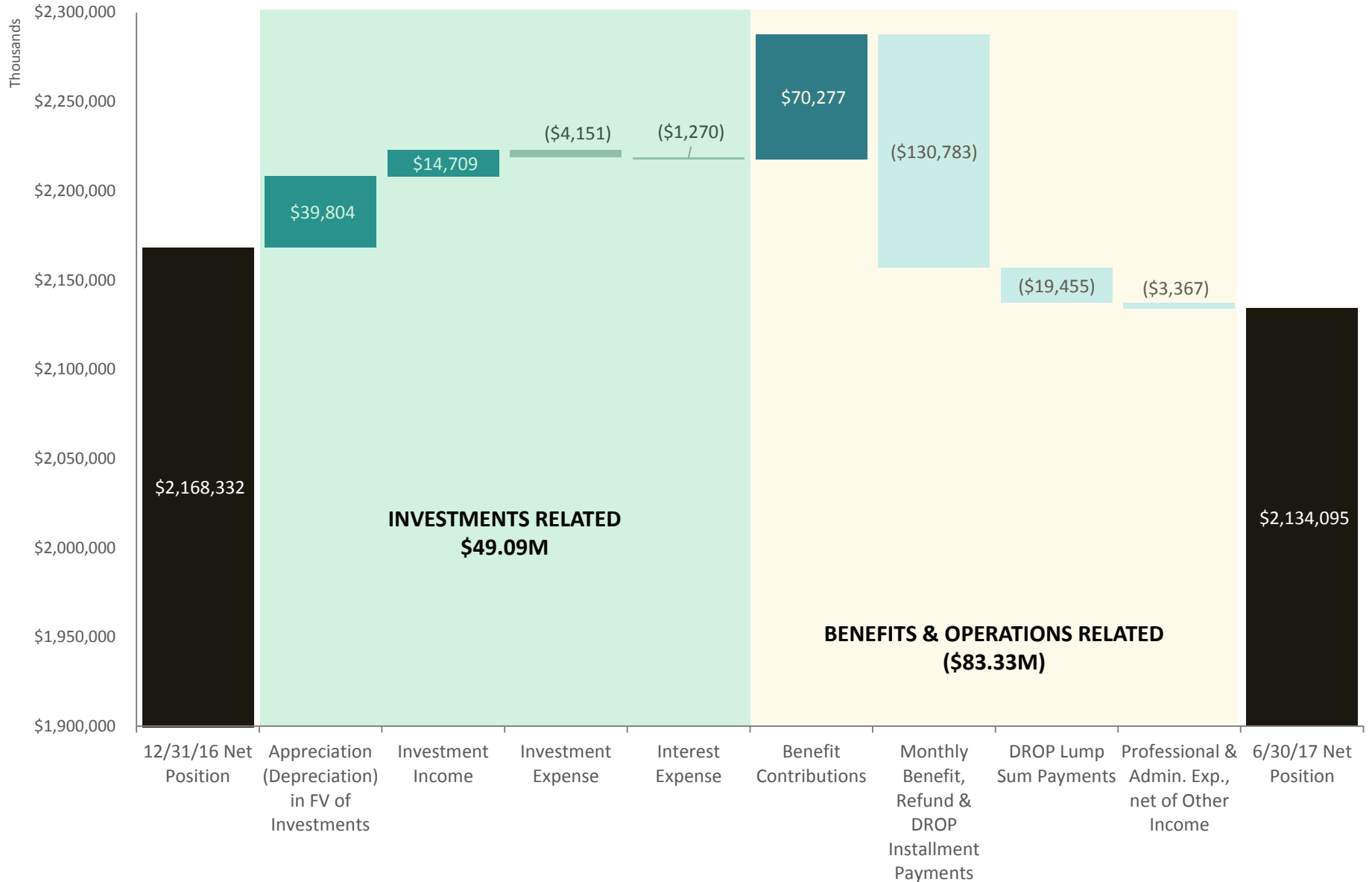
	6/30/2017 <i>(unaudited)</i>	12/31/16 <i>(audited)</i>
Assets		
Investments, at fair value		
Short-term investments	\$ 55,971,595	\$ 7,153,792
Fixed income securities	265,218,512	269,888,410
Equity securities	318,853,862	154,659,095
Real assets	1,033,287,853	1,128,965,069
Private equity	230,103,547	264,779,617
Alternative investments	135,607,271	134,898,311
Forward currency contracts	212,997	(286,788)
Total investments	2,039,255,637	1,960,057,506
Invested securities lending collateral	13,303,045	21,671,395
Receivables		
City	996,629	1,288,353
Members	214,438	279,469
Interest and dividends	3,156,780	2,944,626
Investment sales proceeds	24,514,533	24,710,879
Other receivables	90,799	154,528
Total receivables	28,973,179	29,377,855
Cash and cash equivalents	122,584,499	326,784,552
Prepaid expenses	711,200	459,784
Capital assets, net	12,828,334	12,041,464
Total assets	2,217,655,894	2,350,392,557
Liabilities		
Notes payable	40,000,000	130,000,000
Payables		
Securities purchased	26,839,503	24,352,550
Securities lending obligations	13,303,045	21,671,395
Accounts payable and other accrued liabilities	3,417,984	6,036,482
Total liabilities	83,560,532	182,060,427
Net position		
Net investment in capital assets	12,828,334	12,041,464
Unrestricted	2,121,267,028	2,156,290,666
Net position held in trust - restricted for position benefits	\$ 2,134,095,362	\$ 2,168,332,130

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

	6 Months Ended 6/30/2017 <i>(unaudited)</i>	6 Months Ended 6/30/2016 <i>(unaudited)</i>
Contributions		
City	\$ 57,399,932	\$ 58,212,113
Members	12,876,689	12,838,378
Total contributions	70,276,621	71,050,491
Investment income		
Net appreciation (depreciation) in fair value of investments	39,804,094	43,744,611
Interest and dividends	14,653,862	31,306,831
Total gross investment income	54,457,956	75,051,442
less: investment expense	(4,151,128)	(4,595,429)
Net investment income	50,306,828	70,456,013
Securities lending income		
Securities lending income	99,877	353,889
Securities lending expense	(44,712)	(139,004)
Net securities lending income	55,165	214,885
Other income	1,774,474	74,283
Total additions	122,413,088	141,795,672
Deductions		
Benefits paid to members	148,168,895	166,334,660
Refunds to members	2,069,013	1,088,928
Interest expense	1,270,290	2,530,985
Professional and administrative expenses	5,141,658	4,764,428
Total deductions	156,649,856	174,719,001
Net decrease in net position	(34,236,768)	(32,923,329)
Net position		
Beginning of period	2,168,332,130	2,699,581,009
End of period	\$ 2,134,095,362	\$ 2,666,657,680

Change in Net Fiduciary Position

December 31, 2016 – June 30, 2017





DISCUSSION SHEET

ITEM #C2

Topic: Budget review for the first six months of Calendar Year 2017

Discussion: Attached is a review of the 2017 Operating Expense Budget detailing expenses for the first six months of the calendar year. Actual expenses approximate the 6-month budget with only a .1% variance.

Expense items which are greater than the prorated budget by more than 5% and \$10,000 as of June 30, 2017 are discussed in the attached review.

Supplemental Plan expenses are deducted from total expenses in arriving at total Regular Plan expenses. Expenses are allocated to the two plans on a pro-rata basis, according to the ratio of each plan's assets to the total Group Trust assets. The ratio is derived from the Unitization Report prepared by JPMorgan as of June 30. The ratio is 99.12% Regular Plan to .88% Supplemental Plan.

**BUDGET
CALENDAR YEAR 2017**

Description	2016 6 mos Actual	2017 Full Year Budget	2017 6 mos Budget	2017 6 mos Actual	YTD Variance \$ Over/(Under)	YTD Variance % Over/(Under)
1 Salaries and benefits	\$ 2,093,798	\$ 4,199,476	\$ 1,708,106	\$ 1,724,870	\$ 16,764	1.0%
2 Employment expenses	8,037	3,009	1,505	298	(1,206)	(80.2%)
3 Memberships and dues	14,292	17,600	8,800	13,250	4,450	50.6%
4 Staff meetings	508	1,000	500	-	(500)	(100.0%)
5 Employee service recognition	490	1,960	1,480	1,208	(272)	(18.4%)
6 Member educational programs	4,082	2,500	1,250	65	(1,185)	(94.8%)
7 Member outreach programs	240	720	360	-	(360)	(100.0%)
8 Disability medical evaluations	5,585	12,500	6,250	635	(5,615)	(89.8%)
9 Elections	10,861	10,000	10,000	8,089	(1,911)	(19.1%)
10 Board meetings	5,825	13,360	6,680	3,763	(2,917)	(43.7%)
11 Conference registration/materials - Board	23,676	51,615	25,808	3,910	(21,898)	(84.8%)
12 Travel - Board	30,080	128,335	64,168	11,848	(52,320)	(81.5%)
13 Mileage - Board	-	5,000	2,500	1,835	(665)	(26.6%)
14 Conference/training registration/materials - Staff	13,050	32,450	16,225	4,513	(11,712)	(72.2%)
15 Travel - Staff	28,299	60,550	30,275	20,500	(9,775)	(32.3%)
16 Building expenses, incl capitalizable fixed assets	278,440	599,266	299,633	246,811	(52,822)	(17.6%)
17 Office supplies	14,244	31,800	15,900	15,183	(717)	(4.5%)
18 Leased equipment	14,779	20,500	10,250	12,026	1,776	17.3%
19 Postage	15,773	27,700	13,850	20,196	6,346	45.8%
20 Printing	1,643	5,635	2,818	2,868	51	1.8%
21 Repairs and maintenance	80,851	97,508	48,754	45,127	(3,627)	(7.4%)
22 Subscriptions	361	2,510	1,255	817	(438)	(34.9%)
23 Records storage	534	1,200	600	567	(33)	(5.5%)
24 Liability insurance	164,992	447,667	223,834	217,367	(6,467)	(2.9%)
25 Bank/security custodian services	134,618	328,600	164,300	138,214	(26,086)	(15.9%)
26 Actuarial services	126,856	600,000	300,000	328,565	28,565	9.5%
27 Accounting services	29,500	59,000	29,500	29,500	0	0.0%
28 Independent audit	110,000	149,500	149,500	120,000	(29,500)	(19.7%)
29 Investment consultant and reporting	323,256	575,000	287,500	250,559	(36,941)	(12.8%)
30 Legal fees	1,121,936	2,514,800	1,257,400	1,543,490	286,090	22.8%
31 Legislative consultants	123,055	324,000	177,000	175,085	(1,915)	(1.1%)
32 Public relations	-	290,000	230,000	230,004	4	0.0%
33 Miscellaneous professional services	36,434	122,000	61,000	61,061	61	0.1%
34 Communications (phone/internet)	34,824	64,312	32,156	27,990	(4,166)	(13.0%)
35 Business continuity	18,467	13,500	6,750	6,877	127	1.9%
36 Network security	18,495	35,000	17,500	7,476	(10,024)	(57.3%)
37 Pension administration software & WMS	131,644	271,000	135,500	112,061	(23,439)	(17.3%)
38 Information technology projects	109,964	20,000	10,000	1,886	(8,114)	(81.1%)
39 IT subscriptions/services/licenses	8,062	122,950	61,475	44,030	(17,445)	(28.4%)
40 IT software/hardware	18,003	39,800	19,900	1,939	(17,961)	(90.3%)
41 Contingency reserve	255	-	-	-	-	n/a
Gross Total	\$ 5,155,807	\$ 11,303,323	\$ 5,440,280	\$ 5,434,483	\$ (5,797)	(0.1%)
Less: Allocation to Supplemental Plan Budget*	45,371	99,469	47,874	47,823	(51)	(0.1%)
Total Regular Plan Budget	\$ 5,110,436	\$ 11,203,854	\$ 5,392,405	\$ 5,386,659	\$ (5,746)	(0.1%)

* Split to Supplemental is based on allocation % per JPMorgan

BUDGET 2017 - 6 Month Review

Budget Variances (>5% and \$10K) as of 6 mos

Item	Budget	Actual	\$ Variance Over/(Under)	% Variance Over/(Under)	Explanation
1 Actuarial services	300,000	328,565	28,565	9.5%	Timing of the actuarial work was heavily weighted to the first half of the year related to plan amendment. Expected to be within budget for the year.
2 Legal fees	1,257,400	1,543,490	286,090	22.8%	Timing of legal services estimated to be heavier weighted to first half of year; insurance recovery is expected on Rawlings, Degan and Eddington matters. Expected to be within budget for the year.



DISCUSSION SHEET

ITEM #C3

Topic: Investment reports

Discussion: Review of investment reports.

Dallas Police and Fire Pension System - Net of Fees

Returns By Category

As of June 2017

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
Dallas Police And Fire Group Trust	2,200,490,854	100.00	5.28	6.35	6.68	10.38	(1.42)	2.38		01-Jan-1995
Equity	638,368,306	29.01	(0.08)	1.23	3.48	6.68				01-Jan-2016
MSCI AC 66.7%/EM 16.7%/R3000+3 16.7%			0.65	4.50	12.18	20.33				
Excess Return			(0.73)	(3.27)	(8.70)	(13.65)				
Global Equity	329,086,566	14.96	0.26	6.48	14.85	21.60	6.62	12.04		01-Jul-2009
MSCI ACWI			0.50	4.45	11.82	19.42	5.39	11.14		
Excess Return			(0.24)	2.03	3.04	2.18	1.23	0.90		
Private Equity	309,281,740	14.06	(0.37)	(1.73)	(2.23)	0.42				01-Jan-2016
Russell 3000 +3%			1.15	3.78	10.54	22.06				
Excess Return			(1.52)	(5.51)	(12.77)	(21.64)				
Fixed Income	288,001,908	13.09	0.90	2.48	1.25	5.47				01-Jan-2016
Fixed Income Blended			0.07	1.98	4.66	7.54				
Excess Return			0.84	0.49	(3.41)	(2.07)				
Short Term Core Bonds	49,988,274	2.27	(0.05)							01-Jun-2017
Bloomberg Barclays 1-3 Year Treasury Index			(0.08)							
Excess Return			0.04							
Global Bonds	64,385,622	2.93	1.79	3.82	8.55	3.58				01-Jan-2016
Bloomberg Barclays Global Aggregate			(0.09)	2.60	4.41	(2.18)				
Excess Return			1.88	1.22	4.15	5.76				
High Yield	80,512,107	3.66	1.26	2.89	6.77	17.15				01-Jan-2016
Bloomberg Barclays Global High Yield			0.17	3.19	6.46	11.89				

Performance shown is net of manager fees

Dallas Police and Fire Pension System - Net of Fees

Returns By Category

As of June 2017

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
<i>Excess Return</i>			1.10	(0.30)	0.30	5.25				
Bank Loans	57,655,597	2.62	0.17	1.03	2.62	9.11				01-Jan-2016
S&P Leverage Loan			(0.04)	0.03	1.17	6.64				
<i>Excess Return</i>			0.21	1.00	1.44	2.47				
EM Debt	19,169,018	0.87	0.77	2.78	11.12	14.52				01-Jan-2016
EM Debt Blended			0.16	2.93	8.26	6.26				
<i>Excess Return</i>			0.61	(0.15)	2.86	8.26				
Private Debt	16,291,291	0.74	(0.13)	1.52	(19.27)	(17.62)				01-Jan-2016
Bloomberg Barclays Global High Yield +2%			0.33	3.70	7.51	14.13				
<i>Excess Return</i>			(0.46)	(2.17)	(26.78)	(31.75)				
Global Asset Allocation (GAA)	135,607,271	6.16	(1.37)	(1.40)	1.94	8.77	2.25	4.05		01-Jul-2007
GAA Blended			0.23	3.11	7.29	8.62	2.86	6.02	3.36	
<i>Excess Return</i>			(1.60)	(4.51)	(5.35)	0.15	(0.60)	(1.97)		
Absolute Return	34,897,076	1.59	(5.40)	(9.10)	(8.69)	14.66				01-Jun-2016
HFRX Absolute Return Index			0.10	0.72	1.38	1.93				
<i>Excess Return</i>			(5.50)	(9.83)	(10.07)	12.73				
Risk Parity	78,494,882	3.57	(0.25)	1.00	5.50	7.81				01-Jan-2016
MSCI ACWI 60%/Bloomberg Barclays Global Aggregate 40%			0.26	3.71	8.81	10.33				
<i>Excess Return</i>			(0.51)	(2.71)	(3.30)	(2.52)				
GTAA	22,215,313	1.01	1.38	3.67	8.77	8.98				01-Jan-2016
MSCI ACWI 60%/Bloomberg Barclays Global Aggregate 40%			0.26	3.71	8.81	10.33				
<i>Excess Return</i>			1.12	(0.04)	(0.04)	(1.35)				

