

## AGENDA



**Date:** July 5, 2018

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, July 12, 2018, in the Second Floor Board Room at 4100 Harry Hines Boulevard, Dallas, Texas.** Items of the following agenda will be presented to the Board:

**A. WELCOME CHIEF INVESTMENT OFFICER**

**B. MOMENT OF SILENCE**

**C. CONSENT AGENDA**

**1. Approval of Minutes**

Regular meeting of June 14, 2018

**2. Approval of Refunds of Contributions for the Month of June 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 Earnings Test**

**8. Approval of Payment of DROP Revocation Contributions**

**D. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION**

**1. Securities Lending**

**2. Fiduciary Minimum Educational Training (MET)**

**3. Camel Square proposed rezoning**

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

**4. Meketa onboarding update**

**5. Investment Advisory Committee**

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.074 of the Texas Government Code.

**6. 2017 Financial Audit Status**

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

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

**8. Hardship Requests from DROP Members**

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

## **9. Legal issues**

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

- a.** Claims against fiduciaries and other third-party advisors
- b.** Pay lawsuits settlement
- c.** Eddington, et al. v. DFPF, et al.

## **10. October 2018 Board Meeting**

### **E. BRIEFING ITEMS**

- 1. Reports and concerns of active members and pensioners of the Dallas Police and Fire Pension System**
- 2. Executive Director's report**

Associations' newsletters

- NCPERS Monitor (July 2018)

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.



## DISCUSSION SHEET

### ITEM #A

**Topic:** Welcome New Chief Investment Officer

**Discussion:** The Board welcomes Kent F. Custer, Chief Investment Officer.

*Regular Board Meeting – Thursday, July 12, 2018*



**ITEM #B**

**MOMENT OF SILENCE**

**In memory of our Members and Pensioners who recently passed away**

**(June 6, 2018 – June 16, 2018)**

<b>NAME</b>	<b>ACTIVE/ RETIRED</b>	<b>DEPARTMENT</b>	<b>DATE OF DEATH</b>
Claude T. Cook	Retired	Police	Jun. 6, 2018
Gerald W. Owen	Retired	Police	Jun. 11, 2018
Hugh R. Craft	Retired	Fire	Jun. 15, 2018
Fred Wallin	Retired	Fire	Jun. 16, 2018

*Regular Board Meeting – Thursday, July 12, 2018*

**Dallas Police and Fire Pension System  
Thursday, June 14, 2018  
8:30 a.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 8:31 a.m. William F. Quinn, Nicholas A. Merrick, Samuel L. Friar, Blaine Dickens (by phone), Ray Nixon, Gilbert A. Garcia, Frederick E. Rowe, Tina Hernandez Patterson, Robert C. Walters, Joseph P. Schutz, Kneeland Youngblood

Absent: None

**Staff**

Kelly Gottschalk, Josh Mond, John Holt, Cynthia Thomas, Ryan Wagner, Milissa Romero, Greg Irlbeck, Linda Rickley, Aimee Crews, Ann Matthews, Patricia Wiley

**Others**

Chuck Campbell (by phone), Kent Custer, Jeffrey S. Williams, Darryl Wachsman, Jerry M. Rhodes, David Elliston, Zaman Hemani

\* \* \* \* \*

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 William L. Holbrook, Thomas E. Knighten, Kevin C. Young, and retired firefighter John V. Smith.

No motion was made.

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**Regular Board Meeting  
Thursday, June 14, 2018**

**B. CONSENT AGENDA**

**1. Approval of Minutes**

- a. Required public meeting of May 10, 2018
- b. Regular meeting of May 10, 2018

**2. Approval of Refunds of Contributions for the Month of May 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 Earnings Test**

**8. Approval of Payment of DROP Revocation Contributions**

**9. Approval of Payment of Military Leave Contributions**

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

After discussion, Mr. Nixon made a motion to approve the minutes of the required public meeting of May 10, 2018. Mr. Garcia seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Garcia made a motion to approve the minutes of the meeting of May 10, 2018. Mr. Nixon 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. Walters seconded the motion, which was unanimously approved by the Board.

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**Regular Board Meeting  
Thursday, June 14, 2018**

**C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION**

**1. Chief Investment Officer Confirmation**

The Board went into a closed executive session – personnel at 8:34 a.m.

The meeting was reopened at 9:57 a.m.

