

AGENDA



Date: June 2, 2017

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, June 8, 2017, in the Second Floor Board Room at 4100 Harry Hines Boulevard, Dallas, Texas.** Items of the following agenda will be presented to the Board:

A. MOMENT OF SILENCE

B. BOARD OF TRUSTEES

- 1. Welcome of newly-elected and re-elected Trustees**
- 2. Election of officers of the Board of Trustees for June 1, 2017 through August 31, 2017**
- 3. Authorized signatories for the Board of Trustees**
- 4. Committees of the Board**

C. CONSENT AGENDA

1. Approval of Minutes

- a. Regular meeting of May 11, 2017**
- b. Special meeting of May 17, 2017**
- c. Special meeting of May 22, 2017**

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

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

4. Approval of Estate Settlements

5. Approval of Survivor Benefits

6. Approval of Service Retirements

7. Approval of Earnings Test

8. Denial of Unforeseen Emergency Requests

9. Approval of Alternate Payee Benefits

D. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. DPFP plan legislation

2. Consideration of possible Deferred Retirement Option Plan (DROP) account distributions in accordance with DROP Policy Addendum and possible changes to DROP Policy Addendum

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. Possible changes to DROP Policy Addendum
- b. Certification of reserve amount
- c. Certification of excess liquidity amount
- d. Determination of distribution amount

3. Possible sales of real estate interests in Napa County, California

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. Hearthstone: Possible sale of 11.6 acres in Eagle, Idaho

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.

5. CDK Multifamily Fund

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.

6. Bank loan manager search

7. NEPC

- a. First Quarter 2017 Investment Performance Analysis
- b. Fourth Quarter 2016 Private Markets & Real Assets Review

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

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. Police Officer and Firefighter pay lawsuits
- b. Potential claims involving fiduciaries and advisors
- c. Eddington et al. v. DPFPP
- d. Rawlings v. DPFPP
- e. DPFPP v. Columbus A. Alexander III
- f. Degan et al. v. DPFPP (Federal suit)
- g. DPFPP plan legislation
- h. City of Dallas violation of USERRA
- i. Open records litigation

- 10. Investment reports**
- 11. 2016 audit status**
- 12. Service Credit Repurchases Prior to September 1, 2017**
- 13. Possible revisions to Education and Travel Policy and Procedure**
- 14. Board approval of Trustee education and travel**
 - a. Future Education and Business Related Travel
 - b. Future Investment Related Travel
- 15. Board Members' reports on meetings, seminars and/or conferences attended**
 - a. NCPERS 2017 Annual Conference & Exhibition
 - b. PRB: MET Online Core Training: Actuarial Matters
 - c. PRB: MET Online Core Training: Benefits Administration
 - d. PRB: MET Online Core Training: Risk Management
 - e. PRB: MET Online Core Training: Ethics
 - f. PRB: MET Online Core Training: Governance
- 16. Unforeseeable Emergency Requests from DROP Members**

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

17. Executive Staff Employment Agreements

Portions of the discussion under this topic may be closed to the public under the terms of Sections 551.071 and 551.074 of the Texas Government Code.

18. 2017 Budget adjustment – Salaries and Benefits

19. Bank of America loan

E. BRIEFING ITEMS

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

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

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



ITEM #A

MOMENT OF SILENCE

In memory of our Members and Pensioners who recently passed away

(May 5, 2017 – May 31, 2017)

| NAME | ACTIVE/ RETIRED | DEPARTMENT | DATE OF DEATH |
|--------------------|--------------------|------------|---------------|
| Truly M. Holmes | Retired | Police | May 5, 2017 |
| Carl E. Lowe | Retired | Police | May 15, 2017 |
| Leslie L. Warnock | Retired | Fire | May 18, 2017 |
| Homer W. Foster | Retired | Fire | May 20, 2017 |
| Robert L. Phillips | Retired | Fire | May 25, 2017 |
| Ernest J. Smith | Retired | Police | May 28, 2017 |
| Arthur Green | Retired | Fire | May 31, 2017 |

Regular Board Meeting – Thursday, June 8, 2017



DISCUSSION SHEET

ITEM #B1

Topic: Welcome of newly-elected and re-elected Trustees

Discussion: DPFPP conducted an election from March 27 through April 6, 2017, to fill the expiring terms of four Trustee positions. The Board certified the results of the election for Police Pensioner Trustee Place 1 and Fire Pensioner Trustee Place 1 at the regular meeting of the Board on April 13, 2017. The candidates for Police Trustee Place 1 and Fire Trustee Place 1 were unopposed in their respective positions and were therefore, deemed elected.

The newly elected and re-elected Trustees will complete the Oath of Office form for the term that began on June 1, 2017 and will end on August 31, 2017. This applies to the following service trustees:

Police Trustee Place 1 (P-1)

Kenneth Haben

Fire Trustee Place 1 (F-1)

Samuel Friar

Police Pensioner Place 1

Kenneth Sprecher

Fire Pensioner Place 1

Larry D. Williams



DISCUSSION SHEET

ITEM #B1 (continued)

Staff

Recommendation: Welcome newly elected and re-elected Trustees and have them **complete** Oath of Office forms.



DISCUSSION SHEET

ITEM #B2

Topic: Election of officers of the Board of Trustees for June 1, 2017 through August 31, 2017

Discussion: In accordance with Section 3.01(f) of the Plan Document, the Board will elect from among its Trustees a Chairman, a Vice Chairman and a Deputy Vice Chairman for the period June 1, 2017 through August 31, 2017. Current officers are as follows:

Chairman – Sam Friar

Vice Chairman – Ken Haben

Deputy Vice Chairman – Joe Schutz

Staff Recommendation: Elect officers of the Board of Trustees.



DISCUSSION SHEET

ITEM #B3

Topic: Authorized signatories for the Board of Trustees

Discussion: Certain signature authorizations are necessary to facilitate the day-to-day operations of the System. In the past, the Board has authorized the Chairman to sign all documents (including any necessary payments) for the Board and System. If the Chairman is not available, then the Vice-Chairman may sign in the Chairman's place. If both the Chairman and Vice-Chairman are unavailable, then the Deputy Vice-Chairman is authorized to sign for the System.

Current procedures provide that the Chairman's and Executive Director's signatures are digitized and may be placed on all checks to the retirees and vendors.

Staff

Recommendation: Complete the Signature Authorization Forms.



DISCUSSION SHEET

ITEM #B4

Topic: Committees of the Board

Discussion: The Board Chairman, upon approval of the Board, may appoint a Committee Chairman and Committee members to the Board's standing and ad hoc committees. The current appointments are as follows:

Standing Committees:

Audit Committee

Jennifer Gates, Chair
Sam Friar
Ken Sprecher
**Jerry Brown – term ended*

Professional Services Committee

Ken Haben, Chair
Sam Friar
Scott Griggs
Brian Hass

Investment Advisory Committee

Pending

Ad Hoc Committee:

Governance Committee

Joe Schutz, Chair
Scott Griggs
Ken Haben
Brian Hass
Philip Kingston
**Jerry Brown – term ended*



DISCUSSION SHEET

ITEM #B4 (continued)

The Board may discuss the scheduling of committee meetings.

The Board's Committee Policy is attached for reference.

Staff

Recommendation:

The Chairman **make** Committee Chairman appointments as appropriate and the Board **approve** the appointments and the schedule for committee meetings.

Dallas Police and Fire Pension System
Thursday, May 11, 2017
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

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

ROLL CALL

Board Members

Present at 8:30 Samuel L. Friar, Kenneth S. Haben, Joseph P. Schutz, Brian Hass, Erik Wilson, Tho T. Ho, Gerald D. Brown, Clint Conway, Kenneth Sprecher

Absent: Scott Griggs, Jennifer S. Gates, Philip T. Kingston

Staff

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

Others

Chuck Campbell, Dale Addeo, Jarrett Vitulli (by telephone), Rob Gauss (by telephone), James Elliston, Janis Elliston, Paul Jarvis, Marlin Price, Larry Goldsmith, Lloyd D. Brown, Larry Williams, David Williams, James Freeman, Carolyn Freeman, W. R. Bricker, Tom Moore, Tom Moorman, Frank Ruspoli, Jerry M. Rhodes, Linda Rhodes, Larry Lewis, William A. Paris, Jr., Dale Erves, Will Craven, John Hanes, A. D. Donald, Andy Acord, W. G. Huffman, Aaron Anderson, Jill S. Muncy, Philip Braun, Jesse Hill, Dan Wojcik, David Dodson, Jim Aulbaugh, Joel Lavender, Charles Hale, Joseph Thompson, Philip Murray, Larry T. Vialpando, Mel Sayavedra, Tristan Hallman, Chris Kang, Zaman Hemani, Lori Brown, Monica Hernandez, Ken Kalthoff, Josh Womack, Tim Ciesco, Andy Vigaras, Tanya Eiserer, Barry Blonstein, Billy Bryant

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

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**Regular Board Meeting
Thursday, May 11, 2017**

A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officers, B. T. Beddingfield, Thomas P. Poole, Arthur J. Jones, Jim G. Farr, Reginald S. Kay, Mansell L. Hall, Finis O. Triplett, and retired firefighters, Robert H. Dunn, Roy G. Box, J. R. Reeves.

No motion was made.

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B. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of April 13, 2017

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

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

4. Approval of Estate Settlements

5. Approval of Survivor Benefits

6. Approval of Service Retirements

7. Approval of Alternate Payee Benefits

8. Approval of Payment of Previously Withdrawn Contributions

9. Denial of Unforeseen Emergency Requests

After discussion, Mr. Hass made a motion to approve the items on the Consent Agenda, subject to the final approval of the staff. Mr. Brown seconded the motion, which was unanimously approved by the Board.

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**Regular Board Meeting
Thursday, May 11, 2017**

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Discussion and possible action on Legislative Matters

- a. Status of DPFPP plan legislation
- b. Other pension-related legislative issues

Staff updated the Board on the status of the City's and DPFPP's proposed plans at the legislature as well as status of the discussions between the City and DPFPP.

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

No motion was made.

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2. Consideration of possible Deferred Retirement Option Plan (DROP) account distributions in accordance with DROP Policy Addendum

- a. Certification of reserve amount
- b. Certification of excess liquidity amount
- c. Determination of distribution amount

a. The Staff presented the components of the reserve amount calculated in accordance with the DROP Policy Addendum for the Board's consideration. The reserve amount is used in determining whether DROP distributions are available for payment to eligible members for the current month and considers the following obligations that are essential to DPFPP's efficient administration:

- i. No less than 12 months of monthly annuity benefit payments, less monthly contributions for the same period;
- ii. No less than 12 months of anticipated operating expenses;
- iii. No less than 12 months of Minimum Annual Distributions pursuant to the DROP Policy Addendum;
- iv. All anticipated Required Minimum Distributions for the coming year;
- v. All outstanding indebtedness; and

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Thursday, May 11, 2017**

2. Consideration of possible Deferred Retirement Option Plan (DROP) account distributions in accordance with DROP Policy Addendum (continued)

- vi. All outstanding capital commitments for existing private market investments as well as no less than 12 months of other anticipated investment-related expenditures.

- b. The Staff presented the determination of the excess liquidity amount calculated in accordance with the DROP Policy Addendum for the Board's consideration. The excess liquidity amount represents the amount of total liquid assets in excess of 1) the reserve amount, and 2) the Minimum Annual Distributions to be paid for the current month.