Performance shown is net of manager fees

Dallas Police and Fire Pension System - Net of Fees

Returns By Category
As of June 2017

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
Real Assets	1,033,291,601	46.96	11.55	12.82	12.11	14.63				01-Jan-2016
Natural Resources	252,475,298	11.47	0.03	1.65	1.25	3.34	2.08	6.74		01-Jul-2009
Infrastructure	237,986,942	10.82	64.56	66.81	70.95	68.13	15.79	11.51		01-Jul-2012
S&P Global Infrastructure Index			(0.07)	5.95	14.37	12.71	3.50	9.67		
Excess Return			64.63	60.85	56.58	55.42	12.29	1.85		
Real Estate	542,829,361	24.67	3.14	3.96	2.21	5.77				01-Jan-2016
NCREIF Property			1.75	1.75	3.33	6.98				
Excess Return			1.39	2.21	(1.12)	(1.20)				
Control/Holding Account	145,221,767	6.60	0.07	0.24	0.43	0.65	0.32	0.25		01-Jan-1994
Merrill Lynch 3 Month US T-BILL			0.08	0.20	0.30	0.48	0.23	0.17	0.58	
Excess Return			(0.01)	0.04	0.13	0.17	0.09	0.08		
Master Loans	(40,000,000)	(1.82)								01-Mar-2014

Dallas Police and Fire Pension System - Net of Fees

Equity
As of June 2017

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
Dallas Police And Fire Group Trust	2,200,490,854	100.00	5.28	6.35	6.68	10.38	(1.42)	2.38		01-Jan-1995
Equity	638,368,306	29.01	(0.08)	1.23	3.48	6.68				01-Jan-2016
MSCI AC 66.7%/EM 16.7%/R3000+3 16.7%			0.65	4.50	12.18	20.33				
<i>Excess Return</i>			(0.73)	(3.27)	(8.70)	(13.65)				
Global Equity	329,086,566	14.96	0.26	6.48	14.85	21.60	6.62	12.04		01-Jul-2009
MSCI ACWI			0.50	4.45	11.82	19.42	5.39	11.14		
<i>Excess Return</i>			(0.24)	2.03	3.04	2.18	1.23	0.90		
Boston Partners Global Investors Inc	70,181,981	3.19	0.49							01-Jun-2017
MSCI ACWI			0.50							
<i>Excess Return</i>			(0.01)							
Manulife Asset Management LLC	69,832,990	3.17	(0.45)							01-Jun-2017
MSCI ACWI			0.50							
<i>Excess Return</i>			(0.94)							
OFI	90,628,369	4.12	1.42	8.43	18.78	30.93	7.07	13.82		01-Sep-2007
MSCI ACWI			0.50	4.45	11.82	19.42	5.39	11.14		
<i>Excess Return</i>			0.92	3.97	6.96	11.51	1.68	2.68		
Walter Scott and Partners	98,244,881	4.46	(0.60)	4.95	11.89	13.97	5.96	10.39		01-Dec-2009
MSCI ACWI			0.50	4.45	11.82	19.42	5.39	11.14		
<i>Excess Return</i>			(1.10)	0.49	0.08	(5.46)	0.57	(0.75)		
Pyramis Global Advisors (Fidelity)	106,542	0.00								01-Apr-2002
RREEF REIT	91,803	0.00								01-Jan-1999

Performance shown is net of manager fees

Dallas Police and Fire Pension System - Net of Fees

Equity
As of June 2017

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
Private Equity	309,281,740	14.06	(0.37)	(1.73)	(2.23)	0.42				01-Jan-2016
Russell 3000 +3%			1.15	3.78	10.54	22.06				
<i>Excess Return</i>			<i>(1.52)</i>	<i>(5.51)</i>	<i>(12.77)</i>	<i>(21.64)</i>				
Bankcap Partners	6,909,996	0.31	0.00	(6.70)	77.53	84.86	19.21	12.78		01-Feb-2007
Hudson Clean Energy Partners LP	8,976,649	0.41	(16.23)	(33.51)	(33.51)	(49.29)	(20.70)	(18.83)		01-Aug-2009
Huff Alternative Fund LP	31,971,655	1.45	1.62	3.06	4.18	16.45	6.62	5.35		01-Jun-2001
Huff Energy Fd	131,208,655	5.96	0.00	0.00	0.00	19.14	(3.01)	(5.20)		31-Dec-2006
Industry Ventures Partnership Holdings IV LP	1,143,086	0.05	3.82	0.73	0.73	(1.30)				15-Jul-2016
Lone Star CRA Fund LP	60,284,756	2.74	0.00	(0.08)	(0.08)	4.66	(25.82)	(5.11)		01-Jul-2008
Lone Star Growth Capital	10,457,732	0.48	0.00	(2.73)	(2.73)	5.82	1.53	(3.02)		31-Dec-2006
Lone Star Opportunities Fund V LP	56,087,353	2.55	0.00	3.24	3.24	8.04	(9.28)	11.33		01-Jan-2012
North Texas Opportunity Fund LP	2,133,233	0.10	1.63	1.63	(53.30)	(54.57)	(39.27)	(24.26)		01-Aug-2000
Pharos Capital	1	0.00								30-Aug-2005
Yellowstone Energy Ventures II LP	108,624	0.00	0.00	(5.31)	(5.29)	(1.00)	(35.66)	(33.87)		01-Sep-2008

Performance shown is net of manager fees

Dallas Police and Fire Pension System - Net of Fees

Fixed Income
As of June 2017

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
Dallas Police And Fire Group Trust	2,200,490,854	100.00	5.28	6.35	6.68	10.38	(1.42)	2.38		01-Jan-1995
Fixed Income	288,001,908	13.09	0.90	2.48	1.25	5.47				01-Jan-2016
Fixed Income Blended			0.07	1.98	4.66	7.54				
Excess Return			0.84	0.49	(3.41)	(2.07)				
Short Term Core Bonds	49,988,274	2.27	(0.05)							01-Jun-2017
Bloomberg Barclays 1-3 Year Treasury Index			(0.08)							
Excess Return			0.04							
Income Research + Management	49,988,274	2.27	(0.05)							01-Jun-2017
Bloomberg Barclays Global Aggregate Index			(0.08)							
Excess Return			0.04							
Global Bonds	64,385,622	2.93	1.79	3.82	8.55	3.58				01-Jan-2016
Bloomberg Barclays Global Aggregate			(0.09)	2.60	4.41	(2.18)				
Excess Return			1.88	1.22	4.15	5.76				
Brandywine Investment Management	64,385,622	2.93	1.79	3.82	8.55	3.58	0.55	2.45		01-Jan-2005
Bloomberg Barclays Global Aggregate Index			(0.09)	2.60	4.41	(2.18)	(0.35)	0.78	3.69	
Excess Return			1.88	1.22	4.15	5.76	0.90	1.68		
High Yield	80,512,107	3.66	1.26	2.89	6.77	17.15				01-Jan-2016
Bloomberg Barclays Global High Yield			0.17	3.19	6.46	11.89				
Excess Return			1.10	(0.30)	0.30	5.25				
Loomis Sayles Global Opportunity	80,512,107	3.66	1.26	2.89	6.87	17.76	3.50	7.60		01-Nov-1998
Bloomberg Barclays Capital Global High Yield			0.17	3.19	6.46	11.89	3.73	7.13		

Performance shown is net of manager fees

Dallas Police and Fire Pension System - Net of Fees

Fixed Income
As of June 2017

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
<i>Excess Return</i>			1.10	(0.30)	0.40	5.87	(0.23)	0.46		
Bank Loans	57,655,597	2.62	0.17	1.03	2.62	9.11				01-Jan-2016
S&P Leveraged Loan			(0.04)	0.03	1.17	6.64				
<i>Excess Return</i>			0.21	1.00	1.44	2.47				
Loomis Sayles Senior Floating Rate and Fixed Income Trust	57,655,597	2.62	0.17	1.03	2.62	9.11	3.65			01-Nov-2013
S&P Leveraged Loan Index			(0.04)	0.03	1.17	6.64	3.77			
<i>Excess Return</i>			0.21	1.00	1.44	2.47	(0.13)			
EM Debt	19,169,018	0.87	0.77	2.78	11.12	14.52				01-Jan-2016
EM Debt Blended			0.16	2.93	8.26	6.26				
<i>Excess Return</i>			0.61	(0.15)	2.86	8.26				
Ashmore Emerging Markets Local Currency Bond Fund	19,169,018	0.87	0.77	2.78	10.89	8.13	(2.69)	(0.59)		01-Mar-2011
JP Morgan GBI-EM Global Diversified			0.46	3.62	10.36	6.41	(2.80)	(0.67)		
<i>Excess Return</i>			0.31	(0.84)	0.53	1.71	0.11	0.08		
Private Debt	16,291,291	0.74	(0.13)	1.52	(19.27)	(17.62)				01-Jan-2016
Bloomberg Barclays Global High Yield +2%			0.33	3.70	7.51	14.13				
<i>Excess Return</i>			(0.46)	(2.17)	(26.78)	(31.75)				
Highland Capital Management Note Due 12-31-2017	6,215,935	0.28	0.00	0.00	0.00	4.40	0.37	12.51		01-Dec-2006
Highland Crusader Fund LP	2,557,653	0.12	(0.81)	(3.11)	(5.42)	(31.33)	(8.16)	(3.47)		01-Aug-2003
Oaktree Fund IV & 2x Loan Fund	153,935	0.01	0.00	83.88	(73.01)	(72.26)	(40.37)	(23.98)		01-Jan-2002
Riverstone Credit Partners LP	7,363,767	0.33	0.00	2.70	4.28	23.68				01-Jun-2016

Performance shown is net of manager fees

Dallas Police and Fire Pension System - Net of Fees

Asset Allocation
As of June 2017

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
Dallas Police And Fire Group Trust	2,200,490,854	100.00	5.28	6.35	6.68	10.38	(1.42)	2.38		01-Jan-1995
Global Asset Allocation (GAA)	135,607,271	6.16	(1.37)	(1.40)	1.94	8.77	2.25	4.05		01-Jul-2007
GAA Blended			0.23	3.11	7.29	8.62	2.86	6.02	3.36	
Excess Return			(1.60)	(4.51)	(5.35)	0.15	(0.60)	(1.97)		
Absolute Return	34,897,076	1.59	(5.40)	(9.10)	(8.69)	14.66				01-Jun-2016
HFRX Absolute Return Index			0.10	0.72	1.38	1.93				
Excess Return			(5.50)	(9.83)	(10.07)	12.73				
Bridgewater-Pure Alpha Major Markets	34,897,076	1.59	(5.40)	(9.10)	(8.68)	14.66	2.99	6.58		01-Aug-2011
HFRX Absolute Return Index			0.10	0.72	1.38	1.93	1.34	2.03		
Excess Return			(5.50)	(9.83)	(10.06)	12.73	1.66	4.55		
Risk Parity	78,494,882	3.57	(0.25)	1.00	5.50	7.81				01-Jan-2016
MSCI ACWI 60%/Bloomberg Barclays Global Aggregate 40%			0.26	3.71	8.81	10.33				
Excess Return			(0.51)	(2.71)	(3.30)	(2.52)				
Bridgewater All Weather	41,402,823	1.88	(1.09)	0.74	4.37	5.97	2.28	4.33		01-May-2007
91 Day T-Bills +7 %			0.64	1.90	3.72	7.51	7.25	7.19	7.62	
Excess Return			(1.74)	(1.17)	0.65	(1.54)	(4.97)	(2.86)		
Putnam Total Return	37,092,059	1.69	0.72	1.30	6.90	9.01	1.90	4.95		01-Dec-2009
60% MSCI World/40% Citi WGBI			0.18	3.57	8.16	8.81	2.87	6.95		
Excess Return			0.54	(2.28)	(1.26)	0.20	(0.97)	(2.00)		
GTAA	22,215,313	1.01	1.38	3.67	8.77	8.98				01-Jan-2016
MSCI ACWI 60%/Bloomberg Barclays Global Aggregate 40%			0.26	3.71	8.81	10.33				
Excess Return			1.12	(0.04)	(0.04)	(1.35)				

Performance shown is net of manager fees

Dallas Police and Fire Pension System - Net of Fees

Asset Allocation
As of June 2017

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
GMO	22,215,313	1.01	1.38	3.67	8.77	8.98	1.47	5.26		01-May-2007
CPI + 5%			0.41	1.33	2.98	6.76	5.98	6.39	6.71	
<i>Excess Return</i>			0.98	2.34	5.79	2.22	(4.51)	(1.12)		

Dallas Police and Fire Pension System - Net of Fees

Real Assets
As of June 2017

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
Dallas Police And Fire Group Trust	2,200,490,854	100.00	5.28	6.35	6.68	10.38	(1.42)	2.38		01-Jan-1995
Real Assets	1,033,291,601	46.96	11.55	12.82	12.11	14.63				01-Jan-2016
Natural Resources	252,475,298	11.47	0.03	1.65	1.25	3.34	2.08	6.74		01-Jul-2009
Infrastructure	237,986,942	10.82	64.56	66.81	70.95	68.13	15.79	11.51		01-Jul-2012
S&P Global Infrastructure Index			(0.07)	5.95	14.37	12.71	3.50	9.67		
Excess Return			64.63	60.85	56.58	55.42	12.29	1.85		
J.P. Morgan AIRRO II	4,217,783	0.19	0.00	0.87	(5.77)	(14.70)	(13.20)			01-Mar-2014
JP Morgan Global Maritime Investment Fund	28,958,499	1.32	0.00	2.71	2.71	(9.50)	(17.28)	(24.00)		01-Jun-2010
JP Morgan IIF Tax-Exempt LP	2,578	0.00								01-Oct-2007
JPM Asian Infras And Related Resources Oppor Fd	24,808,082	1.13	0.00	4.73	29.13	31.80	5.83	7.20		01-Aug-2008
LBJ Infrastructure Group Holdings LLC	76,110,000	3.46	71.63	71.63	71.63	71.63	19.73	11.41		01-Jun-2010
NTE Mobility Partners	103,890,000	4.72	143.73	143.73	143.73	143.73	34.58	19.50		01-Dec-2009
Real Estate	542,829,361	24.67	3.14	3.96	2.21	5.77				01-Jan-2016
NCREIF Property			1.75	1.75	3.33	6.98				
Excess Return			1.39	2.21	(1.12)	(1.20)				

Performance shown is net of manager fees

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DISCUSSION SHEET

ITEM #C4

Topic: 401(a) Money Purchase Plan

Discussion: The staff retirement plan, a 401(a) money purchase plan, allows for the payment of employer contributions into an employee's account when the employee leaves DPFP and receives payment for accrued vacation and sick time. The plan also allows for such contributions in the case of severance payments and certain bonus payments based upon a percentage of salary.

Staff is proposing amendments to the plan which would provide for no employer contributions in the case of any payments other than regular periodic salary payments.

Staff Recommendation: **Adopt** the amended 401(a) Money Purchase Plan.



D A L L A S
POLICE & FIRE
PENSION SYSTEM



DALLAS POLICE AND FIRE PENSION SYSTEM
401(a) MONEY PURCHASE PLAN

As Amended Through August 10~~January 8~~, 2017~~5~~

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As Amended Through January 8, 2015

401(a) MONEY PURCHASE PLAN PREAMBLE

The Board of Trustees (the “Board”) of the Dallas Police and Fire Pension System (the “System”) established this 401(a) Money Purchase Plan for Employees of the System (the “Plan”) at its regular meeting on September 14, 2000. The Plan is now restated and amended to comply with changes in the qualification requirements under Section 401 of the Internal Revenue Code (the “Code”) and, effective November 1, 2008, to provide for employee contributions, and reflect that such employee contributions are picked-up by the System.

The Plan is intended to be a qualified plan under Section 401(a) of the Code, a money purchase pension plan within the meaning of Section 401(a)(27) of the Code and a governmental plan within the meaning of Section 414(d) of the Code and Section 3(32) of the Employee Retirement Income Security Act of 1974.

ARTICLE I DEFINITIONS

The following words and phrases shall have the meanings set forth herein unless a different meaning is clearly required by the context:

1.1 “Administrator” means the Administrator of the Dallas Police and Fire Pension System or any subsequent person or entity designated by the Employer.

1.2 “Beneficiary” means, subject to Section 4.3(d), the person or persons designated by the Participant in writing on a form acceptable to the Administrator, and received by the Administrator prior to the Participant's death, to receive any undistributed amounts under the Participant Account which become payable upon the Participant's death. Subject to Article IV, the Participant may designate more than one Beneficiary or primary and secondary Beneficiaries or may change the designation of a Beneficiary. If two or more, or less than all, designated Beneficiaries survive the Participant, payments shall be made equally to all such Beneficiaries, unless otherwise provided in the form of designation made by the Participant. Elections made by a Participant in his Beneficiary designation form shall be binding on any such Beneficiary or Beneficiaries. If there is no designated Beneficiary, then the Participant’s estate, and if there is no estate the Participant’s personal representative, shall receive the Participant Account in accordance with Section 4.3.

1.3 “Code” means the Internal Revenue Code of 1986, or its successor, as amended from time to time.

1.4 “Compensation” with respect to any Participant means wages for the Plan Year within the meaning of Section 3401(a) of the Code (for purposes of income tax withholding at source), but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the services performed, plus amounts which are contributed by the System pursuant to a salary reduction agreement and which are not includible in the Participant’s gross income by reason of Section 125, 132(f)(4), 402(e)(3), 402(h)(1)(B), 403(b) or 457. However, for purposes of determining the limitations under Section 415 of the Code,

Compensation includes differential wage payments described in Section 414(u)(12) of the Code but does not include picked-up contributions described in Section 3.3(a) hereof. Notwithstanding the foregoing, the annual compensation limit imposed by Code Section 401(a)(17), \$260,000 for 2014, shall apply to each Participant and the Plan shall in all respects comply with guidelines issued by the Internal Revenue Service under that Section.