After discussion, Mr. Nixon made a motion to confirm the appointment of Kent F. Custer as the Chief Investment Officer. Mr. Garcia seconded the motion, which was unanimously approved by the Board.

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**2. Chief Financial Officer update**

The Board went into a closed executive session – personnel at 8:34 a.m.

The meeting was reopened at 9:57 a.m.

No motion was made.

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**3. Repeal of Board Resolution Relating to Section 6.063 of Article 6243a-1 and Amendment of DROP Policy**

The Board went into a closed executive session – legal at 11:39 a.m.

The meeting was reopened at 11:56 a.m.

After discussion, Mr. Youngblood made a motion to repeal the Board resolution adopted on December 13, 2007 allowing for the election by a surviving spouse of a Member to elect a 100% joint and survivor benefit when the Member dies on Active Service and adopt the DROP Policy as amended, allowing members to elect a 100% joint and survivor benefit at or after the time they enter DROP. Mr. Walters seconded the motion, which was approved by the following vote:

For: Youngblood, Walters, Quinn, Merrick, Nixon, Rowe  
Against: Friar, Dickens, Garcia, Hernandez Patterson, Schutz

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Mr. Walters left the meeting at 12:00 p.m.

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**4. Actuarial Minimum Educational Training (MET)**

Ms. Gottschalk stated that Section 801.2011 of the Texas Government Code requires trustees and pension administrators (Executive Director) of public pension systems to meet minimum educational training requirements. The Texas Pension Review Board (PRB) was charged with establishing the minimum training requirements.

DPFP applied for and received approval to be an accredited sponsor of both core and non-core MET activities from the PRB. The accreditation period will expire May 31, 2020. With DPFP receiving this accreditation, Trustees and the Executive Director can receive education credit for qualifying programs provided in-house.

Jeffrey Williams, of Segal Consulting, DPFP’s actuary, conducted the actuarial training from 10:00 a.m. to 11:34 a.m. The actuarial training is counted as 1.5 credit hours toward the MET.

No motion was made.

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**5. Investment Advisory Committee**

The Board went into a closed executive session – personnel at 8:34 a.m.

The meeting was reopened at 9:57 a.m.

No motion was made.

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**6. Legal issues**

- a. Claims against fiduciaries and other third-party advisors
- b. Eddington et.al. v. DPFP
- c. Degan et.al. v. DPFP

The Board went into a closed executive session – legal at 12:36 p.m.

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**6. Legal issues (continued)**

The meeting was reopened at 12:53 p.m.

No motion was made.

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**7. First Quarter 2018 Investment Performance Analysis and Fourth Quarter 2017 Private Markets & Real Assets Review**

Staff presented the First Quarter 2018 Investment Performance Analysis and Fourth Quarter 2017 Private Markets & Real Assets Review which were prepared by NEPC. Meketa, DPFPP's new investment consultant, will begin reporting performance starting with the second quarter of 2018 for the entire portfolio and the first quarter of 2018 for private assets.

No motion was made.

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**8. Private Asset Cash Flow Projection Update**

Staff provided an update on the private asset cash flow projection model first discussed at the February Board meeting. The cash flow model projects estimated contributions to and distributions from private assets over the next five years to evaluate the expected time frame to reduce DPFPP's exposure to these assets.

No motion was made.

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**9. 2017 Financial Audit Status**

Ms. Gottschalk updated the Board on the status of the 2017 financial statement audit.

No motion was made.

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**Regular Board Meeting  
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**10. Qualified Domestic Relations Order Policy Revision**

Staff proposed changes to the Qualified Domestic Relations Order (QDRO) Policy to conform to the changes to Article 6243a-1 brought on by HB 3158. Additionally, staff proposed that DPF adopt the requirement that all QDROs conform to Section 804 of the Texas Government Code.

After discussion, Mr. Youngblood made a motion to approve the Qualified Domestic Relations Policy as amended. Mr. Garcia seconded the motion, which was unanimously approved by the Board.

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

Mr. Dickens reported on the following seminar that he attended:

Harvard Business School: HBX CORE

No motion was made.

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**13. Hardship Requests from DROP Members**

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

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**Regular Board Meeting  
Thursday, June 14, 2018**

**D. BRIEFING ITEMS**

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

The Board received a pensioner comment during the open forum.

No motion was made.

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**2. Executive Director's report**

Associations' newsletters

- NCPERS Monitor (May 2018)
- NCPERS Monitor (June 2018)

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. Friar, the meeting was adjourned at 12:54 p.m.

