

Dallas Police and Fire Pension System
Thursday, May 10, 2018
1:00 p.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

Regular meeting, William F. Quinn, Chairman, presiding:

ROLL CALL

Board Members

Present at 1:04 p.m. William F. Quinn, Nicholas A. Merrick, Samuel L. Friar, Ray Nixon, Gilbert A. Garcia, Frederick E. Rowe, Tina Hernandez Patterson, Robert C. Walters, Joseph P. Schutz, Kneeland Youngblood

Present at 1:08 p.m. Blaine Dickens

Absent: None

Staff

Kelly Gottschalk, Josh Mond, John Holt, Damion Hervey, Cynthia Thomas, Ryan Wagner, Milissa Romero, Greg Irlbeck, Linda Rickley

Others

Chuck Campbell (by phone), Leandro Festino, Alexandra Wallace, Aaron Lally, Eileen Fortis (by phone), Brad Fryer (by phone), Nicole Devine (by phone), James Freeman, Carolyn Freeman, James Elliston, Jill S. Muncy, Lloyd D. Brown, Larry D. Williams, Daryl Wachsman, Ken Sprecher, Armando Garza, Chris Harry, Joe Alexander, David Hines, Zaman Hemani

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The meeting was called to order and recessed at 1:04 p.m.

The meeting was reconvened at 1:27 p.m.

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A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of active police officer Rogelio Santander, retired police officers William R. Perry, John P. Hollingsworth, Douglas Collins, Kenneth K. Anderson, Thomas H. Vannoy, Jr., James R. Pool, and retired firefighters Darla Sebastian, Reubin A. Chambers.

No motion was made.

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B. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of April 12, 2018

2. Approval of Refunds of Contributions for the Month of April 2018

3. Approval of Estate Settlements

4. Approval of Survivor Benefits

5. Approval of Service Retirements

6. Approval of Alternate Payee Benefits

7. Approval of Payment of DROP Revocation Contributions

After discussion, Mr. Youngblood made a motion to approve the minutes of the meeting of April 12, 2018. Mr. Schutz seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Garcia made a motion to approve the remaining items on the Consent Agenda, subject to the final approval of the staff. Mr. Youngblood 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. Possible Portfolio Rebalancing

The Board approved engaging Meketa Investment Group as DPFP's investment consultant at the April 12, 2018 Board meeting. Leandro Festino, Managing Principal, Alexandra Wallace, Principal, and Aaron Lally, Executive Vice President, were present from Meketa. Meketa discussed liquidating the Global Asset Allocation (GAA) portfolio and using the proceeds to invest into a Safety

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1. Possible Portfolio Rebalancing (continued)

Reserve portfolio comprised of Short-Term Core Bonds and Cash. The GAA portfolio is composed of three sub-asset classes: Risk Parity, Global Tactical Asset Allocation (GTAA), and Absolute Return. The GAA portfolio represents approximately 7% of DPF's assets. The Safety Reserve portfolio, with a target allocation of 15%, is designed to be able to pay approximately 2.5 years of net benefit outflows and operating expenses. The Safety Reserve portfolio would include a 12% allocation to Short-Term Core Bonds, which are currently managed by Income Research + Management in a separate account, and a 3% allocation to Cash.

After discussion, Ms. Hernandez Patterson made a motion, in light of the need to allow the newly engaged investment consultant and a new Chief Investment Officer to make permanent recommendations with respect to the asset allocation and the Investment Policy Statement, to suspend portions of the Investment Policy Statement specifically (i) to allow for the Global Asset Allocation to be fully liquidated, (ii) to allow for a 15% allocation to be invested in a combination of approximately 12% allocation to IR+M and approximately 3% allocation to cash, and (iii) to remove the authority and requirement for staff to rebalance under the Investment Policy Statement and require staff and Meketa to seek the Board's approval on any rebalancing needs, including if the Safety Reserve allocation is in excess of 15% of the portfolio, until the Board has approved new long-term strategic asset allocation targets. Mr. Garcia seconded the motion, which was unanimously approved by the Board.