- c. The Staff discussed the possible effects of payment of excess liquidity amounts on the efficient administration of DFPF.

The Board went into a closed executive session – legal at 8:58 a.m.

The meeting was reopened at 9:13 a.m.

After discussion, Mr. Sprecher made a motion to grant a \$4 million pro-rata DROP account distribution. Mr. Conway seconded the motion, which failed by the following vote:

For: Sprecher, Hass, Conway
Against: Friar, Haben, Schutz, Wilson, Ho
Abstain: Brown

After discussion, Mr. Schutz made a motion to certify the reserve amount of \$942,233,768, the excess liquidity amount of \$0.00, and pass a resolution that, as a result, no amounts are available for pro-rata distribution in May 2017 under Section 5 of the DROP Policy Addendum adopted by the Board on January 12, 2017. Mr. Ho seconded the motion, which was approved by the Board by the following vote:

For: Schutz, Ho, Friar, Haben, Wilson, Brown
Against: Conway, Hass, Sprecher

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

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**Regular Board Meeting
Thursday, May 11, 2017**

Resolution

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

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

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

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

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

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

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

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

Approved May 11, 2017

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

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

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

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

NOW THEREFORE, BE IT RESOLVED that, pursuant to the Section 2.c. of the Addendum, the Board certifies a Reserve Amount equal to \$942,233,768, which is the amount that the Board determines is necessary to satisfy the obligations essential to the System's efficient administration and includes amounts necessary for the System to retain an adequate level of total assets to ensure contractual obligations under outstanding indebtedness related to the System's interest in RCH are satisfied;

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

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

Approved May 11, 2017

**Regular Board Meeting
Thursday, May 11, 2017**

3. Legal issues

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

The Board went into a closed executive session – legal at 9:47 a.m., which included nine Trustees.

The meeting was reopened at 10:22 a.m.

No motion was made.

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The meeting was recessed at 10:22 a.m.

The meeting was reconvened at 10:26 a.m.

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

Ms. Gottschalk stated that pursuant to the Uniform Services Employment and Reemployment Act (USERRA), members who have returned from military service and continued their employment are entitled to make the contributions they did not make while they were on military leave in order to receive pension credit for the time they spent on military leave. USERRA provides that when members make such contributions to receive pension credit, the employer is required to make its share of contributions to the plan for that military leave time that the member is “buying back.”

DPFP has tried for over a year to collect such contributions from the City. The City contends that it is not required to make such contributions. USERRA specifically provides rights to pension plans against employers who refuse to make required contributions.

The Board directed the Executive Director to contact the City Manager regarding this matter and for staff to bring a recommendation to the Board at the June regular meeting regarding a law firm to engage in this matter.

**Regular Board Meeting
Thursday, May 11, 2017**

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5. Possible changes to Education and Travel Policy and Procedure

Staff proposed changes to the policy and procedure covering education and travel related expenses to address the approval of travel and reimbursement of expenses for Trustees.

Staff also proposed that the Mileage Reimbursement Policy, as amended through April 28, 2004, be repealed as the provisions of the policy have been incorporated into the Education and Travel Policy and Procedure.

After discussion, Mr. Haben made a motion to approve the Education and Travel Policy and Procedure as amended and approve the repeal of the Mileage Reimbursement Policy. Mr. Brown seconded the motion, which was unanimously approved by the Board.

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6. North Texas Opportunity Fund

The North Texas Opportunity Fund, LP commenced in May 2000 and is approaching the extended expiration of the fund on May 12, 2017. The manager requests that the limited partners consent to a one-year extension to continue managing the remaining investment, Irving Holdings, Inc., in a fund structure rather than distributing in kind.

To save fund costs, the manager is also requesting an amendment to substitute an annual audit of the one remaining holding in place of an audit at the fund level.

An additional amendment confirming that the partnership would not call any additional capital is also being included.

This extension of the fund is the eighth extension requested by the manager under the terms of the limited partnership and requires approval of two-thirds of the limited partners. The partnership ceased payment of management fees to the Investment Manager on July 1, 2013.

After discussion, Mr. Conway made a motion to approve the one-year extension and authorize the Executive Director to negotiate and execute documentation and perform all necessary acts and exercise all appropriate discretion to facilitate the extension and amendments. Mr. Haben seconded the motion, which was

**Regular Board Meeting
Thursday, May 11, 2017**

6. North Texas Opportunity Fund (continued)

approved by the following vote:

For: Conway, Haben, Friar, Schutz, Hass, Wilson, Ho, Brown

Against: Sprecher

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7. Investment reports

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

No motion was made.

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8. Quarterly financial reports

Ms. Loveland presented the first quarter 2017 financial statements.

No motion was made.

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9. Recognition of outgoing Trustee

Mr. Friar and Ms. Gottschalk, on behalf of the Board, presented a plaque of appreciation to Gerald Brown for his dedicated service on the Board of Trustees as Fire Pensioner Trustee from June 1, 2013 through May 31, 2017. He previously served on the Board for 28 years as an active Fire Trustee.

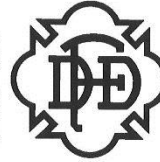
Gerald Brown's plaque is shown in Minute Book 45 on Pages __.

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**Regular Board Meeting
Thursday, May 11, 2017**



**D A L L A S
POLICE & FIRE
PENSION SYSTEM**



Presented in Appreciation to

Gerald D. Brown

in recognition of exceptional service on the

Board of Trustees

2013 through 2017

This certificate is a measure of appreciation for the time and effort you have extended to preserve and improve the Dallas Police and Fire Pension System.

Your fine work as the Pensioner Trustee shall not be forgotten.

Clint Conway
Fire Trustee

Samuel L. Friar
Fire Trustee

Jennifer S. Gates
Councilmember Trustee

Scott Griggs
Councilmember Trustee

Kenneth S. Haben
Police Trustee

Brian T. Hass
Fire Trustee

Tho Tang Ho
Police Trustee

Philip T. Kingston
Councilmember Trustee

Joseph P. Schutz
Police Trustee

Kenneth Sprecher
Police Pensioner Trustee

Erik Wilson
Councilmember Trustee

Kelly Gottschalk
Executive Director

**Regular Board Meeting
Thursday, May 11, 2017**

10. Investment of Excess Cash

Staff discussed the possibility of initiating searches for new investment managers in order to prepare for future rebalancing of the portfolio. The cash allocation remains above target due to uncertainty around legislation and timing of potential capital commitment requirements. NEPC, DFPF's investment consultant, has recommended that they begin to work with staff on the process of manager searches to grow the allocations to Emerging Market Equity, Emerging Market Debt and Bank Loans.

10. Investment of Excess Cash (continued)

The Board directed staff to begin work on the process of manager searches for investing excess cash in accordance with the Investment Policy Statement.

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

- a. PRB: MET Online Core Training: Actuarial Matters
- b. PRB: MET Online Core Training: Benefits Administration
- c. PRB: MET Online Core Training: Risk Management
- d. PRB: MET Online Core Training: Ethics
- e. PRB: MET Online Core Training: Governance
- f. PRB: MET Online Core Training: Investments

Staff provided a record of the above training received by Ken Sprecher.

No motion was made.

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12. Unforeseeable Emergency Requests from DROP Members

There were no Unforeseeable Emergency Requests from DROP members requiring Board action other than those items on the consent agenda.

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**Regular Board Meeting
Thursday, May 11, 2017**

D. BRIEFING ITEMS

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

The Board heard member and pensioner comments.

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2. Executive Director's report

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

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

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ADDENDUM

Potential action relating to NTE and LBJ

The Board went into closed executive session – real estate at 10:37 a.m.

The meeting was reopened at 11:34 a.m.

Mr. Conway made a motion to authorize the sale of DPFP's interest in the NTE and LBJ managed lane projects, subject to the final approval of terms by the Executive Director. Mr. Brown seconded the motion, which was unanimously approved by the Board. Mr. Hass was not present when the vote was taken.

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**Regular Board Meeting
Thursday, May 11, 2017**

Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Conway and a second by Mr. Hass, the meeting was adjourned at 1:37 p.m.

Samuel L. Friar
Chairman

ATTEST:

Kelly Gottschalk
Secretary

Dallas Police and Fire Pension System
Wednesday, May 17, 2017
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

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

ROLL CALL

Board Members

Present at 8:55 Samuel L. Friar, Scott Griggs, Brian Hass, Tho T. Ho, Gerald D. Brown, Clint Conway, Kenneth Sprecher

Present at 10:02 Jennifer S. Gates, Erik Wilson

Absent: Kenneth S. Haben, Joseph P. Schutz, Philip T. Kingston

Staff

Kelly Gottschalk, Josh Mond, Summer Loveland, John Holt, Pat McGennis, Linda Rickley

Others

Chuck Campbell (by telephone), John Turner, Rick Thomas, Max Kirk, Larry Goldsmith, Larry Williams, Reuben Millsaps, Debbie Carlin, Philip Braun, Lingburge Williams, Don Howard, Mark Stovall, Salvador Morales, Steve Bass, Dan Wojcik, Sandino Contreras, David Slaughter, Rojelio Rodriguez, Joel Lavender, Bobby Yarberry, Cathy Yarberry, Steve Coffman, James Elliston, Sandy Alexander

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The meeting was called to order at 8:55 a.m.

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A. DISCUSSION AND POSSIBLE ACTION REGARDING ITEM FOR INDIVIDUAL CONSIDERATION:

DPFP plan legislation

The Board and staff discussed the Texas Senate's Committee substitute and HB 3158, which has been approved by the Texas House.

**Special Meeting
Wednesday, May 17, 2017**

DPFP plan legislation (continued)

The meeting was recessed at 9:50 a.m.

The meeting was reconvened at 9:58 a.m.

Further discussion was held.

The meeting was recessed at 11:00 a.m.

The meeting was reconvened at 11:07 a.m.

After discussion, Mr. Hass made a motion to state that the Board opposes the substitute bill proposed by Senator West based upon actuarial analysis by DPFP's actuary, and supports a funding floor or other form of assurance of adequate future funding past 2024 as well as other technical changes as proposed by the Executive Director. Mr. Sprecher seconded the motion.

Mr. Griggs proposed an amendment to the motion as follows: The Board opposes the substitute bill proposed by Senator West based upon actuarial analysis by DPFP's actuary, and supports a funding floor or other form of assurance of adequate future funding past 2024 with another funding source as well as other technical changes as proposed by the Executive Director. Mr. Brown seconded the proposed amendment. The amendment failed by the following vote:

For: Griggs, Brown, Ho, Sprecher

Against: Conway, Wilson, Gates, Hass, Friar

The original motion, to state that the Board opposes the substitute bill proposed by Senator West based upon actuarial analysis by DPFP's actuary, and supports a funding floor or other form of assurance of adequate future funding past 2024 as well as other technical changes as proposed by the Executive Director, passed by the following vote:

For: Hass, Ho, Brown, Conway, Friar

Against: Sprecher, Griggs, Gates, Wilson

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**Special Meeting
Wednesday, May 17, 2017**

B. BRIEFING ITEM

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

The Board received comments during the open forum.

No motion was made.

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Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Conway and a second by Mr. Brown, the meeting was adjourned at 11:19 a.m.