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William F. Quinn  
Chairman

**ATTEST:**

\_\_\_\_\_  
Kelly Gottschalk  
Secretary



## DISCUSSION SHEET

### ITEM #D1

**Topic:**                   **Securities Lending**

**Attendees:**           Sheila Asher, Vice President - Custody and Fund Services, JPMorgan  
Eileen Fortis, Vice President – Securities Lending, JPMorgan (by phone)  
Leandro Festino, Managing Principal - Meketa Investment Group

**Discussion:**       After a review of the securities lending program at the May 10, 2018 meeting, the Board requested the topic be placed on a future agenda item for further discussion and to address a few remaining questions. Staff and representatives from Meketa and JPMorgan will facilitate discussion and provide a further review of certain aspects of the securities lending program per the Board's request.

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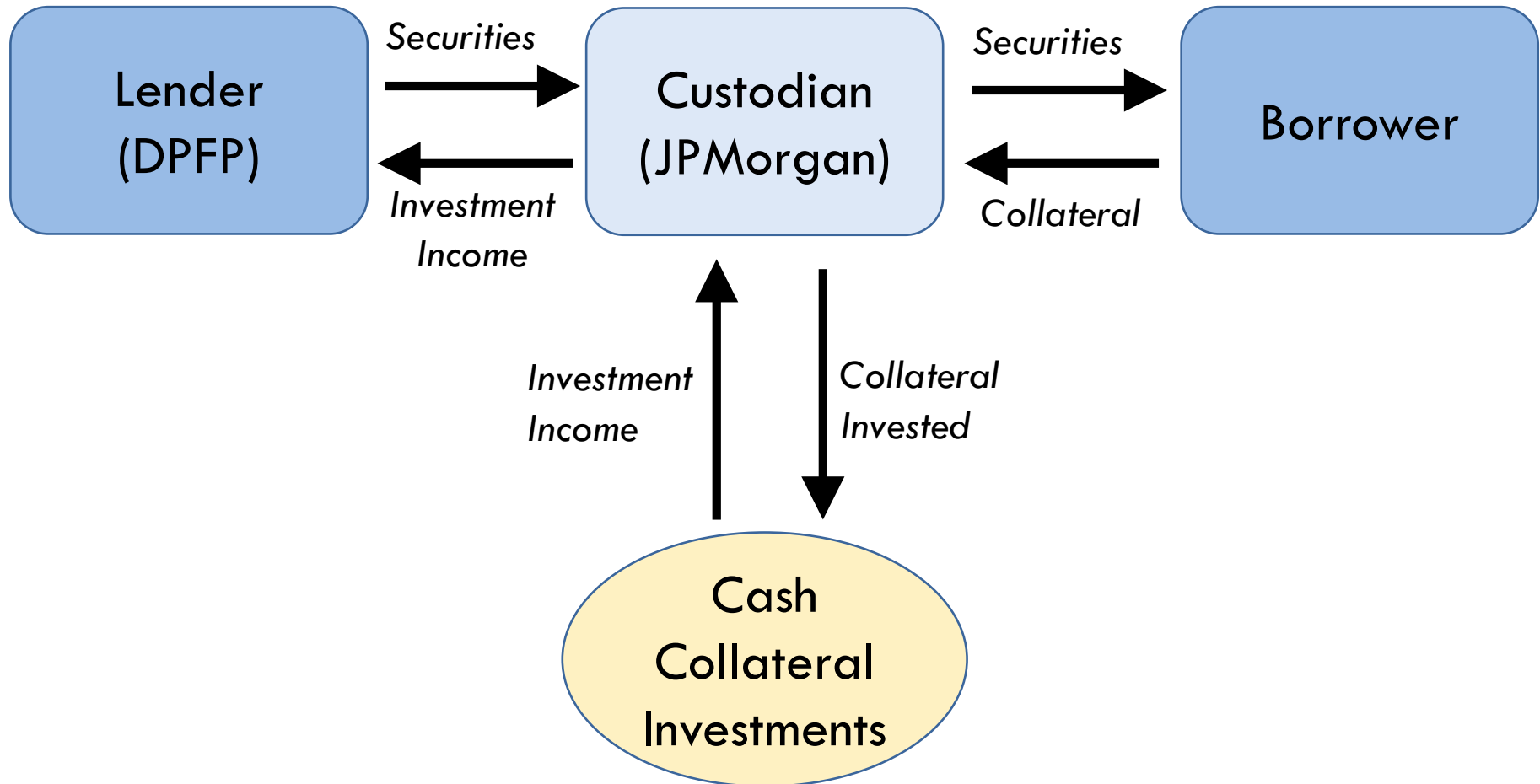
D A L L A S  
POLICE & FIRE  
PENSION SYSTEM