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2. Securities Lending Review

At the request of a Board member at the March 8, 2018 meeting, staff and JPMorgan provided an overview of DPF's securities lending program. JPMorgan participants by telephone were Eileen Fortis, Vice President – Securities Lending, Brad Fryer, Executive Director/Portfolio Manager on the Investment Desk, and Nicole Devine, from the Investment Desk. The Meketa representatives also participated in the discussion.

The Board directed Meketa to review the program and discuss it with the Board later. No motion was made.

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3. Formation of the Investment Advisory Committee

At the November 2017 Board meeting, the Board provided direction about the formation and roles and responsibilities of the Investment Advisory Committee (IAC). The direction from the meeting was incorporated into the amended Investment Policy Statement which was adopted on December 14, 2017.

Staff discussed with the Board possible processes for identifying members and forming the committee.

The Board provided direction to the staff. No motion was made.

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4. Survivor Benefits

Staff gave an overview for the Board of survivor benefits generally with respect to defined benefit plans and specifically with respect to the DFPF plan.

No motion was made.

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5. Disability Earnings Test

Ms. Gottschalk stated that Section 6.055 of Article 6243a-1 provides for an earnings test for any pensioner who has been granted a disability benefit after May 1, 1990. The earnings test provides that the pensioner's disability benefit is reduced by the following formula:

\$1 for each \$1 that the sum of "a" + "b" is greater than "c," where "a" is the earned income of the pensioner attributable to the previous calendar year from the person's employments, "b" is the total amount of disability retirement payments received by the pensioner the previous calendar year, and "c" is the annualized amount of the average computation pay the pensioner received as of the date the person left active service, increased by a factor of 2.75% each year after the year the person left active service.

Staff collects from all pensioners receiving a disability pension information, including tax returns, to determine the applicability of this test to each person.

Section 6.055 does not address when or if this test should cease with respect to pensioners receiving a disability pension. The current policy is to cease the test

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5. Disability Earnings Test (continued)

at age 50 which was “normal retirement age” under the previous plan. Under 6243a-1, normal retirement age is age 58.

After discussion, Mr. Youngblood made a motion to require continuation of the disability earnings test for any pensioner whose disability pension became effective on or after September 1, 2017, until the year the pensioner reaches the age of 58. For pensioners whose disability pensions were effective after May 1, 1990 and before September 1, 2017, the disability earnings test would be required until the pensioner reaches the age of 50. Mr. Walters seconded the motion, which was unanimously approved by the Board.

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6. 2017 Final Budget Review

Ms. Gottschalk reviewed actual expenses as compared to the budget for the calendar year 2017.

No motion was made.

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7. First Quarter 2018 financial statements

Ms. Gottschalk presented the first quarter 2018 financial statements.

No motion was made.

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8. Chief Investment Officer selection

The Board went into a closed executive session – personnel at 3:48 p.m.

The meeting was reopened at 4:18 p.m.

No motion was made.

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9. Board meeting start time for July through December 2018

Ms. Gottschalk requested Board direction on the start time for Board meetings for the remainder of 2018. The Board had previously determined that the January, February and March Board meetings would begin at 1:00, the April, May and June meetings would begin at 8:30 (although the May meeting was moved to 1:00 due to the House Pensions Committee meeting at 10:00) and the Board would later establish a start time for the remainder of the year.

The Board directed staff that the start time for the regular monthly meetings for July through December 2018 would be 8:30 a.m.

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10. Legal issues

- a. Claims against fiduciaries and other third-party advisors
- b. Eddington, et.al. v. DFPF, et.al.

No discussion was held, and no motion was made regarding legal issues.

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11. Board approval of Trustee education and travel

No discussion was held, and no motion was made regarding Trustee education and travel.

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12. Hardship Requests from DROP Members

No discussion was held, and no motion was made regarding hardship requests from DROP members.

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D. BRIEFING ITEMS

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

No active member or pensioner requested to address the Board with concerns.

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2. Executive Director's report

- a. Associations' newsletters
 - NCPERS Monitor (April 2018)
- b. House Pensions Committee hearing
- c. Chief Financial Officer update
- d. June Board meeting start time

Ms. Gottschalk presented the Executive Director's report.

No motion was made.

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Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Youngblood and a second by Mr. Nixon, the meeting was adjourned at 4:21 p.m.

[signature]

William F. Quinn
Chairman

ATTEST:

[signature]

Kelly Gottschalk
Secretary

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