Samuel L. Friar
Chairman

ATTEST:

Kelly Gottschalk
Secretary

Dallas Police and Fire Pension System
Monday, May 22, 2017
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

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

ROLL CALL

Board Members

Present at 8:30 Samuel L. Friar, Joseph P. Schutz, Brian Hass, Erik Wilson, Tho T. Ho, Gerald D. Brown, Clint Conway, Kenneth Sprecher

Present at 8:56 Scott Griggs

Absent: Kenneth S. Haben, Jennifer S. Gates, Philip T. Kingston

Staff

Kelly Gottschalk, Josh Mond, Summer Loveland, John Holt, Linda Rickley, Cynthia Thomas

Others

Chuck Campbell (by telephone), Ron Weimer, Bob Bricker, Connie Bricker, Ramond Hargrove, Tom Payne, Evelyn Mayfield, Larry Goldsmith, Marlene Davis, Jimmy Davis, Larry Williams, Loy Smith, Carolyn Freeman, James Freeman, Jerry W. Knoerr, Nancy Lewis, Larry Lewis, David Elliston, Michael McGehee, Mark Stovall, Tom Moore, Tom Moorman, Jill S. Muncy, Mark Moeller, Dale Erves, Don Whitten, Debbie Carlin, W. B. Smith, Joel Lavender, Joe Guzman, Ron Acker, Hoyt Hubbell, Gart S. Beck, Tristan Hallman

* * * * *

The meeting was called to order at 8:32 a.m.

* * * * *

A. DISCUSSION AND POSSIBLE ACTION REGARDING ITEM FOR INDIVIDUAL CONSIDERATION:

DPFP plan legislation

The Board and staff discussed the Texas Senate's Committee substitute and HB 3158, which has been approved by the Texas House.

**Special Meeting
Monday, May 22, 2017**

DPFP plan legislation (continued)

The meeting was recessed at 9:36 a.m.

The meeting was reconvened at 9:43 a.m.

Further discussion was held.

The meeting was recessed at 10:26 a.m.

The meeting was reconvened at 10:31 a.m.

After discussion, Mr. Hass made a motion to state the Board supports the Committee Substitute passed by the Senate State Affairs Committee with the amendments to be proposed by Senator West as agreed to by all the stakeholders on May 18, 2017. Mr. Ho seconded the motion, which passed by the following vote:

For: Hass, Ho, Friar, Griggs, Wilson, Brown

Against: Schutz, Conway, Sprecher

* * * * *

B. BRIEFING ITEM

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

The Board received comments during the open forum.

No motion was made.

* * * * *

**Special Meeting
Monday, May 22, 2017**

Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Griggs and a second by Mr. Hass, the meeting was adjourned at 10:35 a.m.

Samuel L. Friar
Chairman

ATTEST:

Kelly Gottschalk
Secretary

DRAFT



DISCUSSION SHEET

ITEM #D1

Topic: DFPF plan legislation

Discussion: Staff will update the Board on the status of the DFPF plan legislation.



DISCUSSION SHEET

ITEM #D2

Topic: Consideration of possible Deferred Retirement Option Plan (DROP) account distributions in accordance with DROP Policy Addendum and possible changes to DROP Policy Addendum

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. Possible changes to DROP Policy Addendum
- b. Certification of reserve amount
- c. Certification of excess liquidity amount
- d. Determination of distribution amount

Discussion:

- a. In the light of the Governor signing HB 3158 into law, staff is proposing possible changes to the DROP Policy Addendum.
- b. Staff will present the components of the reserve amount calculated in accordance with the January 12, 2017 DROP Policy Addendum for the Board's consideration. The reserve amount is used in determining whether DROP distributions are available for payment to eligible members for the current month and considers the following obligations that are essential to DPFP's efficient administration:
 - i. No less than 12 months of monthly annuity benefit payments, less monthly contributions for the same period;



DISCUSSION SHEET

ITEM #D2 (continued)

- ii. No less than 12 months of anticipated operating expenses;
 - iii. No less than 12 months of Minimum Annual Distributions pursuant to the DROP Policy Addendum;
 - iv. All anticipated Required Minimum Distributions for the coming year;
 - v. All outstanding indebtedness; and
 - vi. All outstanding capital commitments for existing private market investments as well as no less than 12 months of other anticipated investment-related expenditures.
- c.** Staff will present the determination of the excess liquidity amount calculated in accordance with the DROP Policy Addendum for the Board's consideration. The excess liquidity amount represents the amount of total liquid assets in excess of 1) the reserve amount and 2) the Minimum Annual Distributions to be paid for the current month.
- d.** The Staff will discuss the possible effects of payment of excess liquidity amounts on the efficient administration of DPF.



DISCUSSION SHEET

ITEM #D2

(continued)

Staff

Recommendation:

- a. **Consider** adoption of the proposed amendment to the DROP Policy Addendum.
- b. **Certify** the reserve amount, subject to a.
- c. **Certify** the excess liquidity amount, subject to a.
- d. To be provided at the meeting.

AMENDMENT TO
DROP POLICY ADDENDUM

Effective June 8, 2017

1. Definitions - All definitions in this Amendment will have the same meaning as those used in the DROP Policy Addendum adopted by the Board of Trustees on January 12, 2017.
2. Background
 - a. On January 12, 2017, the Board adopted the DROP Policy Addendum (the “Addendum”).
 - b. HB 3158 was passed by both the Texas House of Representatives and the Senate during the 85th Legislative Session and was signed by the Governor of Texas on May 31, 2017.
 - c. Article 2 of HB 3158 became effective immediately and provides that through September 1, 2017, the Board “may not allow any distribution out of a DROP participant’s DROP account to a DROP participant or a participant’s designated beneficiary,” other than pursuant to Sections 6, 7 and 8(e) of the Addendum or in compliance with a court order.
 - d. Since passage of HB 3158, the Board has not allowed any distributions out of DROP that would violate Article 2, and to disregard Article 2 would be to disregard binding Texas law. The Board has a general duty to comply with the law. In addition, based upon actuarial analysis by the Board’s actuary and the Pension Review Board, the Board has determined that changes to the Plan contemplated by Article 1 of HB 3158 are essential to ensure the future solvency of the Plan and are in the best interests of Plan members and beneficiaries.
 - e. The Board has further concluded that HB 3158 represents the desire and intent of the Texas Legislature and the efforts of legislators, the City of Dallas, various constituency groups of members and retirees, and DPF to reach a solution as to the solvency and funding issues facing the Plan. The Board believes that it is prudent and consistent with its fiduciary duties to recognize the desire and intent of the Texas Legislature and ensure implementation of the changes set out in HB

3158. Under Article 3 of HB 3158, these changes will be null and void if the Board violates the terms in Article 2 of HB 3158.

- f. In sum, the Board has determined that allowing only those DROP distributions permissible under Article 2 of HB 3158 is consistent with Texas law, promotes the efficient administration of the Plan, and serves the best interests of Plan members and beneficiaries.

3. Amendments

- a. Sections 2, 5, 8(b) and 8(f) of the Addendum are deleted in their entirety and shall be reserved to avoid any re-numbering or re-lettering.
- b. Subsections (a), (b), (c) and (d) of Section 3 are deleted in their entirety and replaced with the following:

“Effective as of June 8, 2017, no DROP withdrawals will be available except for the following:

- a) in the event of an unforeseeable emergency, as described in Section 6,
- b) for purposes of making a minimum annual distribution, as described in Section 7,
- c) as permitted by the Board under Section 8(e) in order to avoid the possibility of an early distribution tax penalty under Section 72(t) of the Internal Revenue Code, or
- d) in compliance with a court order.”

- c. Subsections (a), (b), (c), (d) and (e) of Section 4 are deleted in their entirety and replaced with the following:

- d. “Effective as of June 8, 2017, all DROP withdrawal requests that are on file with DFPF, including any DROP withdrawal requests that were submitted pursuant to Sections 4 and 5 of the Addendum as in effect prior to June 8, 2017, shall be null and void except for those requests filed pursuant to Section 6 in connection with an unforeseeable emergency or for purposes of a minimum annual distribution elected under Section 7. All DROP withdrawal elections made under Sections 6 and 7 will remain in place for all subsequent DROP distributions under this Addendum until revoked by the distributee in writing.

- e. The second sentence of Section 6(e) is deleted.
 - f. The first sentence of Section 7(a) is deleted and replaced with the following:

“A distributee may elect to receive a minimum annual distribution from his or her DROP account.”
 - g. The last sentence of Section 7(c) is deleted and replaced with the following:

“With respect to semi-annual installments of distributions that have been elected pursuant to this Section 7, such distributions shall be made as scheduled on June 30, 2017. For semi-annual distributions pursuant to this Section 7 following June 30, 2017, the amount of any such distributions will be prorated based on the number of completed months during the period between the last semi-annual distribution made pursuant to this Section 7 and the date that the amount of a DROP account is determined for purposes of annuitizing the DROP account as provided for in HB 3158.”
4. Termination - The Addendum, as amended, will terminate upon the Board’s implementation of rules and policies relating to the annuitization of DROP accounts as provided for in HB 3158, but no earlier than September 1, 2017.



DISCUSSION SHEET

ITEM #D3

Topic: Possible sales of real estate interests in Napa County, California

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: Rhett Humphreys, Michael Yang (NEPC)
John Kolb, Stuart Turner (Barings Real Estate Advisors)
Rick Bodio (Hancock Agricultural Investment Group)

Discussion: Representatives from Barings and Hancock will discuss the potential sale of DPFP's real estate interests in Napa County, CA.

Aetna Springs and Lake Luciana are two related resort/golf/residential development projects containing in total approximately 3,100 acres located in the Pope Valley area of Napa County, CA. Barings Real Estate Advisors, formerly Cornerstone, was engaged by the Board in July 2015 to manage DPFP's interests in the projects. DPFP's holdings consist of a membership interest in Lake Luciana, LLC as well as direct ownership of various lots. The projects were previously managed by staff. Criswell Radovan was employed by Lake Luciana, LLC to assist in the operation of the projects. In May 2016, the Board authorized Barings to market the two projects for sale.



DISCUSSION SHEET

ITEM #D3

(continued)

Iron Corral is a 420-acre parcel with approximately 140-acres of commercial vineyard and additional plantable acreage adjacent to the Lake Luciana project. This asset is directly owned by DPFPP and was originally managed by staff, overseeing the development and operations of the vineyard land. In March 2015, the Board approved the transfer of Iron Corral to DPFPP's agricultural portfolio managed by Hancock. This asset has been marketed in conjunction with the Aetna Springs and Lake Luciana projects due to its close proximity to the two projects.

Barings and Hancock will discuss the marketing process and provide a recommended course of action.

Staff

Recommendation: Available at the meeting.