# Securities Lending

*July 12, 2018*

# Securities Lending Basic Overview



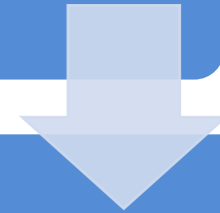
- Custodian bank serves as a lending agent to facilitate the transactions
- Loaned security and collateral values are marked to market and adjusted daily



# Indemnification Scenario

## If Borrower Defaults:

- JPMorgan liquidates collateral to repurchase securities



## If Collateral Insufficient:

- Indemnification is triggered to cover the difference between the value of the cash collateral and the repurchase price of the replacement securities



## If JPMorgan Insolvent:

- DFPF becomes an unsecured creditor for the amount of the indemnification (i.e., value of securities not repurchased)

- The Federal Reserve Board's risk-based capital guidelines treat indemnifications issued in connection with agency securities lending activities as off-balance sheet guarantees that are subject to capital charges.

# JPMorgan Indemnification Support

## Indemnification

*J.P. Morgan's capital strength is significantly larger, by multiples, than many of our competitors which reinforces our ability to fully honour the indemnification pledges made to our securities lending clients.*

### Lender protections

#### J.P. Morgan will:

- ▶ Cover the overnight market risk for loans of securities in the event of a borrower default
- ▶ Replace loaned securities, even if there has been an adverse market shift that results in insufficient collateral being available to cover the cost of the replacement securities in the event of a borrower default
- ▶ Cover the diminution in the value of securities collateral for all loans made in our bonds borrowed program
- ▶ Be responsible for making the lender whole if a borrower fails to remit entitlements for loaned securities
- ▶ Credit the lender with any distributions on loaned securities on the day such distributions are typically made, regardless of whether the borrower remits such distributions

All indemnities are not created equal – indemnification can differ among securities lending providers

Firm	Shareholders' equity <sup>1</sup> (\$ million)	Assets of firm <sup>1</sup> (\$ million)	Market cap <sup>2</sup> (\$ million)	Bank LT rating <sup>3</sup> Moody's/S&P/Fitch	Holding company rating <sup>3</sup> Moody's/S&P/ Fitch
J.P. Morgan	\$255,693	\$2,533,600	\$366,301	Aa3 / A+ / AA-	A3 / A- / A+
BNY Mellon	\$41,251	\$371,758	\$54,584	Aa1 / AA- / AA+	A1 / A / AA-
Citigroup	\$201,334	\$1,843,059	\$191,234	A1 / A+ / AA-	Baa1/BBB+/A
Northern Trust	\$10,216	\$138,591	\$22,775	Aa2 / AA- / AA	A2 / A+ / AA-
State Street	\$22,317	\$238,425	\$49,184	Aa1 / AA- / AA+	A1 / A / AA-
Goldman Sachs	\$82,243	\$917,000	\$104,222	A1 / A+ / A+	A3 / BBB+ / A
Deutsche Bank	\$76,077	\$1,769,795	\$39,910	Baa2 / BBB- /BBB+	N/A
BNP Paribas	\$122,365	\$2,352,030	\$93,282	Aa3 / A / A+	N/A
RBC	\$58,719	\$964,634	\$116,561	A1 / AA- / AA	N/A
BBH <sup>4</sup>	N/A	N/A	N/A	N/A	N/A
eSecLending <sup>4</sup>	N/A	N/A	N/A	N/A	N/A

<sup>1</sup>. Shareholders' equity and assets as of December 31, 2017 as reported in quarterly earnings release <sup>2</sup>. Market capitalisation as of December 31, 2017 as presented in quarterly earnings release <sup>3</sup>. Ratings from company websites – as of December 31, 2017 (except Citi – as of January 8, 2018) <sup>4</sup>.BBH (Brown Brothers Harriman) & eSecLending are private companies.



## DISCUSSION SHEET

### ITEM #D2

**Topic:** **Fiduciary Minimum Educational Training (MET)**

**Attendees:** Chuck Campbell, Jackson Walker

**Discussion:** Section 801.2011 of the Texas Government Code requires trustees and pension administrators (Executive Director) of public pension systems to meet minimum educational training requirements. Chuck Campbell, fiduciary counsel to DPFP, will present the required fiduciary training. The training will be 1.0 hour.

