AGENDA

DALLAS POLICE & FIRE PENSION SYSTEM

Date: November 5, 2021

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, November 11, 2021, in the Second Floor Board Room at 4100 Harry Hines Boulevard, Dallas, Texas and via telephone conference for audio at 214-271-5080 access code 588694 or Toll-Free (US & CAN): 1-800-201-5203 and Zoom meeting for visual** https://us02web.zoom.us/j/82993252006?pwd=TUVLM0xsOW1oVUZPUWhiR0s4N09YUT09 **Passcode: 905992.** 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 October 15, 2021

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

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

4. **Approval of Estate Settlements**

5. **Approval of Survivor Benefits**

6. **Approval of Service Retirements**

7. **Approval of Alternate Payee Benefits**

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

9. **Approval of Payment of Previously Withdrawn Contributions**

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. **Actuarial Training**

2. **January 1, 2021 Actuarial Valuation**

3. **Report on Professional Service Provider Meeting**

4. **Staff Retirement Plan**

5. **Financial Audit Status**

6. **Second Reading and discussion of the 2022 Budget**

7. **Quarterly Financial Reports**

8. **Monthly Contribution Report**

9. **Board approval of Trustee education and travel**

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

10. **Required Training Manual Delivery**

11. **Portfolio Update**

12. **Private Equity and Debt Portfolio Review**

13. **Legal issues - In accordance with Section 551.071 of the Texas Government Code, the Board will meet in executive session to seek and receive the advice of its attorneys about pending or contemplated litigation or any other legal matter in which the duty of the attorneys to DPFP and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws.**

14. Closed Session - Board serving as Medical Committee

Discussion will be closed to the public under the terms of Sections 551.078 of the Texas Government Code.

D. BRIEFING ITEMS

1. Public Comment

2. Executive Director’s report

a. Associations’ newsletters
- NCPERS Monitor (November 2021)

b. Open Records

c. CIO Recruitment

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

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

DALLAS POLICE & FIRE PENSION SYSTEM

MOMENT OF SILENCE

In memory of our Members and Pensioners who recently passed away

NAME	ACTIVE/ RETIRED	DEPARTMENT	DATE OF DEATH
E. G. Tanton	Retired	Fire	Oct. 7, 2021
John G. Wegley	Retired	Fire	Oct. 9, 2021
Wayne A. Karitis	Retired	Police	Oct. 11, 2021
Richard D. Bridges	Retired	Police	Oct. 12, 2021
Joe M. Poe	Retired	Police	Oct. 15, 2021
Billy D. Bateman	Retired	Police	Oct. 23, 2021
B. C. Crenshaw	Retired	Fire	Oct. 26, 2021
Michael R. Wilson	Retired	Police	Oct. 27, 2021
Scott P. Harn	Active	Police	Nov. 2, 2021

Regular Board Meeting –Thursday, November 11, 2021

Dallas Police and Fire Pension System
Friday, October 15, 2021
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

Regular meeting, Nicholas A. Merrick, Chairman, presiding:

ROLL CALL

Board Members

Present at 8:31 a.m.	Nicholas A. Merrick, William F. Quinn, Armando Garza (by telephone), Michael Brown (by telephone), Kenneth Haben (by telephone), Tina Hernandez Patterson, Steve Idoux (by telephone)
Present at 8:45 a.m.	Gilbert A. Garcia (by telephone)
Absent:	Robert B. French, Mark Malveaux
Staff	Kelly Gottschalk, Josh Mond, Ryan Wagner, Brenda Barnes, John Holt, Damion Hervey, Greg Irlbeck, Michael Yan (by telephone), Cynthia Thomas (by telephone), Milissa Romero
Others	Aaron Lally (by telephone), Colin Kowalski (by telephone)

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

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A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officers Joyce E. Keeter, David R. Frykholm, Stanley L. Southall, Johnny A. McKiver, Mickey D. East, Harold M. Rice, Grady W. King, Arnulfo Pargas, Wayne L. Brandon, and retired firefighters F. L. Creech, David Leos, M. R. Hilliard, C. T. Hughes, Frank J. Losoya.

No motion was made.

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Regular Board Meeting
Friday, October 15, 2021

B. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of September 9, 2021

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

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

4. Approval of Estate Settlements

5. Approval of Survivor Benefits

6. Approval of Service Retirements

7. Approval of Alternate Payee Benefits

8. Spouse Wed After Retirement (SWAR)

9. Approval of Payment of Previously Withdrawn Contributions

10. Approval of Payment of Military Contributions

After discussion, Mr. Quinn made a motion to approve the minutes of the meeting of September 9, 2021. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Quinn made a motion to approve the remaining items on the Consent Agenda, subject to the final approval of the staff. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

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C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Financial Audit Status

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

No motion was made.

Regular Board Meeting
Friday, October 15, 2021

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2. Initial Reading and Discussion of the 2022 Budget

The Chief Financial Officer presented the initial reading of the 2022 budget, prepared in total for both the Combined Pension Plan and the Supplement Plan.

After discussion, Mr. Garcia made a motion to direct staff to revise the proposed budget based on the direction of the Board and bring the revised proposed budget to the Board at the November 11, 2021 Board meeting for consideration for adoption and to authorize forwarding the 2022 proposed budget to the City of Dallas for comment and the posting of the proposed budget to www.dpfp.org for member review prior to the November meeting. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

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3. Staff Retirement Plan

The Executive Director provided an overview of the proposal of moving the staff retirement plan to Texas Municipal Retirement System (TMRS). The Board provided feedback and requested additional information to be provided at the November 11, 2021 Board meeting.

No motion was made.

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4. Monthly Contribution Report

The Executive Director reviewed the Monthly Contribution Report.

No motion was made.

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Regular Board Meeting
Friday, October 15, 2021

5. Board approval of Trustee education and travel

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

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

No motion was made.

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6. Report on Investment Advisory Committee

The Investment Advisory Committee met on September 23, 2021. The Committee Chair and Investment Staff commented on Committee observations and advice.

No motion was made.

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7. Portfolio Update

Investment staff briefed the Board on recent events and current developments with respect to the investment portfolio.

No motion was made.

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8. Public Equity Portfolio Review

Investment staff provided an overview of DPFP's public equity investments.

No motion was made.

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Regular Board Meeting
Friday, October 15, 2021

9. Public Equity Structure Review

In December 2020, the Board approved a Global Equity Structure that limits active manager size and added passive and small cap exposure. Considering recent changes to the long-term asset allocation targets to Global Equity and Emerging Markets Equity, Staff and Meketa presented an updated Public Equity Structure. The Public Equity Structure was reviewed with the Investment Advisory Committee on September 23, 2021.

After discussion, Ms. Hernandez Patterson made a motion to approve the proposed Public Equity Structure. Mr. Quinn seconded the motion, which was unanimously approved by the Board.

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10. Private Asset Cash Flow Projection Update

Staff provided the quarterly update on the private asset cash flow projection model. The cash flow model projects estimated contributions to, and distributions from, private assets through the end of 2023. These estimates are intended to assist the Board in evaluating the expected time frame to reduce DPFP's exposure to these assets and the implications for the public asset redeployment, overall asset allocation, and expected portfolio risk and return.

No motion was made.

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Regular Board Meeting
Friday, October 15, 2021

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11. Legal issues - In accordance with Section 551.071 of the Texas Government Code, the Board will meet in executive session to seek and receive the advice of its attorneys about pending or contemplated litigation including the case of DPFP v. Sandy Alexander or any other legal matter in which the duty of the attorneys to DPFP and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws.

The Board went into closed executive session at 11:08 a.m.

The meeting was reopened at 11:41 a.m.

The Board and staff discussed legal issues.

After discussion, Ms. Hernandez Patterson made a motion to authorize the Executive Director to enter into a settlement agreement with respect to the pending Sandy Alexander litigation. Mr. Quinn seconded the motion, which was unanimously approved by the Board.

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12. Budget Adjustment – Legal

The Board went into closed executive session at 11:08 a.m.

The meeting was reopened at 11:41 a.m.

Staff briefed the Board on changes to anticipated expenditures for legal services, as compared to budgeted amounts.

After discussion, Mr. Quinn made a motion to approve a $2 million increase in the legal budget for 2021 to be allocated proportionately to both the Combined Pension Plan and the Supplemental Plan based upon the Group Trust allocation. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

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Regular Board Meeting
Friday, October 15, 2021

D. BRIEFING ITEMS

1. Public Comments

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

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2. Executive Director's report

a. Associations' newsletters
- NCPERS Monitor (October 2021)

b. Open Records
d. CIO Recruitment

The Executive Director's report was presented.

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Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Quinn and a second by Ms. Hernandez Patterson, the meeting was adjourned at 11:43 a.m.

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Nicholas A. Merrick
Chairman

ATTEST:

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Kelly Gottschalk
Secretary

DISCUSSION SHEET

ITEM #C1

Topic: **Actuarial Training**

Attendees: Jeff Williams, Vice President and Consulting Actuary, Segal Consulting
Caitlin Grice, Consulting Actuary, Segal Consulting (on phone)

Discussion: Jeff Williams and Caitlin Grice of Segal Consulting, DPFP's actuarial firm will provide actuarial training specifically targeted to the actuarial issues that are most relevant to DPFP.

Dallas Police and Fire Pension System

Key Items for Trustees to Consider

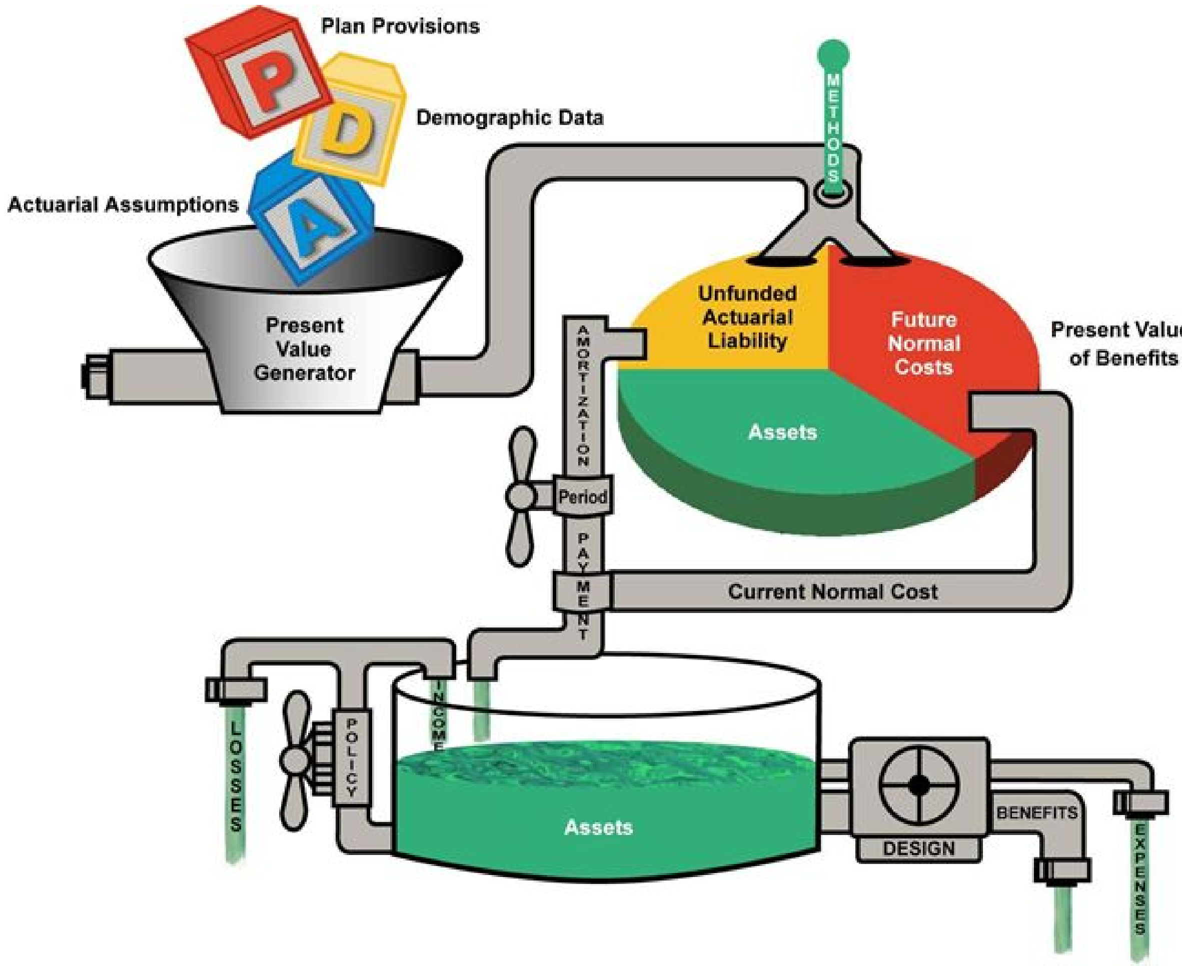
Board of Trustees Meeting

November 11, 2021 / Jeff Williams / Caitlin Grice

Actuarial Reports Have a Lot of Information – What Should I Actually Care About?

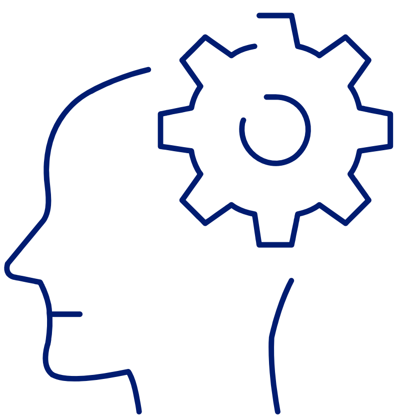
Segal

Portrait of a Pension Valuation



What Should Trustees Think About When Reviewing an Actuarial Valuation?

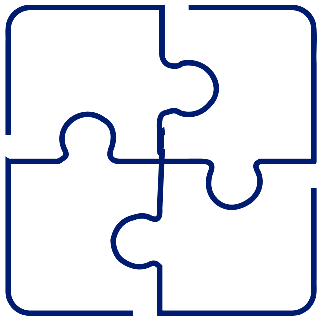
- An actuarial valuation report contains a lot of information and calculations
  - Current and historical demographic data
  - Current and historical financial data
  - Demographic and financial reconciliations
  - Calculation of actuarial value of assets
  - Liability breakdowns
  - Funded percentages
  - Actuarial Determined Contribution
- But do we care about all of this stuff?
  - No, not all of it



What Do We Care About? Or Need to Understand Better?

A few of the more important items to consider:

- Assumptions
- Normal Cost
- Asset Smoothing
- Funded Percentage
- Payroll and the Impact on Full Funding
- Actuarial Determined Contribution
- Plan Changes – Can They Help?
- What Will Get Us Where We Want to Be?