1.5 “Employee” means any person who is employed by the System, but shall not include any person who is employed by the City of Dallas, any Leased Employee, or any person who is treated by the System as an independent contractor, even if the Internal Revenue Service later determines that the person is an employee.

1.6 “Employer” means the Dallas Police and Fire Pension System, a government entity created by the Texas State Legislature under Article 6243a-1 of the Texas Civil Statutes to administer a pension system for police officers and fire fighters employed by the City of Dallas, Texas, and any successor which shall maintain this Plan.

1.7 “Employer Contributions” means the Employer's contributions to the Plan, including any picked-up contributions.

1.8 “Employer Contributions Account” means that portion of the Participant Account established and maintained by the Administrator for each Participant with respect to his total interest under the Plan resulting from Employer Contributions.

1.9 “Investment Product” means group or individual annuity contracts or such other investment arrangements issued by or offered through the Provider and used to hold the assets of the Plan.

1.10 “Leased Employee” means an individual who is not a common law employee of the Employer but who provides services to the Employer if: (i) such services are performed pursuant to an agreement between the Employer and any other person; (ii) the individual has performed such services for the Employer or for the Employer and a related person or persons on a substantially full time basis for at least one (1) year; and (iii) such services are performed under the primary direction or control of the Employer.

1.11 “Normal Retirement Age” means the date a Participant attains his 62nd birthday.

1.12 “Participant” means any Employee who has not terminated employment.

1.13 “Participant Account” means the total of the Participant Contributions Account and the Employer Contributions Account for each Participant in the Plan.

1.14 “Participant Contributions Account” means that portion of the Participant Account established and maintained by the Administrator for each Participant with respect to his total interest in the Plan resulting from a Participant’s Rollover Contributions Account and Voluntary Contributions Account.

1.15 “Plan” means this document, including all amendments thereto.

1.16 “Plan Year” means the Plan's accounting year which is the calendar year.

1.17 “Provider” means the entity or entities approved by the Administrator to provide administrative and investment services to the Plan.

1.18 ~~“Regular Rate of PayRegular Pay” means the periodic (either weekly, biweekly, or monthly or otherwise) rate of gross salary (before deductions) paid to pay of an permanent, full-time Employee who performs the duties of an administrative, executive or professional Employee, as defined by the Fair Labor Standards Act, as amended, and the hourly rate of pay for all other Employees, but in either case~~ not to exceed Compensation for any Plan year. Regular Pay shall not include bonus payments, severance payments or payments for accrued vacation time, accrued sick time or other accrued paid time off.

1.19 “Regulation” means the Income Tax Regulations including proposed and temporary Regulations, as promulgated by the Secretary of the Treasury or his delegate, and as amended from time to time.

1.20 “Retired Participant” means a person who has been a Participant, but who has attained Normal Retirement Age, terminated employment and become entitled to retirement benefits under the Plan.

1.21 “Rollover Contributions” means contributions made by a Participant pursuant to a rollover of “eligible rollover distributions” in accordance with Code Section 402(c)(4).

1.22 “Rollover Contributions Account” means the account established and maintained by the Administrator for each Participant with respect to his total interest under the Plan resulting from Rollover Contributions. Rollover Contributions of after-tax amounts must be accounted for separately.

1.23 “Terminated Participant” means a person who has been a Participant, but whose employment has been terminated other than by death or retirement.

1.24 “Trustee” shall mean the Board of Trustees of the Dallas Police and Fire Pension System or any person such Board may designate as Trustee of the trust forming a part of this Plan.

1.25 “Voluntary Contributions” means Participant contributions made to a Plan on an after-tax basis that are not considered to be mandatory contributions.

1.26 “Voluntary Contributions Account” means the account established and maintained by the Administrator for each Participant with respect to his total interest under the Plan resulting from Voluntary Contributions.

ARTICLE II PARTICIPATION

2.1 CONDITIONS OF PARTICIPATION

An Employee shall become a Participant in the Plan on the first day he or she performs an hour of service as an Employee of the System and shall cease to be a Participant, except for purposes of receiving distributions in accordance with the terms of the Plan, on the day he or she ceases to be an Employee of the System.

2.2 TERMINATION OF PARTICIPATION

A Retired or Terminated Participant's Employer Contributions Account and Participant Contributions Account, if any, shall continue to be maintained under the Plan until the account balances are paid out in full and any undistributed amounts shall be allocated any attributable earnings based on the results of the investment direction supplied by the Participant.

ARTICLE III CONTRIBUTION AND ALLOCATION

3.1 EMPLOYER CONTRIBUTIONS

(a) Permanent Full-time Employees. Except as otherwise provided in Subsection (b) of this Section, the System shall contribute, for each Plan Year, on behalf of each permanent Participant, twelve percent (12%) of the Participant's ~~Regular Rate of Pay~~ Regular Pay.

(b) Part-time and Temporary Employees. Notwithstanding the provisions of Subsection (a), the System contribution on behalf of any Participant who is classified as a part-time or temporary Employee in accordance with the Personnel Policy of the System shall be eight percent (8%) of each such Employee's ~~Regular Rate of Pay~~ Regular Pay.

(c) Qualified Military Service. Contributions, benefits and service credit with respect to qualified military service shall be provided in accordance with Code Section 414(u). The Beneficiaries of a Participant who dies while performing qualified military service shall be entitled to any additional benefits (other than benefits relating to the qualified military service) that they would have received under this Plan if the Participant had returned from qualified military service the day before death, resumed employment with the Employer, and then died.

3.2 TIME OF PAYMENT OF EMPLOYER'S CONTRIBUTION

The Employer shall pay to the Provider its contribution to the Plan for each Plan Year within the time prescribed by law. Such contributions shall be allocated to the Participant's Employer Contributions Account.

3.3 EMPLOYEE CONTRIBUTIONS

(a) Each full-time Employee shall contribute to the Plan six and one-half percent (6½%) of such Employee's ~~Regular Rate of Pay~~ Regular Pay. The Employer has

determined that the System shall pick-up this contribution for Federal income tax purposes and, therefore the contribution is treated as a pre-tax contribution and allocated to the Participant's Employer Contribution Account.

(b) Voluntary Participant after-tax contributions are permitted under the Plan but may be made only from payroll deductions in whole percentages of a Participant's ~~Regular Rate of Pay~~ Compensation. Further such Participant contributions, when aggregated with the contributions made by the System, including picked-up contributions, and annual additions under any other plan maintained by the System and subject to the limits under Section 415(c) of the Code, may not exceed the limits set forth in Section 3.4 below and Code Section 415. A Participant shall be allowed to commence, stop or change the amount of Voluntary Contributions only in accordance with a uniform policy adopted by the Administrator. Voluntary Contributions shall be allocated to the Participant's Voluntary Contributions Account.

3.4 MAXIMUM ANNUAL CONTRIBUTIONS

Notwithstanding any other provisions of the Plan, no contribution shall be made that would exceed the limitations set forth in Code Section 415(c). In the event that any of these limits would be exceeded for any Participant, then the Administrator shall direct the Provider to refund to the Employer the portion of its contributions required to comply with the Code using the proper correction method permissible under the Code and other applicable Internal Revenue Service guidance, including calculation of any earnings or losses and the proper tax reporting with respect to such distributions.

3.5 ROLLOVERS TO THE PLAN FROM ELIGIBLE ROLLOVER PLANS

(a) Amounts that are "eligible rollover distributions" in accordance with Code Section 402(c)(4) may be rolled over by a Participant from an "eligible retirement plan." The amounts rolled over from an eligible retirement plan shall be allocated to the Participant's Rollover Contributions Account.

(b) For purposes of this Section, the term "eligible retirement plan" shall mean any other 401(a) plan, an annuity plan described in Section 403(a), a 403(b) program, a governmental 457(b) plan, an individual retirement account as described in Code Section 408(a), and an individual retirement annuity as described in Code Section 408(b). For purposes of this Section, the term "amounts rolled over from an eligible retirement plan" shall mean:

- (i) Amounts rolled to the Plan directly from another eligible retirement plan;
- (ii) Distributions received by an Employee from another eligible retirement plan that are eligible for tax free rollover to a 401(a) plan and that are rolled over by the Employee to the Plan within sixty (60) days, following his receipt thereof; and
- (iii) Amounts rolled over to the Plan under subparagraphs (i) and (ii) by an Employee who is also a surviving spouse or a spouse or former spouse who is an alternate payee as defined in Code Section 414(p).

3.6 INVESTMENTS

(a) Amounts deferred under the Plan shall be invested in an Investment Product. Participants may direct the investment of their Participant Contributions Account and their Employer Contributions Account among the investment options available under the Investment Product pursuant to the terms and conditions of the Investment Product agreements. If any provision of an Investment Product agreement is not consistent with the Plan provisions, the terms of the Plan shall control.

(b) The Provider is not responsible for the tax or legal aspects of this Plan. The Provider shall be absolved from any liability and held harmless for any actions taken in accordance with the direction of the Administrator, and shall have no duty to see to the application of any funds paid from the Plan pursuant to the direction of the Administrator, nor be required to question any actions directed by the Administrator.

(c) All investments of the Plan shall be valued at least once per year in accordance with a method consistently followed and uniformly applied. The fair market value is to be used for this purpose and the accounts of each Employee shall be adjusted in accordance with each valuation.

3.7 VESTING

A Participant is always fully vested in his Employer Contributions Account and his Participant Contributions Account.

ARTICLE IV DETERMINATION AND DISTRIBUTION OF BENEFITS

4.1 DISTRIBUTIONS UNDER THE PLAN

(a) Contributions and earnings under a Participant's and Employer Contributions Account may not be distributed to a Participant (or, if applicable, the Beneficiary) until one of the following events has occurred:

- (i) Separation from service whether before or after Normal Retirement Age;
- (ii) The Participant's death; or
- (iii) Termination of the Plan.

(b) Notwithstanding paragraph (a), amounts in a Participant's Contribution Account may be distributed at any time.

4.2 DETERMINATION OF BENEFITS UPON ATTAINMENT OF NORMAL RETIREMENT AGE OR OTHER SEPARATION FROM SERVICE

Upon a Participant's separation from service, all amounts credited to the Participant Account shall become distributable in accordance with Section 4.4. However, a Participant may postpone the distribution of his Participant Account.

4.3 DETERMINATION OF BENEFITS UPON DEATH

(a) Upon the death of a Participant before separation from service or a Terminated Participant, the Administrator shall direct that the deceased Participant's accounts be distributed to the Participant's Beneficiary in accordance with the provisions of Section 4.5.

(b) The Administrator may require such proper proof of death and such evidence of the right of any person to receive payment of the value of the account of a deceased Participant, or Retired or Terminated Participant, as the Administrator may deem appropriate. The Administrator's determination of death and of the right of any person to receive payment shall be conclusive.

(c) The designation of a Beneficiary shall be made on a form satisfactory to the Administrator. A Participant or Terminated Participant may at any time revoke his designation of a Beneficiary or change his Beneficiary by filing written notice of such revocation or change with the Administrator. In the event no valid designation of Beneficiary exists at the time of the Participant's or Terminated Participant's death, the death benefit shall be payable to the Participant's or Terminated Participant's estate.

(d) The spouse of a Participant or Former Participant is deemed to be the designated Beneficiary of a Participant or Former Participant unless a post-marriage designation of beneficiary is filed naming a different Beneficiary. The divorce of a Participant or Former Participant will render void any previous designation of former spouse as Beneficiary.

4.4 FORM OF DISTRIBUTION OF BENEFITS UPON NORMAL RETIREMENT AGE OR OTHER SEPARATION FROM SERVICE

(a) A Retired or Terminated Participant may choose a benefit distribution option from among the following:

- (i) Lump sum;
- (ii) Immediate or deferred annuity (including a life annuity or an installment payment annuity); or
- (iii) Any other distribution option offered under any Investment Product.

(b) Notwithstanding any provision in the Plan to the contrary, the distribution of a Participant's benefits, whether under the Plan or through the purchase of an annuity contract, shall be made in accordance with the requirements of Code Section 401(a)(9) and the Regulations thereunder, including the minimum distribution incidental benefit requirement.

(c) Minimum distribution payments under Code Section 401(a)(9) must begin by April 1 of the year following the later of:

- (i) The year in which the Participant attains age 70½; or
- (ii) The year in which the Participant terminates employment with the Employer.

4.5 FORM OF DISTRIBUTION OF BENEFITS UPON DEATH

(a) Death benefits payable to a Beneficiary shall be made in any form then permitted under the Plan and federal law.

(b) Notwithstanding any provision in the Plan to the contrary, distributions upon the death of a Participant, shall be made in accordance with the following requirements and shall otherwise comply with Code Section 401(a)(9) and the Regulations thereunder, including the minimum distribution incidental benefit rules.

(c) If minimum payments under Code Section 401(a)(9) have not begun upon the death of a Participant and the designated Beneficiary is not the Participant's surviving spouse, death benefit payments must:

- (i) Begin to be distributed to the designated Beneficiary no later than the December 31 of the calendar year immediately following the calendar year of the Participant's death, payable over a period not to exceed the life expectancy of the Beneficiary; or
- (ii) Be distributed no later than the December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(d) If the designated Beneficiary is the Participant's surviving spouse and minimum payments under Code Section 401(a)(9) have not begun upon the death of a Participant, minimum payments to the surviving spouse must begin by the later of the:

- (i) December 31 of the calendar year immediately following the calendar year in which the Participant dies; or
- (ii) December 31 of the calendar year in which the Participant would have attained age 70½.

The payments to the surviving spouse must be made over a period not to exceed the surviving spouse's life expectancy.

(e) If minimum required payments under Code Section 401(a)(9) have begun prior to the death of the Participant, the remaining portion of the Participant Account shall be distributed to the Beneficiary(ies) as least as rapidly as under the method of distribution in effect prior to the death of the Participant.

4.6 DISTRIBUTION FOR MINOR BENEFICIARY

In the event a distribution is to be made to a minor, then the Administrator may direct that such distribution be paid to the legal guardian, or if none, to a parent of such Beneficiary or a responsible adult with whom the Beneficiary maintains his residence, or to the custodian for such Beneficiary under the Uniform Gift [Transfers] to Minors Act, if such is permitted by the laws of the state in which Beneficiary resides. Such a payment to the legal guardian, custodian or parent of a minor Beneficiary shall fully discharge the Provider, Administrator, Employer, and Plan from further liability on account thereof.

4.7 LOCATION OF PARTICIPANT OR BENEFICIARY UNKNOWN

In the event that all, or any portion, of the distribution payable to a Participant or his Beneficiary hereunder shall, at the Participant's separation from service, remain unpaid solely by reason of the inability of the Administrator, after sending a registered letter, return receipt requested, to the last known address, and after further diligent effort, to ascertain the whereabouts of such Participant or his Beneficiary, the amount so distributable shall be treated as a forfeiture and applied to reduce Employer Contributions. In the event a Participant or Beneficiary is located subsequent to his benefit being reallocated, such benefit shall be restored, including any applicable interest from an additional Employer Contribution.

4.8 QUALIFIED DOMESTIC RELATIONS ORDERS

In accordance with Code Section 414(p)(1) as modified by Code Section 414(p)(11), a Participant's benefit may be the subject of a domestic relations order involving the Participant and the alternate payee (as defined in Code Section 414(p)(8)) if the order is determined to be a Qualified Domestic Relations Order. The Administrator shall adopt reasonable procedures to determine the qualified status of domestic relations orders and to administer the distributions thereunder. Distributions may be made immediately to an alternate payee pursuant to a qualified domestic relations order before the date on which the Participant attains the earliest retirement age as defined in Code Section 414(p)(4)(B).

4.9 ROLLOVERS FROM THE PLAN

(a) Notwithstanding any provision of the plan to the contrary, a Participant shall be permitted to elect to have any "eligible rollover distribution" transferred directly to an "eligible retirement plan" specified by the Participant. The Participant shall, in the time and manner prescribed by the Administrator, specify the amount to be rolled over and the "eligible retirement plan" to receive the transfer. Any portion of a distribution which is not rolled over shall be distributed to the Participant.

(b) For purposes of this Section, the term "eligible rollover distribution" means any distribution of amounts other than a distribution of substantially equal periodic payments over the life or life expectancy of the Participant (or the joint life or joint life expectancies of the Participant and the designated beneficiary) or a distribution over a period certain of ten years or more. Amounts required to be distributed under Code Section 401(a)(9) are not eligible rollover distributions.

(c) For purposes of this Section, the term “eligible retirement plan” shall mean any other 401(a) plan, an annuity plan described in Section 403(a), a 403(b) program, a governmental 457(b) plan, an individual retirement account as described in Code Section 408(a), and an individual retirement annuity as described in Code Section 408(b).