*Regular Board Meeting – Thursday, July 12, 2018*



# Dallas Police and Fire Pension System

## *Fiduciary Training for Trustees*

*July 12, 2018*

Chuck Campbell  
Jackson Walker L.L.P.  
100 Congress, Suite 1100  
Austin, Texas 78701  
512-236-2263  
[ccampbell@jw.com](mailto:ccampbell@jw.com)

## Overview

- What Is a Fiduciary?
- Why and When Are You a Fiduciary?
- What Are Your Key Fiduciary Duties?
- What Standards of Conduct Apply?
- What Are Your “At-Risk” Situations?
- What Is Your Liability?

## What Is a Fiduciary?

- “A fiduciary is a person holding the character of a trustee...in respect to the trust and confidence involved in it and the scrupulous good faith and candor which it requires. Thus, a person is a fiduciary who is invested with rights and powers to be exercised for the benefit of another.” *Black’s Law Dictionary*
- Fiduciary duties are the highest duties known to the law. *Nathan v. Hudson*, 376 S.W.2d 856, 860-61 (Tex. App.-Dallas 1964, writ ref’d n.r.e.).

## What Is a Fiduciary? (cont'd)

- Texas Courts hold trustees to a “very high and very strict standard of conduct which equity demands.” *Slay v. Burnett’s Trust*, 187 S.W.2d 377, 387-88 (Tex. 1945).
- “Many forms of conduct permissible in a workaday world for those acting at arm’s length, are forbidden to those bound by fiduciary ties. A Trustee is held to something stricter than the morals of the market place.” Justice Cardozo, *Meinhard v. Salmon*, 249 N.Y. 458, 164 N.E. 545-46, 62 A.L.R. 1 (1928).

# Why and When Are You a Fiduciary?



## Why Are You a Fiduciary?

- You are a fiduciary because you are a trustee of a trust.
  - Note that certain DPFP System consultants are also fiduciaries.
- DPFP System (the “System”) is a tax-qualified retirement plan, and all assets of such a plan must be held in trust for the beneficiaries of such a plan (members, retirees, survivors, etc.).

## When Are You a Fiduciary?

- You are a fiduciary any time you exercise discretion in the course of performing your duties as a Trustee of the System.
  - All Board action items
    - Investment decisions and asset allocation
    - Benefit determinations
    - Setting actuarial assumptions
    - Hiring vendors

## When Are You a Fiduciary? (cont'd)

- Delegating authority or allocating responsibility
  - Selection of Executive Director and providing relevant direction
- Monitoring prior decisions
  - On-going duty to monitor prior actions
- Establishing policies, processes and procedures
- Exercising individual discretion with System activities
  - Communications with members, vendors or the public

# What Are Your Key Fiduciary Duties?

## Key Fiduciary Duties

- Duty of Loyalty
- Duty of Prudence
- Duty to Follow Governing Documents and Applicable Law