Assumptions

- Actuarial valuations determine the current cost of a plan, not the ultimate cost
  - Current cost based on valuation demographic data, financial data, assumptions and plan provisions
  - The ultimate cost is the amount of benefits paid, plus expenses
- Assumptions will change over time, and liability and normal cost are impacted by assumption changes
- However, assumptions do not determine plan costs
- Assumptions and funding methods determine the <u>timing</u> of costs
- Ultimately, the following equation must hold true for any plan to work:
  - C + I = B + E
  - <u>C</u>ontributions + <u>I</u>nvestment Income = <u>B</u>enefit Payments + <u>E</u>xpenses
- Assumptions are set to try and match expected demographic and financial outcomes
- Assumptions change every few years to reflect recent experience and expected changes in future experience

Normal Cost

- Portion of total present value of future benefits allocated to a year
- Differs depending on actuarial cost method
- A budgeting tool
- For Entry Age Normal Cost Method
  - Calculated on an individual basis based on plan of benefits applicable to each member
  - Percentage of pay that, if contributed annually from entry age to retirement for active members, would fund the member's projected benefits at retirement
- Usually fairly stable, with minimum annual fluctuations based on demographic changes
- Assumption changes impact normal cost
- DPFP main plan
  - 2020 Normal Cost: 15.33%
  - 2021 Normal Cost, prior to assumption changes: 15.36%
  - 2021 Normal Cost, after assumption changes: 17.29%
- The Normal Cost as a percentage of pay should slowly decrease over time and stabilize as the pre-March 1, 2011 participants become a smaller percentage of the total active population

Asset Smoothing – Remind Me What the Actuarial Value of Assets Is

- The Balance Sheet and Income Statement show the Market Value of Assets (MVA)
- The MVA can fluctuate greatly from year to year, and in some cases from day to day
- Most pension plans use an Actuarial Value of Assets (AVA) in valuation reports
- The AVA smooths out market value gains and losses over a certain period of time
- The use of AVA helps mitigate the impact of market volatility on valuation results, including the funded percentage and Actuarial Determined Contribution (ADC)
- For DPFP, the smoothing period is five years
  - 20% of each year's market value gain or loss is recognized immediately and over each of the next four years
- Asset smoothing is most important for plans that contribute the ADC as the asset amount directly impacts the contribution
- Most plans of a significant size use AVA, even if they have statutory contribution rates

Funded Percentage

- Actuarial value of assets (or market value of assets) divided by actuarial accrued liability
- The percentage of the benefits accrued to date that is currently covered by the assets
- A plan's goal is usually to be 100% funded
- DPFP main plan as of January 1, 2021
  - AVA funded percentage: 41.59%
  - MVA funded percentage: 37.99%
- As previously stated by Segal, the funded percentage is currently projected to continue to decrease for at least another 15 years, and spend about a decade in the 20% - 30% range before the funded percentage begins to increase
- These projections change each year based on updated demographic and economic data
- Assumption and plan changes also impact the projections

Payroll and the Impact on Full Funding

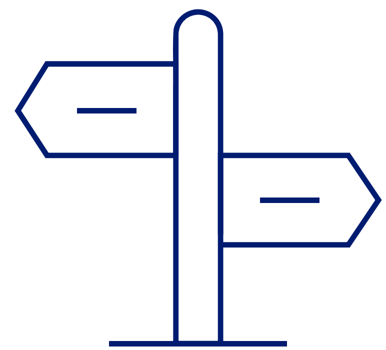
- For most plans, payroll projections are not as important as they are for DPFP
- If the City's Hiring Plan payroll projections hold true through 2037, and payroll increases by 2.50% per year thereafter, the plan is projected to reach full funding by 2084
  - 63 year effective amortization period
  - City's Hiring Plan average annual payroll growth is 3.09% from 2017 through 2037
- If the current valuation payroll is instead projected to increase by 2.50% per year (valuation assumption), the plan is projected to be 66% funded by 2084
- Through 2024 there is a floor on the City's contribution levels
- Beginning in 2025, City contributions are scheduled to be 34.50% of pay
- 2021 valuation pay is $19.4 Million greater than the Hiring Plan pay for 2021
  - For 2017 – 2021, valuation payroll is cumulatively $32 Million less than the City's plan
  - Payroll increases need to average 2.98% annually through 2037 to meet the City's payroll projections
  - If payroll increases by 2.50% per year to 2037
    - Payroll beginning in 2025 (after the contribution floor ends) up through 2037 is projected to be $378.5 Million less than the Hiring Plan
    - This $378.5 Million shortage equates to a shortage of $182 Million in total contributions

Actuarially Determined Contribution

- ADC = Employer Normal Cost + Payment on Unfunded Liability
- Amortization period for payment on unfunded liability can vary
  - Texas Code section 802.101 requires a minimum 30-year period
- Board’s funding policy has effective period of 24-years as of January 1, 2021
  - First reflected in 2020 valuation, amortization period set to closed 25-year period
  - Beginning in 2021, gains/losses each year are amortized over closed 20-year periods
- City does not contribute based on ADC
  - As mentioned previously, City contributes 34.5% of pay with statutory floor through 2024
  - If City contributed ADC, plan would be close to fully funded within 25 years

Plan Changes – Can They Help?

- Can plan changes alone save DPFP? **No**
- Pensioner and beneficiary liability accounts for 68% of total liability ($3.5B out of $5.1B)
  - COLA and DROP changes have already been made
- Liability for active members accounts for 31% of total liability ($1.6B out of $5.1B)
  - Unless there are severe cutbacks to what is already accrued, future plan changes will likely have a minimal impact on the funded percentage or full funding projection
  - Total normal cost is 17.29% of pay compared to the member contribution rate of 13.50% of pay



What Will Get Us Where We Want to Be?

- Money and time, and lots of both
- There is no quick and easy fix to the situation the System finds itself in
- Plan changes will not "right the ship"
- Assumption changes do not impact the ultimate plan cost
  - They affect timing and amount of the present value of benefits, and the ADC
  - The City isn't contributing the ADC anyway
- Only a lot of money will truly help, and short of that, consistent streams of money over a long period of time

Risk

Investment Risk

- The System's assets are expected to earn less than the assumed rate over the next few years as the investment portfolio is rebalanced
- Beyond that, the System could be at risk of not meeting its funding goals if asset returns are below the assumed long-term rate
- Benefit payments are higher than contribution income making the System reliant on investment income to cover the difference
  - For 2020, benefits and administrative expenses were $105.2 million more than contributions received

Longevity and Demographic Risk

- If members live longer than expected, the benefit payouts will be higher than currently assumed, which will draw down the System's assets
- The plan's costs are also reliant on turnover and retirement patterns

Contribution Risk

- Plan contribution rates are set by statute, but beginning in 2025 the dollars of contributions will depend solely on the computation payroll to which the rates are applied

Questions?

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DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C2

Topic: **January 1, 2021 Actuarial Valuation**

Attendees: Jeff Williams, Vice President and Consulting Actuary, Segal Consulting
Caitlin Grice, Consulting Actuary, Segal Consulting (on phone)

Discussion: Jeff Williams and Caitlin Grice of Segal Consulting, DPFP's actuarial firm, will discuss results of the January 1, 2021 actuarial valuation report, including the GASB No. 67 actuarial valuation.

Staff Recommendation: **Approve** issuance of the January 1, 2021 actuarial valuation report, subject to final review by the auditors (BDO) and review and approval by the Executive Director.

DISCUSSION SHEET

ITEM #C3

Topic: **Report on Professional Services Provider Meeting**

Discussion: According to the Committee Policy and Procedure, the Professional Services Committee is responsible for meeting privately with the external service providers, without DPFP staff present, at minimum on an annual basis. The purpose of such a meeting is to provide a forum for the service provider to provide candid comments to the Professional Services Committee.

The Professional Service Committee had a phone meeting with Jeff Williams and Caitlin Grice of Segal November 2, 2021.

Staff Recommendation: The Professional Services Committee shall **report** to the Board any material comments and **recommend** to the Board any appropriate actions needed as a result of the meetings with Segal.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C4

Topic: **Staff Retirement Plan**

Attendees: Anthony Mills, Director of City Services, TMRS
Leslee Hardy, Director of Actuarial Service, TMRS

Discussion: The retirement plan for the DPFP staff is a 401(a) defined contribution plan. DPFP and the employee contribute 12% and 6.5% of compensation, respectively, to the plan on a bi-weekly basis. DPFP employees do not contribute to any retirement system where they are entitled to an annuity upon retirement. Without some form of an annuity, employees are at risk of not having a secure retirement. As providing secure retirements is the goal of DPFP, this would appear to be a reasonable goal to achieve for DPFP employees as well.

HB 4068 was passed in the last legislative session and gave the Board the authority to elect to have DPFP staff placed into the Texas Municipal Retirement System (TMRS).

Staff reviewed the TMRS plan and participation options at the October Board meeting. TMRS staff members Anthony Mills and Leslee Hardy will be present at the meeting to provide an overview of TMRS, discuss options, funding matters and answer the Board's questions.

DISCUSSION SHEET

ITEM #C4
(continued)

To participate in TMRS the Board will be required to select the required contribution options and adopt the resolution that is included with the agenda materials.

Also included in the materials, for the Board's information, is a TMRS report that summarizes the number of cities and members under various plan options and the PowerPoint presentation from the October Board Meeting.

Recommendation: **Adopt** the TMRS Participation Resolution and **authorize** staff to take any actions necessary to (i) cause DPFP staff to become members of TMRS with such elections with respect to the TMRS plan as the Board may direct and (ii) terminate the current DPFP staff 401(a) plan.

A RESOLUTION PROVIDING FOR THE PARTICIPATION IN THE TEXAS MUNICIPAL RETIREMENT SYSTEM AND THE SUPPLEMENTAL DEATH BENEFITS FUND BY THE DALLAS POLICE AND FIRE PENSION SYSTEM (AS EMPLOYER); AND TO MAKE CURRENT SERVICE AND PRIOR SERVICE CONTRIBUTIONS TO ITS ACCOUNT IN THE BENEFIT ACCUMULATION FUND OF THE TEXAS MUNICIPAL RETIREMENT SYSTEM AT THE ACTUARIALLY DETERMINED RATE OF TOTAL EMPLOYEE COMPENSATION.

WHEREAS, Subtitle G of Title 8 of the Texas Government Code, as amended (herein after referred to as the "TMRS Act"), relating to the Texas Municipal Retirement System (“TMRS”), authorizes the governing body of each city or town to elect, at its option, to have one or more of the city departments participate in TMRS; and

WHEREAS, the TMRS Act was amended by House Bill 4068 from the 87th Texas Legislature, Regular Session, to provide that the pension system provided under Article 6243a-1, Revised Statutes, also known as the Dallas Police and Fire Pension System (“DPFP”), has the standing of a municipality with respect to DPFP’s employees, and only with respect to DPFP’s employees; and

WHEREAS, before joining TMRS, DPFP provided retirement benefits to its employees that were funded partly or wholly by DPFP, as the employer; and

WHEREAS, the Board of Trustees of DPFP now finds that it will be in the best interest of DPFP to have its employees and future employees participate in TMRS as hereinafter provided; now, therefore,

BE IT RESOLVED BY THE DPFP BOARD OF TRUSTEES:

Section 1. The DPFP Board of Trustees (“DPFP Board”), on behalf of DPFP, hereby exercises its option and elects to have the employees and future employees of DPFP and all of its departments now existing and those hereafter created participate in TMRS as provided in TMRS Act.

Section 2. The DPFP’s Executive Director is hereby directed to notify the TMRS Board of Trustees (“TMRS Board”) that DPFP has elected to have DPFP’s employees and future employees participate in TMRS.

Section 3. Each person who is or becomes an employee of DPFP on or after the effective date of DPFP’s participation in TMRS and serves DPFP in a position that normally requires 1,000 hours or more per year shall become a member of TMRS as a condition of their employment.

Section 4. Each employee of DPFP who is a member of TMRS is eligible to retire and receive a service retirement annuity if the member has at least 20 years of credited service in TMRS performed for DPFP or one or more municipalities that have adopted a like provision under Section 854.202(g) of TMRS Act.

Section 5. In accordance with the provisions of the TMRS Act, the deposits to be made to TMRS on account of current service of DPFP’s employees are hereby fixed at the rate of ___________**percent (5%,6% or 7%)** of the compensation of each employee.

Section 6. Pursuant to Sections 853.105(d-1) and 853.303(a-1) of the TMRS Act, each employee who qualifies for such credit shall be allowed "excluded prior service credit" as defined in Section 851.001(8-a) of the TMRS Act. Excluded prior service credit has no monetary value, may be used only to satisfy length of service requirements for vesting and retirement eligibility, and may not be used to determine eligibility for or computation of updated service credits under the TMRS Act.

Section 7. For each month of current service rendered to DPFP by each of its employees who are members of TMRS, DPFP elects to provide for each such member at the time of his or her retirement, a sum that is __________**percent (100%, 150%, or 200%)** of such member's accumulated deposits for such month of employment; and said sum shall be a liability of DPFP's account in the TMRS Benefit Accumulation Fund.

Section 8. The DPFP's Executive Director or their assigns is hereby directed to remit to the TMRS Board of Trustees, at its office in Austin, Texas, or to the TMRS Board's custodian financial institution as specified by TMRS, the DPFP contributions to TMRS and the amounts which shall be deducted from the compensation or payroll of DPFP employees, all as required by said Board under the provisions of the TMRS Act, and the said official is hereby authorized and directed to ascertain and certify to TMRS officially on behalf of DPFP the number of months of prior service rendered to DPFP by each of the employees of DPFP's participating departments and make and execute all current and prior service certifications and all other reports and certifications that may be required of DPFP under the provisions of the TMRS Act, or in compliance with the rules and regulations of the TMRS Board.

Section 9. DPFP hereby elects to participate in the Supplemental Death Benefits Fund of TMRS for the purpose of providing in-service death benefits for each of DPFP's employees who are members of TMRS, and for the purpose of providing post-retirement death benefits for retirees whose last TMRS covered employment was as an employee of DPFP, in the amounts and on the terms provided for in Sections 852.004, 854.601 through 854.605, 855.314, 855.408, and 855.502 of TMRS Act, as amended.

Section 10. The DPFP's Executive Director is hereby authorized and directed to notify the TMRS Executive Director of adoption of this resolution and of the participation of DPFP in said Supplemental Death Benefits Fund.

Section 11. Pursuant to Section 855.407(g) of TMRS Act, DPFP hereby elects to make future normal and prior service contributions to its account in the TMRS Benefit Accumulation Fund at such combined rate of the total compensation paid by DPFP to employees who are members of TMRS, as TMRS's actuary shall annually determine as the rate necessary to fund, within the amortization period determined as applicable to DPFP under the TMRS Act, the costs of all benefits that are or may become chargeable to or are to be paid out of DPFP's account in said accumulation fund, regardless of other provisions of the TMRS Act limiting the combined rate of DPFP contributions.

Section 12. The provisions of this resolution shall become effective the first day of the month after notification is given by the Executive Director of DPFP to the TMRS Executive Director of this resolution.

Passed and approved on this ________day of _________________________, ________

ATTEST:

APPROVED:

____
Board Secretary

____
Board Chairman

TMRS

DISTRIBUTION OF CITIES BY EMPLOYEE DEPOSIT RATE AND MATCHING RATIO

# CITIES	1 TO 1	1.5 TO 1	2 TO 1	TOTAL
3%	1	0	2	3
5%	146	64	132	342
6%	10	23	70	103
7%	31	25	390	446
TOTAL	188	112	594	894

% CITIES	1 TO 1	1.5 TO 1	2 TO 1	TOTAL
3%	0.11%	0.00%	0.22%	0.34%
5%	16.33%	7.16%	14.77%	38.26%
6%	1.12%	2.57%	7.83%	11.52%
7%	3.47%	2.80%	43.62%	49.89%
TOTAL	21.03%	12.53%	66.44%	100.00%

DISTRIBUTION OF CONTRIBUTING MEMBERS BY EMPLOYEE DEPOSIT RATE AND MATCHING RATIO

# MEMBERS	1 TO 1	1.5 TO 1	2 TO 1	TOTAL
3%	1,698	0	23	1,721
5%	1,468	1,829	6,550	9,847
6%	185	765	12,783	13,733
7%	397	870	83,763	85,030
TOTAL	3,748	3,464	103,119	110,331

% MEMBERS	1 TO 1	1.5 TO 1	2 TO 1	TOTAL
3%	1.54%	0.00%	0.02%	1.56%
5%	1.33%	1.66%	5.94%	8.92%
6%	0.17%	0.69%	11.59%	12.45%
7%	0.36%	0.79%	75.92%	77.07%
TOTAL	3.40%	3.14%	93.46%	100.00%

Percentages subject to rounding.

DISTRIBUTION OF CITIES AND MEMBERS BASED ON VESTING/RETIREMENT ELIGIBILITY OPTION

5-Year Vesting	845 Cities (94.5%)	103,107 Members (93.5%)
10-Year Vesting	49 Cities (5.5%)	7,224 Members (6.5%)
20-Year Retirement Eligibility	650 Cities (72.7%)	102,162 Members (92.6%)

CITIES ADOPTING UPDATED SERVICE CREDIT EFFECTIVE 01/01/2021

602 Total Cities (67.3%) 593 Repeating (98.5%)	101,812 Total Members (92.3% of all Members) 101,020 Repeating (99.2% of Members Eligible to Receive USC)

CITIES ADOPTING COLAs EFFECTIVE 01/01/2021

474 Total Cities (53.0%) 464 Repeating (97.9%)	50,587 Total Retirees (80.6% of all Retirees) 44,302 Repeating (87.6% of Rets. Receiving COLA)

All data as of January 28, 2021. (Member and Retiree counts based on 12/31/2019 Val)

DALLAS POLICE & FIRE PENSION SYSTEM

DPFP Staff Retirement

October 15, 2021

Key Points

- Moving the staff retirement plan to TMRS is about using the dollars DPFP is already paying towards staff retirement in a more effective manner.
  - Staff members do not participate in social security or any retirement plan that provides a lifetime stream of payments in retirement.
  - Many options were evaluated as alternatives and TMRS is the only viable solution identified.
- The contributions to TMRS are not an additional expense for DPFP. Joining TMRS is projected to save DPFP money.
- All employees start with a zero balance and no part of their benefit payment or any contributions would relate to prior service before the effective participation date in TMRS.

Status

- The Board authorized staff to pursue the legislative change necessary to allow the DPFP staff members to join the TMRS retirement plan as a replacement plan for the current 401a defined contribution plan.
- The legislature passed the needed change to the Statute to allow DPFP to join TMRS if the Board chooses to do so.
- The next step is for the Board to determine if the staff retirement should be changed to TMRS or keep the current defined contribution plan.

DALLAS POLICE & FIRE PENSION SYSTEM

Purpose of this presentation

- The purpose of this meeting is:
  - to provide an overview of TMRS
  - discuss the election options that the Board will have to make if the decision is made for the staff to participate in TMRS.
  - provide feedback about additional information needed to address any remaining questions so the Board can make a decision on this issue in November. Staff is not requesting action by the Board at this meeting.