(d) The rollover election described in subsection (a) also applies to amounts received by a Beneficiary after the Participant's death. However, an “eligible rollover plan” for a Beneficiary who is not a surviving spouse or former spouse who is the alternate payee under a qualified domestic relations is only an individual retirement account or an individual retirement annuity.

ARTICLE V ADMINISTRATION

5.1 POWERS AND RESPONSIBILITIES OF THE EMPLOYER

(a) The Employer shall have full power to interpret and construe the Plan in a manner consistent with its terms and provisions and with Code Section 401(a), including Regulations thereunder and to establish practices and procedures conforming to those provisions. In all such cases the Employer's determination shall be final and conclusive upon all persons. It is recognized that unusual circumstances may occur and questions may arise that are not specifically covered by any provision of the Plan, and the Employer shall have the right to resolve all such questions. Notwithstanding the above, the Employer's power and responsibility under the Plan shall not extend to, nor have any control over, those responsibilities and duties of the Provider.

(b) The Employer shall periodically review the performance of any person to whom duties have been delegated or allocated by it under the provisions of this Plan or pursuant to procedures established hereunder. This requirement may be satisfied by formal periodic review by the Employer or by a qualified person specifically designated by the Employer, through day-to-day conduct and evaluation, or through other appropriate ways.

5.2 POWERS AND DUTIES OF THE ADMINISTRATOR

The Administrator is to administer the Plan for the exclusive benefit of the Participants and their Beneficiaries, subject to the specific terms of the Plan. The Administrator shall administer the Plan in accordance with its terms and shall have the power and discretion to construe the terms of the Plan and determine all questions arising in connection with the administration, interpretation, and application of the Plan. Any such determination by the Administrator shall be conclusive and binding upon all persons. The Administrator may establish procedures, correct any defect, supply any information, or reconcile any inconsistency in such manner and to such extent as shall be deemed necessary or advisable to carry out the purpose of the Plan; provided, however, that any procedure, discretionary act, interpretation or construction shall be done in a nondiscriminatory manner based upon uniform principles consistently applied, shall be consistent with the intent that the Plan shall continue to be deemed a qualified plan under the terms of Code Section 401(a), and shall comply with the terms of all Regulations issued pursuant thereto. The Administrator shall have all powers necessary or appropriate to accomplish his duties under this Plan.

The Administrator shall be charged with the duties of the general administration of the Plan, including, but not limited to, the following:

- (a) The discretion to determine all questions relating to the eligibility of a person to participate or remain a Participant hereunder and to receive benefits under the Plan;
- (b) Determine the amounts to be contributed to each Participant Account;
- (c) Authorize and direct the Provider with respect to all disbursements to which a Participant is entitled under the Plan;
- (d) Maintain all necessary records for the administration of the Plan;
- (e) Maintain practices and procedures necessary to administer the Plan as are consistent with the terms hereof;
- (f) Determine the size and type of any Investment Product to be purchased from the Provider; and
- (g) Assist any Participant regarding his rights, benefits, or elections available under the Plan.

5.3 RECORDS AND REPORTS

The Administrator shall keep, or cause to be kept, a record of all actions taken and all other books of account, records, and other data that may be necessary for proper administration of the Plan and shall be responsible for supplying all information and reports to the Internal Revenue Service, Participants, Beneficiaries and others as required by law.

5.4 APPOINTMENT OF ADVISERS

The Administrator may appoint or employ such agents, attorneys, actuaries, accountants, auditors, investment counsel, and clerical assistants, and other persons as the Administrator deems necessary or desirable in connection with the administration of this Plan and grant such persons appropriate responsibility and authority.

5.5 INFORMATION FROM EMPLOYER

To enable the Administrator to perform his functions, the Employer shall supply the necessary information to the Administrator on a timely basis regarding the Participants under the plan, including but not limited to Compensation, ~~Regular Rate of Pay~~ Regular Pay, date of hire, date of death, disability, or termination of employment, and such other pertinent facts as the Administrator may require. The Administrator may rely upon such information as is supplied by the Employer and shall have no duty or responsibility to verify such information.

5.6 PAYMENT OF EXPENSES

All expenses of administration will be paid by the Employer. Such expenses shall include any expenses incident to the functioning of the Administrator, including, but not limited to, fees of accountants, counsel, and other specialists and their agents, and other costs of administering the Plan, including charges assessed by the Provider on the basis of account balances of all Accounts for the record keeping functions of the Plan.

5.7 EXCLUSIVE BENEFIT

This plan, as well as the assets thereof, shall be maintained for the exclusive benefit of Members and their beneficiaries. At no time before the termination of all the plans within the Pension System and the satisfaction of all liabilities with respect to Members and their beneficiaries under the plan shall any part of the principal or interest from the assets be used for or diverted to purposes other than the exclusive benefit of the Members and Beneficiaries.

5.8 TAX QUALIFICATION

This plan is intended to qualify under Section 401 of the Code, be exempt from federal income taxes under Section 501(a) of the Code, and conform at all times to applicable requirements of law, regulations, and orders of duly constituted federal governmental authorities. Accordingly, if any provision of this Plan is subject to more than one construction, one of which will permit the qualification of the Plan, the construction that will permit the Plan to qualify and conform will prevail.

ARTICLE VI MISCELLANEOUS

6.1 PARTICIPANT'S RIGHTS

This Plan shall not be deemed to constitute a contract between the Employer and any Participant or to be a consideration or an inducement for the employment of any Participant or Employee. Nothing contained in this Plan shall be deemed to give any Participant or Employee the right to be retained in the service of the Employer or to interfere with the right of the Employer to discharge any Participant or Employee at any time regardless of the effect which such discharge shall have upon him as a Participant of this Plan.

6.2 NON-ALIENATION

Except as provided for Qualified Domestic Relations Orders described in Section 4.8, a portion of the Plan held in the name of any Participant, Terminated Participant or Beneficiary may not be held, seized, taken, subjected to or detained or levied on by virtue of any execution, attachment, garnishment, injunction or other writ, order or decree, or any process or proceedings issued from or by any court for the payment or satisfaction, in whole or in part, of any debt, damage, claim, demands, or judgment against any person entitled to benefits from the Plan. Assets held in the Plan may not be directly or indirectly assigned or transferred, and any attempt to assign Plan assets or a claim against the Plan assets is void.

6.3 CONSTRUCTION OF PLAN

This Plan shall be construed and enforced according to the state and local laws of Texas to the extent those laws are not pre-empted by Federal law. The policy of the Employer has been to provide a defined contribution plan for the System employees funded at the combined level of employee and employer contributions to the Employees' Retirement Fund of the City of Dallas but subject to the limits under Section 415 (c) of the Code. However, no provision of this Plan or policy of the Employer shall preclude the amendment of the Plan to change the level of Employee or Employer Contributions, or both.

6.4 JURISDICTION AND VENUE

Jurisdiction and venue for any action arising out of or relating to this Plan including, but not limited to, matters concerning validity, construction, performance or the rights of Participants and Beneficiaries shall be exclusively in the state and federal courts with appropriate subject matter jurisdiction located in Dallas County, Texas.

6.5 GENDER AND NUMBER

Wherever any words are used herein in the masculine, feminine or neuter gender, they shall be construed as though they were also used in another gender in all cases where they would so apply, and whenever any words are used herein in the singular or plural form, they shall be construed as though they were also used in one other form in all cases where they would so apply.

6.6 RECEIPT AND RELEASE FOR PAYMENTS

Any payment to any Participant, his legal representative, Beneficiary, or to any guardian or committee appointed for such Participant or Beneficiary in accordance with the provisions of this Plan, shall, to the extent thereof, be in full satisfaction of all claims hereunder against the Provider, Administrator and Employer.

ARTICLE VII TRUSTEE POWERS, RIGHTS AND DUTIES

7.1 EXCLUSIVE AUTHORITY

The Trustee shall have the exclusive authority and discretion to manage and control the Trust Fund assets, except to the extent that the Trustee delegates such authority and discretion to the Administrator, to a Qualified Investment Management, to a Provider or to Participants pursuant to Section 3.6.

7.2 GENERAL POWER

Subject to the provisions of Section 7.4 and Section 3.6, the Trustee shall have the following powers, rights and duties with respect to the Trust Fund in addition to those provided elsewhere in the Plan and Trust or by law:

(a) To employ or retain agents, attorneys, accountants or other consultants, investment managers and other service providers.

(b) To perform any and all other acts that in the Trustee's judgment are necessary or appropriate for the proper and advantageous management, investment and distribution of the Trust Fund.

(c) To invest all or any part of the assets of the Trust Fund in any collective investment trust, including one or more collective investment trusts maintained by the Trustee or its affiliates, which then provides for the pooling of the assets of plans and trusts qualified under Section 401(a) of the Code and exempt from tax under Section 501(a) thereof (whether or not such collective investment trust provides for the pooling of assets of other tax-exempt trusts), provided that such collective investment trust is exempt from tax under the Code. The provisions of the document governing such collective investment trust as it may be amended from time to time shall govern any investment therein and are hereby made a part hereof.

(d) To contract with a third party administrative services provider to provide complete record-keeping and/or investment direction services to Participants.

7.3 FIDUCIARY OBLIGATIONS

The Trustee (and any other fiduciary with respect to the Plan) shall discharge the duties detailed hereunder solely in the interest of the Participants and their Beneficiaries and

(a) For the exclusive purposes of:

- (i) Providing benefits to Participants and their Beneficiaries; and
- (ii) Defraying reasonable expenses of administering the Trust;

(b) With the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims; and

(c) By diversifying investments of the Trust Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

7.4 ACTIONS BY TRUSTEES

If there shall be two or more persons serving as Trustee, they shall act by a majority. Any person serving as Trustee may execute any document in the name of and on behalf of the Trust Fund and the other persons serving as Trustee.

7.5 PERSONS DEALING WITH TRUSTEE

No person contracting or in any way dealing with the Trustee shall be under any obligation to ascertain or inquire (a) into any powers of the Trustee, (b) whether such powers have been properly exercised or (c) about the source or application of any funds received from or paid to the Trustee

and such person may rely on the Trustee's exercise of any power or authority as the conclusive evidence that the Trustee possesses such power and authority.

7.6 LIMITATION ON RESPONSIBILITIES

The functions of any agent, attorney, accountant or other person engaged by the Administrator pursuant to this Article shall be limited to the specific services and duties for which he or she is engaged and such person shall have no other duties or obligations under the Plan. Such persons shall exercise no discretionary authority or discretionary control respecting management of the Plan and shall exercise no authority or control respecting management or disposition of the assets of the Trust.

7.7 COMMON TRUST FUND

The fact that separate records may be maintained for each Participant shall not be deemed to segregate for or give such Participant or his Beneficiaries any direct interest in any specific assets of the Trust Fund.

ARTICLE VIII AMENDMENT AND TERMINATION

8.1 AMENDMENT

(a) The Employer shall have the right at any time to amend this Plan subject to the limitations of this section. Any such amendment shall become effective as provided therein upon its execution.

(b) No part of the corpus or income of the Plan shall ever be used for or diverted to any purpose other than for the exclusive benefit of the Participants or their Beneficiaries and no amendment shall cause any reduction in the amount credited to the account of any Participant; or cause or permit any portion of the Investment Product to revert to or become property of the Employer.

8.2 TERMINATION

(a) The Employer shall have the right at any time to terminate the Plan by delivering to the Provider written notice of such termination. Upon any full or partial termination all unallocated amounts shall be allocated to the accounts of all Participants in accordance with the provisions hereof.

(b) Upon the full termination of the Plan, the Employer shall direct the distribution of the assets to Participants in a manner which is consistent with and satisfies the provisions of Section 4.4.

IN WITNESS WHEREOF, the Employer hereby causes this Plan to be executed and the Trustee hereunto sets its hand on this 108th day of ~~August~~January, 20175.

**EMPLOYER:
DALLAS POLICE AND FIRE PENSION SYSTEM**

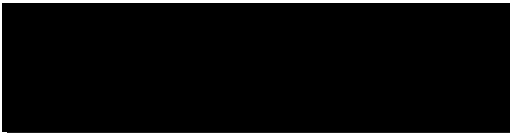


By: _____

Samuel L. Friar

~~Chairman of and on behalf of the Board of Trustees~~ George Tomasovic, Chairman of and
~~on behalf of the Board of Trustees~~

**TRUSTEE:
DALLAS POLICE AND FIRE PENSION SYSTEM**



By: _____

Samuel L. Friar

~~Chairman of and on behalf of the Board of Trustees~~ George Tomasovic, Chairman of and
~~on behalf of the Board of Trustees~~



DISCUSSION SHEET

ITEM #C5

- Topic:** Violation of federal law (USERRA) by the City of Dallas
- Attendee:** Rob Gauss, Ice Miller (by telephone)
- Discussion:** Staff will provide an update of discussions on this topic with the City of Dallas.



DISCUSSION SHEET

ITEM #C6

Topic: Excess Benefit Plan and Trust – Plan Amendment

Attendee: Rob Gauss, Ice Miller (by telephone)
Matt Powell, Rocky Joyner, Segal (by telephone)

Discussion: The current statute (6243a-1) and Combined Pension Plan both contain an excess benefit plan which provides for the ability to pay retirees their full benefit even though payment of the full amount may be restricted under Section 415 of the Internal Revenue Code. HB 3158 removes, effective September 1, the current excess benefit plan provision but does allow the new Board the ability to adopt an excess benefit plan. Therefore, after September 1, without any changes, DFPF would not have the authority to pay a small number of current retirees their full benefit. This transition issue was not contemplated during the legislative process.

Staff is proposing the Board amend the current Combined Pension Plan pursuant to authority granted in Section 3.01 (q) to remove the excess benefit provision from the plan and provide, in its place, the board authority to adopt an excess benefit plan and trust that would exist outside the plan, and thus continue past September 1. Staff is further recommending that the new excess benefit plan and trust remain effective only until December 31 unless ratified by the new Board.

Staff

Recommendation: Amend Section 9.02 of Combined Pension Plan as presented, **adopt** the Excess Benefit Plan and Trust as presented and **authorize** the Executive Director to execute and implement the Excess Benefit Plan and Trust, provided that the Excess Benefit Plan and Trust will cease on December 31 until unless ratified by the Board after September 1.

beneficiary who is not a spouse or former spouse an eligible plan is only an individual retirement account or an individual retirement annuity.

(f) The annual compensation taken into account for any purpose under the Combined Pension Plan may not exceed \$385,000 for an eligible participant, or \$260,000 for an ineligible participant for the 2014 calendar year. For a Group A Member the term “annual compensation” means the aggregate of the Member’s Base Pay. For a Group B Member the term “annual compensation” means the aggregate of the Member’s Computation Pay for any given plan year. These dollar limits shall be adjusted from time to time in accordance with guidelines provided by the Secretary of the Treasury. For purposes of this Paragraph, an eligible participant is any person who first became a Member before 1996, and an ineligible participant is any Member who is not an eligible participant.

(g) (1) The Normal Retirement Age for a person who first became a Member of this Combined Pension Plan before March 1, 2011, shall be the earlier of: (i) attainment of age 50 and completion of 5 years of Pension Service, or (ii) completion of 20 years of Pension Service.

(2) The Normal Retirement Age for a person who first became a Member after February 28, 2011, shall be the attainment of age 55 and completion of ten (10) years of Pension Service.

The retirement benefit earned by a Member shall become non-forfeitable upon attainment of Normal Retirement Age (if not already non-forfeitable). In addition, the retirement benefit earned by a Member shall become non-forfeitable, to the extent funded (if not already non-forfeitable), upon the termination or partial termination of this Combined Pension Plan or the complete discontinuance of City contributions to the Fund.

(h) Forfeitures arising under this Combined Pension Plan may not be used to increase the benefits any Member would otherwise receive under the terms of the Plan.

(i) The Board shall have the authority to amend this Combined Pension Plan to the extent necessary to assure that the Plan continually meets the qualification requirements of the Code or any other applicable Federal law.

(j) Effective January 1, 2002, and subject to procedures adopted by the Board, the System shall accept an eligible rollover distribution from another eligible retirement plan as defined in Section 402(f)(2)(B) of the Code in payment of all or a portion of any payment a Member is permitted to make to the System for past Pension Service credit. The System shall separately account for any after tax contributions transferred from any such plan.

Sec. 9.02. Excess Benefit Plan for Police Officers and Fire Fighters.