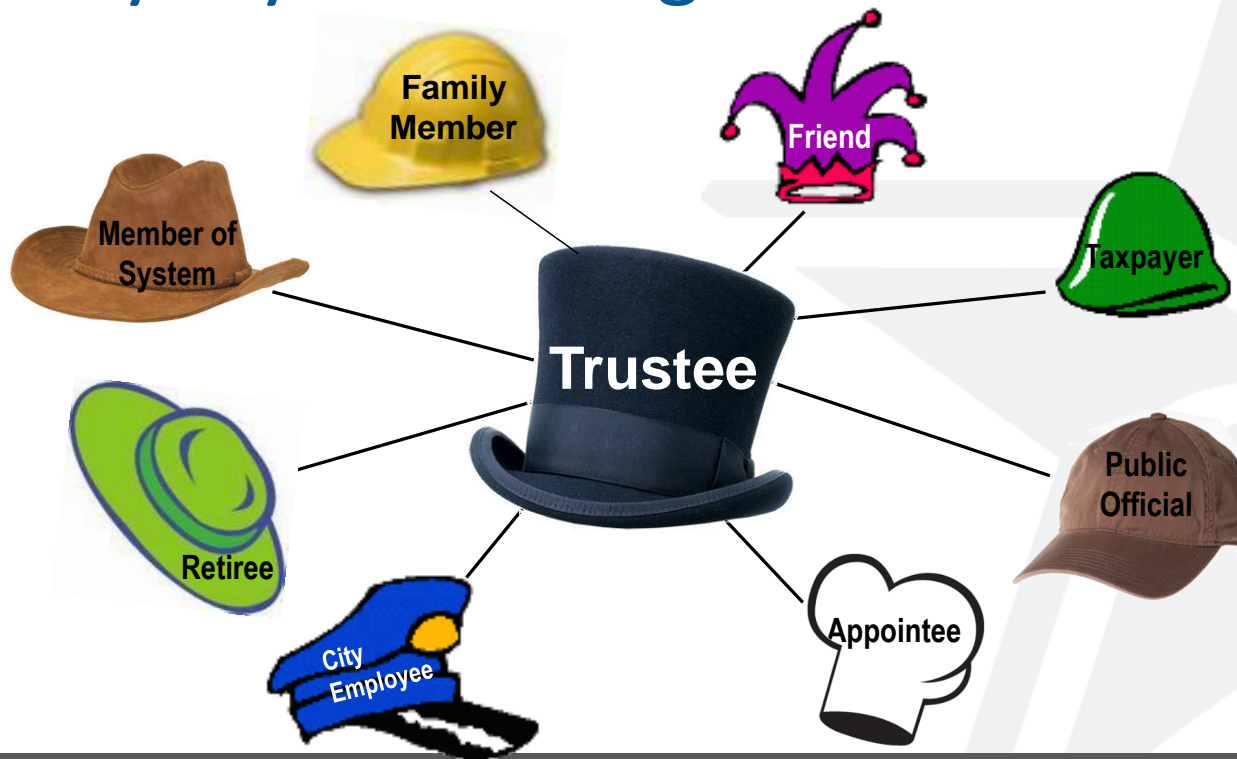
## Duty of Loyalty

- Otherwise known as the “Exclusive Benefit Rule”
- Article 6243a-1, Section 3.01(a)
  - “The board shall execute its fiduciary duty to hold and administer the assets of the fund for the exclusive benefit of members and their beneficiaries under Section 802.203, Government Code, Section 67(f), Article XVI, Texas Constitution, and any other applicable law, in a manner that ensures the sustainability of the pension system for purposes of providing current and future benefits to members and their beneficiaries.”

## Duty of Loyalty (cont'd)

- Duty of loyalty requires that a Trustee:
  - Place best interest of all members and beneficiaries first
    - “...ensures the sustainability of the pension system for purposes of providing current *and* future benefits...”
  - Avoid self-dealing and using your position to obtain a personal profit or advantage
  - Avoid conflicts of interest
  - Avoid using System assets or resources other than for benefits or reasonable expenses of the System

# Duty of Loyalty – Wearing More Than One Hat





## Duty of Loyalty – “Which hat?”

- You have other roles (or hats) in your life other than to administer a pension plan.
- Some of those other roles may overlap with matters before the Board in which you are exercising discretion.
- Dilemma: What hat do you wear “in the boardroom”?

## Duty of Loyalty – Your Trustee Hat!



- Which hat do you wear in the boardroom?
  - **Always wear your Trustee hat.**
  - As a Trustee, your loyalty is to the System and not your “other hats”.
  - You may bring perspectives from your “other hats” to the boardroom, but always adhere to duty of loyalty.

## Duty of Loyalty—Your Source of Appointment or Your Electorate

- All Texas public retirement systems contain elected or appointed trustees.
- Such trustees, including DFPF trustees, are not traditional appointed or elected officials with a “constituency.”
- Why? Because you are a fiduciary. Loyalty is to the System and the best interests of members and beneficiaries of the System...not your source of appointment or constituency.

## Duty of Loyalty – Self-Dealing and Prohibited Transactions

- Self-dealing generally occurs when a fiduciary uses his other position to obtain an advantage or profit, either directly or indirectly through a family member.
- Certain transactions that involve System assets are strictly prohibited, regardless of a Trustee’s involvement, intent or motive.
  - Prohibited transactions include:
    - Unauthorized personal use of System assets
    - Obtaining personal financial benefit from transactions involving System assets

## Duty of Loyalty – Conflicts of Interest

- A conflict of interest generally occurs when a Trustee has a personal or business relationship that **could reasonably be expected** to diminish the Trustee's independence of judgment in the performance of the Trustee's responsibilities.
  - Duty of loyalty requires a fiduciary to affirmatively avoid conflicts of interests.
  - If not possible to avoid, conflicts should be disclosed, and recusal from participation in any related matter may be appropriate.