**Aetna Springs Investment
Marketing Process:
Open Session**

Presented to:

**Dallas Police and Fire
Pension System**

June 8, 2017

Presentation Team – Barings Real Estate Advisers

John Kolb

Portfolio Manager

Stuart Turner

Vice President – Hotel Group

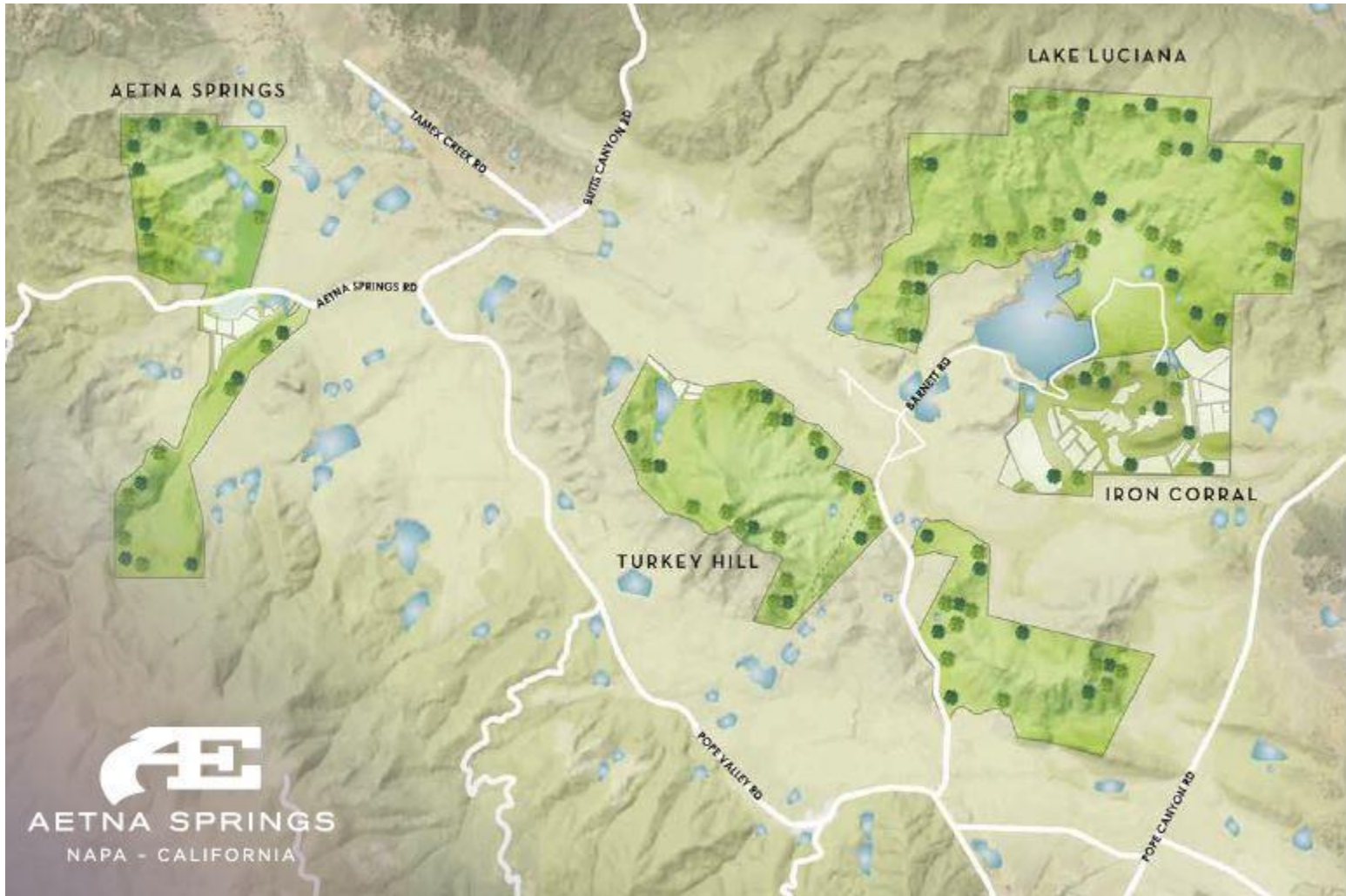
Overview - Aetna Springs resort site, Aetna Springs lots and Lake Luciana lots

- Two related resort/golf/residential development sites (Aetna Springs and Lake Luciana)
- Located in the Pope Valley area of northeastern Napa County, California, approximately 65 miles north of San Francisco
- Approximately 3,100 acres of land which include the historic federally landmarked former Aetna Springs resort site, 44 luxury estate lots, two commercial vineyards, a restored 9-hole golf course, and golf club house built in 2008
- Entitlement and permits received for Aetna Resort development, construction documents prepared



Background

Aetna Springs Resort site, Aetna lot sites, Turkey Hill lot sites & Lake Luciana lot sites, and Iron Corral Vineyard



Investment Timeline

Key Events

- **2005-2006 Criswell/Radovan Original Development Plan:**
 - Re-permit/Renovate/Reconstruct historic Aetna Springs Resort
 - Renovate accompanying 9-hole Aetna Springs Golf Course
 - Re-configure/Develop luxury homes sites adjacent to Aetna Springs Resort and Lake Luciana
 - Permit/Develop new 18-hole golf course on Lake Luciana
 - Develop/Operate vineyards and winery near both golf courses
- **2006 - 2009** Dallas Police and Fire Pension System (“DPFP”) contributes equity.
- **2007 - 2012** Developers pursue entitlement for 18-hole golf course on Lake Luciana; ultimately not approved.
- **2008** Renovation complete on the 9-hole golf course at Aetna Springs - course reopens.
- **2010 – current** DPFP supports operational short-falls, as well as on-going oversight, permitting and legal expenses, with additional capital investment.
- **January 2012** Redevelopment of the 80-bed Aetna Springs Resort is approved.
- **2012 – 2015** Developers continue to pursue permits for other aspects of the project including lot line adjustments for residential lots and seek construction financing.
- **July 2015** DPFP engaged Barings Real Estate Advisers to manage DPFP’s interests in the investment.

Background

Barings Real Estate Advisers Team Assigned

| | |
|---------------------------|------------------------------------|
| <u>Account Management</u> | John Kolb Marty Kane |
| <u>Asset Management</u> | Eric Grossman Rob Giffin |
| <u>Hotel Team</u> | Stuart Turner Jim O'Shaughnessy |
| <u>Accounting</u> | Rosa Epperson Nick Cioffi |
| <u>Legal</u> | Kelly Kinnon |
| <u>Valuation</u> | Tyler Brown |
| <u>Insurance</u> | Louise King |

DPFP tasked Barings Real Estate Advisers to:

- Recommend whether DPFP should continue to pursue the development as originally envisioned, or to consider an exit or another strategy.
- Assess feasibility of additional vineyard development.
- Provide asset management oversight of the investment.

May 2016: Obtained DPFP Board approval to market the entire investment for sale.

Marketing Process

June/July 2016: Ran competitive BOV process with three highly qualified national brokerage teams

September 2016: Engaged brokerage teams of CBRE / Pacific Union under a co-brokerage arrangement

October 2016: High level 'Teaser Summary' marketed at major US Lodging Investor Conference in Phoenix

November/December 2016: Brokerage Offering Memorandum and Marketing Package finalized. Selective site tours with 'early' interested parties

January 2017: Broad marketing launch to both national and international investors. Highlighted offering at major International Lodging Conference held in Los Angeles

February – May 2017: Continued marketing efforts and site tours

May 2017: First round Call for Offers – May 5, 2017; Best & Final Call for Offers – May 25, 2017

Summary of Marketing Statistics

- 6,368 Launch Audience
- 118 Confidentially Agreements signed
- 18 site tours conducted from November 2016 to May 2017
- 8 written offers received

Aetna Springs Marketing Flyer



Aetna Springs is a scenic and historic resort property, fully-entitled and planned as a luxury destination community on more than 3,100 acres in northern Napa County. The property includes a 710-acre, resort parcel to the west, plus three large developable parcels totaling 2,390 acres eight miles to the east, near Lake Luciana. The combined property includes operating vineyards, a golf course, resort village and 44 planned estate lots. The resort village includes a mix of historic buildings, with newer structures partially built during a renovation several years ago. The classic, 9-hole golf course has been redesigned and thoroughly renovated by Tom Doak. Troon Golf operates the course, which is complemented by a modern, 8,800 square foot clubhouse. Entitlements include an on-site winery approved for the production of 57,000 gallons annually and the property's vineyards, situated in the coveted Napa Valley Appellation, produce Cabernet Sauvignon, Sauvignon Blanc and Petite Syrah grapes, which are sold to premier wine brands. Sixteen estate lots are planned near the resort village and 28 are planned to the east, near Lake Luciana.

Napa Valley is renowned for its quality winemaking and miles of vineyards, drawing affluent tourists from around the world to enjoy great wine, fine food, retail boutiques and spa treatments. Future development plans at Aetna Springs include a restoration and enhancement of the resort village, as depicted in the above rendering.

INVESTMENT HIGHLIGHTS

- Fully entitled, Napa County resort community
- 3,100+ fee simple acres in two locations
- Operating vineyards with expansion opportunities
- 44 planned estate lots (16 resort and 28 Lake Luciana)
- 9-hole golf course re-designed by Tom Doak
- Winery permitted for 57,000 gallons annually
- Ability to develop 80 rooms in the resort village
- Historic mineral springs resort village with social hall designed by renowned Bay Area architect Bernard Maybeck



AETNA SPRINGS
NAPA - CALIFORNIA





EXCLUSIVE MARKETING ADVISORS

| | | | |
|---|---|--|---|
| <p>JEFF WOOLSON Managing Director License 01073147 +1 760 438 9530 jeff.woolson@cbre.com</p> | <p>HENRY BOSE Senior Vice President License 01512190 +1 415 772 0261 henry.bose@cbre.com</p> | <p>HILLARY RYAN Pacific Union License 01934302 +1 415 425 3639 hillary@pacunion.com</p> | <p>PAVI LAWSON Pacific Union License 01157952 +1 707 738 2219 pawlson@pacunion.com</p> |
|---|---|--|---|

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Any opinions expressed herein reflect our judgment at this date and are subject to change without notice, as are statements of market conditions and trends.

Certain of the statements contained herein are statements of future expectations and other forward-looking statements that are based on our current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Real estate investments are subject to various risks, many of which are beyond the control of Barings Real Estate Advisers or its Clients, such as adverse changes in international, national or local economic and demographic conditions; adverse changes in financial conditions of buyers and sellers of properties; reduction or change in sources of debt or equity financing, including changes in interest rates; increases in real estate taxes and operating expenses, including energy prices; changes in law, regulations and governmental policies, including environmental laws, zoning laws and governmental fiscal policies; changes in the relative popularity of properties; risks due to dependence on cash flow; risks and operating problems arising out of the presence of certain construction materials; natural and unnatural disasters; acts of terrorism; uninsurable losses; condemnations; and others.



DISCUSSION SHEET

ITEM #D4

Topic: **Hearthstone: Possible sale of 11.6 acres in Eagle, Idaho**

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: Bryce Brunsting, Todd Rosa (Hearthstone) – by telephone
Rhett Humphreys, Michael Yang (NEPC)

Discussion: Hearthstone will discuss the potential sale of two lots in Eagle, Idaho totaling 11.6 acres. These properties are adjacent to the Spring Valley property, which is also part of Project Holdings, LLC; however, these lots are unrelated to the Spring Valley proposed development. Hearthstone took over management of Project Holdings from CDK in February 2015.

Staff

Recommendation: **Authorize** Hearthstone to consummate the sale of the two lots in Eagle, Idaho, subject to the final approval of terms by the Executive Director.



DISCUSSION SHEET

ITEM #D5

Topic: CDK Multifamily Fund

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.

Discussion: Staff will brief the Board on the status of a possible sale of DPFP's interest in this fund.