~~Effective on and after August 20, 1996, there is~~ The Board shall have the authority to create and adopt outside the Pension System a separate “Qualified Governmental Excess Benefit Arrangement” within the meaning of Section 415 (m)(3) of the Code. containing the following terms and provisions:

~~(a) (1) All definitions prescribed by Section 2.01 of this Article are applicable to the plan created pursuant to this Section except:~~

~~(A) — if a different definition is set forth in this Subsection; or~~

~~(B) — the context in which a term is used in this Section indicates a different meaning is clearly intended than that prescribed by Section 2.01 of this Article.~~

~~————— (2) — “Excess Benefit Plan” means this separate, unfunded “Qualified Governmental Excess Benefit Arrangement” as created by this Section, as amended or restated from time to time, which shall be maintained solely for the purpose of providing Members of the Pension System with that part of the Members’ benefits that would have been provided under one or more of the Qualified Plans in the Pension System but for the limitations imposed by Subsection 9.01(c) and Section 415 of the Code.~~

~~————— (3) — “Qualified Plan” means any plan maintained within the Pension System or maintained by the City outside the Pension System for the exclusive benefit of some or all of the employees of the City if the plan has been found by the Internal Revenue Service to be qualified or has been treated by the City as a Qualified Plan under Section 401 of the Code.~~

~~————— (4) — “Maximum Benefit” means the retirement benefit a Member or, the Spouse, any Child, or any Dependent Parent of a Member if those persons are entitled, is entitled to receive from all Qualified Plans in any month after giving effect to Subsection 9.01(c) of this Article and any similar provisions of any other Qualified Plans designed to conform to Section 415 of the Code.~~

~~————— (5) — “Excess Benefit Participant” means any Member whose retirement benefits as determined on the basis of all Qualified Plans without regard to the limitations of Subsection 9.01(c) of this Article and comparable provisions of other Qualified Plans would exceed the Maximum Benefit permitted under Section 415 of the Code.~~

~~————— (6) — “Unrestricted Benefit” means the monthly retirement benefit a Member, or the Spouse or any Child of a Member, would have received after December 31, 1994, under the terms of all Qualified Plans except for the restrictions of Subsection 9.01(c) of this Article and any similar provisions of any other Qualified Plans designed to conform to Section 415 of the Code.~~

~~————— (b) — (1) — An Excess Benefit Participant who is receiving benefits from an applicable Qualified Plan is entitled to a monthly benefit under this Excess Benefit Plan in an amount equal to the lesser of:~~

~~(A) — the Member’s Unrestricted Benefit less the Maximum Benefit; or~~

~~(B) — the amount by which the Member’s monthly benefit from the Qualified Plan or plans approved by the Members has been reduced due to the limitations of Section 415 of the Code.~~

~~————— (2) — In the case of the death of an Excess Benefit Participant whose Spouse or Child is entitled to preretirement or postretirement death benefits under a Qualified Plan, the Excess Benefit Participant’s surviving Spouse or Child is entitled to a monthly benefit under the Excess Benefit Plan equal to the benefit determined in accordance with the Qualified Plans without regard to the limitations under Subsection 9.01(c) of this Article or Section 415 of the Code, less the Maximum Benefit.~~

~~_____ (3) A retirement benefit payable under this Excess Benefit Plan shall be paid in the form and at the time it would have been paid under the applicable Qualified Plan except for the limitations under Section 415 of the Code, provided, however, if a Member is required pursuant to Subsection 9.01(e) of this Article to receive a portion of his benefit from his Deferred Retirement Option Plan Account, an amount equal to any portion of the Deferred Retirement Option Account that may not be distributed from such Account pursuant to Subsection 9.01(e) of this Article shall be distributed from this Plan, as soon as administratively feasible after such amount can be determined. Under no circumstances may any Member be able to defer or accelerate any distribution under this Excess Benefit Plan.~~

~~_____ (c) (1) This plan shall be administered by the Board, and the Administrator shall also carry out the business of the Board with respect to this Excess Benefit Plan. Except as provided to the contrary by this Subsection, the rights, duties, and responsibilities of the Board and Administrator shall be the same for this Excess Benefit Plan as for the qualified pension plans within the Pension System.~~

~~_____ (2) The Qualified Actuary employed pursuant to Section 4.08 of this Article is responsible for determining the amount of benefits that may not be provided under the Qualified Plans solely by reason of the limitations of Section 415 of the Code and thus the amount of City contributions that will be made to this Excess Benefit Plan rather than to a Qualified Plan.~~

~~_____ (3) The legal advisors described by Section 3.03 of this Article shall also provide advice to the Board for this Excess Benefit Plan.~~

~~_____ (4) Except as provided to the contrary by this Subsection, the rights, duties and responsibilities of the Excess Benefit Participant and the survivors of the Excess Benefit Participant shall be the same as for the qualified plans within the Pension System.~~

~~_____ (d) Contributions may not be accumulated under this Excess Benefit Plan to pay future retirement benefits. Instead, each payment of City contributions that would otherwise be made to the Fund pursuant to Section 4.02 of this Article or comparable provisions of other Qualified Plans approved by the Members shall be reduced by the amount determined by the Administrator as necessary to meet the requirements for retirement benefits under this Excess Benefit Plan until the next payment of City contributions is expected to be made to the Fund by the City. The City shall then pay to this Excess Benefit Plan, out of the withheld City contributions no earlier than the 14th day before the date of each distribution of monthly retirement benefits is required to be made from this Excess Benefit Plan, the amount necessary to satisfy the obligation to pay from this Excess Benefit Plan monthly retirement benefits. The Administrator shall satisfy the obligation of this Excess Benefit Plan to pay retirement benefits out of the City contributions so transferred for that month. The City contributions otherwise required to the Pension System pursuant to Section 4.02 of this Article and any other Qualified Plan approved by the Members shall be divided into those contributions required to pay retirement benefits pursuant to this Section and those contributions paid into and accumulated to pay the Maximum Benefits required under the Qualified Plans. City contributions made to provide retirement benefits pursuant to this Section may not be commingled with the moneys of the Fund or any other Qualified Plan.~~

~~_____ (e) Amendments to this Excess Benefit Plan shall be made in the same manner provided by Section 8.01 of this Article.~~

**DALLAS POLICE AND FIRE PENSION SYSTEM COMBINED PENSION
PLAN
EXCESS BENEFIT PLAN AND TRUST**

Effective _____, 20__

Draft

July 26, 2017

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**DALLAS POLICE AND FIRE PENSION SYSTEM COMBINED PENSION PLAN
EXCESS BENEFIT PLAN AND TRUST**

ARTICLE I.

ESTABLISHMENT OF PLAN AND TRUST

1.01. Establishment of Plan and Trust. The “Dallas Police and Fire Pension System Combined Pension Plan Excess Benefit Plan and Trust” (“this Plan”) was established effective as of _____, 2017.

1.02. Purpose. The purpose of this Plan is solely to provide the part of a Participant's Retirement Benefit that would otherwise have been payable under the Dallas Police and Fire Pension System Combined Pension Plan (“Retirement Plan”), except for the limitations of Code Section 415(b). This Plan is intended to be a “qualified governmental excess benefit arrangement” within the meaning of Code Section 415(m)(3) and must be interpreted and construed consistently with that intent. This Plan is deemed a portion of the Retirement Plan solely to the extent required under, and within the meaning of, Code Section 415(m)(3) and Section 9.02 of the Retirement Plan.

This Plan is an “exempt governmental deferred compensation plan” described in Code Section 3121(v)(3). Code Sections 83, 402(b), 457(a) and 457(f)(1) do not apply to this Plan. With respect to Code Section 457(a), the maximum amount that may be deferred under this Plan on behalf of any Participant for the taxable year may exceed both the amount in Code Section 457(b)(2) (as adjusted for cost of living increases) and the percent of the Participant's includable compensation referred to in that Code Section. The Retirement Plan will not hold any assets or income under this Plan in trust for the exclusive benefit of Participants or their Beneficiaries.

ARTICLE II.

DEFINITIONS AND CONSTRUCTIONS

2.01. Definitions. When the initial letter of a word or phrase is capitalized herein, it has the same meaning as defined below:

(a) “**Administrator**” means the Dallas Police and Fire Pension System (also referred to as "DPFP" or "System") and its employees, including any individual or entity with whom DPFP contracts to provide services to this Plan.

(b) “**Beneficiary**” means an individual receiving a pension, an annuity, a retirement allowance, or other benefit provided under the Retirement Plan.

(c) “**Board**” means the Board of Trustees for DPFP as established by Sections 2.01(11) and 3.01 of the Retirement Plan.

(d) “**City**” means the City of Dallas.

(e) “**Code**” means the United States Internal Revenue Code of 1986, as amended, as applicable to a governmental plan, or corresponding provisions of any subsequent federal income tax law.

(f) “**Eligible Member**” means any person included in the membership of the Retirement Plan pursuant to Section 5.01 of the Retirement Plan who is entitled to receive a retirement benefit in excess of the limits imposed by 26 U.S.C. § 415.

(g) “**Excess Benefit**” means the benefit determined in accordance with Section 4.01 of this Plan.

(h) “**HB 3158**” means House Bill 3158 which was signed by Texas Governor Abbott on May 31, 2017 and amends the Retirement Plan effective as of September 1, 2017.

(i) **“Member”** means a person who became a member of the Retirement Plan in accordance with Section 5.01 of the Retirement Plan.

(j) **“Participant”** means a Member, Retiree, or Beneficiary who is entitled to benefits under this Plan in accordance with Section 9.02 of the Retirement Plan.

(k) **“Plan”** means the “Dallas Police and Fire Pension System Combined Pension Plan Excess Benefit Plan and Trust” established pursuant to Section 9.02 of the Retirement Plan and Section 8.2 of HB 3158.

(l) **“Plan Year”** means the calendar year, which is the limitation year for the Retirement Plan.

(m) **“Retiree”** means a Pensioner under Section 2.01(33) of the Retirement Plan who is receiving a Service Retirement benefit from DFPF under the Retirement Plan.

(n) **“Retirement Benefit”** means the amount of Service Retirement (as defined under Section 2.01(43) of the Retirement Plan) income payable to a Retiree under the Retirement Plan, or the benefit payable to a Beneficiary, without regard to any limitations on that retirement income or benefit under Code Section 415(b).

(o) **“Retirement Fund”** means the funds that collectively hold the assets of the System established under Section 2.01(24) for the exclusive benefit of Members and their beneficiaries in accordance with Section 9.01(b) of the Retirement Plan.

(p) **“State”** means the State of Texas.

(q) **“Trust Fund”** means the trust fund established pursuant to Section 9.02 of the Retirement Plan and Article VI of this Plan which is separate from the Retirement Fund and which constitutes a valid trust under the law of the State.

(r) **“Trustees”** mean the members of the Board.

2.02. Construction.

(a) Words used in this Plan in the masculine gender include the feminine gender where appropriate, and words used in this Plan in the singular or plural include the plural or singular where appropriate.

(b) Whenever any actuarial present value or actuarial equivalency is to be determined under the Plan to establish a benefit, it will be based on reasonable actuarial assumptions approved by the State Treasurer through a delegation from the Board, made in the State Treasurer's sole discretion, and determined in a uniform manner for all similarly situated Participants.

ARTICLE III.

PARTICIPATION

All Members, Retirees, and Beneficiaries of the Retirement Plan are eligible to participate in this Plan if their Retirement Benefits from DPF for a Plan Year would exceed the limitation imposed by Code Section 415(b). The Administrator determines for each Plan Year which Members, Retirees, and Beneficiaries are eligible to participate in the Plan. Participation in the Plan begins each Plan Year once a Member, Retiree, or Beneficiary has an Excess Benefit in that Plan Year. Participation in the Plan ends for any Plan Year in which the Retirement Benefit of a Member, Retiree, or Beneficiary is not limited by Code Section 415(b) or when all benefit obligations under the Plan to the Member, Retiree, or Beneficiary have been satisfied.

ARTICLE IV.

PAYMENT OF BENEFITS

4.01. Benefit Amount. A Participant in the Plan will receive a benefit equal to the amount of Retirement Benefit that would have been payable to, or with respect to, a Participant

by the Retirement Plan that could not be paid because of the application of the limitations on his or her Retirement Benefit under Code Section 415(b). An Excess Benefit under the Plan will be paid only if and to the extent the Participant is receiving Retirement Benefits from the Retirement Fund.

4.02. Time for Payment; Form of Benefit. The Administrator will compute and pay the Excess Benefit in the same form, at the same time, and to the same persons as such benefits would have otherwise been paid as a monthly pension under the Retirement Plan, except for the Code Section 415 limitations. No election is provided at any time to the Participant, directly or indirectly, to defer compensation under this Plan.

ARTICLE V.

CONTRIBUTIONS AND FUNDING

5.01. Funding. The Plan is, and will remain, unfunded and the rights, if any, of any person to any benefits under the Plan are limited to those specified in the Plan. The Plan constitutes a mere unsecured promise by the City to make benefit payments in the future.

5.02. Contributions.

(a) Based upon information provided by the Board of the Retirement Plan, the Administrator will determine the amount necessary to pay the Excess Benefit under the Plan for each Plan Year. The required contribution will be the aggregate of the Excess Benefits payable to all Participants for the Plan Year and an amount determined by the Administrator to be a necessary and reasonable expense of administering the Plan. Contributions will not be accumulated under the Plan to pay future Excess Benefits. Instead, each payment of contributions by the City that would otherwise be made to the Retirement Fund will be reduced by the amount necessary to pay the required Excess Benefit, and these contributions will be

deposited in the Trust Fund. The City contributions otherwise required under the terms of the Retirement Plan will be divided into those contributions required to pay Excess Benefits hereunder, and those contributions paid into and accumulated in the Retirement Fund to pay the maximum benefits permitted. Under no circumstances will City contributions to fund the Excess Benefits be credited to or commingled with contributions paid into and accumulated in the Retirement Fund. Amounts deducted from City contributions and deposited into the Trust Fund will not increase the amount of City contributions required under the Retirement Fund. Any contributions not used to pay the Excess Benefit for a current Plan Year, together with any income accruing to the Trust Fund, will be used, as determined by the Administrator to pay the administrative expenses of the Plan for the Plan Year. Any contributions not used to pay the Excess Benefit for the current Plan Year that remain after paying administrative expenses of the Plan for the Plan Year will be used to fund administrative expenses or benefits of Participants in future Plan Years.

(b) DFPF will account separately for the amounts the Administrator determines to be necessary to provide the Excess Benefit under the Plan for each Participant. But, this separate accounting will not be deemed to set aside these amounts for the benefit of a Participant. Benefits under this Plan will be paid from the Trust Fund.

(c) The consultants, independent auditors, attorneys, and actuaries performing services for the Administrator or DFPF may also perform services for this Plan; but, any fees attributable to services performed with respect to this Plan will be payable solely by the City or from the Trust Fund.

ARTICLE VI.

TRUST FUND

6.01. Establishment of Trust Fund. In accordance with Section 9.02 of the Retirement Plan, the Trust Fund is established as a valid trust under the laws of the State, separate from the Retirement Fund, to hold contributions of the City. Contributions to this Trust Fund will be held separate and apart from the funds comprising the Retirement Fund and will not be commingled with assets of the Retirement Fund, and must be accounted for separately.

6.02. Trust Fund Purpose. The Trust Fund is maintained solely to provide benefits under a qualified governmental excess benefit arrangement within the meaning of Code Section 415(m), and pay administrative expenses of this arrangement.

6.03. Trust Fund Assets. All assets held by the Trust Fund to assist in meeting the City's obligations under the Plan, including all amounts of City contributions made under the Plan, all property and rights acquired or purchased with these amounts and all income attributable to these amounts, will be held separate and apart from other funds of the City and will be used exclusively for the uses and purposes of Participants and general creditors as set forth in this Plan. Participants have no preferred claim on, or any beneficial interest in, any assets of the Trust Fund. Any rights created under the Plan are unsecured contractual rights of Participants against the City. Any assets held by the Trust Fund are subject to the claims of the City's general creditors under federal and state law in the event of insolvency.

6.04. Grantor Trust. The Trust Fund is intended to be a grantor trust, of which the City is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Code, and will be construed accordingly. This provision will not be construed to create an irrevocable trust of any kind.

6.05. Trust Fund Income. Income accruing to the Trust Fund under the Plan constitutes income derived from the exercise of an essential governmental function upon which the Trust is exempt from tax under Code Section 115, as well as Code Section 415(m)(1).

ARTICLE VII.

ADMINISTRATION

7.01. Administrative Authority. The Board and the Administrator, respectively, depending on which duties are delegated, have the exclusive authority to control and manage the operation and administration of the Plan. In accordance with Section 9.02 of the Retirement Plan, the Board and the Administrator, respectively, have the same rights, duties and responsibilities respecting the Plan as they have with respect to the Retirement Plan. To the extent applicable, the Administrator has the authority to take management and administrative actions on behalf of the Board with respect to the implementation and administration of this Excess Benefit Plan and Trust.

(a) Through the delegation from the Board, the Administrator has the power and authority (including discretion with respect to the exercise of that power and authority) necessary, advisable, desirable or convenient to enable the Administrator:

- (1) to adopt the agreement for the Plan;
- (2) to establish procedures to administer the Plan not inconsistent with the Plan and the Code, and to amend or rescind these procedures;
- (3) to determine, consistent with the Plan, applicable law, rules or regulations, all questions of law or fact that may arise as to eligibility for participation in the Plan and

eligibility for distribution of benefits from the Plan, and the status of any person claiming benefits under the Plan;

(4) to make payments from the Trust Fund to Participants pursuant to Article IV of the Plan,

(5) to contract with a third party to perform designated administrative services under this Plan; and

(6) to construe and interpret the Plan as to administrative issues and to correct any defect, supply any omission or reconcile any inconsistency in the Plan with respect to same, subject to and consistent with the Code.

(b) Any action by the Board that is not found to be an abuse of discretion will be final, conclusive and binding on all individuals affected thereby. The Board may take any such action in such manner and to such extent as the Board in its discretion may deem expedient, and the Board will be the sole and final judge of such expediency.