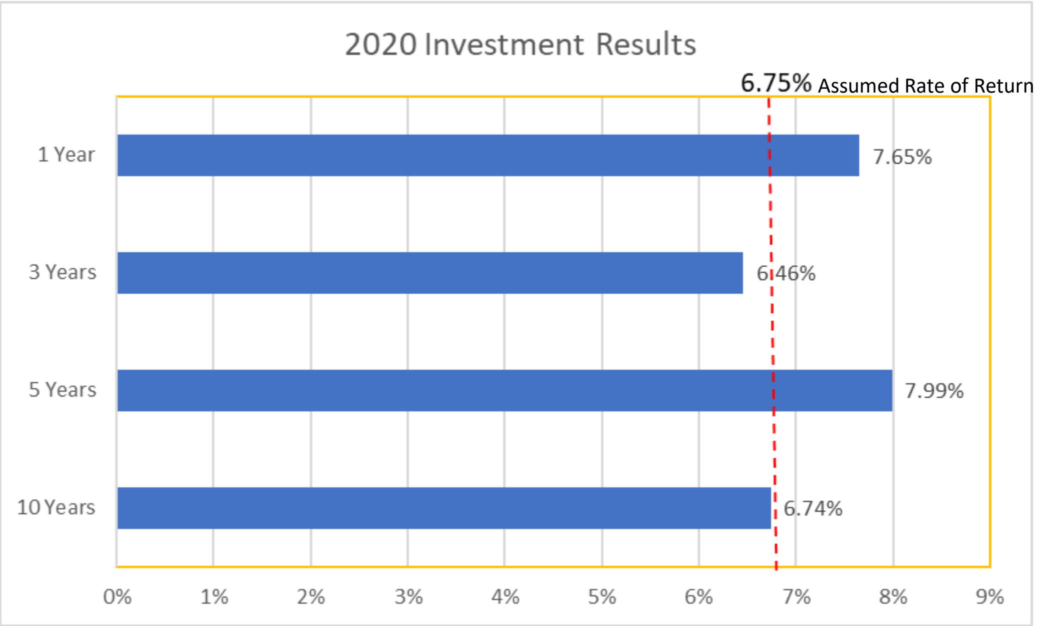
DALLAS POLICE & FIRE PENSION SYSTEM

TMRS Financial Snapshot source 2020 TMRS PAFR

Composite Funded Ratio - Last 10 Years									
2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
85.1%	87.2%	84.1%	85.8%	85.8%	86.3%	87.4%	87.1%	88.0%	89.5%

2020 Facts

895 cities
205,000 members and retirees
Contributions of $1.7 B
Benefit Payments $1.5 B
Net Position $34.3 B



Important considerations

- Consider the decision to join TMRS an irrevocable decision
- All participating “cities” of TMRS are required to fund 100% of the Actuarial Determined Contribution (ADC).
- The required employer contribution will change annually since it is based on the ADC for the DPFP plan.
  - The risks to the plan and therefore the Actuarial Determined Contribution are the same risks associated with the Regular DPFP member plan including investment risk, asset/liability mismatch, contribution risk, salary & payroll risk, longevity risk, other demographic risks.

How TMRS Works

- An employee contributes a set percentage of compensation each pay period to an account in their name.
- Annually on December 31st the employees account is credited with 5% interest based on their prior January 1st balance (interest has a one-year lag).
- The employee contributions plus interest is the employee balance
- DPFP employer contributions will go into a DPFP employer account each pay period and adjusted annually for the TMRS plan return.
- The required percentage for the employer contributions differs for each participating "city" and will change annually. The TMRS actuary determines the actuarially determined contribution rate for each plan and that is the required contribution.
- At retirement, the employees account balance is credited with the employer match at the adopted ratio (1:1, 1.5:1 or 2:1) plus any other credits that may apply

DALLAS POLICE & FIRE PENSION SYSTEM

Benefit Payment

- An employee's benefit is not determined like a defined benefit plan benefit (years of service x multiplier x average compensation).
- The TMRS benefit is determined by: (source: TMRS Benefits Guide)
  - total employee deposits plus interest
  - DPFP matching funds and other credits granted
  - the employee's remaining life expectancy at retirement
  - any beneficiary's life expectancy if a survivor option is selected
  - the selected payment plan
  - future interest rate assumption as set by law

DALLAS POLICE & FIRE PENSION SYSTEM

Plan Features – not optional

- Vesting: 5-years of service
  - Time with DPFP prior to joining TMRS counts for vesting but does not impact the benefit calculation
- Retirement Eligibility:
  - 5-years of service and age 60 or
  - 20-years of service at any age
- Leaving DPFP Prior to Vesting:
  - DPFP matching dollars are forfeited
- Disability:
  - Allows a disability retirement prior to retirement eligibility, allowing the employee to get credit for the DPFP match and retire without meeting the age/years of service requirements if a permanent disability is determined.

Plan Features – not optional

- Factors Impacting the Retirement Annuity Calculation
  - Life Expectancy for the member and, if applicable, the spouse
  - Future interest rate assumption used in determining the annuity – currently 5%
  - Payment Options
    - Retiree Life
    - Retiree Life plus 50%, 75%, or 100% options for a survivor benefit
    - Retiree Life with options (5, 10 or 15 years) for a minimum guaranteed term
    - In addition, a member can elect to receive a limited amount at retirement as a lump sum payment which reduces the account balance to annuitize

Plan Features – Required Board Elections

- Employee Contribution Rate: 5%, 6% or 7%
- DPFP Match: 1:1, 1.5:1 or 2:1
- Supplement Death Benefit: Active and Retiree

Supplemental Death Benefit

- Death while an active employee
  - Approximately equal to the employee's annual pay

- Death after retirement
  - $7,500 to a beneficiary

- Most TMRS employers offer the Supplemental Death Benefit.
  - Estimated cost for all DPFP employees based on 2022 budgeted salaries is an annual total cost of $4,100.

DALLAS POLICE & FIRE PENSION SYSTEM

Contributions Rates and Employer Costs of the Current DPFP 401a Plan and TMRS

Comparison of the Contributions Rates and Employer Costs of the Current DPFP 401a Plan and TMRS	Current Plan	6%/2X	7%/2X
Employee Contribution Rate	6.5%	6.0%	7.0%
DPFP Match	1.85x	2.0x	2.0x
DPFP Match as a Percentage	12.0%	12.0%	14.0%
Total Contributions as a Percentage	18.5%	18.0%	21.0%
2022 Contribution Rate/Normal Cost (Required)	12.0%	7.98%	9.31%
Supplemental Death Benefit (Optional)	N/A	0.13%	0.13%
Total Rate	12.0%	8.11%	9.44%
Total Dollars (2022 Estimated Salaries)	$ 378,322	$ 251,584	$ 293,515
DPFP Estimated 2022 Savings	$ -	$ 126,738	$ 84,807

DALLAS POLICE & FIRE PENSION SYSTEM

Plan Features – Optional Elections

- There are two other credits that the Board could adopt now or in the future. Updated Service Credit (USC) and a COLA.
  - TMRS will be providing a cost for each prior to the next Board meeting. Staff is not recommending adopting either but may recommend the USC depending on cost at the next meeting.

- Updated Service Credit (USC): None, 50%, 75%, or 100%, this election can be done on an annual or repeating basis. This is the most complicated feature of TMRS and staff will describe it at a high level at the meeting.
  - 592 of 886 plans (67%) covering 91% of the total members in TMRS have adopted annually repeating updated service credits.

D A L L A S POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C5

Topic: **Financial Audit Status**

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

Regular Board Meeting – Thursday, November 11, 2021

DISCUSSION SHEET

ITEM #C6

Topic: **Second reading and discussion of the 2022 Budget**

Discussion: Attached is the budget proposal for Calendar Year 2022.

The budget has been prepared in total for both the Combined Pension Plan and the Supplemental Plan. Total expenses are then allocated to the Supplemental Plan based upon the Group Trust allocation reported by JPMorgan.

Significant changes from the prior year budget and/or projected 2021 actual expenses are explained in the comments accompanying the proposed budget.

The first reading of the proposed budget was at the October 15, 2021 Board meeting. The proposed budget was posted on the DPFP website on October 18, 2021 and submitted to the City of Dallas for comment.

The Chief Financial Officer will review the changes to the proposed budget from the first reading.

Staff Recommendation: **Approve** the proposed 2022 budget.

Regular Board Meeting – Thursday, November 11, 2021

DALLAS POLICE AND FIRE PENSION SYSTEM
OPERATING BUDGET SUMMARY
FOR THE YEAR 2022

				Variances		Variances	
				2022 Budget vs	2021 Budget	2022 Budget vs	2021 Proj. Act.
Expense Type	**2021 Budget**	**2021 Projected Actual**	**2022 Budget**	**$**	**%**	**$**	**%**
Administrative Expenses	6,110,808	5,415,380	6,159,334	48,526	0.8%	743,954	13.7%
Investment Expenses	18,001,610	17,829,956	14,044,000	(3,957,610)	-22.0%	(3,785,956)	-21.2%
Professional Expenses	1,507,120	897,655	1,533,477	26,357	1.7%	635,822	70.8%
Total	$ 25,619,538	$ 24,142,991	$ 21,736,811	$ (3,882,727)	-15.2%	$ (2,406,180)	-10.0%
Less: Legal Expenses	2,762,500	2,667,348	1,035,000	(1,727,500)	-62.5%	(1,632,348)	-61.2%
Adjusted Total	$ 22,857,038	$ 21,475,643	$ 20,701,811	$ (2,155,227)	-9.4%	$ (773,832)	-3.6%

Dallas Police & Fire Pension System
Operating Budget
Calendar Year 2022

	Description	2021 Budget	2021 Projected Actual*	2022 Proposed Budget	$ Change 2022 Prop. Bud. vs. 2021 Bud.	% Change 2022 Prop. Bud. vs. 2021 Bud.	$ Change 2022 Prop. Bud. vs. 2021 Proj. Actual	% Change 2022 Prop. Bud. vs. 2021 Proj. Actual
Administrative Expenses								
1	Salaries and benefits	3,775,241	3,499,618	3,935,546	160,305	4.2%	435,928	12.5%
2	Employment Expense	25,110	7,049	25,610	500	2.0%	18,561	263.3%
3	Memberships and dues	19,917	18,599	19,487	(430)	(2.2%)	888	4.8%
4	Staff meetings	1,000	-	500	(500)	(50.0%)	500	100.0%
5	Employee service recognition	5,030	138	5,080	50	1.0%	4,942	3581.2%
6	Member educational programs	3,250	700	2,750	(500)	(15.4%)	2,050	292.9%
7	Board meetings	6,420	1,267	6,420	-	0.0%	5,153	406.7%
8	Conference registration/materials - Board	11,650	257	11,650	-	0.0%	11,393	4433.1%
9	Travel - Board	21,500	2,671	21,500	-	0.0%	18,829	704.9%
10	Conference/training registration/materials - Staff	36,300	5,577	37,750	1,450	4.0%	32,173	576.9%
11	Travel - Staff	43,200	3,638	42,950	(250)	(0.6%)	39,312	1080.6%
12	Liability insurance	727,147	608,213	664,899	(62,248)	(8.6%)	56,686	9.3%
13	Communications (phone/internet)	70,800	82,515	29,835	(40,965)	(57.9%)	(52,680)	(63.8%)
14	Information technology projects	190,000	87,817	250,000	60,000	31.6%	162,183	184.7%
15	IT subscriptions/services/licenses	182,715	186,343	212,300	29,585	16.2%	25,957	13.9%
16	IT software/hardware	17,000	32,328	25,000	8,000	47.1%	(7,328)	(22.7%)
17	Building expenses	401,482	387,063	420,413	18,931	4.7%	33,350	8.6%
18	Repairs and maintenance	84,424	67,649	88,576	4,152	4.9%	20,927	30.9%
19	Office supplies	24,850	9,642	24,475	(375)	(1.5%)	14,833	153.8%
20	Leased equipment	24,000	22,112	24,000	-	0.0%	1,888	8.5%
21	Postage	21,700	13,883	29,650	7,950	36.6%	15,767	113.6%
22	Printing	14,000	2,098	4,100	(9,900)	(70.7%)	2,002	95.4%
23	Subscriptions	2,125	895	2,396	271	12.8%	1,501	167.7%
24	Records storage	1,400	1,392	1,500	100	7.1%	108	7.8%
25	Administrative contingency reserve	12,000	206	12,000	-	0.0%	11,794	5725.2%
26	COVID 19 Expense	7,500	-	-	(7,500)	(100.0%)	-	100.0%
27	Depreciation Expense	240,947	240,946	240,947	-	0.0%	1	0.0%
28	Bank fees	3,100	20,007	20,000	16,900	545.2%	(7)	(0.0%)
Investment Expenses								
29	Investment management fees	14,664,000	13,500,000	12,440,000	(2,224,000)	(15.2%)	(1,060,000)	(7.9%)
30	Investment consultant and reporting	340,000	337,380	345,000	5,000	1.5%	7,620	2.3%
31	Bank custodian services	220,000	232,407	235,000	15,000	6.8%	2,593	1.1%
32	Other portfolio operating expenses (legal, valuation, tax)	2,777,610	3,760,169	981,500	(1,796,110)	(64.7%)	(2,778,669)	(73.9%)
33	Investment due diligence	35,000	35,001	42,500	7,500	21.4%	7,499	21.4%
Professional Services Expenses								
34	Actuarial services	190,500	118,250	158,250	(32,250)	(16.9%)	40,000	33.8%
35	Accounting services	60,770	59,001	60,770	-	0.0%	1,769	3.0%

Dallas Police & Fire Pension System
Operating Budget
Calendar Year 2022

	Description	2021 Budget	2021 Projected Actual*	2022 Proposed Budget	$ Change 2022 Prop. Bud. vs. 2021 Bud.	% Change 2022 Prop. Bud. vs. 2021 Bud.	$ Change 2022 Prop. Bud. vs. 2021 Proj. Actual	% Change 2022 Prop. Bud. vs. 2021 Proj. Actual
36	Independent audit	166,000	100,000	103,000	(63,000)	(38.0%)	3,000	3.0%
37	Legal fees	562,500	100,000	515,000	(47,500)	(8.4%)	415,000	415.0%
38	Legislative consultants	159,000	180,074	126,000	(33,000)	(20.8%)	(54,074)	(30.0%)
39	Public relations	-	25,000	100,000	100,000	100.0%	75,000	300.0%
40	Pension administration software & WMS	302,000	267,681	292,000	(10,000)	(3.3%)	24,319	9.1%
41	Business continuity	18,300	20,219	18,000	(300)	(1.6%)	(2,219)	(11.0%)
42	Network security review	10,000	-	10,000	-	0.0%	10,000	100.0%
43	Network security monitoring	102,000	77,756	100,000	(2,000)	(2.0%)	22,244	28.6%
44	Disability medical evaluations	16,500	3,000	12,000	(4,500)	(27.3%)	9,000	300.0%
45	Elections	-	-	20,000	20,000	100.0%	20,000	100.0%
46	Miscellaneous professional services	21,550	24,430	18,457	(3,093)	(14.4%)	(5,973)	(24.4%)
	Total Budget	25,619,538	24,142,991	21,736,811	(3,882,727)	(15.2%)	(2,406,180)	(10.0%)
	Less: Investment management fees	14,664,000	13,500,000	12,440,000	(2,224,000)	(15.2%)	(1,060,000)	(7.9%)
	Adjusted Budget Total	10,955,538	10,642,991	9,296,811	(1,658,727)	(15.1%)	(1,346,180)	(12.6%)

SUPPLEMENTAL BUDGET

	Total Budget (from above)	25,619,538	24,142,991	21,736,811	(3,882,727)	-15.2%	(2,406,180)	-10.0%
	Less: Allocation to Supplemental Plan Budget**	228,014	204,008	183,676	(44,338)	(19.4%)	(20,332)	(10.0%)
	Total Combined Pension Plan Budget	**25,391,524**	**23,938,983**	**21,553,135**	**(3,838,389)**	**(15.1%)**	**(2,385,848)**	**(10.0%)**

** Projected based on 7/31/21 YTD annualized or estimated*

*** Allocation to Supplemental is based on JPM allocation between accounts as of 7/31/21 of .0085%*

0.85% per JPM Unitization report as of 7/31/21

Significant Budget Changes - 2022
Budget Changes (>5% and $10K)
SORTED BY THE $ CHANGE FROM 2021 BUDGET TO 2022 BUDGET