DISCUSSION SHEET

ITEM #D6

Topic: Bank loan manager search

Attendees: Rhett Humphreys, NEPC-Partner
Keith Stronkowsky, NEPC-Senior Consultant
Michael Marzouk, Pacific Asset Management-Portfolio Manager
Michael Spitler, Pacific Asset Management-Senior Director

Discussion: After researching the managers on NEPC's Bank Loan Focus Placement List, staff recommends engaging Pacific Asset Management as a bank loan manager to redeploy excess cash and to build out the Bank Loans sub-asset allocation of the Fixed Income portfolio. NEPC concurs with this recommendation. Staff and NEPC will discuss their recommendation and Pacific Asset Management will present their bank loan strategy to the Board.

Pacific Asset Management is a fixed income manager specializing in bank loans. Prior to 2007, Pacific managed fixed income assets for their parent company, Pacific Life. Current assets under management are \$6.3 billion.

Staff

Recommendation: Staff recommends approving an initial investment of up to \$50 million to the Pacific Asset Management Bank Loan strategy within DFPF's Bank Loans sub-asset allocation of the Fixed Income asset class, with authority to increase the investment as permitted by the Investment Policy Statement.



D A L L A S
POLICE & FIRE
PENSION SYSTEM



Bank Loan Manager Recommendation

Overview

- Redeploy excess cash
- Current Bank Loans sub-allocation 2.6%/Target 6%
- Structure Study proposed hiring 1-2 additional managers to complete the allocation
- Retain existing Bank Loan Manager, Loomis Sayles Senior Floating Rate & Fixed Income (\$57 million)

Process

- Reviewed Bank Loan Manager Search Book with NEPC
- Conducted manager calls
- Internal analysis and further due diligence
- Debriefed with NEPC
- Spoke with References

Recommendation

Hire Pacific Asset Management for the following considerations:

- Small, conservative manager
- High conviction security selection process
- Low default & distressed sales rates
- Strong 2008 & 2015 performance
- Consistent Returns
- Discounted Fee

Pacific Asset Management-Bank Loans

As of 5/21/17



| PROPOSED NEW INVESTMENT | |
|---|--|
| 1) Name of investment and manager | Pacific Asset Management Bank Loan Strategy |
| 2a) DFPF Asset Class | Fixed Income |
| 2b) Asset class allocation / target | 10.67% / 33% |
| 3a) DFPF Sub-Asset Class | Bank Loans |
| 3b) Sub-Asset class allocation / target | 2.61% / 6% |
| 4) Proposed investment size | \$50m initial |
| 6) Projected funding date and schedule | 6/30/2017 |
| INVESTMENT STRATEGY/STRUCTURE | |
| 1) Investment strategy | Liquid broadly syndicated US bank loans, with a fundamental bottoms up credit analysis focused on capital preservation and downside risk |
| 2) Total fund or strategy size | Bank Loan Strategy: \$2.5B (\$792m SMA, \$553m CF, \$1,162b MF) |
| 3) Firm assets under management | \$6.3 billion as of 3/31/17 |
| 4) Investment Legal Structure | Commingled Fund |
| 5) Liquidity | Monthly, waived 3 weeks notice |
| 6) Proposed Benchmark | Credit Suisse Leveraged Loan Index |
| 7) Peer Group | eA Float Rate Bank Loans (NEPC source) |
| 8) Management / Performance fees | 37 bps discounted |
| DUE DILIGENCE INFO | |
| 1) Staff meetings with manager | 5/15/17 Call |
| 2) Consultant Recommendation | Attached |
| 3) Staff Recommendation | Attached |
| 4) Conforms with IPS Criteria (Note any exceptions) | Yes |
| 5) IAC Approval Date | - |
| 6) Board Approval Date | PENDING |
| 7) Actual Investment Funding Date | PENDING |

Pacific Asset Management-Bank Loans



As of 3/31/17

| Historical Trailing Period Returns | Inception Date | 1 Yr (%) | 3 Yrs | 5 Yrs | 7 Yrs | 10 Yrs |
|---------------------------------------|-------------------|----------|-------|-------|-------|--------|
| Pacific Asset Mgmt | 2007 | 8.5 | 3.7 | 5.0 | 5.4 | 5.3 |
| <i>CS Leveraged Loans</i> | | 9.7 | 3.7 | 4.9 | 5.0 | 4.2 |
| <i>S&P/LSTA Leveraged Loans</i> | | 9.7 | 3.6 | 4.6 | 4.8 | 4.6 |
| <i>eVestment Peer Group Rank</i> | | | 35 | | | |

| Sharpe Ratio | 3 Yrs |
|----------------------------------|-------|
| Pacific Asset Mgmt | 1.7 |
| <i>eVestment Peer Group Rank</i> | 36 |

Pacific Asset Management-Bank Loans



As of 3/31/17

| Historical Trailing Period Returns | Inception Date | 1 Yr (%) | 3 Yrs | 5 Yrs | 7 Yrs | 10 Yrs |
|-------------------------------------|----------------|----------|-------|-------|-------|--------|
| Pacific Asset Mgmt | 2007 | 8.5 | 3.7 | 5.0 | 5.4 | 5.3 |
| <i>CS Leveraged Loans</i> | | 9.7 | 3.7 | 4.9 | 5.0 | 4.2 |
| <i>S&P/LSTA Leveraged Loans</i> | | 9.7 | 3.6 | 4.6 | 4.8 | 4.6 |
| <i>eVestment Peer Group Rank</i> | | | 35 | | | |

| Sharpe Ratio | 3 Yrs |
|----------------------------------|-------|
| Pacific Asset Mgmt | 1.7 |
| <i>eVestment Peer Group Rank</i> | 36 |

INVESTMENT RECOMMENDATION

Date: June 8, 2016
To: DFPF Board
From: DFPF Investments Staff
Subject: Pacific Asset Management Bank Loan Strategy

Recommendation

Staff recommends approving an initial investment of up to \$50 million to the Pacific Asset Management Bank Loan strategy within DFPF's Bank Loans sub-asset allocation of the Fixed Income asset class, with authority to increase the investment as permitted by the Investment Policy Statement.

Executive Summary

In anticipation of redeploying excess cash, staff requested NEPC's Bank Loan Focus Placement List (FPL) and manager search book to evaluate all recommended FPL managers. At the May 11, 2017 Board meeting, staff discussed initiating new investment manager searches to redeploy the excess cash. Staff worked with NEPC on selecting an investment manager for the Bank Loans allocation, conducted calls with managers, and spoke to several references.

Bank loans are designed for investors who desire the higher level of income than what is typically associated with investment-grade bonds, but are less risky in comparison to high yield. Bank loans are generally senior in the capital stack and secured with a first priority lien on all of the borrower's assets. Bank loans have a floating rate which will be positively impacted by the Fed rate hikes and will reduce duration risk in the fixed income portfolio.

Current Allocation to Bank Loans is 2.61% and the target allocation is 6%. Currently, Loomis Sayles Senior Floating Rate & Fixed Income (Loomis SFRFI) is DFPF's only manager in the Bank Loans sub-asset allocation. Per the Fixed Income structure study presented at the April 2016 Board meeting, staff and NEPC proposed hiring 1-2 additional bank loan managers from a structural standpoint to fulfill the allocation and complement our existing investment.

Process

Staff and NEPC reviewed the manager search book together and evaluated the 6 FPL managers in depth comparing their strategies, fees, track record, performance, risk allocations, and several other characteristics. Staff and NEPC plan to retain Loomis SFRFI for the time being and complement it with a more conservative manager to build out the Bank Loans allocation and to redeploy the excess



cash. During the review, the managers were grouped as either conservative or aggressive. In the conservative group are: Crescent Capital Group (Crescent), Pacific Asset Management (Pacific) and Loomis Sayles.

To avoid confusion, the Loomis Sayles strategy that is included in NEPC's FPL is a pure play bank loan strategy and is considered their more conservative strategy. DFPF's current investment in Loomis SFRFI is considered their more aggressive bank loan strategy because it allows up to 33% leverage, but has never used leverage since inception. Also, it is more opportunistic and has a high yield component which allows up to 35% of the portfolio in high yield, but currently is at 7.5%.

DFPF is invested in another Loomis Sayles strategy, Global Opportunity which is held in DFPF's High Yield portfolio. Both investments, Loomis SFRFI and Global Opportunity, represent 6% of DFPF's net asset value (NAV) (approximately \$136 million). Staff concluded DFPF's manager exposure to Loomis is ample and would not want to increase beyond that and decided to pass on Loomis's conservative bank loan strategy to avoid manager concentration risk and an overlap in security holdings between Loomis's two bank loan strategies.

Staff did further analysis and due diligence with NEPC's assistance and selected Pacific for various considerations discussed below.

Portfolio

Most conservative managers have similar objectives and strategies such as: seeking capital preservation, income generation, providing downside protection and using a bottom up credit analysis approach. Alternatively, Pacific puts a greater emphasis on macro factors when assessing the market as their first step in the investment process providing the framework for portfolio risk and sector positioning. Also, Pacific utilizes the bottom up credit analysis during the security selection process which is where they add the most value. Pacific invests in the large and liquid portion of the broadly syndicated bank loan market and targets issuers greater than \$300 million issue size and \$100 million or more EBITDA.

Pacific is the smallest firm of all the FPL managers with \$6.3 billion assets under management (AUM), but is owned 100% by Pacific Life Insurance and has \$2.3 billion in the bank loan strategy. At almost 40% of firm AUM this shows that bank loans are their specialty and being smaller allows them to be nimble and more selective in their security selection. Typical loan size is \$25 million which makes it easier for them to enter/exit an investment compared to larger size firms that have a larger stake in an investment. They are highly selective and do not have to participate in deals if they do not want to and can avoid being a closet indexer. They have a high conviction US centric portfolio, only investing in about 80-150 issuers

Pacific does have a marginal allocation to high yield, currently at 6%. It has ranged from 0-10% historically. Pacific only invests in high yield in unique circumstances, such as when the bonds are yielding more than the bank loans and most of the time are equivalent in the capital structure as bank loans which does not expose them to any additional risk.

Performance

Pacific exhibits great downside protection with only 3 defaults since their inception. They were the only manager that also provided their distressed sales in their presentation. They believe by providing the distressed sales rate shows a secondary measure of downside risk protection and how they protect investor's capital. A distressed sale is defined as greater than 20 point loss from cost (usually at par), but most of Pacific's distressed sales were energy holdings which were sold at seventy cents on the dollar recovering as much value as possible before the holding dropped and traded lower. They are not scared to sell a security, more worried about downside protection, preserving capital and generating income.

As of 3/31/17

| Historical Returns % | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|------|-------|------|------|------|------|------|------|--------|------|
| Pacific Asset Management-Bank Loan Strategy | 8.9 | 1.5 | 0.9 | 6.0 | 10.2 | 2.9 | 10.2 | 38.8 | (19.9) | 3.1 |
| <i>S&P/LSTA Leveraged Loan</i> | 10.2 | (0.7) | 1.6 | 5.3 | 9.7 | 1.5 | 10.1 | 51.6 | (29.1) | NA |
| <i>CS Leveraged Loan</i> | 9.9 | (0.4) | 2.1 | 6.2 | 9.4 | 1.8 | 10.0 | 44.9 | (28.8) | 1.9 |

Pacific's performance stood out when the benchmark was down specifically in 2015 and 2008. They incurred higher distressed sales in 2015, selling off many energy names, which is the cause of this strong performance and evidence of capital preservation. However, they lagged the benchmark in 2016 because they did not hold those energy names, but did not want that additional risk. Also, their performance in 2008 was indicative of their strong focus on downside protection.