(c) The Board may delegate any of its authority to the Administrator with respect to the Trust Fund.

(d) The Board, and/or the Administrator, will seek appropriate rulings from the Internal Revenue Service with regard to the status of the Plan under the Code.

7.02. Advice. The Board, and/or the Administrator, may employ one or more persons to render advice with regard to its responsibilities under the Plan.

7.03. Payment of Benefits. If in doubt concerning the correctness of any action in making a payment of a benefit, the Administrator may suspend payment until satisfied as to the correctness of the payment or the person to receive the payment.

7.04. Delegation by Administrator. The Administrator will handle the day-to-day operation of the Plan and may delegate certain functions to a third party.

ARTICLE VIII.

PLAN AMENDMENTS

The Board from time to time may amend, suspend, or terminate any or all of the provisions of this Plan as may be necessary to comply with Code Section 415(m) and to maintain the Plan's or the Retirement Fund's qualified status under the Code.

ARTICLE IX.

NONASSIGNABILITY AND EXEMPTION FROM TAXATION AND EXECUTION

The interests of Participants under this Plan are exempt from any state, county, municipal or local tax, and are not subject to execution, garnishment, attachment, or any other process of law whatsoever, and are unassignable and nontransferable, except as otherwise provided by Section VI or otherwise in the same manner as established under Section 9.03 of the Retirement Plan.

ARTICLE X.

MISCELLANEOUS

10.01. Federal and State Taxes. The State, the City, the Board, and the Administrator, if any, do not guarantee that any particular Federal or State income, payroll, or other tax consequence will occur because of participation in this Plan.

10.02. Investment. The Board may hold a portion of the Plan uninvested as it deems advisable for making distributions under the Plan, or may invest assets of the Plan pending the Excess Benefit payments in short-term investment grade instruments as otherwise permitted by law.

10.03. Conflicts. In resolving any conflict between provisions of the Plan, and in resolving any other uncertainty as to the meaning or intention of any provision of the Plan, the prevailing interpretation will be the one that (i) causes the Plan to constitute a qualified governmental excess benefit arrangement under the provisions of Code Section 415(m) and the Trust Fund to be exempt from tax under Code Sections 115 and 415(m), (ii) causes the Plan and DPFPP to comply with all applicable requirements of the Code, and (iii) causes the Plan and DPFPP to comply with all applicable State laws.

10.04. Limitation on Rights. Neither the establishment or maintenance of the Plan, nor any amendment to the Plan, nor any act or omission under the Plan (or resulting from the operation of the Plan) may be construed:

(a) as conferring upon any Participant or any other person a right or claim against the State, the City, Board, Trustees, or Administrator, if any, except to the extent that the right or claim is specifically expressed and provided in the Plan;

(b) as creating any responsibility or liability of the City for the validity or effect of the Plan;

(c) as a contract between the City and any Participant or other person;

(d) as being consideration for, or an inducement or condition of, employment of any Participant or other person, or as affecting or restricting in any manner or to any extent whatsoever the rights or obligations of the City or any Participant or other person to continue or terminate the employment relationship at any time; or

(e) as giving any Participant the right to be retained in the City's service or to interfere with the City's right to discharge any Participant or other person at any time.

10.05. Erroneous Payments. Any benefit payment that should not have been made, according to the terms of the Plan and the benefits provided hereunder, may be recovered as provided by law.

10.06. Release. Any payment to any Participant will, to the extent thereof, be in full satisfaction of the Participant's claim being paid thereby, and the Administrator may condition the payment on the delivery by the Participant of the duly executed receipt and release in a form determined by the Administrator.

10.07. Liability. The State, City, Board, Trustees, DPFP, or Administrator, if any, will not incur any liability in acting upon any paper or document or electronic transmission believed by the State, City, Board, Trustees, DPFP, or Administrator to be genuine or to be executed or sent by an authorized person.

No suit may be brought against any present, future, or former officers and employees of the State, the City, the Board, Trustees, DPFP or the Administrator for claims, demands, suits, actions, damages, judgments, costs, charges and expenses, including court costs and attorney's fees for liability, losses, and damages of any nature whatsoever that may be sustained by reason of any action taken relative to the establishment, modification, termination, administration or implementation of this Plan.

The Administrator may obtain insurance to provide coverage for any liabilities that may arise as described by this Section.

10.08. Governing Laws. The Code and the laws of the State apply in determining the construction and validity of this Plan.

10.09. Necessary Parties to Disputes. The only party necessary to any accounting, litigation or other proceedings relating to the Plan is the Administrator. The settlement or

judgment in any case in which the Administrator is duly served will be binding upon all affected Participants in the Plan, their beneficiaries, estates and upon all persons claiming by, through or under them.

10.10. Severability. If any provision of the Plan is held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions of the Plan will continue to be fully effective.

IN WITNESS WHEREOF, the undersigned has caused this Excess Benefit Plan and Trust to be executed as of this ____ day of _____, 2017.

APPROVED BY THE BOARD OF TRUSTEES
OF THE DALLAS POLICE AND FIRE PENSION
SYSTEM COMBINED PENSION PLAN

By: _____



DISCUSSION SHEET

ITEM #C7

Topic: Legal issues

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.

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

Discussion: Counsel will brief the Board on these issues.



DISCUSSION SHEET

ITEM #C8

Topic: Pension Payroll Deduction Policy

Discussion: The Pension Payroll Deduction Policy provides for a voluntary and revocable arrangement as approved by the Board for the withholding of amounts from a retiree's monthly pension benefit. The policy specifically provides that there may be withholding for Police and Fire retiree association dues. DPFP currently provides the option for retirees to withhold dues for the Dallas Retired Firefighters Association. The Dallas Retired Police Officers Association has made a request to allow their members to have dues withheld from their monthly pension benefit.

The Pension Payroll Deduction Policy is based upon Section 9.03(d) of the Combined Pension Plan which reads in pertinent part:

(d) The preceding provisions of this Section shall not preclude ... any voluntary and revocable arrangement by a Pensioner or a Qualified Survivor for the withholding and direct payment of health care or life insurance premiums or similar payments from his or her monthly benefit payments.

Staff Recommendation: Available at the meeting.



D A L L A S
POLICE & FIRE
PENSION SYSTEM



Pension Payroll Deduction Policy

Adopted November 10, 2005

Pension Payroll Deduction Policy

Adopted November 10, 2005

Purpose

The purpose of this policy is to state the Board adopted rules governing voluntary arrangements for the withholding of amounts from a Pensioner's or a Qualified Survivor's monthly benefit payments in accordance with Section 8.03 of the Plan Document.

Policy

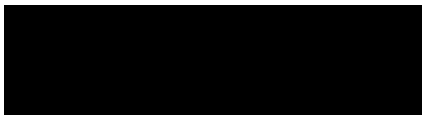
1. A Pensioner, whether that Pensioner is receiving monthly benefit payments or deferring all or part of his or her pension benefit into DROP, or a Qualified Survivor may enter into voluntary and revocable arrangements as approved by the Board for the withholding of amounts from the Pensioner's or Qualified Survivor's pension benefit.
2. Such voluntary arrangements may provide for the withholding and direct payment from pension benefits for the following deduction items:
 - a. City of Dallas health care or life insurance premiums or similar payments
 - b. the Otis E. (Buck) Banks Burial Fund
 - c. police and fire retiree association dues
 - d. direct deposit of benefit payments to an account in a bank, savings and loan or credit union (provided such payment is not an alienation)
 - e. federal income tax
 - f. other deductions as approved by the Board.
3. Any deduction item not directly related to prior employment with the City of Dallas or System retirement shall not be considered by the Board for a voluntary arrangement for withholding from pension benefits, unless the deduction item is requested by a minimum of 200 Pensioners and/or Qualified Survivors.
4. Any election by a Pensioner or Qualified Survivor of an approved voluntary withholding must be made in writing on a form provided by the System.
5. Such election may be revoked by the Pensioner or Qualified Survivor in writing at any time.
6. Any election of a voluntary withholding or revocation of an election will become effective as soon as administratively feasible after the request is received by the System.



Policy – (continued)

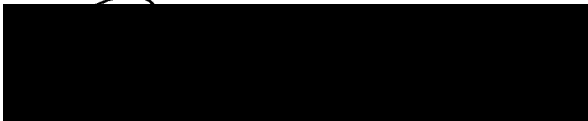
7. An attachment, garnishment, levy, execution or other legal process is not considered a voluntary arrangement.

APPROVED on November 10, 2005 the Board of Trustees of the Dallas Police and Fire Pension System.



Gerald Brown
Chairman

Attested:



Richard L. Tettamant
Secretary



DISCUSSION SHEET

ITEM #C9

Topic: Board Members' reports on meetings, seminars and/or conferences attended

- Discussion:**
- a. **Conference:** PRB: MET Online Core Training: Fiduciary Matters LW
Dates: July, 2017
Location: <http://www.prb.state.tx.us>

 - b. **Conference:** PRB: MET Online Core Training: Investments LW
Dates: July, 2017
Location: <http://www.prb.state.tx.us>



DISCUSSION SHEET

ITEM #C10

Topic: Unforeseeable Emergency Requests from DROP Members

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.078 of the Texas Government Code.

Discussion: The Executive Director will review with the Board for their consideration any applications under the DROP Unforeseeable Emergency Policy that have not been approved.

Staff

Recommendation: To be provided at the meeting.



DISCUSSION SHEET

ITEM #C11

Topic: Recognition of outgoing Trustees

Discussion: HB 3158, signed into law on May 31, 2017 by Governor Abbott, provides for the terms of the current Trustees to end on August 31, 2017. DPFP expresses its appreciation to the following Trustees for their dedicated service to DPFP and its members:

	<u>Dates of Service</u>
Samuel L. Friar, Chairman, Fire Trustee	2011 – 2017
Kenneth S. Haben, Vice-Chairman, Police Trustee	2013 – 2017
Joseph P. Schutz, Deputy Vice-Chairman, Police Trustee	2013 – 2017
Tennell Atkins, Councilmember Trustee	2013 – 2015, 2017
Clint Conway, Fire Trustee	2015 – 2017
Jennifer S. Gates, Councilmember Trustee	2016 – 2017
Scott Griggs, Councilmember Trustee	2012 – 2017
Brian Hass, Fire Trustee	2015 – 2017
Tho T. Ho, Police Trustee	2015 – 2017
Philip T. Kingston, Councilmember Trustee	2013 – 2017
Kenneth Sprecher, Police Pensioner Trustee	2016 – 2017
Larry D. Williams, Fire Pensioner Trustee	2017
Erik Wilson, Councilmember Trustee	2015 - 2017



DISCUSSION SHEET

ITEM #D1

Topic: Reports and concerns of active members and pensioners of the Dallas Police and Fire Pension System

Discussion: This is a Board-approved open forum for active members and pensioners to address their concerns to the Board and staff.



DISCUSSION SHEET

ITEM #D2

Topic: Executive Director's report

Associations' newsletters

- NCPERS Monitor (July 2017)
- NCPERS PERSist (Summer 2017)

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

In This Issue

2 Executive Directors Corner



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Professional education is a cornerstone of our mission at NCPERS. Through a mix of online and in-person program, we provide tailored programs that meet the needs of the trustees, administrators, and investment professionals of public sector pension funds.

4 The Big Three



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The moniker Big Three is often used to describe the three major American auto companies – General Motors, Ford and Fiat Chrysler U.S. Today, in terms of the Congressional agenda, the Big Three describes the top three legislative priorities of the majority Republican Party.

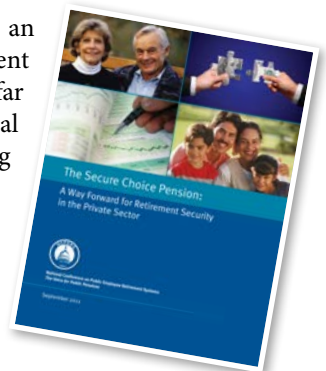
Six Years After Watershed Secure Choice Proposal, New NCPERS Analysis Reviews Progress and Potential



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On July 1, Oregon became the first state to launch an automatic-enrollment, payroll-deduction retirement program, or auto-IRA. It is a vivid illustration of how far we have come in the six years since NCPERS sparked a national conversation about the role states could play in strengthening retirement security.

It was September 2011 when we first proposed public/private partnerships as a solution in a white paper, *The Secure Choice Pension: A Way Forward for Retirement Security in the Private Sector*. This research paper was our stake in the ground on how to harness more than a century of success in the public pension arena to resolve a growing retirement savings shortfall in the private sector. In it, we declared that new retirement savings options were urgently needed, and provided a roadmap for help improve future financial security for the 50 percent of working Americans who lacked access to workplace retirement savings programs.



This month, as the OregonSaves program transforms the Secure Choice concept from vision to reality, we at NCPERS will be taking stock of our progress to date as well as the challenges that lie ahead. We will be publishing a follow-up white paper, *Secure Choice 2.0: States Blazing a Path to Retirement Security for All*. I hope you will watch the mail for this important update, read it closely, and give us your feedback. We will be hosting a webinar to review the paper this summer, please check back at www.NCPERS.org/onlinelearning.

CONTINUED ON PAGE 3



Education Agenda for Second Half of 2017 Includes Funding, Public Safety Conferences

Professional education is a cornerstone of our mission at NCPERS. Through a mix of online and in-person program, we provide tailored programs that meet the needs of the trustees, administrators, and investment professionals of public sector pension funds.

As we head into the second half of 2017, two major conferences await our members: The Public Pension Funding Forum, to be held September 10-12 in San Francisco and the Public Safety Employees Pension & Benefits Conference, to be held October 1-4 in San Antonio. In addition, the NCPERS Accredited Fiduciary Program returns September 30-October 1 in San Antonio. Registration is now under way for all of these informative programs.



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programming on Monday, and a shorter day of programming on Tuesday, allowing sufficient time for most attendees to travel home in the evening. Our special guest speaker this year is A. Michael Spence of Stanford University, a Nobel Laureate in Economic Sciences, who will discuss pensions and the economy.

The particular concerns of police officers, firefighters, and other first responders will be in the spotlight at The Public Safety Employees Pension & Benefits Conference. For more than 30 years, this conference has been the place for pension trustees, administrators, union leaders, and financial executives to gather and discuss issues related to the retirement and other benefits of people in the high-risk field of public safety. The program begins with a Sunday reception, runs full days on Monday and Tuesday, and concludes at 1:30 pm on Wednesday.

A professional accreditation precedes the Public Safety Conference, enabling participants to kill two birds with one stone. NAF, a four-module program that NCPERS unveiled in 2016, gives seasoned, experienced trustees a way to earn formal credentials. All four modules are being offered, and participants can complete two on the Saturday and Sunday preceding the Public Safety Conference. The September 30 offerings are Module 1: Governance and the Board's Role and Module 3: Legal, Risk Management, and Communications. The October 1 offerings are Module 2: Investment and Finance and Module 4: Human Capital. ♦

*Professional education is a cornerstone
of our mission at NCPERS.*

The Public Pension Funding Forum is the venue for an immersion in the latest research, analysis, and advocacy related to the funding of public pensions. We provide a reality check on the status of the “funding gap,” arming pension professionals to separate fact from fiction as pension policy is debated across the U.S. Our goal is to inject new thinking to solve funding challenges without racing to the knee-jerk solution of weakening or even dismantling public pensions.

Designed to be compact and minimize time out of the office, the forum begins with a Sunday evening reception, a full day of

I am pleased to say that the process we began in 2011 has made a meaningful difference in improving the retirement outlook for millions of Americans. The 2011 white paper helped to galvanize efforts in multiple states, many of which were frustrated with a lack of leadership on retirement policy from the federal government. By September 2012, California had passed its Secure Choice Retirement Savings Trust Act, and begun studying the feasibility of a state-facilitated program. Connecticut, Illinois, Maryland, New Jersey, Oregon, and Washington passed enabling legislation to create their state's retirement savings programs. Since 2012, 40 states have taken some legislative steps toward establishing state-facilitated retirement savings programs. We have also suffered some setbacks—notably, the withdrawal of Department of Labor safe harbor rules for states and cities that sponsor Secure Choice-inspired programs. But the states have persisted undeterred, with Vermont's governor on June 8 signing into law the Green Mountain Secure Retirement Plan, a voluntary, multiple employer plan available to companies with 50 or fewer employees.

We chose to update the Secure Choice white paper because pension and retirement policy is once again at a crossroads. The arrival of a new Administration and Congress has shifted the political landscape. As we approach the five-year anniversary of state action on retirement savings, we felt it was time to revisit the Secure Choice white paper, with an eye toward several goals. We set out to:

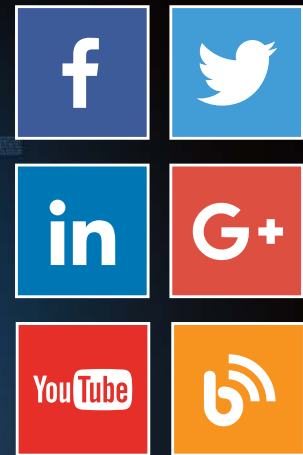
- Reflect on the activities that have transpired since the publication of the original whitepaper.
- Provide a broad and inclusive point of view from those who are active in furthering state-facilitated retirement savings.
- Provide best practices and model legislation.
- Provide a peek at what might be the next evolution for state-facilitated retirement savings.