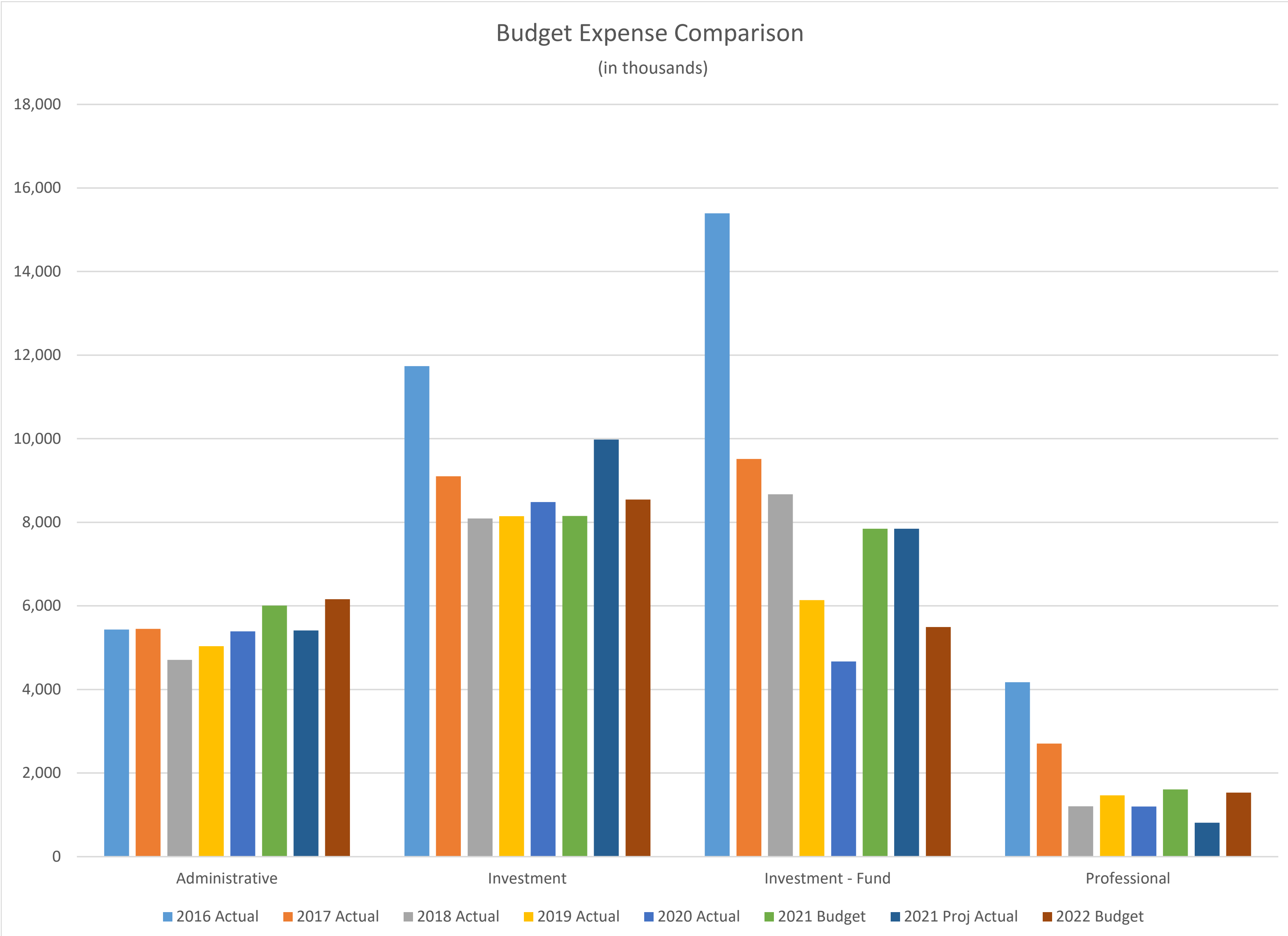
	Item	2021 Budget	2021 Projected Actual**	2022 Budget	$ Change 2022 Budget vs. 2021 Bud.	% Change 2022 Budget vs. 2021 Bud.	$ Change 2022 Budget vs. 2021 Proj. Act.	% Change 2022 Budget vs. 2021 Proj. Act.	Explanation
	INCREASES:								
1	Public relations	-	25,000	100,000	100,000	100.0%	75,000	300.0%	Possible communications project with FH
2	Information technology projects	190,000	87,817	250,000	60,000	31.6%	162,183	184.7%	Increased costs for projects like on premises dual authentication and 10G switch
3	IT subscriptions/services/licenses	182,715	186,343	212,300	29,585	16.2%	25,957	13.9%	Additional licenses and devices to be covered along with projected increases for renewals and potential new programs like Security Awareness.
4	Elections	-	-	20,000	20,000	100.0%	20,000	100.0%	Non-Member Trustee election in 2022
5	Bank fees	3,100	20,007	20,000	16,900	545.2%	(7)	0.0%	Lower Federal Reserve rate resulted in lower Earnings Credit Rate which did not offset fees as it has in the past.
6	Bank custodian services	220,000	232,407	235,000	15,000	6.8%	2,593	1.1%	Increased number of accounts managed.
	REDUCTIONS:								
7	Investment management fees	14,664,000	13,500,000	12,440,000	(2,224,000)	-15.2%	(1,060,000)	-7.9%	Declines in fee rates and the decrease in market value of the portfolio are driving the decrease in management fees.
8	Other portfolio operating expenses (legal, valuation, tax)	2,777,610	3,760,169	981,500	(1,796,110)	-64.7%	(2,778,669)	-73.9%	2022 budget only includes base fees for appraisal, audit, registrations for investments. Additional legal expenses could be incurred as investment cases go to trial.
9	Independent audit	166,000	100,000	103,000	(63,000)	-38.0%	3,000	3.0%	New reduced contract rate
10	Liability insurance	727,147	608,213	664,899	(62,248)	-8.6%	56,686	9.3%	Actual 2021 renewal was less than projected due to policy changes, but it is partially offset by a projected 10% increase in the 2022 renewal rates.
11	Legal fees	562,500	100,000	515,000	(47,500)	-8.4%	415,000	415.0%	Legal expense in 2022 is projected to be primarily driven by litigation with the prior actuary and the COLA case.
12	Communications (phone/internet)	70,800	82,515	29,835	(40,965)	-57.9%	(52,680)	-63.8%	Several analog lines, primarily related to the building, are being deactivated or ported to new services.
13	Legislative consultants	159,000	180,074	126,000	(33,000)	-20.8%	(54,074)	-30.0%	Legislature not in session in 2022 resulting in lower fees.
14	Actuarial services	190,500	118,250	158,250	(32,250)	-16.9%	40,000	33.8%	Projecting less specialized work from Segal in 2022.

*** Projected based on 7/31/21 YTD annualized or estimated*

Significant Budget Changes - 2022
Budget Changes (>5% and $10K)
SORTED BY THE $ CHANGE FROM 2021 PROJECTED ACTUAL TO 2022 BUDGET

	Item	2021 Budget	2021 Projected Actual**	2022 Budget	$ Change 2022 Budget vs. 2021 Bud.	% Change 2022 Budget vs. 2021 Bud.	$ Change 2022 Budget vs. 2021 Proj. Act.	% Change 2022 Budget vs. 2021 Proj. Act.	Explanation
	INCREASES:								
1	Salaries and benefits	3,775,241	3,499,618	3,935,546	160,305	4.2%	435,928	12.5%	2021 Projected actual is less due to three current staff vacancies. We hope to be fully staffed again in 2022.
2	Legal fees	562,500	100,000	515,000	(47,500)	-8.4%	415,000	415.0%	Expected legal costs related to the actuary case, open records and USERRA were less than budgeted.
3	Information technology projects	190,000	87,817	250,000	60,000	31.6%	162,183	184.7%	Most 2021 projects came in under budget - total $102k. At least one project delayed until 2022. More projects planned for 2022.
4	Public relations	-	25,000	100,000	100,000	100.0%	75,000	300.0%	Possible new contract with FH in 2022
5	Liability insurance	727,147	608,213	664,899	(62,248)	-8.6%	56,686	9.3%	Projections of 10% across the board increase for renewal
6	Actuarial services	190,500	118,250	158,250	(32,250)	-16.9%	40,000	33.8%	Budgeting $75k for specialized work related to changes in the discount rate, board requests, member issues and other items.
7	Travel - Staff	43,200	3,638	42,950	(250)	-0.6%	39,312	1080.6%	Reduced staff travel in 2021 due to COVID-19. Expect to return to more normal level in 2022.
8	Building expenses	401,482	387,063	420,413	18,931	4.7%	33,350	8.6%	Replacing freeze damaged plantings, planning additional maintenance such as indoor window washing and additional AC filter replacements.
9	Conference/training registration/materials - Staff	36,300	5,577	37,750	1,450	4.0%	32,173	576.9%	Staff conference training significantly reduced due to COVID-19. Hoping to return to more normal levels during 2022.
10	IT subscriptions/services/licenses	182,715	186,343	212,300	29,585	16.2%	25,957	13.9%	Additional licenses and devices to be covered along with projected increases for renewals and potential new programs like Security Awareness.
11	Pension administration software & WMS	302,000	267,681	292,000	(10,000)	-3.3%	24,319	9.1%	2021 maintenance and enhancements were less than expected. Price increases were less than expected.
12	Network security monitoring	102,000	77,756	100,000	(2,000)	-2.0%	22,244	28.6%	Actual 2021 costs were less than expected. Adding services in 2022.
13	Repairs and maintenance	84,424	67,649	88,576	4,152	4.9%	20,927	30.9%	Some projects deferred until 2022. Budgeting for painting of elevator, stairwell and other common areas. Also, budgeting for irrigation and roof repairs, if needed.
14	Elections	-	-	20,000	20,000	100.0%	20,000	100.0%	Non-Member Trustee election in 2022
15	Travel - Board	21,500	2,671	21,500	-	0.0%	18,829	704.9%	Limited Board travel in 2021 due to COVID-19.
16	Employment Expense	25,110	7,049	25,610	500	2.0%	18,561	263.3%	Primarily Agency fees for new staff
17	Postage	21,700	13,883	29,650	7,950	36.6%	15,767	113.6%	Non-Member Trustee election in 2022 and expect to return to more normal activity in this account in 2022.
18	Office supplies	24,850	9,642	24,475	(375)	-1.5%	14,833	153.8%	Office Supplies usage down in 2021 due to remote work. Expect to return to more normal levels in 2022.
19	Administrative contingency reserve	12,000	206	12,000	-	0.0%	11,794	5725.2%	Did not need to use contingency reserve in 2021.
20	Conference registration/materials - Board	11,650	257	11,650	-	0.0%	11,393	4433.1%	Limited Board conference attendance in 2021 due to COVID-19.
21	Network security review	10,000	-	10,000	-	0.0%	10,000	100.0%	Budgeting for possible additional review in 2022.
	REDUCTIONS:								
22	Other portfolio operating expenses (legal, valuation, tax)	2,777,610	3,760,169	981,500	(1,796,110)	-64.7%	(2,778,669)	-73.9%	2022 budget only includes base fees for appraisal, audit, registrations for investments. Additional legal expenses could be incurred as investment cases go to trial.
23	Investment management fees	14,664,000	13,500,000	12,440,000	(2,224,000)	-15.2%	(1,060,000)	-7.9%	Declines in fee rates and the decrease in market value of the portfolio are driving the decrease in management fees.
24	Legislative consultants	159,000	180,074	126,000	(33,000)	-20.8%	(54,074)	-30.0%	Legislature is not in session in 2022. Fees are lower in non session years.

	Item	2021 Budget	2021 Projected Actual**	2022 Budget	$ Change 2022 Budget vs. 2021 Bud.	% Change 2022 Budget vs. 2021 Bud.	$ Change 2022 Budget vs. 2021 Proj. Act.	% Change 2022 Budget vs. 2021 Proj. Act.	Explanation
25	Communications (phone/internet)	70,800	82,515	29,835	(40,965)	-58%	(52,680)	-64%	Several analog lines primarily related to the building are being deactivated or ported to new services to reduce costs.


Budget Expense Comparison
(in thousands)
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
Administrative
Investment
Investment - Fund
Professional
2016 Actual
2017 Actual
2018 Actual
2019 Actual
2020 Actual
2021 Budget
2021 Proj Actual
2022 Budget

DISCUSSION SHEET

ITEM #C7

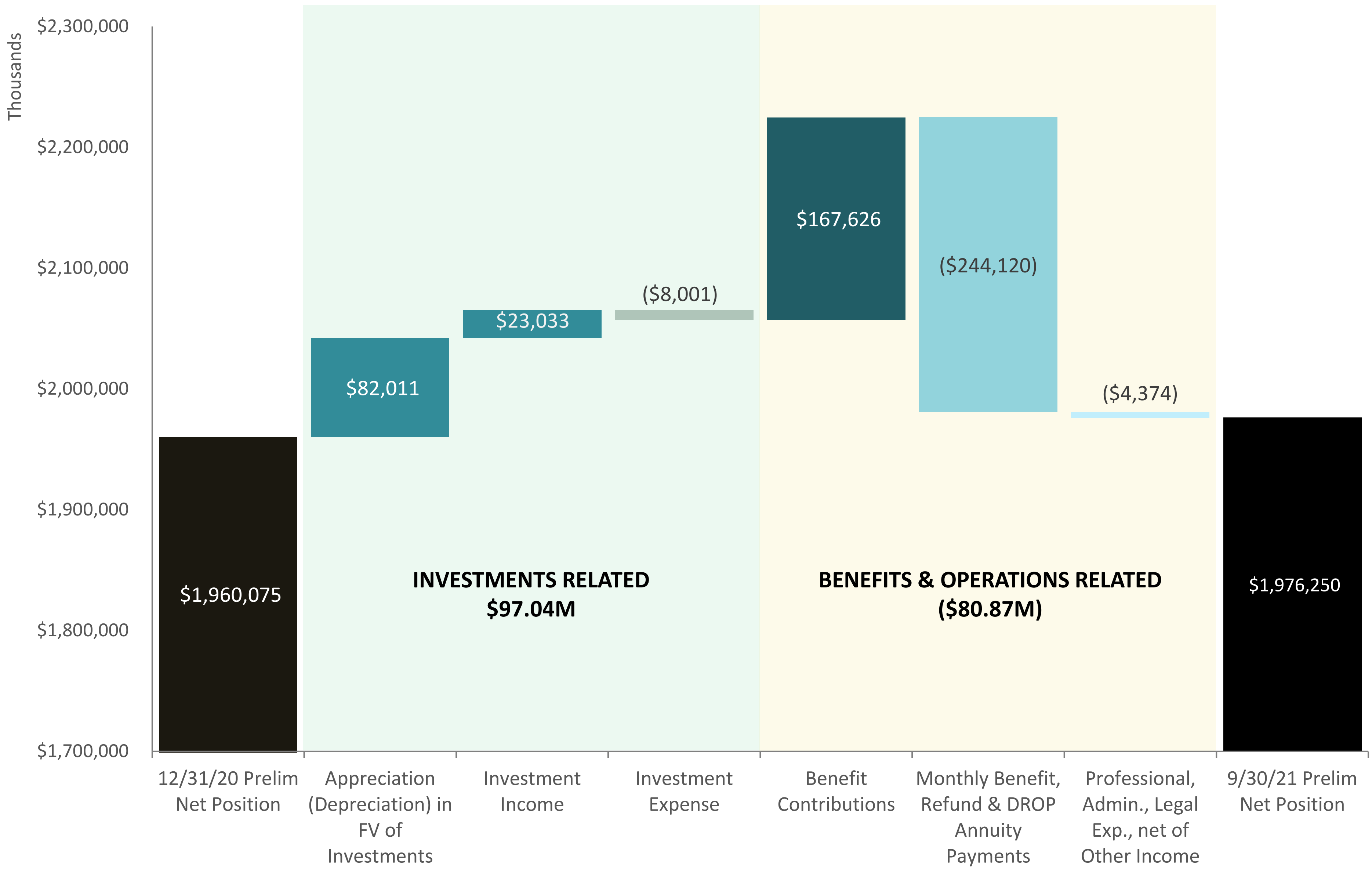
Topic: **Quarterly Financial Reports**

Discussion: The Chief Financial Officer will present the third quarter 2021 financial statements.

Regular Board Meeting – Thursday, November 11, 2021

Change in Net Fiduciary Position

PRELIMINARY - December 31, 2020 – September 30, 2021



Components may not sum exactly due to rounding.