Pacific is expected to outperform during down markets with high volatility and defaults and lag on the upside due to higher quality bias. However, Pacific's information ratio indicates they have consistent performance and can achieve higher returns more efficiently.

Pricing

Pacific has offered DFPF a discounted management fee of 37 basis points inclusive of any additional fees such as audit, taxes, administration, etc. on the commingled fund from their NEPC discounted management fee of 40 basis points. The commingled fund is over \$500 million with monthly liquidity and Pacific will waive the 3 weeks' notice for DFPF.

Summary

Staff and NEPC agree Pacific's bank loan strategy would be a good complement to DFPF's existing bank loan manager, Loomis SFRFI, because it's a conservative manager that will preserve DFPF's capital and generate income. Other considerations that lead to recommending Pacific include their high conviction and selective portfolio, low default and distressed sales rates, consistent returns, strong performance in down years, and great pricing to name a few. Additionally, NEPC ran an alpha return correlation to measure the correlation of outperformance and Pacific is negatively correlated to Loomis SFRFI. Lastly, Pacific conforms to the Investment Policy Statement requirements for a new



manager. NEPC provided the rankings for Pacific versus the Floating Rate Bank Loans peer group and Pacific ranked 36th for the Sharpe ratio and 35th for the 3 year trailing return relative to their peers. Approving an initial investment of \$50 million would also bring the Bank Loans sub-asset allocation closer to the 6% target.



NEPC, LLC

To: Trustees & Staff
Dallas Police & Fire Pension System (DPFP)

From: Rhett Humphreys, CFA, Partner
Keith Stronkowsky, CFA, Sr. Consultant

Date: June 8, 2017

Subject: Bank Loans Allocation

BACKGROUND:

In March 2016, DPFP approved a new long-term strategic Asset Allocation plan which calls for a 6% target allocation to Bank Loans within the liquid portion of the Fixed Income portfolio. As a reminder, Bank Loans are senior secured, floating rate debt instruments that provide increased current income (yield) to the portfolio without adding duration risk. Yields are typically 3-month LIBOR + several percentage points.

Currently, DPFP has approximately \$57 million (~2.7% of total assets) invested in the Bank Loan space via the Loomis Sayles Senior Rate and Fixed Income Fund (Loomis). While this fund targets a majority position to bank loans, Loomis has the flexibility to tactically invest in other out-of-benchmark fixed income assets (e.g., high yield, emerging market debt, and non-U.S. issuers) in an attempt to either be defensive or to enhance returns. The minimum bank loan position is set at 65%. The fund also has the ability to use leverage.

Loomis' minimum threshold to bank loans along with the portfolio's yield and duration characteristics combine to make it a suitable component of the DPFP's Bank Loan allocation. To further develop the full 6% to Bank Loans, NEPC has recommended that DPFP engage a manager search process with the goal of identifying a complementary Bank Loan manager.

MANAGER SEARCH PROCESS & FINDINGS:

Over the past several months, NEPC and Staff has conducted research and due diligence on potential managers to complete the allocation to the Bank Loan space, including:

- A review of NEPC's Bank Loan Focused Placement List (FPL) of preferred strategies—this is a group of strategies that NEPC expects will provide positive net-of-fee alpha over the long term.
- Additional due diligence meetings with potential candidates and analysis of DPFP's existing investment with Loomis.

We find the flexibility of Loomis' mandate to be attractive. However, we also believe that an allocation to a more "pure play" bank loan manager is an important piece to the formation of a more complete long-term portfolio in the floating rate space. After the review and due diligence mentioned above, we found that Pacific Asset Management's bank loan strategy (Pacific), which targets the largest and most liquid issuers in the bank loan universe, to be a good complement to Loomis'. In fact,



further analysis showed negatively correlated alphas between the two, further supporting the diversification benefits of adding Pacific to the portfolio.

Pacific also meets the following criteria as set forth in DPFP's Investment Policy Statement:

- *Sharpe ratio generally would exceed 0.3, which may not be possible following a prolonged bear market in that respective market, and must exceed 50% of its peer group over a three year rolling period. (As of 3/31/17).*
- *Three year rolling total return, on a net of fee basis, must exceed 50% of its peer group. (As of 3/31/2017).*

RECOMMENDATION:

After completion of the review of NEPC's Bank Loan Focused Placement List (FPL), additional due diligence of potential candidates, and analysis of DPFP's existing floating rate portfolio, we concur with Staff's view that Pacific would be an ideal candidate to fill the remaining portion of the 6% Bank Loan target allocation, and accordingly, NEPC recommends that the Board retain Pacific for this purpose.



PACIFIC ASSET MANAGEMENT Corporate (Bank) Loan Strategy

*Presented to:
Dallas Police and Fire Pension System*

June 8, 2017

INVESTMENT PROFESSIONALS

Michael Marzouk, CFA

Michael is a Managing Director and Bank Loan Portfolio Manager. In addition, Michael has credit research responsibilities across select sectors. Prior to joining Pacific Asset Management in 2007, Michael worked in investment banking most recently as Vice President in the Leveraged Finance Group at Royal Bank of Scotland. During his tenure in investment banking, Michael's experience included leveraged buy-outs and merger and acquisitions advisory work. He received his B.A. summa cum laude in Business-Economics from UCLA and his MBA from the Anderson School of Management at UCLA. Michael is a CFA Charterholder and member of the CFA Society of Los Angeles.

Michael Spitler, CFA

Michael is a Senior Director, responsible for institutional business development, product, and account management. Prior to joining Pacific Asset Management in 2011, from 2004-2010, Michael was a fixed income product and account manager for the Macquarie Funds Group in Los Angeles. Michael is a specialist in fixed income with a particular emphasis on credit strategies. Michael holds a BS in Business from Sacramento State University and completed part of his undergraduate coursework at the London School of Economics and the University of Pittsburgh's foreign study program. Michael is a CFA Charterholder and member of the CFA Society of Los Angeles.



| | |
|-----------|---|
| Section 1 | Pacific Asset Management |
| Section 2 | Corporate (Bank) Loan Strategy |
| Section 3 | Portfolio Attribution & Characteristics |
| Section 4 | Appendix |
| | <i>GIPS Disclosures</i> |
| | <i>Important Disclaimers</i> |

TABLE OF CONTENTS

BANK LOAN STRATEGY

- Pacific Asset Management has specialized in bank loans since our founding with investment professionals managing loan investments for multiple decades.
- Our philosophy is to participate to the upside while seeking to mitigate downside risk through a selective approach focused on the larger issuers.
- Our investment process has led to strong historical performance and downside risk protection relative to peers, notably in periods of negative market performance. The Strategy has outperformed 84% of its peer group since inception.¹

We greatly value the opportunity to present today. The chance to work with the Dallas Police and Fire Pension System is a significant opportunity for our business.

Thank you,

Michael Marzouk, CFA
Managing Director

Michael Spitler, CFA
Senior Director



PACIFIC ASSET MANAGEMENT

Section 1

INTRODUCTION

- Founded in 2007
- Located in Newport Beach, California
- \$6.3bn assets under management¹
- Focused on corporate credit
- A subsidiary of Pacific Life Insurance Company²
- 18 investment professionals
- Commitment to manage capacity



PACIFIC
ASSET MANAGEMENT

ORGANIZATION

- Founded in 2007
- A subsidiary of Pacific Life Insurance Company
- Institutional fixed income management with a focus on corporate credit
- Managing Directors average over 20 years of industry experience
- Managing team has meaningful stake in enterprise value of organization



PACIFIC ASSET MANAGEMENT

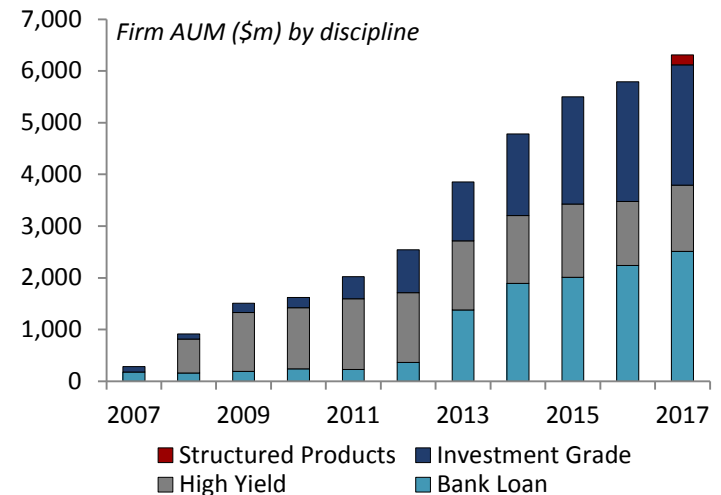
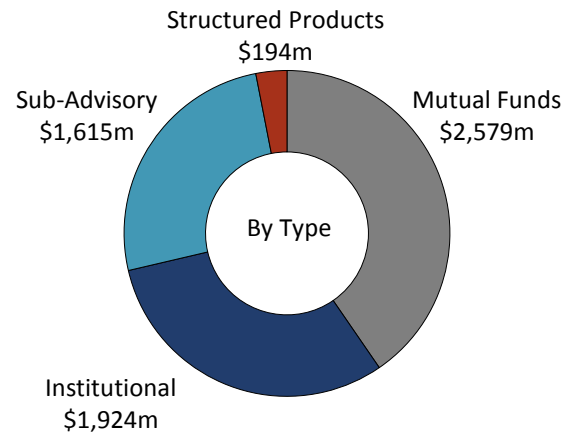
- Pacific Asset Management’s research team is organized by industry
- Industry based research structure provides our team a unique perspective on relative value across credit quality and capital structures
- Integration between PMs and analysts provides for a fluid transfer of information
- Due to the size of our infrastructure and parent, Pacific Asset Management receives similar access to deal flow, street research, and access as much larger firms

| | | | |
|---|--|--|--|
| <p>Bob Boyd</p> <ul style="list-style-type: none"> • Leisure • Restaurants | <p>JP Leasure</p> <ul style="list-style-type: none"> • REITs | <p>Michael Marzouk, CFA</p> <ul style="list-style-type: none"> • Wireline | <p>Michael Long</p> <ul style="list-style-type: none"> • Gaming • Lodging • Food & Beverages • Cons. Products/Services |
| <p>David Weismiller, CFA</p> <ul style="list-style-type: none"> • Utilities | <p>Brian Robertson, CFA</p> <ul style="list-style-type: none"> • Packaging • Paper & Forest Products | <p>Ying Qiu, CFA</p> <ul style="list-style-type: none"> • ABS • Airlines / Aircraft | <p>Rex Olson, CFA</p> <ul style="list-style-type: none"> • Autos • Financials • Media Cable/Non-Cable • Wireless |
| <p>Michael Lonia</p> <ul style="list-style-type: none"> • Rails | <p>Shalini Viswanathan, CFA</p> <ul style="list-style-type: none"> • Healthcare • Pharma • Technology • Aerospace/Defense | <p>John Brueggemann</p> <ul style="list-style-type: none"> • Retail • Energy • Construction Machinery • Diversified Manufacturing | <p>Tommy Zhang</p> <ul style="list-style-type: none"> • Chemicals • Metals & Mining • Homebuilders • Building Materials |