## Duty of Loyalty – Reasonable Expenses

- Exclusive benefit rule dictates that System assets should only be used for benefits or reasonable administrative expenses.
- Disclosure and transparency of fees has been focus of regulatory activity.
- Reasonableness of fees, especially in the investment context, has been the subject of fiduciary claims against ERISA retirement plans in the private sector.

## Duty of Prudence

- Prudence Standard
  - Texas Constitution and the System’s Statute are almost identical.
  - “In making investments and supervising investments, trustees shall exercise the judgment and care under the circumstances then prevailing that persons of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs...” *Article 6243a-1, §4.07(b)*

## Duty of Prudence (cont'd)

- Prudent investor standard applies under Texas Trust Code; slightly greater standard under ERISA.
- Do the different standards matter?
- Maybe in a courtroom, but not how you approach your job as a Trustee.
- Each of them require a level of knowledge and degree of care.



## Duty of Prudence — Background Education

- Fiduciaries should become educated on topics relevant to service as trustees
  - Plan Administration
  - Investments
  - Fiduciary and Ethics
  - Actuarial Matters
  - Governance and Risk Management

## Duty of Prudence — Process

- Prudence is a process.
  - Show the required care was taken in the decision through your decision-making process.
- From a fiduciary duty perspective, Trustees should be judged by the process in making decisions and not the results of the decisions.
- From a practical perspective, results certainly matter.

## Duty of Prudence — Process (cont'd)

- How do fiduciaries show their process for making decisions?
  - Policies and Procedures
    - Investment Policy
    - Board of Trustees Governance and Conduct Policy
    - Board of Trustees and Employees Ethics and Code of Conduct
    - Contractor's Statement of Ethics
    - Other System Administrative Policies and Procedures

## Duty of Prudence — Policies

- Having a process set forth in written policies and procedures is a great way to display prudence.
- However, not following the policy is “Exhibit A” in an action for breach of fiduciary duty.
- Adherence to your policies, and reviewing and updating your policies, is critical.

## Duty to Follow Governing Documents

- Plan Documents include:
  - Your Statute---Article 6243a-1
  - Board and System Policies and Procedures
- If administrative or governance issue arises, the first place to go is your governing documents.
- Note: failure to follow documents can also cause administrative and tax problems giving rise to other liability.

## Duty to Follow Applicable Law

- Applicable State Law
  - Your Governing Statute, Article 6243a-1
  - Texas Open Meetings Act
  - Texas Public Information Act
  - Texas Local Government Code Chapter 171 and 176
  - Texas Government Code Chapter 802

# What Standards of Conduct Apply?

## Standards of Conduct

- System governance and ethics policies provide written guidelines around activities that implicate state ethics laws, fiduciary duties, and other standards of conduct to help ensure compliance by providing guidance to Trustees, DPF staff, and contractors. These include:
  - Board of Trustees and Employees Ethics and Code of Conduct
  - Board of Trustees Governance and Conduct Policy
  - Contractor's Statement of Ethics



## Standards of Conduct – Key Aspects of Board and System Policies

- Statements of Standards of Conduct and Fiduciary Duties
- Conflicts of Interest and Prohibited Transactions
- Gifts, Travel, and Expenses
- Undue Influence
- Confidentiality and System Information
- Trustee Communications—Internal and External
- Board Conduct at Meetings

# What Are Your “At-Risk” Situations?

## Potential “At-Risk” Situations

- Conflicts of interest that are not disclosed
  - Ask for permission, not forgiveness
- Issue that will adversely impact the group who elected or appointed you or your particular status with the System
  - What hat are you wearing?

## Potential “At-Risk” Situations (cont’d)

- Making uninformed decisions without proper background or support
- Failure to monitor Board decisions
  - You can be liable for prior Board decisions; must ensure prior decisions remain prudent

## Potential “At-Risk” Situations (cont’d)

- Not adhering to terms of governing statute, rules or policies
  - Need to keep apprised of policies and update as necessary
- Inconsistent decisions or treatment in similar situations
  - Change in overall approach to given issue may be justified, but unexplained differences reveal lack of process

# What is Your Liability?

## Liability as Fiduciary

- A fiduciary has personal and individual liability for breach of fiduciary duty.
  - Personally named in suit and potentially responsible for all losses associated with fiduciary breach
- Immunity defenses, indemnification, and insurance are available.
  - Note that actions outside your scope of authority could render these protections unavailable.