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

	September 30, 2021	PRELIMINARY December 31, 2020 (unaudited)	$ Change	% Change
Assets				
Investments, at fair value				
Short-term investments	$ 17,672,703	$ 20,430,187	$ (2,757,484)	-13%
Fixed income securities	463,658,193	473,421,597	(9,763,404)	-2%
Equity securities	856,396,817	700,767,440	155,629,377	22%
Real assets	404,835,953	525,332,602	(120,496,649)	-23%
Private equity	133,238,565	137,309,870	(4,071,305)	-3%
Forward currency contracts	(1,674)	(296,918)	295,244	-99%
Total investments	1,875,800,557	1,856,964,778	18,835,779	1%
Receivables				
City	7,284,098	4,032,755	3,251,343	81%
Members	2,558,372	1,445,883	1,112,489	77%
Interest and dividends	3,769,358	3,782,403	(13,045)	0%
Investment sales proceeds	9,178,549	9,296,619	(118,070)	-1%
Other receivables	119,228	675,642	(556,414)	-82%
Total receivables	22,909,605	19,233,302	3,676,303	19%
Cash and cash equivalents	81,646,509	88,491,051	(6,844,542)	-8%
Prepaid expenses	531,632	544,957	(13,325)	-2%
Capital assets, net	11,907,116	12,087,826	(180,710)	-1%
Total assets	$ 1,992,795,419	$ 1,977,321,914	$ 15,473,505	1%
Liabilities				
Payables				
Securities purchased	12,478,511	11,783,719	694,792	6%
Accounts payable and other accrued liabilities	4,067,148	5,463,419	(1,396,271)	-26%
Total liabilities	16,545,659	17,247,138	(701,479)	-4%
Net position				
Net investment in capital assets	11,907,116	12,087,826	(180,710)	-1%
Unrestricted	1,964,342,644	1,947,986,950	16,355,694	1%
Net position held in trust - restricted for pension benefits	$ 1,976,249,760	$ 1,960,074,776	$ 16,174,984	1%

Please note that the 2020 audit has not yet been finalized.

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

	Nine Months Ended 9/30/2021		Nine Months Ended 9/30/2020	$ Change	% Change
Contributions					
City	$ 123,794,724		$ 121,192,801	$ 2,601,923	2%
Members	43,830,965		42,690,176	1,140,789	3%
Total Contributions	167,625,689		163,882,977	3,742,712	2%
Investment income					
Net appreciation (depreciation) in fair value of investments	82,011,233		(20,379,301)	102,390,534	-502%
Interest and dividends	23,032,910		22,837,430	195,480	1%
Total gross investment income	105,044,143		2,458,129	102,586,014	4173%
less: investment expense	(8,000,798)		(5,256,887)	(2,743,911)	-52%
Net investment income	97,043,345		(2,798,758)	99,842,103	-3567%
Securities lending income					
Securities lending income	-		89,356	(89,356)	-100%
Securities lending expense	-		(54,330)	54,330	-100%
Net securities lending income	-		35,026	(35,026)	-100%
Other income	261,394		258,338	3,056	1%
Total additions	264,930,428		161,377,583	103,552,845	64%
Deductions					
Benefits paid to members	242,176,232		238,373,140	3,803,092	2%
Refunds to members	1,943,678		1,448,367	495,311	34%
Legal expense	91,923		291,568	(199,645)	-68%
Legal expense reimbursement	-		-	-	0%
Legal expense, net of reimbursement	91,923		291,568	(199,645)	-68%
Staff Salaries and Benefits	2,577,036		2,760,754	(183,718)	-7%
Professional and administrative expenses	1,966,575		1,930,306	36,269	2%
Total deductions	248,755,444		244,804,135	3,951,309	2%
Net increase (decrease) in net position	16,174,984		(83,426,552)		
Beginning of period	1,960,074,776	*	2,075,164,750		
End of period	$ 1,976,249,760	*	$ 1,991,738,198		

*The beginning and ending period amounts are preliminary and will change as the 2020 results are finalized.

DISCUSSION SHEET

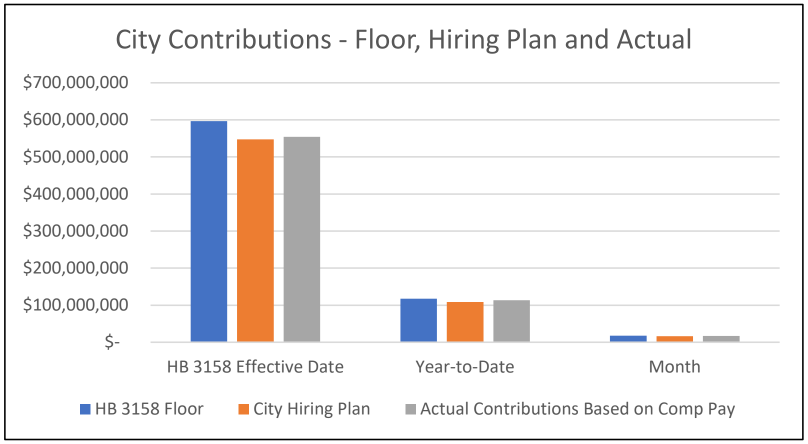
ITEM #C8

Topic: **Monthly Contribution Report**

Discussion: Staff will review the Monthly Contribution Report.

Regular Board Meeting – Thursday, November 11, 2021

Contribution Tracking Summary - November 2021 (September 2021 Data)



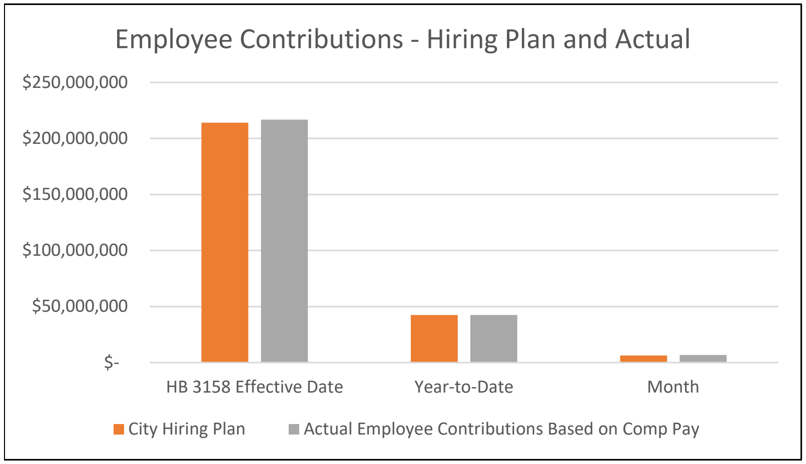
Actual Comp Pay was 101% of the Hiring Plan estimate since the effective date of HB 3158.

In the most recent month Actual Comp Pay was 105% of the Hiring Plan estimate and 97% of the Floor amount.

The Hiring Plan Comp Pay estimate increased by 3.03% in 2021. The Floor increased by 2.76%.

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

The combined actual employees was 152 less than the Hiring Plan for the pay period ending October 12, 2021. Fire was over the estimate by 28 fire fighters and Police under by 180 officers.



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

There is no Floor on employee contributions.

Contribution Summary Data

City Contributions

Sep-21	Number of Pay Periods Beginning in the Month	HB 3158 Floor	City Hiring Plan	Actual Contributions Based on Comp Pay	Additional Contributions to Meet Floor Minimum	Comp Pay Contributions as a % of Floor Contributions	Comp Pay Contributions as a % of Hiring Plan Contributions
Month	3	$ 17,646,000	$ 16,241,538	$ 17,112,560	$ 533,440	97%	105%
Year-to-Date		$ 117,640,000	$ 108,276,923	$ 113,626,275	$ 3,855,725	97%	105%
HB 3158 Effective Date		$ 596,811,000	$ 547,037,308	$ 554,414,139	$ 42,470,568	93%	101%

Due to the Floor through 2024, there is no cumulative shortfall in City Contributions
Does not include the flat $13 million annual City Contribution payable through 2024.
Does not include Supplemental Plan Contributions.

Employee Contributions

Sep-21	Number of Pay Periods Beginning in the Month	City Hiring Plan	Actual Employee Contributions Based on Comp Pay	Actual Contribution Shortfall Compared to Hiring Plan	Actuarial Valuation Contribution Assumption	Actual Contributions as a % of Hiring Plan Contributions	Actual Contributions as a % of Actuarial Val Assumption
Month	3	$ 6,355,385	$ 6,695,768	$ 340,383	$ 6,355,386	105%	105%
Year-to-Date		$ 42,369,231	$ 42,435,988	$ 2,185,219	$ 42,369,240	100%	100%
HB 3158 Effective Date		$ 214,058,077	$ 216,787,432	$ 2,729,355	$ 208,948,882	101%	104%
Potential Earnings Loss from the Shortfall based on Assumed Rate of Return				$ (443,142)			

Does not include Supplemental Plan Contributions.

Reference Information

City Contributions: HB 3158 Bi-weekly Floor and the City Hiring Plan Converted to Bi-weekly Contributions

	HB 3158 Bi-weekly Floor	City Hiring Plan- Bi-weekly	HB 3158 Floor Compared to the Hiring Plan	Hiring Plan as a % of the Floor	% Increase/ (decrease) in the Floor	% Increase/ (decrease) in the Hiring Plan
2017	$ 5,173,000	$ 4,936,154	$ 236,846	95%		
2018	$ 5,344,000	$ 4,830,000	$ 514,000	90%	3.31%	-2.15%
2019	$ 5,571,000	$ 5,082,115	$ 488,885	91%	4.25%	5.22%
2020	$ 5,724,000	$ 5,254,615	$ 469,385	92%	2.75%	3.39%
2021	$ 5,882,000	$ 5,413,846	$ 468,154	92%	2.76%	3.03%
2022	$ 6,043,000	$ 5,599,615	$ 443,385	93%	2.74%	3.43%
2023	$ 5,812,000	$ 5,811,923	$ 77	100%	-3.82%	3.79%
2024	$ 6,024,000	$ 6,024,231	$ (231)	100%	3.65%	3.65%

The HB 3158 Bi-weekly Floor ends after 2024

Employee Contributions: City Hiring Plan and Actuarial Val. Converted to Bi-weekly Contributions

		City Hiring Plan Converted to Bi-weekly Employee Contributions	Actuarial Valuation Assumption Converted to Bi-weekly Employee contributions	Actuarial Valuation as a % of Hiring Plan
2017		$ 1,931,538	$ 1,931,538	100%
2018		$ 1,890,000	$ 1,796,729	95%
2019		$ 1,988,654	$ 1,885,417	95%
2020		$ 2,056,154	$ 2,056,154	100%
2021		$ 2,118,462	**$ 2,118,462**	100%
2022		$ 2,191,154	**$ 2,191,154**	100%
2023		$ 2,274,231	**$ 2,274,231**	100%
2024		$ 2,357,308	**$ 2,357,308**	100%

The information on this page is for reference. The only numbers on this page that may change before 2025 are the Actuarial Valuation Employee Contributions Assumptions for the years 2020-2024 and the associated percentage.

Reference Information - Actuarial Valuation and GASB 67/68 Contribution Assumptions

Actuarial Assumptions Used in the Most Recent Actuarial Valuation - These assumptions will be reevaluated annually & may change.

City Contributions are based on the Floor through 2024, the Hiring Plan from 2025 to 2037, after 2037 an annual growth rate of 2.75% is assumed

Employee Contributions for 2018 are based on the 2017 actual employee contributions inflated by the growth rate of 2.75% and the Hiring Plan for subsequent years until 2038, when the 2037 Hiring Plan is increased by the 2.75 growth rate for the next 10 years

Actuarial/GASB Contribution Assumption Changes Since the Passage of HB 3158

	Actuarial Valuation	GASB 67/68
YE 2017 (1/1/2018 Valuation)		
2018 Employee Contributions Assumption - based on 2017 actual plus growth rate not the Hiring Plan Payroll	$ (2,425,047)	*
2019 Estimate (1/1/2019 Valuation)		
2019 Employee Contribution Assumption	$ 9,278	*

**90% of Hiring Plan was used for the Cash Flow Projection for future years in the 12/31/2017 GASB 67/68 calculation. At 12-31-17, 12-31-18 and 12-31-2019 this did not impact the pension liability or the funded percentage.*

The information on this page is for reference. It is intended to document contribution related assumptions used to prepare the Actuarial Valuation and changes to those assumptions over time, including the dollar impact of the changes. Contribution changes impacting the GASB 67/68 liability will also be included.

City Hiring Plan - Annual Computation Pay and Numbers of Employees						
	Computation Pay			Number of Employees		
Year	Hiring Plan	Actual	Difference	Hiring Plan	Actual EOY	Difference
2017	$ 372,000,000	Not Available	Not Available	5,240	4,935	(305)
2018	$ 364,000,000	$ 349,885,528	$ (14,114,472)	4,988	4,983	(5)
2019	$ 383,000,000	$ 386,017,378	$ 3,017,378	5,038	5,104	66
2020	$ 396,000,000	$ 421,529,994	$ 25,529,994	5,063	4,988	(75)
2021	$ 408,000,000			5,088		
2022	$ 422,000,000			5,113		
2023	$ 438,000,000			5,163		
2024	$ 454,000,000			5,213		
2025	$ 471,000,000			5,263		
2026	$ 488,000,000			5,313		
2027	$ 507,000,000			5,363		
2028	$ 525,000,000			5,413		
2029	$ 545,000,000			5,463		
2030	$ 565,000,000			5,513		
2031	$ 581,000,000			5,523		
2032	$ 597,000,000			5,523		
2033	$ 614,000,000			5,523		
2034	$ 631,000,000			5,523		
2035	$ 648,000,000			5,523		
2036	$ 666,000,000			5,523		
2037	$ 684,000,000			5,523		

Comp Pay by Month - 2021	Annual Divided by 26 Pay Periods	Actual	Difference	2020 Cumulative Difference	Number of Employees - EOM	Difference
January	$ 31,384,615	$ 33,074,493	$ 1,689,878	$ 1,689,878	4960	(128)
February	$ 31,384,615	$ 33,017,462	$ 1,632,847	$ 3,322,725	4926	(162)
March	$ 31,384,615	$ 32,960,217	$ 1,575,602	$ 4,898,327	4929	(159)
April	$ 47,076,923	$ 49,564,745	$ 2,487,822	$ 7,386,148	4935	(153)
May	$ 31,384,615	$ 33,011,653	$ 1,627,037	$ 9,013,186	4913	(175)
June	$ 31,384,615	$ 32,932,804	$ 1,548,189	$ 10,561,374	4904	(184)
July	$ 31,384,615	$ 33,011,207	$ 1,626,592	$ 12,187,966	4939	(149)
August	$ 31,384,615	$ 33,136,708	$ 1,752,092	$ 13,940,059	4918	(170)
September	$ 47,076,923	$ 49,601,625	$ 2,524,701	$ 16,464,760	4936	(152)
October				$ 16,464,760		
November				$ 16,464,760		
December				$ 16,464,760		

DISCUSSION SHEET

ITEM #C9

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

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

Discussion:

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

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

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

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

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

ATTENDING APPROVED

2022 EVENTS

1. **Conference:** **TEXPERS Annual Conference**
   Dates: April 3-6, 2022
   Location: Fort Worth, TX
   Est Cost: TBD

2. **Conference:** **NCPERS Trustee Educational Seminar (TEDS)**
   Dates: May 21 – 22, 2022
   Location: Washington, DC
   Est Cost: TBD

3. **Conference:** **NCPERS Program for Advanced Trustee Studies (PATS)**
   Dates: May 21 – 22, 2022
   Location: Washington, DC
   Est Cost: TBD

4. **Conference:** **NCPERS Accredited Fiduciary (NAF) Program**
   Dates: May 21 – 22, 2022
   Location: Washington, DC
   Est Cost: TBD

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

ATTENDING APPROVED

2022 EVENTS

5. **Conference:** **NCPERS Annual Conference & Exhibition (ACE)**
Dates: May 22 – 25, 2022
Location: Washington, DC
Est Cost: TBD

6. **Conference:** **NCPERS Public Safety Conference**
Dates: October 25-28, 2022
Location: Nashville, TN
Est Cost: **TBD**

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C10

Topic: **Required Training Manual Delivery**

Discussion: Section 3.013(c) of Article 6243a-1 requires the Executive Director annually deliver a training manual covering certain subject areas set forth in Section 3.013(b). The Executive Director will provide an overview of the contents, address new items in the manual and answer any questions concerning the training manual.

Trustees can access the training manual electronically through Diligent under the Resource Center.

Staff Recommendation: **Acknowledgement** by each Trustee of receipt of the training manual by signing and submitting the Trustee acknowledgment form.

DISCUSSION SHEET

ITEM #C11

Topic: **Portfolio Update**

Discussion: Investment Staff will brief the Board on recent events and current developments with respect to the investment portfolio.

Regular Board Meeting – Thursday, November 11, 2021

DALLAS POLICE & FIRE PENSION SYSTEM

Portfolio Update

November 11, 2021

Executive Summary

- Liquidation of private market assets remains the top focus.
  - Received $157M in distributions year to date, including $8M from AEW – Camel Square received in early November.
  - ~$20M in additional distributions projected thru year-end.