STRATEGIES

- Focus on corporate debt strategies.
- Primary disciplines are bank loans, high yield, and corporate debt.
- Our single investment team evaluates the entire capital structure of corporate debt.
- Business is diversified among institutional clients, mutual funds, and sub-advisory.

| AUM By Strategy | AUM (\$m) | Vehicle Availability ⁴ |
|--|--------------|-----------------------------------|
| Bank Loan Strategies ¹ | 2,508 | SA, CF, MF |
| Core Plus Bond Strategy | 1,107 | SA, MF |
| High Yield Bond Strategy | 914 | SA, MF |
| Investment Grade Strategies ² | 882 | SA |
| Short Duration Strategies ³ | 338 | SA, MF |
| Strategic Credit Strategy | 336 | SA, MF |
| Structured Products | 194 | CLO, ETF |
| Limited Duration High Income Strategy | 33 | SA, MF |
| Total AUM | 6,312 | |



¹ Contains two bank loan composites; ² Contains investment grade bond composite, intermediate credit composite, intermediate gov/credit composite, custom intermediate composite; ³ Contains two short duration composites; ⁴ Separate Accounts ("SA"); Commingled Private Fund ("CF"); Registered Mutual Fund ("MF"); Collateralized Loan Obligation ("CLO"); Exchange Trade Fund ("ETF")



CORPORATE (BANK) LOAN STRATEGY

Corporate (Bank) Loan Strategy

STRATEGY DIFFERENTIATORS

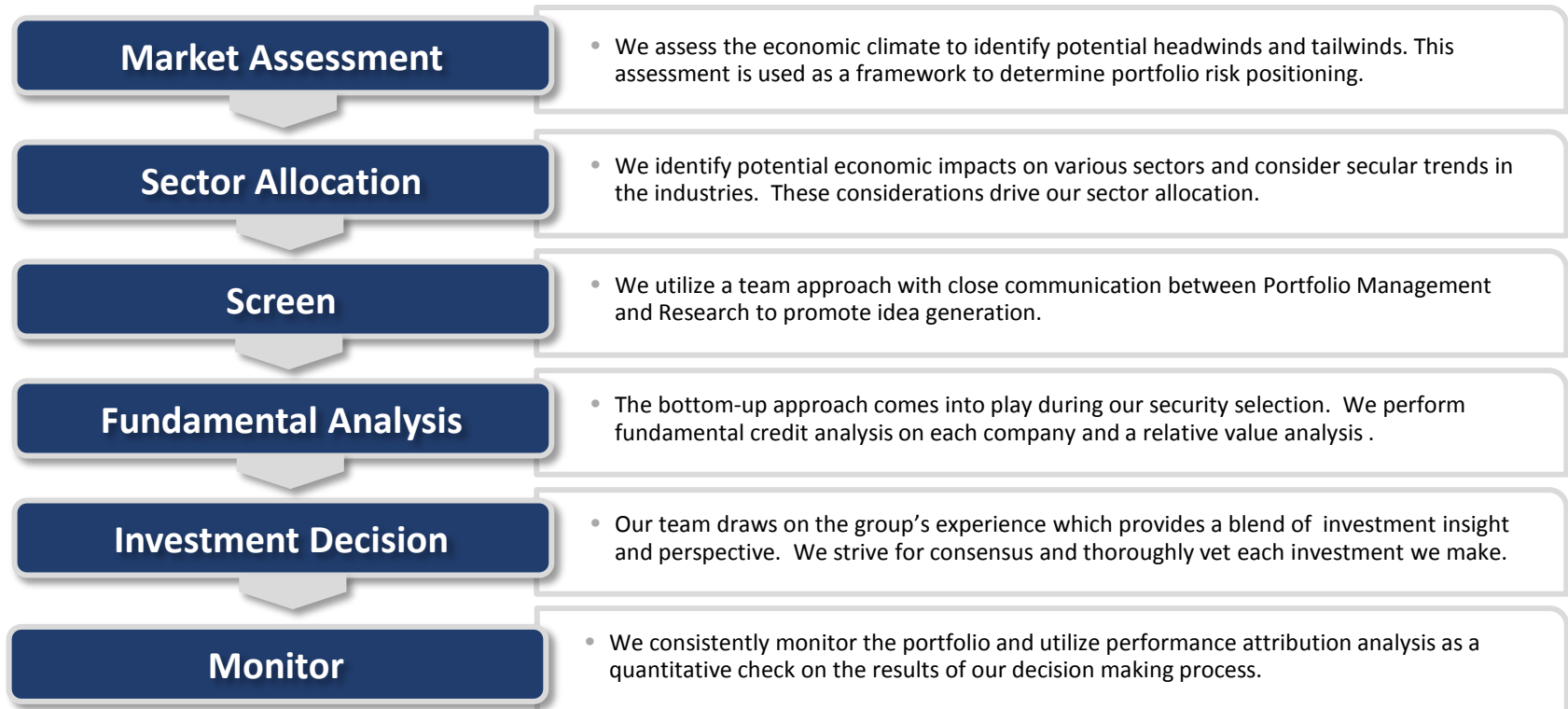
- We believe our differentiation is a focus on larger companies, selectivity, and downside risk management.
- We focus on the larger issue/facility sizes with no exposure to middle-market or mezzanine type issuers. Our process screens out issuers that are less than \$300m in facility size or \$100m in EBITDA. We do not invest in non-USD securities or CLO's.
- We seek a highly selective portfolio of 80-150 issuers. We hold meaningful positions in companies with a fundamental catalyst for outperformance.
- We actively seek to minimize defaults and downside risk by focusing on large companies with a margin of safety. Since its inception (2007), the Strategy has had three defaults and meaningful outperformance in periods of negative market returns.

Corporate (Bank) Loan Strategy

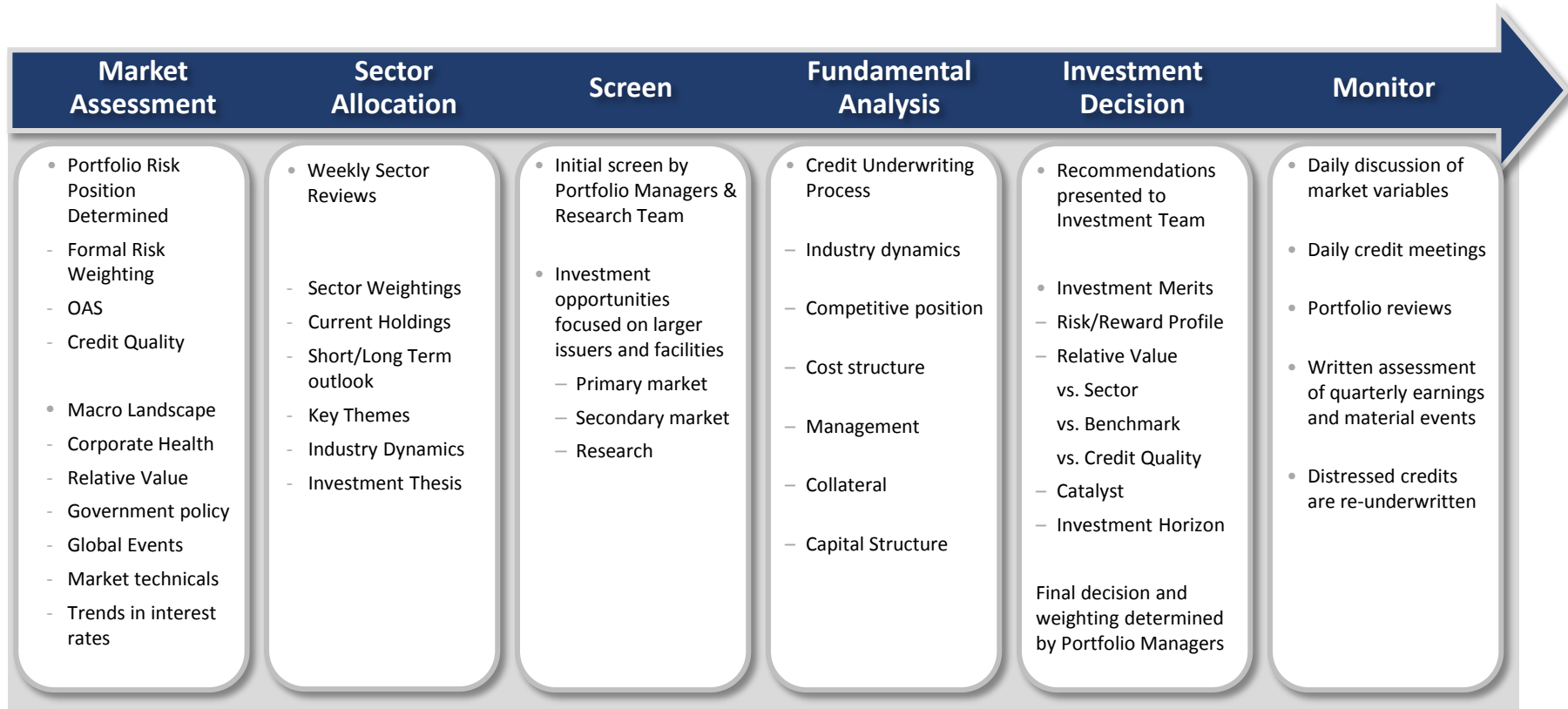
INVESTMENT TENETS

- **Fundamental analysis**
 - The core of our process evaluates companies in a rigorous framework of bottom up credit analysis. *We seek a high degree of comfort and understanding of the business, fundamentals, management, industry dynamics, and downside risk.*
- **Selective construction**
 - We believe security selection drives returns. *We hold meaningful positions (80-150 issuers) in high conviction companies having a fundamental catalyst for outperformance.*
- **Top-down market assessment**
 - We incorporate top-down views into portfolio strategy to identify risks and opportunities over the medium term. *Current top-down views include U.S. domestic earnings focus, and limiting exposure to European and Asian centric revenues.*
- **Capital preservation**
 - We actively seek to minimize defaults by focusing on large-cap companies with a margin of safety and downside risk protection. *The Strategy has had three defaults versus 258 for the benchmark¹ since inception.*
- **Team approach**
 - Investment professionals have worked together since inception, and prior to forming the firm through Pacific Life's Investment Management Division. *We believe in a collaborative process of idea vetting, challenge, and discussion amongst individuals who have worked together for 17 years on average.*