We should all be proud of what we have accomplished. The states have risen to the challenge to provide retirement security for all. While much work still awaits us, these visionary programs are laying the foundation for a better future for retired workers. ♦

Don't Miss NCPERS' Social Media



The image features a hand holding a tablet computer. A glowing globe is positioned above the tablet, surrounded by various social media icons and digital elements like a laptop, a smartphone, and a network of people icons. The background is dark with a blue and white color scheme, suggesting a digital or technological theme.



The Voice for Public Pensions

The Big Three

The moniker Big Three is often used to describe the three major American auto companies – General Motors, Ford and Fiat Chrysler U.S. Today, in terms of the Congressional agenda, the Big Three describes the top three legislative priorities of the majority Republican Party, namely repeal and replace the Affordable Care Act (ACA), tax reform and infrastructure improvements.

Given seven years of promises to repeal the ACA, Republicans are under tremendous pressure from their political base to do just that. The House has passed legislation to this end, but the Senate is struggling to reach the magic number of votes for approval. The initial Senate version did not have sufficient support, so it is being rewritten. However, the effort can be viewed as somewhat of a high-stakes game of see-saw where changes to the bill that secure more conservatives often result in votes lost on the moderate end of the political spectrum. It is expected that sometime in July, the Senate will vote on legislation to repeal and replace the ACA and we will then know if the see-saw effort was successful.

It's important to note that enactment of a health care bill, which will include significant tax cuts, is critical to a smoother consideration of tax reform legislation. The initial Senate health care bill would result in tax cuts of \$569 billion over 10 years, of which \$66 billion results from moving the effective date of the 40 percent excise tax on high-cost health insurance (referred to by some as the Cadillac tax) to 2025. The \$569 billion, 10-year tax cut lowers the baseline for tax reform legislation, i.e. those tax cuts don't have to be offset in a revenue neutral tax reform bill because they would have been already offset in the health care bill. Of course, some of the taxes slated to be repealed in the health care bill impact only high-income taxpayers. Paying for these tax cuts with reductions in Medicaid spending is a controversial maneuver and one that could spark a political backlash. However, without enactment of health care legislation that includes significant tax cuts, tax reform legislation starts in a much deeper revenue hole. So, for the moment, Congressional Republicans appear willing to take the political risk.

Another hurdle to consideration of tax reform is approval of a fiscal year 2018 budget resolution. The resolution will contain so-called reconciliation instructions that will protect tax reform legislation from a Senate filibuster and require only a majority vote for Senate passage. However, reaching agreement on a budget resolution so far has been elusive. Deficit hawks, budget hawks and those who do not want severe cuts to entitlement programs are all pitted against each other. Without reconciliation protection, the Republicans would have to work with Democrats on tax reform because 60 votes would be needed for passage in the Senate. Frankly, that is how the process should work. That's how the 1986 tax reform act was approved, with Republican and Democratic votes.

In the retirement area, House Republicans are seriously considering making it a requirement that all new contributions to defined contribution plans (e.g., IRAs, 401(k), 457(b) and 403(b)



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plans) be made under the rules related to Roth accounts. Those rules require that contributions be made with after-tax dollars but are tax-free at distribution. This proposal was part of the 2014 tax reform legislation drafted by then-Chairman of the Ways and Means Committee Dave Camp (R-MI). According to Joint Tax Committee estimates from 2014, such a change applied only to IRAs and in conjunction with repealing the income restrictions on Roth accounts, would raise \$16.7 billion over 10 years. Identifying sources of new revenue is critical to the goal of lowering tax rates while ensuring that the overall tax reform legislation is revenue neutral. The Roth expansion proposal warrants attention by our community.

Finally, a \$1 trillion infrastructure package has been promised by President Trump. Congress is also eager to move on this legislation, but it is trailing the pack of the Big Three. The preoccupation with health care and the challenges with assembling a revenue neutral tax reform bill have been all-consuming. In addition, major questions remain on how to pay for the infrastructure projects.

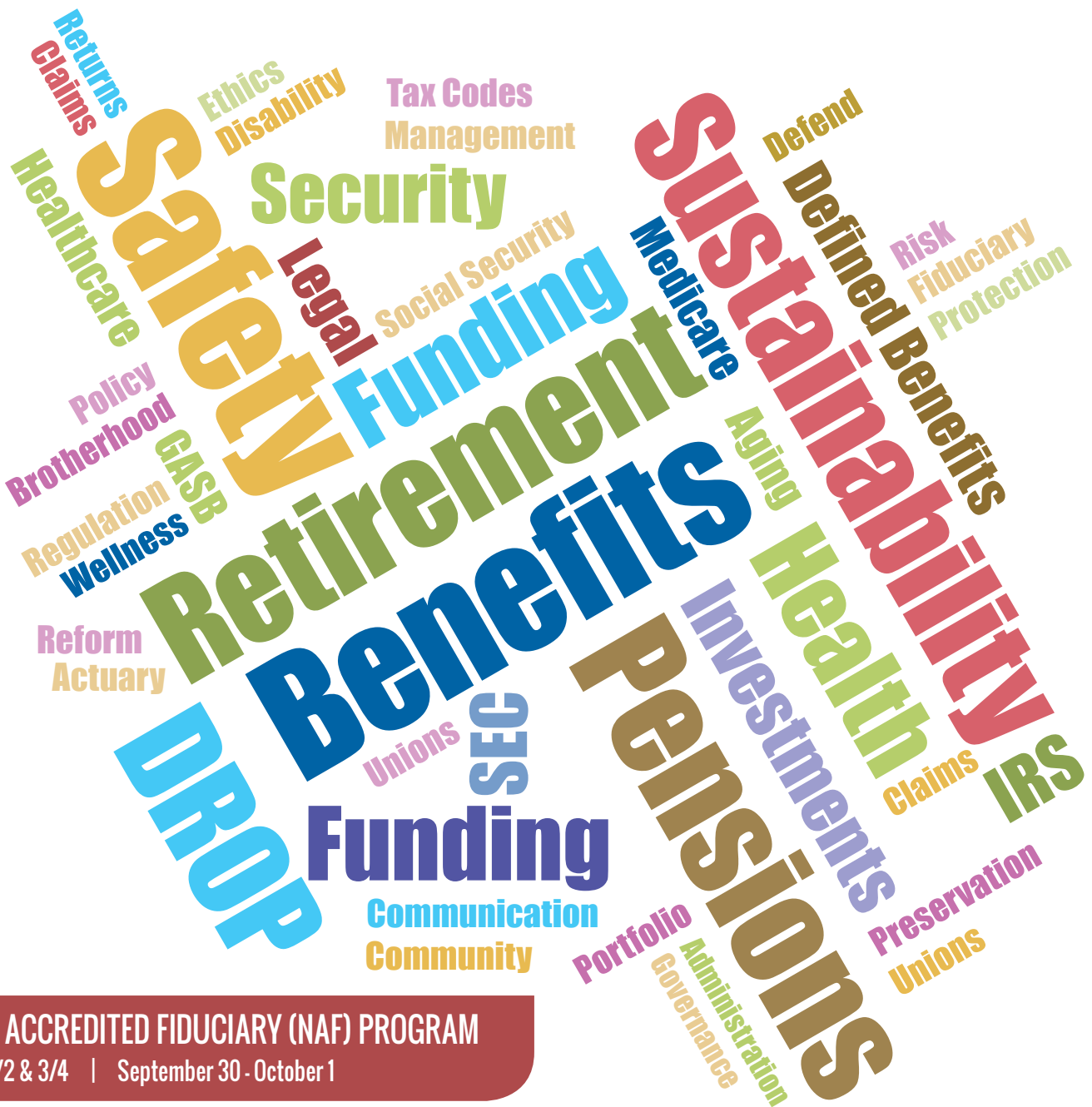
The Big Three can be viewed as three cars parked in a single lane driveway. The health care car is closest to the street, then the tax reform car, and then the infrastructure car. You could also add a budget resolution car in between health care and tax reform. If you can't back the health care car out first, then the other cars remain stuck in place. While the order of the cars can change because of political realities, this is the lineup right now.

As always, please be assured that NCPERS will closely monitor these and other issues of importance to state and local governmental pension plans. We will keep you informed of any major developments. ♦

Tony Roda is a partner at the Washington, D.C. law and lobbying firm *Williams & Jensen*, where he specializes in legislative and regulatory issues affecting state and local pension plans. He represents NCPERS and individual pension plans in California, Ohio, Tennessee and Texas.

2017 Public Safety Employees Pension & Benefits Conference

OCTOBER 1 – 4, 2017 | HYATT REGENCY SAN ANTONIO | SAN ANTONIO, TX



NCPERS ACCREDITED FIDUCIARY (NAF) PROGRAM

Modules 1/2 & 3/4 | September 30 - October 1

REGISTRATION NOW OPEN

WWW.NCPERS.ORG/PSEP_BC

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2017 Conferences

September

Public Pension Funding Forum

September 10 - 12
Stanford University
Palo Alto, CA

October

NCPERS Accredited Fiduciary Program (NAF)

September 30 - October 1
San Antonio, TX

Public Safety Employees Pension & Benefits Conference

Oct 1 - 4
Hyatt Regency San Antonio
San Antonio, TX

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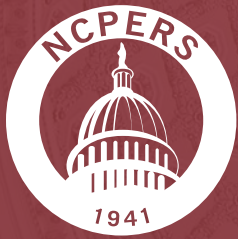
Rick Miller



The Voice for Public Pensions

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Message from the President



Daniel Fortuna
NCPERS President

After careful deliberation and discussions with the CIO Advisory Council, NCPERS Executive Board, and staff, we have decided to postpone the new [CIO Summit](#). The concept and inherent value of the Summit was to provide a CIO driven educational program that fostered collaboration and discussion among peers.

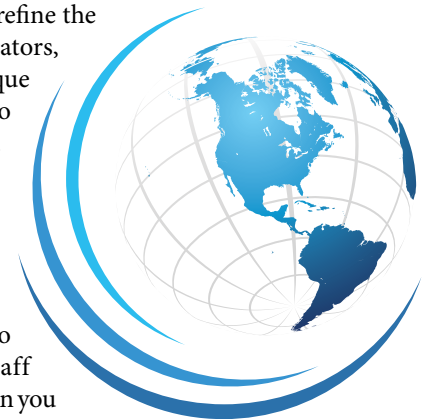
Unfortunately, due to short notice of the new program and inability to budget for this year's Summit, member participation and feedback was not at the level we had hoped from the community. Therefore, instead of hosting a program with a dozen participants, we have decided to postpone until next year, when the full NCPERS community will be ready to participate.

The CIO Summit will now be held June 14-15, 2018 in my hometown of Chicago, Illinois. Over the next 12 months, we will continue to engage with the NCPERS community and our investment professionals, to ensure we provide everyone ample

notice. We also continue to refine the program, with our collaborators, to craft an agenda with unique content that adds value to the public plan CIOs and investment staff.

I encourage you to pass this message to your CIOs and investment staff. This new program is designed to provide public pension staff with the high level of education you have come to expect from NCPERS.

Please let us know if you have any comments or questions about the CIO Summit. I look forward to seeing all of you at the next NCPERS educational event! ♦



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Merger and Acquisition Law in the Age of Trump

By Carl L. Stine

The board of directors of a fictional publicly traded company, Flagco, Inc. decides to put that company up for sale. The main factory of Flagco, which makes American flags, is located in a small town in Ohio and employs 1,000 workers. In response to the sales outreach, the company receives two bids: one bid from Bidder A for \$40 per share and one bid from Bidder B for \$41 per share. Bidder A, a family-owned company also located in Ohio, plans to keep the factory open and keep all of the 1,000 workers; Bidder B, a Chinese consortium, based on cost-saving “synergies,” plans to shut down the factory, fire all 1,000 workers, and use its factory in Mexico, which already makes Chinese flags. Although Flagco has no contacts or relationship with the state of Delaware, the company, like more than half the publicly traded corporations in the United States and 64% of Fortune 500 firms, is incorporated in Delaware.

Under the law of Delaware, which applies because Flagco is incorporated there, the board of directors has no choice: it must accept the \$41 per share bid from Bidder B. It is not permitted to even consider the fate of the 1,000 workers who will be fired or their families or the community that they live in. The directors become mere “auctioneers,” required to accept the best price reasonably available. Because of the potential cost-savings of shutting down factories, bidders that can take advantage of these “synergies” can often outbid those that cannot.

Permitting a board to consider a company’s other constituencies—for example, employees and the communities in which it operates—is not a radical concept. A number of states have recognized this issue and have passed what are generally referred to as “Other Constituency Statutes.” Under these statutes, for example Indiana’s, a director can consider “the effects of any action on shareholders, employees, suppliers, and customers of the corporation, and communities in which offices or other facilities of the corporation are located, and any other factors the director considers pertinent.”

This concept is certainly not alien to ERISA plan fiduciaries. In its October 22, 2015 “Fact Sheet,” the U.S. Department of Labor clarified that ESG (environmental, social, and governance) factors could, in many instances, be considered when making investment decisions.



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In the age of Trump, directors and others are now faced with this tension. On the one hand, profitable mergers increase immediate compensation for a specific company’s shareholders and help drive the stock market to even higher heights. On the other hand, those same mergers could mean the closing of plants and the loss of jobs in the U.S.—potentially a public relations nightmare for the parties involved, the Delaware courts, and even the administration.

It will be interesting to see whether Delaware, which is the choice of half of the corporations in this country, will be faced with this issue and whether its judges will succumb to pressure to permit directors greater latitude when considering merger options that might, in the long run, be better for the local and U.S. economy as a whole, or whether they will stick to their guns and require directors to continue to act as auctioneers. ♦

Carl L. Stine is a partner at Wolf Popper LLP where he has litigated cases related to mergers and acquisitions of public companies for many years in many state and federal courts. More details of Mr. Stine’s credentials can be seen at www.wolfpopper.com.

The Future Of Opt-Outs Hangs In The Balance

An Important Alert for Institutional Investors

On April 17, 2017, the U.S. Supreme Court heard oral arguments in *CalPERS v. ANZ Securities*, a case that stands to have far-ranging implications in opt-out litigation. At issue in *CalPERS* is whether, under *American Pipe & Construction Co. v. Utah*, 414 U.S. 538, 554 (1974), the filing of a class action complaint tolls the three-year statute of repose in Section 13 of the Securities Act of 1933 ("Securities Act") with respect to individual claims filed more than three years after the offending conduct took place. Under *American Pipe* tolling, the filing of a securities class action suspends the running of the statute of limitations for all class members. However, courts have been divided on whether *American Pipe* tolling has the same effect on a statute of repose.

The Supreme Court decision will have a big impact on public shareholders.

an individual action against the underwriters. The district court dismissed these claims as untimely, finding that the individual action had been filed after the Securities Act's three-year statute of repose had lapsed. The Second Circuit affirmed.

Practical Implications for Shareholders

The Supreme Court decision will have a big impact on public shareholders. Numerous studies have shown that shareholders who have incurred losses in securities fraud cases can fare much better if they opt out and file an individual action – pension funds have historically recovered from 13% to 90% more by opting-out.¹

Should the Supreme Court rule against CalPERS, investors will have to promptly decide whether or not to file an individual action, particularly in cases that are already pending, or risk being forced to accept an unsatisfactory recovery. Institutional investors will also need to implement or revise their procedures with respect to monitoring securities fraud class actions.

While this may create more work initially, filing an individual action early on may yield favorable results sooner. For example, many public funds who have been operating under the restrictions of the *IndyMac* case and who opted out early in the *Petrobras* case² have already reached successful settlements, even though the class case is currently stayed pending an appeal to the Second Circuit. ♦

¹Amir Rozen, Joshua B. Schaeffer and Christopher Harris, Opt-Out Cases in Securities Class Action Settlements, Cornerstone Research, 2013 and 2012-2014 Update.

²In re Petrobras Secs. Lit., Case No. 14-cv-9662-JSR (S.D.N.Y.).

For more information on CalPERS and opt-out litigation, please contact Maya Saxena at msaxena@saxenawhite.com.



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Background to the CalPERS case

In 2013, the Second Circuit became the first U.S. Court of Appeals to conclude that the Securities Act's statute of repose was not subject to *American Pipe* tolling. *Police and Fire Retirement System of the City of Detroit v. IndyMac MBS, Inc.*, 721 F.3d 95 (2d Cir. 2013). The U.S. Supreme Court had initially agreed to review *IndyMac*, but dismissed the appeal after the parties reached a tentative settlement.

In *CalPERS*, a retirement fund filed a putative class action against underwriters of various debt securities issued by Lehman Brothers. More than three years after the debt securities were offered to the public but before the district court ruled on class certification, the California Public Employees' Retirement System ("CalPERS") filed

Why Emerging Market Bonds Make Sense as US Rates Rise

By Raman Srivastava

With the Federal Reserve moving gradually but determinedly forward with its plan to raise interest rates, many bond investors are seeking to manage risk by keeping duration short and hoping the Fed doesn't pick up the pace of tightening. That approach may seem prudent, but we believe that diversifying one's portfolio with bonds issued by countries whose rates cycles aren't in sync with that in the US may be a more effective means of managing interest rate risk without sacrificing returns in the process.