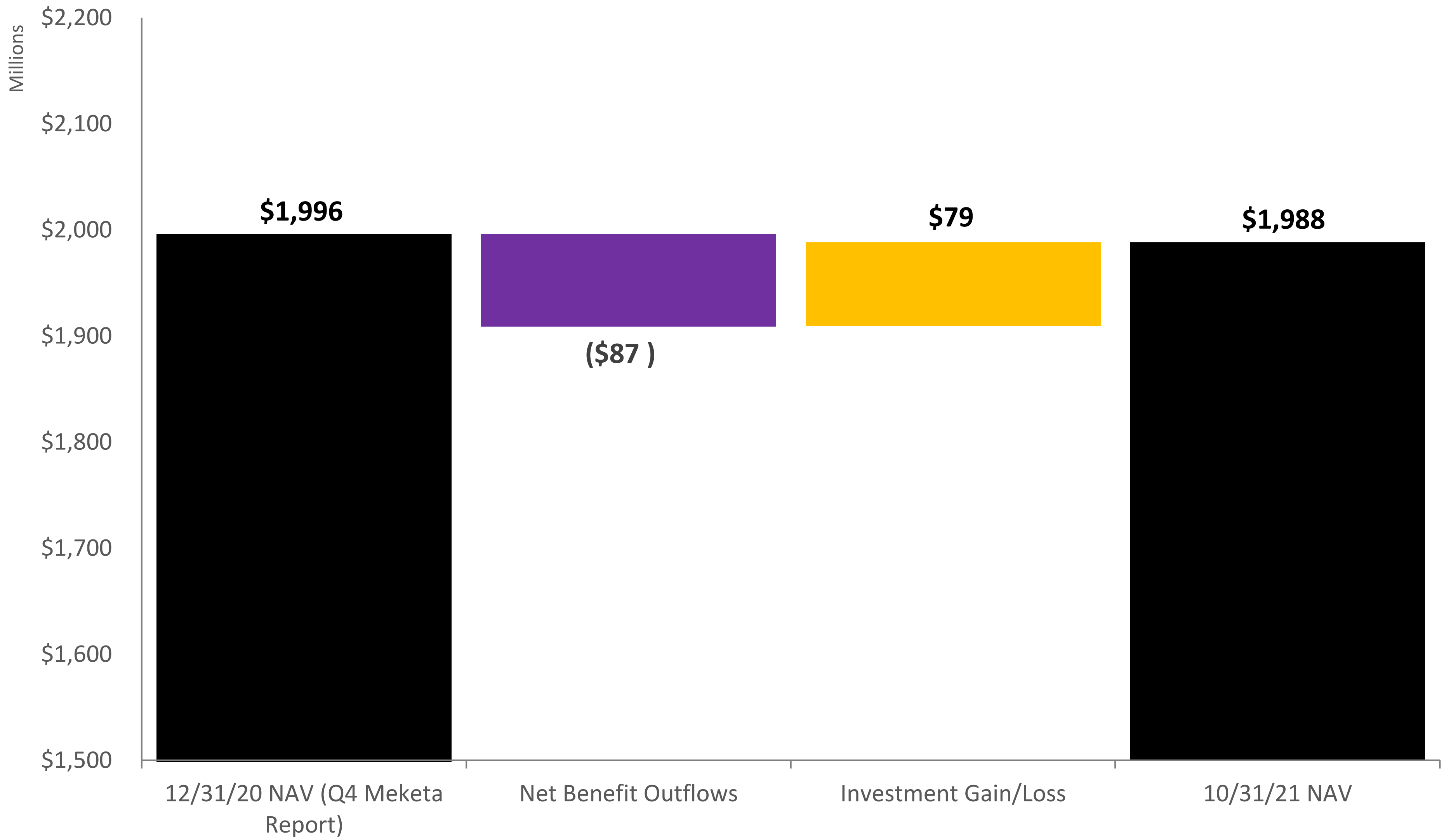
- Rebalancing Activity: $123M of capital redeployed into Global Equity, EM Equity and EM Debt towards new Asset Allocation. An additional ~$40M of rebalancing to occur by year-end.

- International Small Cap Search: RFP's received from six firms in mid-October. Staff in evaluation and interview process. Expect to invite finalists to present to IAC at December meeting.

2021YTD Change in Market Value Bridge Chart

In Millions

Annual Investment Return estimated at 4.1% YTD as of 10/31/21



Public Markets Performance Snapshot - Estimates

Public Markets (ex-Cash) currently make up 68% of DPFP Investment Portfolio.

		Oct-21			YTD as of 10/31/21		
Net of fees	Index	Manager	Index	Excess	Manager	Index	Excess
Total Public Portfolio (ex-Cash)	**60% MSCI ACWI IMI / 40% BBG Global AGG**	**2.5%**	**2.8%**	**-0.3%**	**9.5%**	**7.9%**	**1.6%**
Global Equity	**MSCI ACWI IMI**	**4.5%**	**4.9%**	**-0.3%**	**17.6%**	**16.8%**	**0.8%**
Boston Partners	MSCI World	2.8%	5.7%	-2.9%	20.8%	19.4%	1.4%
Manulife	MSCI ACWI	3.7%	5.1%	-1.4%	18.5%	16.8%	1.7%
Invesco (OFI)	MSCI ACWI	4.3%	5.1%	-0.8%	15.4%	16.8%	-1.4%
Walter Scott	MSCI ACWI	5.9%	5.1%	0.8%	16.6%	16.8%	-0.2%
Northern Trust ACWI IMI Index	MSCI ACWI IMI	5.1%	4.9%	0.3%	13.8%	13.7%	0.2%
Eastern Shore US Small Cap	Russell 2000	7.3%	4.3%	3.1%			
EM Equity - RBC	**MSCI EM IMI**	**0.8%**	**0.9%**	**-0.1%**	**-3.7%**	**1.7%**	**-5.4%**
Public Fixed Income (ex-Cash)	**BBG Multiverse TR**	**-0.5%**	**-0.3%**	**-0.3%**	**-0.1%**	**-4.1%**	**4.0%**
S/T IG Bonds - IR+M	BBG 1-3YR AGG	-0.4%	-0.3%	-0.1%	-0.1%	-0.2%	0.2%
IG Bonds - Longfellow	BBG US AGG	0.0%	0.0%	0.0%	-0.6%	-1.6%	1.0%
Bank Loans - Pacific Asset Management	CS Leveraged Loan	0.4%	0.0%	0.4%	4.6%	4.6%	0.0%
High Yield - Loomis Sayles	BBG USHY 2% Cap	-0.4%	-0.2%	-0.2%	3.1%	4.4%	-1.3%
EM Debt - Ashmore	50% JPM EMBI / 25% ELMI / 25% GBI-EM	-2.8%	-2.8%	0.0%	-8.4%	-5.3%	-3.1%

Source: JPM Morgan custody data, manager reports, Investment Staff estimates and calculations. Numbers may not foot due to rounding.

** - Ashmore Benchmark performance for prior month is equal to the manager return due to lag in benchmark reporting*

*** - Eastern Shore performance inception date 09/03/2021*

Asset Allocation & Rebalancing Detail

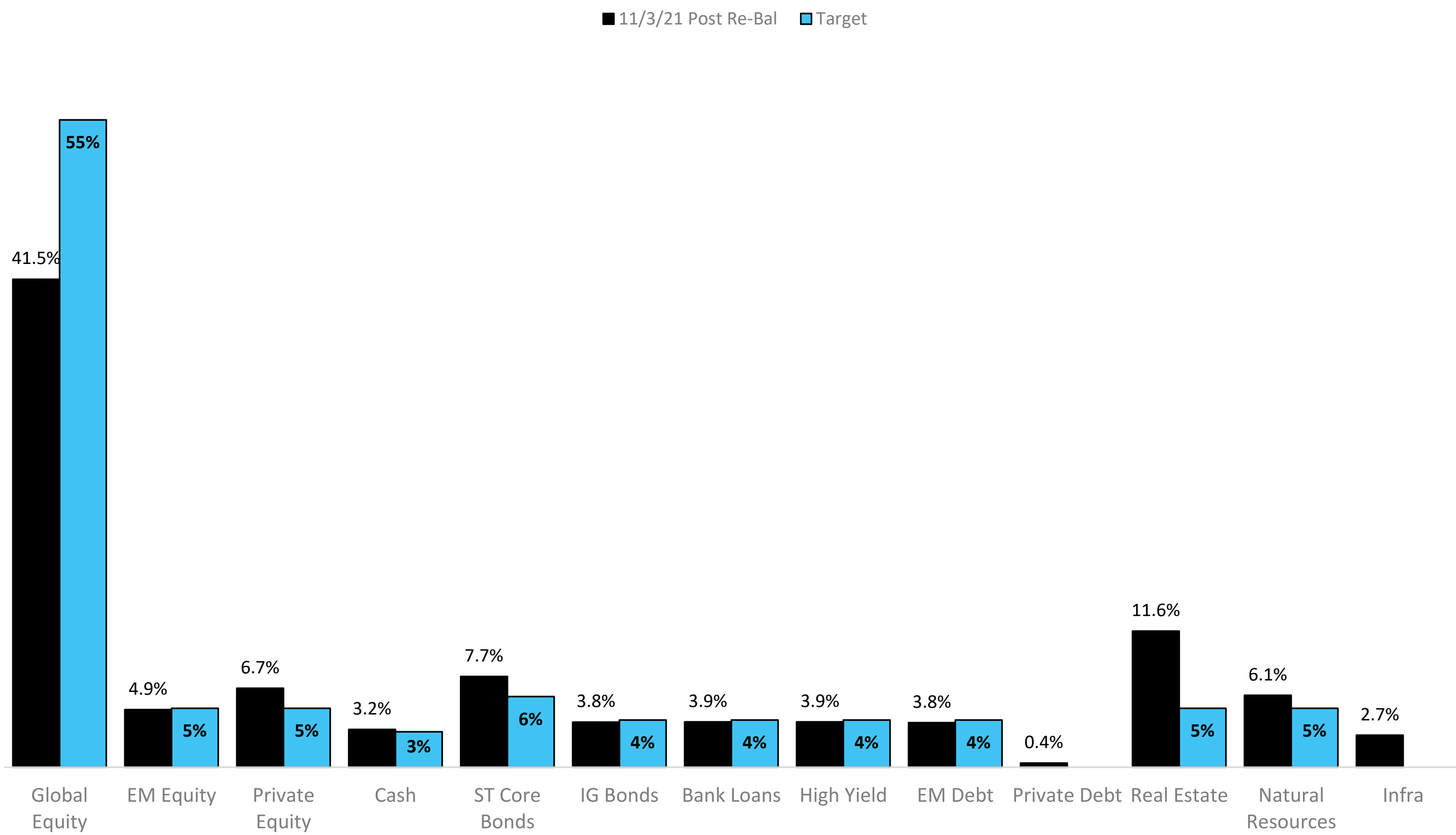
DPFP Asset Allocation	10/31/2021 NAV	10/31/2021 %	Rebalancing	11/3 Pro Forma Actual NAV	11/3 Pro Forma Actual %	11/3 Pro Forma Target $ mil.	11/3 Pro Forma Target %	11/3 Pro Forma Variance $ mil.	11/3 Pro Forma Variance %
Equity	**1,034**	**52.0%**	**21.0**	**1,055**	**53.1%**	**1,292**	**65%**	**-238**	**-11.9%**
Global Equity	812	40.9%	12.0	824	41.5%	1,094	55%	-269	-13.5%
Boston Partners	*146*	*7.3%*		*146*	*7.3%*	*159*	*8%*	*-14*	*-0.7%*
Manulife	*140*	*7.0%*	*4.0*	*144*	*7.2%*	*159*	*8%*	*-15*	*-0.8%*
Invesco (OFI)	*140*	*7.0%*	*4.0*	*144*	*7.2%*	*159*	*8%*	*-15*	*-0.8%*
Walter Scott	*140*	*7.1%*	*4.0*	*144*	*7.3%*	*159*	*8%*	*-15*	*-0.7%*
Northern Trust ACWI IMI Index	*206*	*10.3%*		*206*	*10.3%*	*298*	*15%*	*-93*	*-4.7%*
Eastern Shore US Small Cap	*41*	*2.1%*		*41*	*2.1%*	*80*	*4%*	*-39*	*-1.9%*
Future International Small Cap Mandate	*0*	*0.0%*		*0*	*0.0%*	*80*	*4%*	*-80*	*-4.0%*
Russell Transition	*0*	*0.0%*		*0*	*0.0%*	*0*	*0%*	*0*	*0.0%*
Emerging Markets Equity - RBC	88	4.4%	9.0	97	4.9%	99	5%	-2	-0.1%
Private Equity*	133	6.7%		133	6.7%	99	5%	34	1.7%
Fixed Income	**550**	**27.6%**	**-21.0**	**529**	**26.6%**	**497**	**25%**	**32**	**1.6%**
Cash	97	4.9%	-33.0	64	3.2%	60	3%	4	0.2%
S/T Investment Grade Bonds - IR+M	153	7.7%		153	7.7%	119	6%	34	1.7%
Investment Grade Bonds - Longfellow	76	3.8%		76	3.8%	80	4%	-3	-0.2%
Bank Loans - Pacific Asset Management	77	3.9%		77	3.9%	80	4%	-3	-0.1%
High Yield Bonds - Loomis Sayles	77	3.9%		77	3.9%	80	4%	-3	-0.1%
Emerging Markets Debt - Ashmore	63	3.2%	12.0	75	3.8%	80	4%	-4	-0.2%
Private Debt*	7	0.4%		7	0.4%	0	0%	7	0.4%
Real Assets*	**405**	**20.4%**	**0.0**	**405**	**20.4%**	**199**	**10%**	**206**	**10.4%**
Real Estate*	230	11.6%		230	11.6%	99	5%	130	6.6%
Natural Resources*	121	6.1%		121	6.1%	99	5%	22	1.1%
Infrastructure*	54	2.7%		54	2.7%	0	0%	54	2.7%
Total	**1,988**	**100.0%**	**0.0**	**1,988**	**100.0%**	**1,988**	**100%**	**0**	**0.0%**
Safety Reserve ~$162M=18 mo net CF	250	12.6%	-33.0	217	10.9%	179	9%	38	1.9%
*Private Mkt. Assets w/NAV Discount	545	27.4%	0.0	545	27.4%	298	15%	247	12.4%

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

Numbers may not foot due to rounding

DALLAS POLICE & FIRE PENSION SYSTEM

Asset Allocation – Actual vs Target Post Rebalancing



Asset Class Returns – JPM Guide to the Markets

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD	2006 - 2020	
																Ann.	Vol.
REITs 35.1%	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	Comdty. 32.5%	Large Cap 9.9%	EM Equity 23.3%
EM Equity 32.6%	Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	REITs 30.2%	Small Cap 8.9%	REITs 23.1%
DM Equity 26.9%	DM Equity 11.6%	Asset Alloc. -25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Large Cap 18.4%	Large Cap 24.0%	High Yield 7.5%	Small Cap 22.6%
Small Cap 18.4%	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. 10.6%	Small Cap 17.2%	REITs 7.1%	DM Equity 19.1%
Large Cap 15.8%	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	Asset Alloc. 12.3%	EM Equity 6.9%	Comdty. 18.8%
Asset Alloc. 15.3%	Large Cap 5.5%	Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	DM Equity 11.5%	Asset Alloc. 6.7%	Large Cap 16.7%
High Yield 13.7%	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.2%	DM Equity 5.0%	High Yield 12.2%
Cash 4.8%	High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	Fixed Income 4.5%	Asset Alloc. 11.8%
Fixed Income 4.3%	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -3.1%	EM Equity 0.0%	Cash 1.2%	Fixed Income 3.2%
Comdty. 2.1%	REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	Fixed Income -1.6%	Comdty. -4.0%	Cash 0.8%

Source: Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Fixed Income: Bloomberg US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg US Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period from 12/31/2005 to 12/31/2020. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of October 31, 2021.

Investment Initiatives – Quarterly Plan

Q4 2021

- International Small Cap Search & RFP
- Public Equity Structure Review

Q1 2022

- International Small Cap Manager Selection & Funding

2021 Board Investment Review Plan*

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

January ✓	• Real Estate Reviews: Vista 7, King's Harbor, & Museum Twr.
February ✓	• Real Estate: Clarion Presentation
March ✓	• Natural Resources: Staff Portfolio Review - Forest Investment Associates and BTG Pactual
April ✓	• Real Estate: AEW Presentation
May ✓	• Natural Resources: Hancock Presentation
August ✓	• Infrastructure: Staff review of AIRRO and JPM Maritime
September ✓	• Staff review of Public Fixed Income managers
October ✓	• Staff review of Public Equity managers
November	• Staff review of Private Equity and Debt

*Presentation schedule is subject to change.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C12

Topic: **Private Equity and Debt Portfolio Review**

Discussion: Staff will provide an overview of DPFP investments in private equity and private debt.