## Co-Fiduciary Liability

- You may be liable for the act of another fiduciary in some cases:
  - If you knowingly participate in or conceal knowledge of the act of another Trustee or fiduciary that constitutes a breach of fiduciary duty
  - If you have knowledge of a breach by another Trustee or fiduciary but you make no reasonable attempt or effort to correct the breach



# Questions?

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## DISCUSSION SHEET

### ITEM #D3

**Topic:** Camel Square Proposed Rezoning

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

**Attendees:** Ron Pastore, Senior Portfolio Manager - AEW

**Discussion:** AEW will discuss the proposed rezoning plans and timeline for DPFP's investment in Camel Square, an office development in Phoenix.

**Staff Recommendation:** **Authorize** AEW to seek rezoning of Camel Square subject to the approval of the Executive Director.

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## DISCUSSION SHEET

### ITEM #D4

**Topic:** **Meketa onboarding update**

**Attendees:** Leandro Festino, Managing Principal - Meketa Investment Group  
Alexandra Wallace, Principal - Meketa Investment Group  
Aaron Lally, Executive Vice President - Meketa Investment Group

**Discussion:** Meketa, who was hired as DPF's investment consultant in April 2018, will provide an update on their onboarding progress to date, as well as discuss the expected timeline going forward to address their Initial Fund Review and asset allocation recommendations.

*Regular Board Meeting – Thursday, July 12, 2018*



## DISCUSSION SHEET

### ITEM #D5

**Topic:** Investment Advisory Committee

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.074 of the Texas Government Code.

**Discussion:** Ray Nixon and Gilbert Garcia will discuss their recommendation for the members of the Investment Advisory Committee.

*Regular Board Meeting – Thursday, July 12, 2018*



## DISCUSSION SHEET

### ITEM #D6

**Topic:** 2017 Financial Audit Status

**Discussion:** Staff will update the Board on the status of the 2017 financial statement audit.

*Regular Board Meeting – Thursday, July 12, 2018*



## DISCUSSION SHEET

### ITEM #D7

**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.

*Regular Board Meeting – Thursday, July 12, 2018*

**Future Education and Business Related Travel  
Regular Board Meeting – July 12, 2018**

ATTENDING APPROVED

- 1. Conference: IFEBP: Wharton Alternative Investments**  
**Dates:** July 30-August 1, 2018  
**Location:** San Francisco, CA  
**Est. Cost:** \$5,500
  
- 2. Conference: TEXPERS Summer Educational Forum**  
**Dates:** August 12-14, 2018  
**Location:** San Antonio, TX  
**Est. Cost:** \$1,500
  
- 3. Conference: NCPERS Public Pension Funding Forum**  
**Dates:** September 16-18, 2018  
**Location:** Cambridge, MA  
**Est. Cost:** TBD
  
- 4. Conference: NCPERS Public Safety Conference**  
**Dates:** October 28-31, 2018  
**Location:** Las Vegas, NV  
**Est. Cost:** TBD



## DISCUSSION SHEET

### ITEM #D8

**Topic:**                   **Hardship Requests from DROP Members**

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

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

**Staff**

**Recommendation:**   To be provided at the meeting.

*Regular Board Meeting – Thursday, July 12, 2018*





## DISCUSSION SHEET

### ITEM #D9

**Topic:** Legal issues

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

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

**Discussion:** Counsel will brief the Board on these issues.

*Regular Board Meeting – Thursday, July 12, 2018*



## DISCUSSION SHEET

### ITEM #D10

**Topic:** October 2018 Board Meeting

**Discussion:** The Supreme Court hearing date for the Eddington case has been set for October 11, 2018 at 9:00 a.m. in Austin. October 11<sup>th</sup> is a scheduled Board meeting date; the Executive Director and General Counsel will be attending the hearing in Austin.

**Recommendation:** Hold the October Board meeting on Wednesday, October 10, 2018 with a start time of 8:30 a.m.

*Regular Board Meeting – Thursday, July 12, 2018*



## DISCUSSION SHEET

### ITEM #E1

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

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

*Regular Board Meeting – Thursday, July 12, 2018*



## DISCUSSION SHEET

### ITEM #E2

**Topic:** Executive Director's report

Associations' newsletters

- NCPERS Monitor (July 2018)

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

*Regular Board Meeting – Thursday, July 12, 2018*