While many non-US developed market bonds offer valuable diversification to US investors, the current opportunity in emerging market bonds is particularly compelling. Investors fled these bonds beginning in 2013 but now their reasons for doing so no longer hold. Investors are re-discovering emerging market debt and we expect this asset class to deliver returns in the high single digits this year and into 2018.

What's Better Now

From 2013 to 2016, emerging market bonds struggled in the face of a rising US dollar, falling prices for the commodities that many emerging markets produce and the winding down of the Fed's quantitative easing policy. Since then, however, the dollar's rise has halted, commodities have stabilized and economic circumstances in many emerging market nations have improved. These conditions have produced a strong recovery in emerging market debt that shows every sign of being likely to continue.

While many non-US developed market bonds offer valuable diversification to US investors, the current opportunity in emerging market bonds is particularly compelling.

From 2013 to 2016, the US dollar rose sharply, which created difficult conditions for emerging markets. However, currencies typically revert to their historical mean over long economic cycles and we expect the dollar to weaken over the next several years. A weak dollar would be a tremendous benefit for emerging market bonds, but a merely stable dollar is all that is necessary to deliver attractive returns. For example, from mid-2010 to April 2013 the dollar remained relatively stable and local currency EMD posted a cumulative return of 36% in US dollar terms.



Another factor supporting emerging markets' recovery is the same tightening of Fed monetary policy that otherwise raises concerns for bond investors. When the Fed announced in 2013 that it would begin to curtail its quantitative easing, the result was abrupt selloffs of emerging market debt and painful readjustment by EM economies that depended on foreign investment to fund economic activity. Now, four years later, the impact of the end of unconventional monetary policy is priced into asset valuations and the possibility of a surprise policy change is minimal.

Lending further support for emerging markets is the end of the big drop in oil prices that accompanied the boom in unconventional oil production in the US. Many emerging market countries are commodity producers, and the introduction of unconventional oil production methods hurt them. Now, though, conventional oil producers have regained some control over prices, boosting the fortunes of emerging markets.

We believe that all of these factors make a strong case for emerging market debt, particularly in comparison to other sectors of the fixed income market. ♦

Raman Srivastava is Deputy Chief Investment Officer and Managing Director of Global Fixed Income at Standish Mellon Asset Management Company, LLC. Standish is a BNY Mellon company.

Up in the Air on Carbon

By Dinah A. Koehler

The investment industry has begun to incorporate carbon emissions data into investment decisions, but investors who focus on simple solutions such as divestment or footprinting without considering other important factors may end up divesting companies that are successfully transitioning to lower carbon exposure. The UBS Sustainable Investors team believes that the best approach to building carbon-aware portfolios is to consider carbon emissions while leveraging additional data, such as in-depth assessments of mitigation activities and progress toward a carbon reduction goal.

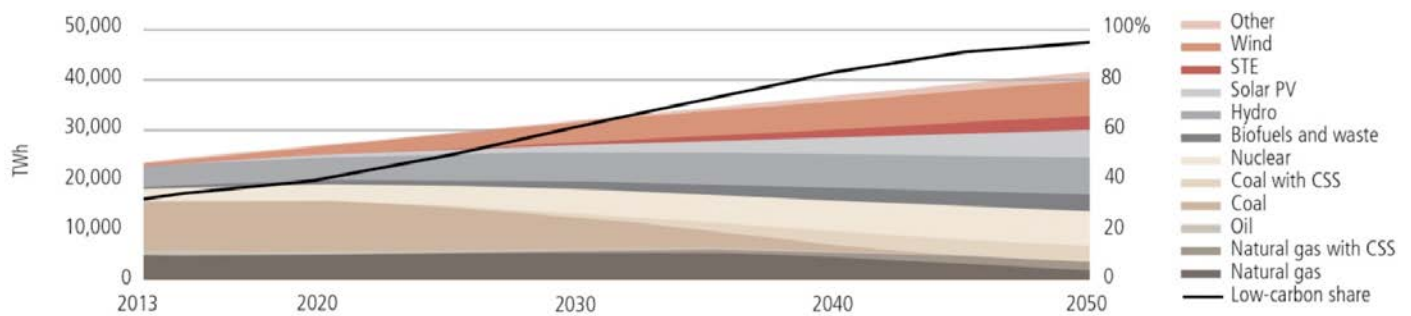
First-generation carbon-aware: Footprinting

Any conversation managing carbon exposure must start with data on corporate greenhouse gas (GHG) emissions.

Commercial providers of this data rely on voluntary corporate disclosure of carbon emissions, but less than half of these corporate disclosures are third-party reviewed, let alone audited. Providers make estimates for companies that do not report, which can lead to significant differences between provider data.

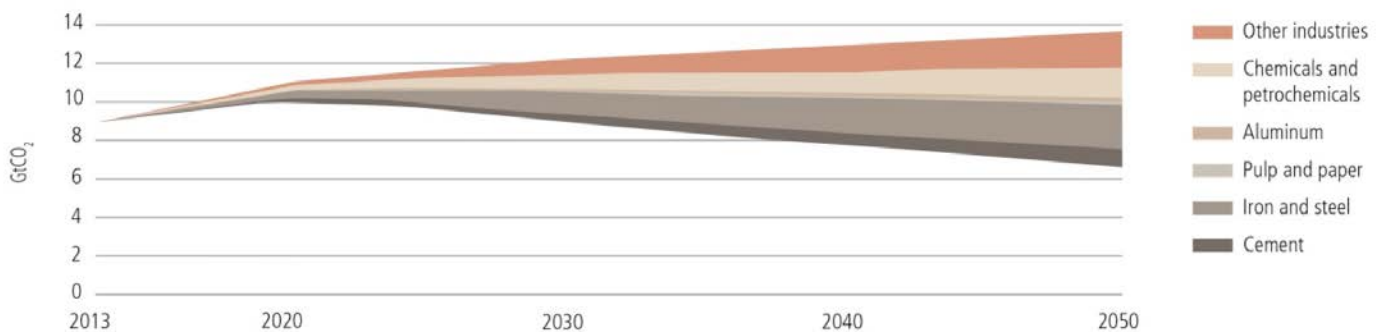
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Exhibit 1: Global electricity demand



Source: International Energy Agency (2016); Energy Technology Perspectives 2016, OECD/IEA, Paris.

Exhibit 2: Carbon reductions under 2DS for carbon-intensive sectors



Source: International Energy Agency (2016); Energy Technology Perspectives 2016, OECD/IEA, Paris.

Quo Vadis, New Jersey?

New Jersey Supreme Court Declines to Review Pension Funding

By Robert D. Klausner, NCPERS General Counsel

On May 19, 2017, the New Jersey Supreme Court declined to review an earlier opinion of the New Jersey Superior Court Appellate Division upholding the dismissal of a suit by the three main state retirement systems, Public Employee Retirement System of New Jersey (PERS), the Teachers' Pension and Annuity Fund (TPAF), and the Police and Fire Retirement System (PFRS) seeking to reverse decades of underfunding which now threatens to lead the nation's worst funded state retirement program to insolvency as early as 2022.

The May 19th decision, issued without opinion, ends four years of litigation concerning the constitutionality of a 2011 pension funding act designed to rescue the ailing program. Chapter 78, Laws of 2011, was hailed by the legislature and the governor as a "grand bargain" designed to retire the bulk of the unfunded liability over a period of seven years with increasing supplemental payments. In return for the state's commitment to increase funding, employee contributions were substantially increased and the cost-of-living adjustments were frozen until the funds reached a higher funded status.

The state made the first two annual payments in fiscal 2012 and 2013 but in fiscal 2014, the payment was not made. Although the payment had been appropriated by the legislature in the annual budget and approved by the governor, the Chapter 78 payment was deemed waived by the governor in an executive order issued days before the end of the budget year. Claiming a shortfall in revenue, the executive order provided that other fiscal needs of the state warranted the non-payment.

A coalition of labor organizations filed suit claiming that Chapter 78 created a constitutional right to funding which was a necessary element of the undisputed constitutional right to receive pension benefits when due. In the trial court, an injunction was sought to mandate payment of the 2014 appropriation which had been spent on non-pension projects. Finding that the budget year had come and gone, the trial court denied the injunction. Prior to a final hearing on the constitutional question, the retirement systems moved to be heard as *amicus curiae* (friends of the court). On the merits of the claim, the trial court issued a lengthy opinion finding that Chapter 78 was a constitutional statute and the participants of the systems were entitled to the funding. The trial court held that by failing to fund the pensions as provided in Chapter 78, the state was impairing the constitutionally protected contract rights of the participants.

The state defended the claim arguing that the debt limitation and appropriation clauses of the New Jersey Constitution prohibited payment of the Chapter 78 contributions unless contained within an appropriations bill approved by the legislature and signed by the

governor. In the alternative, because of the size of the unfunded liability, voter approval was necessary to avoid the need for an appropriation.

The state supreme court heard the appeal on an expedited basis. In June 2015, a 5-2 majority of the court ruled in favor of the state and reversed the trial court decision. In the case of *Burgos v. New Jersey*, 118 A.3d 270 (N.J. 2015), the court held that while the rights of the pension participants to receive their benefits when due was "beyond question," the determination of budgetary matters was best left to the political branches of the government. The unions unsuccessfully sought review in the United States Supreme Court.

As the union suit was proceeding, the boards of trustees of PERS, TPAF, and PFRS brought legal actions against the state seeking the overdue contributions. For the 2014 appropriation that had been fully approved in the budgetary process, the boards argued that the money, once appropriated, was the property of the retirement systems and should have been deemed held in trust. The boards also made breach of contract claims and sought judgments which could be enforced subject to the budgetary process. Relying on the *Burgos* decision, however, the trial court dismissed the case. In December 2016, the appellate division of the Superior Court upheld the dismissal. The boards sought discretionary review in the state supreme court which was recently denied.

Despite the state having escaped its contribution obligations under Chapter 78, the supreme court did uphold the increased contributions from employees and the COLA freeze. In *Berg v. Christie*, 137 A.3d 1143 (N.J. 2016), the same supreme court found that the additional burden on participants, both active and retired, was not relieved despite the consideration for those give backs being lost.

So with judicial remedies at an unsuccessful end, and the date of insolvency rapidly approaching, where does this leave the more than 800,000 participants in the state funded retirement systems? The answer is unknown. The state contended throughout the litigation that if the systems failed, the state would deliver the constitutionally guaranteed benefits on a pay-as-you-go basis. The practical likelihood of that is small. The annual payroll obligation is six times the amount of the now legally avoided state contributions. If the state was unable to make a payment equal to one sixth of the benefit obligation it seems unlikely the state can meet the pay-as-you-go obligations without catastrophic effects on the remainder of the state budget.

[CONTINUED ON PAGE 9](#)

Some investors use the data to report on the carbon emissions associated with stocks in a portfolio at a point in time—commonly called “carbon footprinting.”

Moving beyond footprints to glidepaths

While footprinting is useful for comparisons, carbon-aware investment should capture how companies and entire industries can contribute to the goal of limiting global warming to 2°C by 2100. The International Energy Agency (IEA) has modeled what it will take to achieve the 2°C scenario (2DS). The 2DS provides guidance on the rate of change needed to reduce carbon emissions (see Exhibit 1) and focuses on those industry sectors that emit the most carbon (see Exhibit 2). The 2DS can be thought of as the optimal “carbon glidepath” to meet the goal.

Glidepaths offer a framework for rewarding overachievers and punishing underachievers by helping investors evaluate whether or not a company is likely to stay aligned with its carbon glidepath. Because carbon emissions are so highly concentrated in a few industry sectors, optimizing solely on carbon emissions can quickly change the portfolio’s characteristics. A better way to incorporate carbon into portfolio (or carbon-aware index) construction is to take into account all material portfolio factors along with active risk. We believe it is possible to significantly reduce carbon emissions by 50 percent in alignment with the IEA 2DS carbon glidepaths, while maintaining a low active risk of about 30 bps.

Carbon as an investment theme

Financial products that effectively incorporate carbon data into investment decisions can meaningfully contribute to “decarbonizing” entire economies. Investment teams that understand the relevance and nuances of carbon data can provide solutions that deliver financial returns and meaningfully reduce carbon emissions and climate risks.

(This is a summary of a longer report by Dr. Dinah A. Koehler. Visit our website at ubs.com/am to access the full paper.)

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Dr. Dinah A. Koehler leads the UBS Asset Management Sustainable Investors team’s impact measurement research project and whitepaper development. She has primary responsibility for the overall product positioning and development of Sustainable Equity Strategies, ESG database development, and marketing and communication to existing and prospective clients globally. She holds a BA from Wellesley College, an MA from Tufts University, and a ScD from Harvard University. Dinah has been invited to present her research at the University of Michigan, Yale, the Wharton School, Columbia and Harvard, and has published in peer-reviewed journals and books. She has advised Harvard and Wharton on academic programs and research databases related to corporate sustainability. Over the course of her career she has worked in and advised large global corporations, national governments and international organizations on sustainability issues.

LEGAL REPORT CONTINUED FROM PAGE 7

According to a study by the National Institute on Retirement Security, Pensionomics 2016, pension payments to New Jersey residents directly support more than 77,000 jobs, which accounts for 4 percent of New Jersey labor force. The payments create \$12.4 billion in economic activity. This equates to \$1.34 in economic activity for each dollar of benefits received and \$6.99 of economic activity for each dollar of employer contributions. Employee contributions and investment income account for 81% of the entire cost of the retirement programs. The effect that the loss of that economic engine would have on New Jersey is incalculable. How the lives of pensioners would be affected would be devastating.

The only bright spot is that the local government participants in the state systems are reasonably well funded. When the state pools are exhausted, it is unclear whether those monies will become targets for payment to state workers. Such a pooling of assets was approved by the West Virginia Court of Appeals in *State Ex. Rel. Dadisman v. Caperton*, 413 S.E.2d 684 (WVa. 1991) but disapproved by the Alaska Supreme Court in *Municipality of Anchorage v. Gallion*, 944 P.2d 436 (Alaska 1997). The issue is undecided in New Jersey.

New Jersey has now joined Kentucky and Illinois as the only states where the state high courts have decoupled benefits and contributions to pay for them. It is unsurprising that these three states have retirement programs in critical financial distress.

At the time of this writing, it has been proposed to give the proceeds of New Jersey's lottery to pay the unfunded liability. How that will end up, as well as the economic future of New Jersey's active and retired public employees remains a matter of conjecture. Quo Vadis, New Jersey. Only time will tell. ♦

*This article is a regular feature of PERSIST. **Robert D. Klausner**, a well-known lawyer specializing in public pension law throughout the United States, is General Counsel of NCPERS as well as a lecturer and law professor. While all efforts have been made to insure the accuracy of this section, the materials presented here are for the education of NCPERS members and are not intended as specific legal advice. For more information go to www.robertdklausner.com.*

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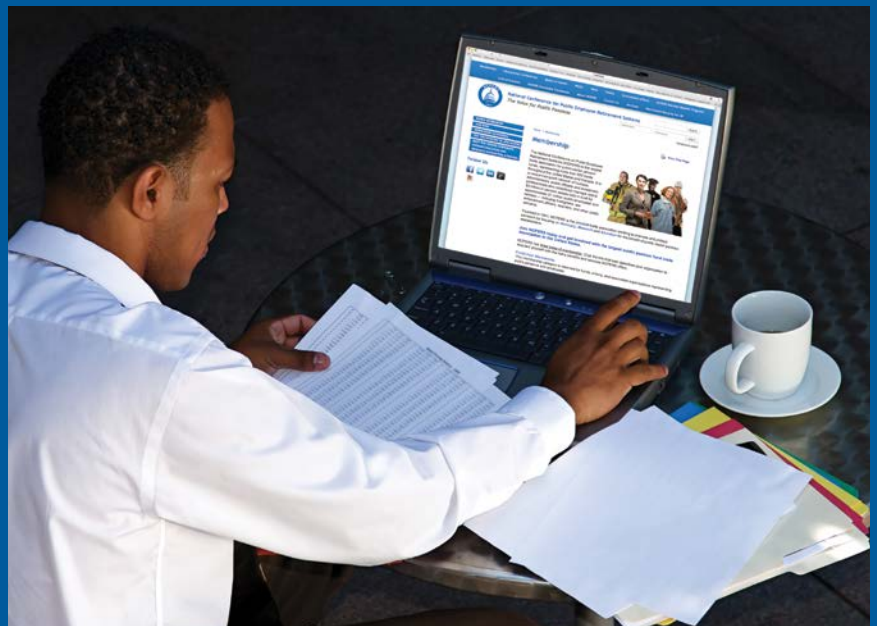
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Calendar of Events 2017

September

Public Pension Funding Forum

September 10 - 12
Stanford University
Palo Alto, CA

October

NCPERS Accredited Fiduciary Program (NAF)

September 30 - October 1
San Antonio, TX

Public Safety Employees Pension & Benefits Conference

Oct 1 - 4
Hyatt Regency San Antonio
San Antonio, TX

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