Regular Board Meeting – Thursday, November 11, 2021

DALLAS POLICE & FIRE PENSION SYSTEM

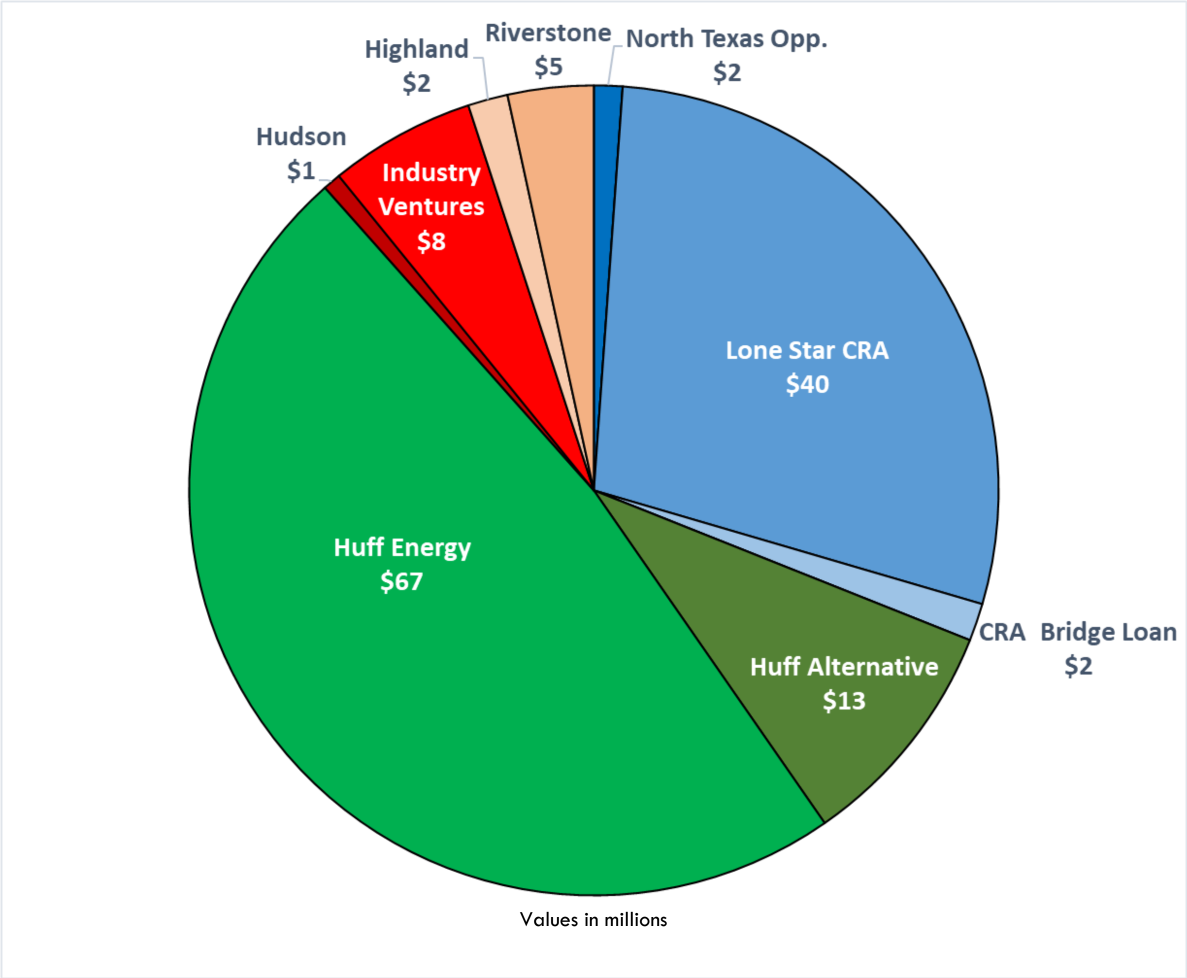
Private Equity and Private Debt Review

November 11, 2021

Private Equity and Private Debt Allocation Overview

Total AUM: $140,345,689 (7.1% of DPFP)

As of 10/31/2021



- Private Equity 6.7% vs. Target of 5%
- Private Debt 0.4% vs. Target of 0%
- Unfunded Commitments: ~$1.33 million

Private Equity and Private Debt Performance Summary

Dollar in millions	Vintage	Com-mitment	Paid In	Dist-ributions	Current Value	Total Value	Unrealized Gain/Loss	DPI	TVPI	IRR*
Lone Star Investment Advisors										
North Texas Opp. Fund	2000	10.00	10.00	9.13	1.60	10.73	0.73	0.91	1.07	0.77%
Lone Star Growth	2006	16.00	26.68	12.80	0.00	12.80	-13.88	0.48	0.48	-4.76%
Lone Star CRA	2008	50.00	59.19	18.81	39.85	58.66	-0.53	0.32	0.99	10.30%
Lone Star CRA Bridge Loan	2020	1.98	1.98	0.00	2.10	2.10	0.12	0.00	1.06	3.34%
Lone Star Op. Fund V	2012	75.00	75.15	0.53	0.00	0.53	-74.62	0.01	0.01	-51.38%
Total		***152.98***	***173.00***	***41.27***	***43.55***	***84.82***	***-88.18***	***0.24***	***0.49***	-
Huff										
Huff Alternative Fund	2000	66.80	78.83	78.26	13.07	91.32	12.50	0.99	1.16	1.57%
Huff Energy	2006	100.00	99.13	4.48	67.50	71.98	-27.15	0.05	0.73	-1.25%
Total		***166.80***	***177.96***	***82.74***	***80.56***	***163.30***	***-14.66***	***0.46***	***0.92***	-
Other Private Equity										
Hudson Clean Energy	2009	25.00	24.99	4.73	1.00	5.73	-19.26	0.19	0.23	-21.81%
Industry Ventures IV	2016	5.00	4.30	0.77	8.19	8.95	4.65	0.18	2.08	25.73%
Private Debt										
Highland Crusader	2003	50.96	50.96	66.72	2.23	68.95	18.00	1.31	1.35	4.38%
Riverstone Credit Ptrs	2016	10.00	12.24	8.97	4.81	13.78	1.54	0.73	1.13	4.15%
					140.35					

Source: Meketa Private Markets Review as of March 31, 2021, JPMorgan, manager statements

* IRR as of 03/31/2021. All other data updated through 10/31/2021

DPI - Ratio of Distributions to Paid in Cpaital

TVPI - Ratio of Total Value (distributions and unrealized) to Paid in Capital

IRR - Internal Rate of Return

Huff Alternative Fund

Asset Class:	**Private Equity**	Vintage Year:	2000
Investment Period / Fund Term End Dates:	Oct 2007 / Oct 2016	Total Fund Size:	$749m
Management Fee:	0% - since 2015 fund extension	DPFP Commitment:	$100m
Performance Fee/Carry:	90/10 with 8% hurdle	DPFP % of Fund:	13.35%

Investment Performance (In Millions)

*As of 03/31/2021

Paid In Capital	Unfunded Commitment	DPFP Distributions	NAV	Inception IRR*	TVPI	DPI
$78.83	$0	$78.26	**$13.07**	1.57%	1.16	0.99

Fund Strategy / Portfolio

- Private equity fund originally invested in a diverse range of industries, companies, and types of investments.
- The fund term expired and the fund is in liquidation, which is being managed by the GP.
- Primary remaining fund asset is a minority interest in a property on the Las Vegas strip.

Strategic Plan / Timeline

- A recent distribution was made in April 2021. Additional distributions are expected by year-end and early next year as an escrow holdback from a previous asset sale is released.
- Remaining Las Vegas property is being marketed.

Hudson Clean Energy

Asset Class:	**Private Equity**	Vintage Year:	2009
Investment Period / Fund Term End Dates:	Oct 2012 / Dec 2021 (extended 3yrs)	Total Fund Size:	$1.02 billion
Management Fee:	0%, $50k quarterly administration fee	DPFP Commitment:	$25m
Performance Fee/Carry:	Tiered structure based on timing of asset sales	DPFP % of Fund:	2.44%

Investment Performance (In Millions)

*As of 03/31/2021

Paid In Capital	Unfunded Commitment	DPFP Distributions	NAV	Inception IRR*	TVPI	DPI
$24.99	$0	$4.73	**$1.00**	-21.81%	0.23	0.19

Fund Strategy / Portfolio

- Sector-focused growth capital investment in alternative energy companies.
- The fund has 3 remaining investments involved in solar power, wind power, and wireless charging.
- The remaining portfolio companies are at various stages, including production trials, wind-down, and capital raising.

Strategic Plan / Timeline

- The fund term was extended from 2018 to 2021 according to the terms of a fund restructuring.
- Imperial Capital became the sole General Partner in late 2020.
- Progress is being made on asset monetization, with asset sales and escrow earnouts occurring in early 2021, but full liquidation is not expected until at least 2022.

North Texas Opportunity Fund

LONESTAR INVESTMENT ADVISORS

Asset Class:	**Private Equity**	Vintage Year:	2000
Investment Period / Fund Term End Dates:	May 2010 / May 2019 (extended 9yrs)	Total Fund Size:	$26.6m
Management Fee:	0% - fund in liquidation	DPFP Commitment:	$10m
Performance Fee/Carry:	80/20 split with 8% pref	DPFP % of Fund:	37.57%

Investment Performance (In Millions)

*As of 03/31/2021

Paid In Capital	Unfunded Commitment	DPFP Distributions	NAV	Inception IRR*	TVPI	DPI
$10.00	$0	$9.13	**$1.60**	0.77%	1.07	0.91

Fund Strategy / Portfolio

- North Texas Opportunity Fund has one remaining investment, a minority interest in Dallas Yellow Checker Cab.
- In 2019, the company made a strategic shift to focus on non-emergency medical transportation, which is now 70% of the business.

Strategic Plan / Timeline

- In order to save costs in a fund with only one asset, the fund level audit was waived in 2017, with company-level audited financial statements being provided.
- The fund hopes to approach the market for an exit soon.

Industry Ventures Partnership Holdings IV

INDUSTRY VENTURES

Asset Class:	**Private Equity**	Vintage Year:	2016
Investment Period / Fund Term End Dates:	July 2020 / July 2026	Total Fund Size:	$209m
Management Fee:	1% committed capital	DPFP Commitment:	$5m
Performance Fee/Carry:	5% primaries, 10% secondaries, 20% direct/co-invests to GP; over 6% pref	DPFP % of Fund:	2.4%

Investment Performance (In Millions)

^As of 03/31/2021

Paid In Capital	Unfunded Commitment	DPFP Distributions	NAV	Inception IRR*	TVPI	DPI
$4.30	$0.70	$0.77	**$8.19**	25.73%	2.08	0.18

Fund Strategy / Portfolio

- Venture capital fund that makes primary fund, secondary fund, and direct investments in early and mid-stage venture backed companies primarily in the information technology sector.
- The fund targets a 40% allocation to early secondary opportunities, 40% to primary fund commitments and 20% to direct co-investments.
- The fund has exposure to over 1000 active companies through underlying fund interests, and there have been 139 realizations in underlying portfolio companies since inception.

Strategic Plan / Timeline

- It is still relatively early in the life of the fund: the fund term is 10 years, with GP option to extend an additional 4 years.

Highland Crusader Fund

HIGHLAND CAPITAL Management, L.P.

Asset Class:	**Private Debt**	Vintage Year:	2003
Investment Period / Fund Term End Dates:	Oct 2008 / Aug 2011	Remaining Fund Size:	$86m (as of 08/31/2021)
Management Fee:	1.75% on distributed cash, hourly billing of Investment Manager	DPFP Commitment:	$51m
Performance Fee/Carry:	5% on amounts distributed up to $175m, 15% over $175m	DPFP % of Fund:	11%

Investment Performance (In Millions)

As of 03/31/2021

Paid In Capital	Unfunded Commitment	DPFP Distributions	NAV	Inception IRR	TVPI	DPI
$50.96	$0	$64.51	**$1.36**	4.38%	1.29	1.27

Fund Strategy / Portfolio

- Invested primarily in undervalued senior secured loans and other securities of financially troubled firms.
- During 2008, the fund began wind-down and investor interests were redeemed. In August 2011, a joint plan of distribution was agreed between Highland and investors.
- In July 2016, the Redeemer Committee replaced Highland as investment manager with Alvarez and Marsal.

Strategic Plan / Timeline

- The fund has approximately 15% of assets in cash awaiting expiration of reps and warranty periods and resolution of lawsuits.
- The fund has paid distributions recently, with DPFP receiving a total of $3.5 million in the past two years.
- Remaining investments include common stock and rights in a healthcare company.

Riverstone Credit Partners

RIVER STONE

Asset Class:	**Private Debt**	Vintage Year:	2016
Investment Period / Fund Term End Dates:	December 2018 (extended 1yr) / December 2022	Total Fund Size:	$470m
Management Fee:	1.5% of invested capital during investment period, 1% thereafter	DPFP Commitment:	$10m
Performance Fee/Carry:	85/15 split over 6% Pref	DPFP % of Fund:	2.13%

Investment Performance (In Millions)

As of 03/31/2021

Paid In Capital	Unfunded Commitment	DPFP Distributions	NAV	Inception IRR	TVPI	DPI
$12.24	$0.51	$8.73	**$4.53**	4.15%	1.08	0.71

Fund Strategy / Portfolio

- Closed-end distressed energy fund that invests in loans and bonds of energy companies both directly originated and purchased in the secondary market.
- With the tightening in high yield energy spreads in early and mid-2018, Riverstone focused on its direct lending strategy resulting in 98% of the fund invested in direct lending. The remainder of the fund is invested in market-based opportunities (non-originated deals in private and public companies).

Strategic Plan / Timeline

- With oil prices recovering, distributions from coupon payments and debt paydowns are expected to continue.
- The fund is in wind-down, with half of fund proceeds expected in 2021 and half in 2022.

DISCUSSION SHEET

ITEM #C13

Topic: **Legal issues - In accordance with Section 551.071 of the Texas Government Code, the Board will meet in executive session to seek and receive the advice of its attorneys about pending or contemplated litigation or any other legal matter in which the duty of the attorneys to DPFP and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws.**

Discussion: Counsel will brief the Board on these issues.

DISCUSSION SHEET

ITEM #C14

Topic: **Closed Session - Board serving as Medical Committee**

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

Application for death benefits for disabled child

Discussion: Staff will present an application for consideration by the Board of a survivor benefits for a disabled child in accordance with Section 6.06(n) of Article 6243a-1.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #D1

Topic: **Public Comment**

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

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #D2

Topic: **Executive Director's report**

a. Associations' newsletters
- NCPERS Monitor (November 2021)

b. Open Records

c. CIO Recruitment

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

THE NCPERS
MONITOR
The Latest in Legislative News
November 2021

In This Issue

Uneven Distribution of Financial Assets Dims the Retirement Outlook for Middle Class

Photo Illustration © 2021, istock.com

Ownership of financial assets in the United States is unevenly distributed. As a result, middle-class families face significant insecurity in their golden years, according to a new data analysis from the National Institute on Retirement Security.

Financial assets are a broader category than retirement assets. It includes liquid assets, such as savings and checking accounts, certificates of deposit, directly held pooled investment funds, stocks, bonds, quasi-liquid assets, savings bonds, and whole life insurance. The category excludes physical assets such as a home or a car.

The data analysis found that financial assets are highly concentrated in relatively few households. The middle class—defined as those between the 30th and 70th percentiles of net worth—owns a small share of all financial assets. Among Millennials—those born between 1981 and 1996—14% of financial assets are held by the middle class. Among Generation X-ers—born between 1965 and 1980—8% of assets are held by the middle class. And among Baby Boomers—born between 1946 and 1964—the figure falls to only 6% of assets held by the middle class.

CONTINUED ON PAGE 5

Proposed Federal Rule on ESG Investments

By Tony Roda

Photo Illustration © 2021, iStock.com

When we last left the see-saw regulatory battle over the use of environmental, social, and governance (ESG) factors in making investment decisions for pension plans, there had been a few major developments:

- The issuance of a controversial regulation in the waning days of the Trump Administration;
- A pronouncement by the Biden Administration in March 2021 saying that pending its review of that regulation the Department of Labor (DOL) would not pursue any enforcement actions related to it; and,
- President Biden's Executive Order (EO) in May directing DOL to consider publishing a proposed rule to suspend, revise, or rescind the Trump Administration's rule.

Most recently, in response to the EO, the Biden Administration's DOL on October 14 published a new proposed rule on the fiduciary duties of loyalty and prudence by pension plan fiduciaries under the federal Employee Retirement Income Security Act (ERISA) when considering plan investments and investment alternatives. Once finalized, this regulation will completely replace the Trump Administration's rule. Comments to the proposed rule must be submitted on or before December 13, 2021. The regulation is likely to be finalized in the first half of 2022.

While release of the proposed rule continues the regulatory see-saw, there is hope that this will prove to be a more durable regulation. With that goal in mind, the Biden Administration is moving early in its four-year term to put the rule in place. This means that the rule will have a fairly lengthy period of time to become rooted in the law and part of the every day investment practices of fiduciaries. In addition, the use of ESG factors in today's investment marketplace is already prevalent and is likely only to grow in coming years.

While state and local governmental plans are not governed by ERISA, state and local policymakers and plan fiduciaries often look to the ERISA rules when drafting their fiduciary guidelines. According to DOL's fact sheet, the proposed rules "…empower plan fiduciaries…by making it clear that fiduciaries may consider climate change and other environmental, social, and governance (ESG) factors when they make investment decisions and when they exercise shareholder rights, including voting on shareholder resolutions and board nominations."

CONTINUED ON PAGE 6

NCPERS Executive Directors Corner

A Time for Reflection and Thanksgiving

Photo Illustration © 2021, istock.com

The days are getting shorter, and the nights are getting cooler. Finally, autumn is here, the season of change and meditation. In the U.S., Thanksgiving is just ahead, which makes now a natural time to count our blessings.

The past several years have been tumultuous for all of us. COVID-19 has wreaked havoc with the normal patterns of everyday life. Politics have been extraordinarily divisive. The impact of climate change is growing more evident and reminding us that the planet we inhabit is fragile.

Yet look around. There are signs of hope everywhere and reasons to be grateful for what we have and what we have accomplished. So I'd like to take a moment to tell you what I'm thankful for.

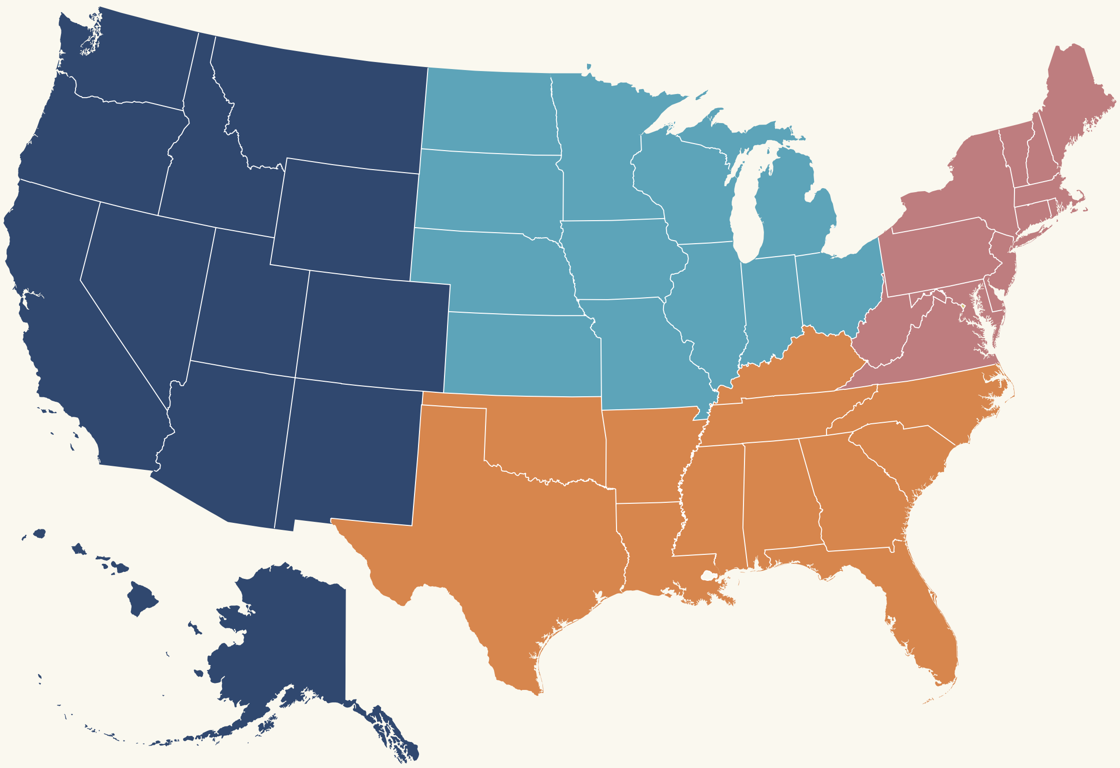
> *There are signs of hope everywhere and reasons to be grateful for what we have and what we have accomplished.*

- **Gatherings.** Public pension systems are a community with a common interest in ensuring that public servants have a secure financial future. Being able to come together, talk, and share our concerns, insights, and ideas is something we've all missed terribly, and it's great to be able to meet face-to-face again. Of course, we have to be meticulously careful and adhere to local, state, and federal guidelines. And there isn't anyone who likes wearing a mask or having their temperature checked. But I'm grateful to everyone who has come to NCPERS educational events because they play a crucial role in keeping NCPERS members informed and effective both on the job and as advocates for public pensions.
- **Setting Records.** The fiscal year that concluded in June was a banner year for many public pension systems, with annualized investment returns in the 20%+ range. And while it certainly isn't fair, we've taken our share of lumps for the impact of the market's gyrations on portfolios. We've all spent a lot of time explaining that public pensions are long-term investments and that we're not generally not *trying* to beat the S&P 500 because long-term portfolios don't simply consist of stocks. But of course, we know that the markets will continue to do what they've always done—they'll go up, and they'll go down, and

CONTINUED ON PAGE 5

NCPERS Around the Regions

This month, we will highlight Connecticut, Wisconsin, North Carolina and California.



NORTHEAST: Connecticut

Fitch Ratings upgraded the city of New Haven's outlook to "Positive" from "Stable," citing increased annual pension fund contributions as a factor. The move came as Fitch assigned a 'BBB' rating to the new issuance of New Haven's general obligation bonds in advance of a $92 million sale.

Fitch noted that the city reduced its rate of return assumptions to 7.25%, a move it called "prudent." However, the discount rate reduction pushed the city's actuarially determined contribution to pensions to $83 million, a 23% increase.

"Progress has been made in controlling growth in long-term liabilities through pension reform efforts and recent changes to employee and retiree health insurance benefits," the Fitch report said.

New Haven Mayor Justin Elicker said the rating shows the city is moving in the right direction as it works to improve its finances, the *New Haven Register* reported.

"It affirms that we're in a position to shore up the city's financial position and that's a result of a combination of factors," including reducing "some of the structural issues in our city budget, such as reducing the investment rate of return in the assumptions for our pension investments," Elicker told the *Register*.

Over the past year and a half, Elicker said, his administration was worked to limit new debt, increase annual pension contributions, and increase so-called PILOT funding. PILOT is the state's payment in lieu of taxes program, and the funds are state reimbursements to municipalities for tax-exempt properties.

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UNEVEN DISTRIBUTION CONTINUED FROM PAGE 1

"Absent any policy changes, middle-class families will be left behind in retirement," the data analysis said. It noted that middle-class Baby Boomers had median financial assets of $51,700 in 2019.

"Assuming all of their financial assets are for retirement, which may not be the case, that would translate to an annual income of about $2,000. In this case, many families would see a reduction in their standard of living," the data analysis said.

Median financial assets for Generation X were $39,000, and for Millennials, the median stood at $7,800. The report notes that Generation X was the first generation to mostly enter the workforce after a massive shift from pensions to 401(k)s in the private sector.

The data analysis was published in the form of an infographic, "The Middle Class Owns Few Financial Assets." The analysis complements an earlier NIRS research report, "Stark Inequality: Financial Asset Inequality Undermines Retirement Security," which showed that the top 25 percent by net worth of Millennials, Generation X, and Baby Boomers owned three-quarters or more of their generation's financial assets. All the data cited measure financial asset ownership by households, not individuals.

The "Stark Inequality" report, published in August, examined financial asset ownership according to net worth, generation, and race. It showed that inequality in the ownership of financial assets has deepened over time. For example, the top 5% of Baby Boomers by net worth owned a greater percentage of that generation's financial assets in 2019 (58%) than in 2004 (52%).

The report also found that financial asset ownership is highly concentrated among white households in all three generations. In 2019, white households owned three-quarters or more of their generation's financial assets. The report found that ownership is especially concentrated among white households in the top 25 percent of net worth.

"The erosion of pensions in the private sector has coincided with a rise in inequality and a greater squeeze on the middle class," the report said. "The great risk shift has been particularly pronounced in the retirement space."

NIRS said potential solutions include strengthening and expanding Social Security, protecting pensions, increasing access to savings-based plans for low-income workers, and reforming retirement tax incentives.

The NIRS report and data analysis were based upon the Federal Reserve's Survey of Consumer Finances data. ◆

EXECUTIVE DIRECTORS CORNER CONTINUED FROM PAGE 3

portfolios will need to be balanced, rebalanced, and hedged. So, our focus remains on long-term performance. But let's allow ourselves to bask for just a minute. It was very satisfying—and a tribute to the steady leadership of investment managers and pension trustees—to have stellar financial performance in the fiscal year 2021.

- **Staying United.** Through thick and thin, the team at NCPERS has enjoyed the support and encouragement of our members. When we couldn't meet face to face, you turned out for video chats and webinars. You worked with us to ensure that we could continue to deliver what you need in terms of advocacy, education, and research. We all found creative new ways to interact with our lawmakers and regulators to hold board and committee meetings. My team in Washington and I are all deeply grateful.

In this season of Thanksgiving, it's worth remembering that encouraging and practicing gratitude makes us all not only better people but better leaders.

Fostering a culture of appreciation in the workplace is well worth doing. As we move into November, I challenge us all—myself included—to take time to do little things that make a difference. Send thank-you notes. Keep a list of things you're grateful for. Let people know you've seen their willingness, enthusiasm, and commitment.

I appreciate all of you and wish you a happy, healthy, and safe Thanksgiving. ◆

ESG INVESTMENT CONTINUED FROM PAGE 2

A major criticism of the Trump Administration's rule was that it would unnecessarily and inappropriately chill the use of ESG factors in making investment decisions. Under the Trump rule, in order to justify using non-pecuniary factors in reaching an investment decision the fiduciaries would have to document: (i) why pecuniary factors were not sufficient to select the investment; (ii) how the selected investment compares to alternative investments, including factors such as portfolio diversification, asset liquidity, cash flow, and projected return relative to plan funding objectives, and (iii) how the chosen non-pecuniary factors are consistent with the interests of participants and beneficiaries in their retirement income or financial benefits under the plan.

In stark contrast to the Trump Administration's special documentation mandate, the Biden Administration states that, "…the Department…is concerned that singling out this one category of investment actions for a special documentation requirement may, in practice, chill investments based on climate change or other ESG factors, even when those factors are directly relevant to the financial merits of the investment decision…".

At its core the Biden Administration's proposed rule would require fiduciaries to consider, "The projected return of the portfolio relative to the funding objectives of the plan, which may often require an evaluation of the economic effects of climate change and other environmental, social, or governance factors on the particular investment or investment course of action." (Emphasis added.) The quote above is taken directly from the language of the proposed rule. It takes us right to the brink of being a sweeping requirement that in order to meet the fiduciary duty of prudence a fiduciary must consider ESG factors in all investment decisions. However, by using the word "may" the proposed rule preserves the discretion of plan fiduciaries to decide when ESG factors are likely to impact projected returns and, therefore, should be evaluated as part of the investment decision. The rule also states that, "The weight given to any factor by a fiduciary should appropriately reflect a prudent assessment of its impact on risk-return."

DOL's proposed rule also provides examples of ESG factors that depending on the specific facts and circumstances may be material to the risk-return analysis. The examples include: Environment (called "Climate change-related factors" in the proposed rule) – a corporation's exposure to the real and potential economic effects of climate change including exposure to the physical and transitional risks of climate change and the positive or negative effect of Government regulations and policies to mitigate climate change; Governance – board composition, executive compensation, transparency and accountability in corporate decision-making, avoidance of criminal liability, compliance with labor, employment, environmental, tax, and other laws and regulations; and Social (called "Workplace practices" in the proposed rule) – the corporation's progress on workforce diversity, inclusion, and other drivers of employee hiring, promotion, and retention, its investment in training to develop workforce skills, equal employment opportunity, and labor relations.

Plan trustees and other fiduciaries must pay close attention to the regulatory framework surrounding the use of ESG factors in investment decisions. For further information please find the text of the proposed rule here. ◆

Tony Roda is a partner at the Washington, D.C. law and lobbying firm Williams & Jensen, where he specializes in federal legislative and regulatory issues affecting state and local governmental pension plans. He represents NCPERS and statewide, county, and municipal pension plans in California, Colorado, Georgia, Kentucky, Ohio, Tennessee, and Texas. He has an undergraduate degree in government and politics from the University of Maryland, J.D. from Catholic University of America, and LL.M (tax law) from Georgetown University.

NCPERS Around the Regions

AROUND THE REGIONS CONTINUED FROM PAGE 4

MIDWEST: Wisconsin

A final report by the Mayor's Task Force on the City of Milwaukee's Pension System identified 12 ideas Mayor Tom Barrett should consider to address financial challenges related to the city pension plan. Barrett empaneled the 17-member task force in June with the mission of addressing financial challenges stemming from the city's Employees' Retirement System. He said at the time that the budgetary impact of managing the pension systems' growing costs was approaching $140 million annually, an amount he called "simply unsustainable."

Among the ideas offered by the task force: Closing the city pension plan to new entrants and having them instead join the state's retirement program; creating a new design and benefits structure for new entrants; and reducing city services and staffing.

The last point had no support on the task force, the report noted. However, the task force calculated Milwaukee could have to lay off 1,300 employees—24% of its municipal workers— between 2023 and 2025 to pay the city's annual pension contribution if changes aren't made to funding requirements, according to a report from a pension task force.

"This concept was put forward with the full knowledge that it is undesirable but may become a reality without changes to pension funding requirements or increased revenue capacity," the report said. "The task force sees these reductions as an absolute worst-case scenario, but members saw value in having a more detailed understanding of where and how these budget reductions would be made to sustain significant increases in pension funding requirements starting in 2023."

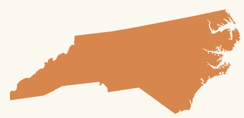
When he launched the task force, Barrett noted that his administration has worked over the past ten years to manage the growing costs of the city's pension system through benefit adjustments, contribution smoothing, and new revenue options. "To date, nothing has sufficiently addressed the problem," he said.

According to the task force's report, meeting the current projections for pension funding increases requires an additional $77 million per year from 2023 to 2027.

The task force said one way the city could pay for its pension contributions would be to implement a local 0.5% sales tax, which would generate an additional $43.7 million in annual revenue. It also said that at 1.5%, or $1.50 per $100 in taxable sales, the tax could raise $131 million per year.

"That amount would be more than enough to provide both reliefs from current pension funding costs as well as additional funding for property tax reductions, economic development, and even city service expansions," the report said.

SOUTH: North Carolina



When North Carolina is running an $8 billion budget surplus, the Teachers' and State Employees' Retirement System is seeking a 2% cost of living adjustment (COLA) on pensions. However, the state system is not linked to the cost of living, and the legislature has not approved a significant boost in about 12 years.

The budget proposal put forth by Governor Roy Cooper, a Democrat, proposed a 2% raise plus a 2% bonus. However, pending House budget legislation would provide only the 2% bonus over two years, and the Senate would provide no adjustment at all.

The state pension system serves 234,000 members with an average pension of around $21,000.

In an interview aired on WRAL-TV in Raleigh, House Speaker Tim Moore, a Republican, voiced support for some adjustment, though he stopped short of endorsing a COLA. "Whether it's a bonus or an increase, I think we ought to do something," he said, acknowledging that inflation has reduced retirees' spending power.

While a bonus would be welcome, it wouldn't help maintain pension values long term, Richard Rogers, executive director of the North Carolina Retired Government Employees' Association, told WRAL. "Inflation is real," he said, adding that state retirees' pension checks have lost so much ground to inflation in recent years that they're getting only 84 cents to the dollar.

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AROUND THE REGIONS CONTINUED FROM PAGE 7

"They're living on fixed incomes, and the reality is they're trying to make decisions between health care, food, and living," Rogers said in the WRAL interview. He added that a bonus would be welcome, but it wouldn't help maintain pension values in the long run.

WEST: California

The California Public Employees Retirement System announced that two union-backed candidates won election to its board of administration.

CalPERS declared David Miller and Jose Luis Pacheco have preliminarily won the two member-at-large seats on the board. However, the results are unofficial until they are formally certified by the California Secretary of State; approval is expected in November. Their four-year terms begin January 16, 2022.

Miller, an environmental scientist at the California Department of Toxic Substances Control, received 73% of the votes cast and defeated his challenger. He has been a member-at-large representative on the CalPERS Board since 2018.

Pacheco, a SharePoint developer and administrator with the San Jose-Evergreen Community College District, received 62% of votes cast and unseated the incumbent, Margaret Brown. He is vice-chair of the Santa Clara County Federal Credit Union and president of California School Employees Association Chapter 363.

The 13-member CalPERS Board sets a retirement and health benefits policy on behalf of California public employers and their active and retired employees. The board also oversees the asset allocation of the pension fund's investments. Under the California Constitution, the CalPERS Board has exclusive authority to administer the CalPERS Fund. ◆

Calendar of Events 2022

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May

Trustee Educational Seminar (TEDS)
May 21 – 22
Washington, DC

Program for Advanced Trustee Studies (PATS)
May 21 – 22
Washington, DC

NCPERS Accredited Fiduciary (NAF) Program
May 21 – 22
Washington, DC

Annual Conference & Exhibition (ACE)
May 22 – 25
Washington, DC

October

Public Safety Conference
October 25 – 28
Nashville, TN

The Voice for Public Pensions

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