PACIFIC ASSET MANAGEMENT

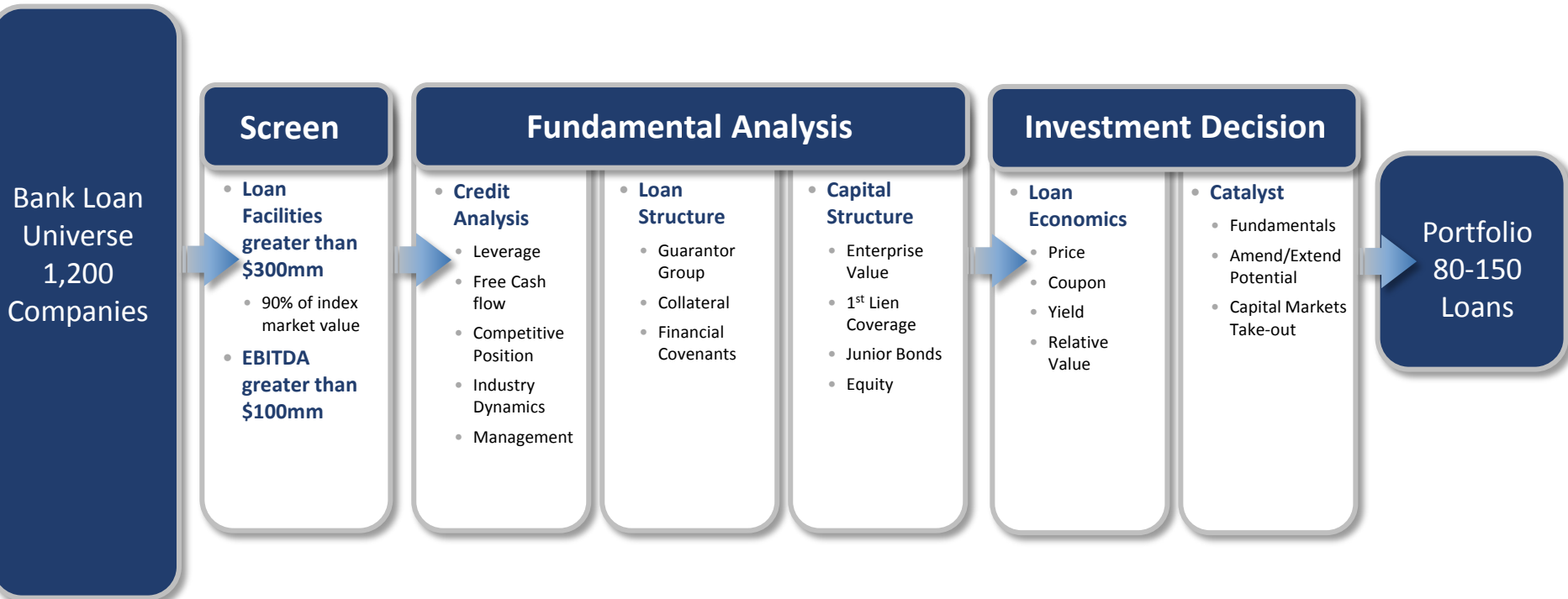


PACIFIC ASSET MANAGEMENT



Loan Selection Process

PACIFIC ASSET MANAGEMENT



CORPORATE (BANK) LOAN STRATEGY COMPOSITE

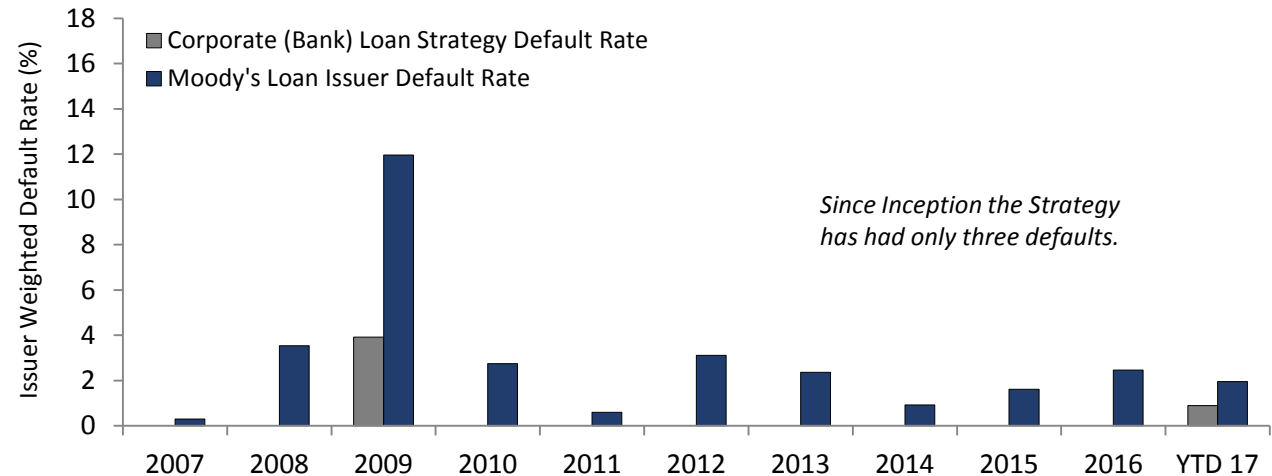
| Annualized – Ending 1Q17 | 1 Year | 2 Year | 3 Year | 4 Year | 5 Year | 6 Year | 7 Year | 8 Year | 9 Year | 10 Year | Inception |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Corporate (Bank) Loan Strategy (Gross) | 8.93 | 5.35 | 4.12 | 4.38 | 5.38 | 5.23 | 5.87 | 8.45 | 6.51 | 5.72 | 5.82 |
| Corporate (Bank) Loan Strategy (Net) | 8.39 | 4.83 | 3.61 | 3.86 | 4.86 | 4.71 | 5.34 | 7.92 | 5.98 | 5.19 | 5.30 |
| Credit Suisse Leveraged Loan Index | 9.74 | 4.18 | 3.72 | 4.05 | 4.88 | 4.50 | 5.02 | 8.97 | 5.44 | 4.24 | 4.34 |
| <i>eVestment U.S. Floating Rate Loan Peer Group</i> | <i>49</i> | <i>19</i> | <i>38</i> | <i>39</i> | <i>35</i> | <i>33</i> | <i>36</i> | <i>59</i> | <i>27</i> | <i>15</i> | <i>16</i> |

| Calendar Year Performance | 1Q17 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|-----------|
| Corporate (Bank) Loan Strategy (Gross) | 1.42 | 9.33 | 1.85 | 1.26 | 6.43 | 10.69 | 3.29 | 10.67 | 39.30 | -19.55 | 3.50 |
| Corporate (Bank) Loan Strategy (Net) | 1.30 | 8.79 | 1.34 | 0.76 | 5.91 | 10.14 | 2.78 | 10.12 | 38.62 | -19.96 | 2.99 |
| Credit Suisse Leveraged Loan Index | 1.20 | 9.88 | -0.38 | 2.06 | 6.15 | 9.43 | 1.82 | 9.97 | 44.87 | -28.75 | 1.88 |
| <i>eVestment U.S. Floating Rate Loan Peer Group</i> | <i>21</i> | <i>53</i> | <i>23</i> | <i>76</i> | <i>44</i> | <i>35</i> | <i>37</i> | <i>47</i> | <i>68</i> | <i>4</i> | <i>22</i> |

Strategy Default Experience

HISTORICALLY LOW DEFAULT RATE

- We believe loss avoidance is a critical factor in our long term performance.
- Since inception, the Strategy has experienced three defaults, two occurring in 2009 and one in 2017.
- The since inception default rate is 0.45% versus the Moody Default rate of 3.41% during the same time period.



| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|----------|-----------|------------|-----------|----------|-----------|-----------|----------|-----------|-----------|----------|
| Strategy Distressed Sales Rate (%) ¹ | 0 | 0 | 2.46 | 0 | 0 | 0 | 0.87 | 0 | 4.59 | 0.87 | 0 |
| Strategy Issuer Default Rate (%) ² | 0 | 0 | 3.92 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.90 |
| Moody's Issuer Default Rate (%) | 0.30 | 3.54 | 11.9 | 2.75 | 0.60 | 3.12 | 2.37 | 0.93 | 1.97 | 2.46 | 1.95 |
| Strategy Number of Issuer Defaults | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Moody's Number of Issuer Defaults | 2 | 31 | 101 | 21 | 4 | 21 | 17 | 8 | 21 | 31 | 1 |

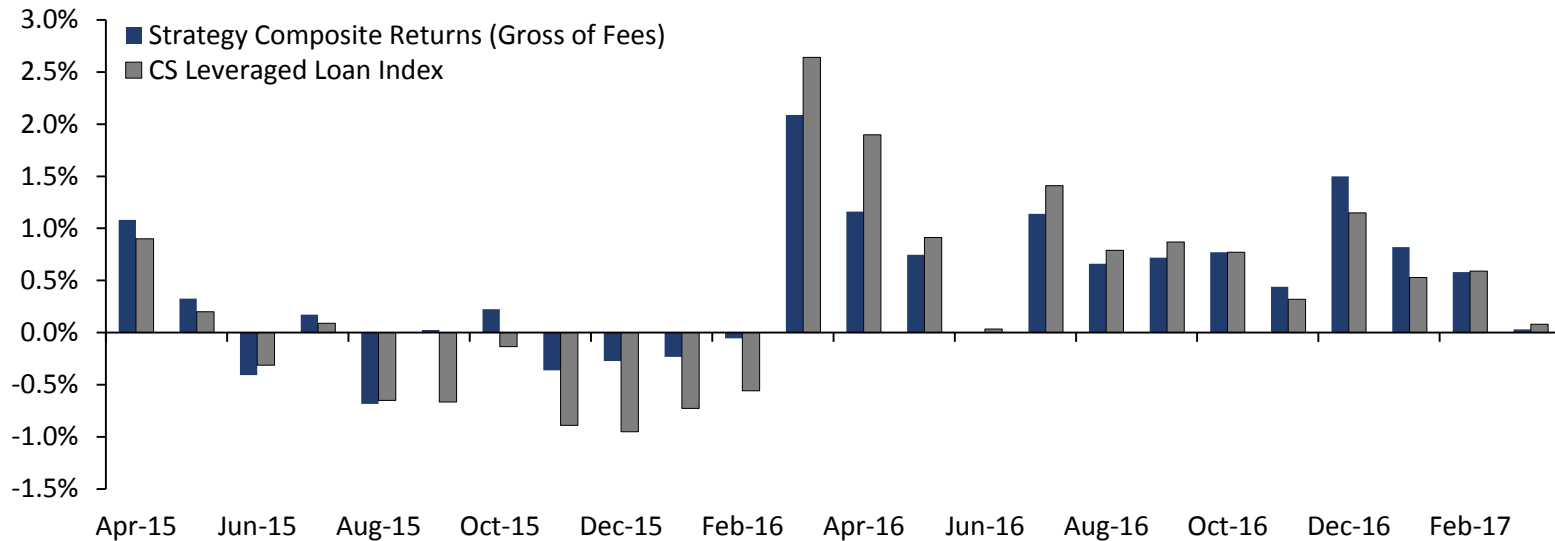


PORTFOLIO ATTRIBUTION & CHARACTERISTICS

Section 3

1Q17 PERFORMANCE

- The Strategy outperformed the benchmark for the quarter due to security selection and credit quality allocations. In particular, security selection in the Metals/Minerals, Healthcare, and Media/Cable sectors were strong contributors to performance.
- Overweight's to Housing, Forest Products/Containers, and Manufacturing were additive to performance while underweights to Service and Consumer Non-Durables detracted. The Strategy's focus on larger issuers (Large-Cap Loans) detracted from performance as smaller issue/facility sizes outperformed.
- The Strategy's since inception default rate is 0.45% versus the Moody's issuer weighted default rate over the same time period of 3.41%.



Strategy Characteristics

ASSET ALLOCATION

| | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15 | 3Q15 | 4Q15 | 1Q16 | 2Q16 | 3Q16 | 4Q16 | 1Q17 | Index ¹ |
|------------------|------|------|------|------|------|------|------|------|------|------|------|------|--------------------|
| Bank Loans | 94 | 96 | 95 | 97 | 95 | 96 | 95 | 93 | 95 | 95 | 93 | 90 | 100 |
| High Yield Bonds | 5 | 2 | 2 | 2 | 2 | 1 | 3 | 4 | 4 | 4 | 6 | 6 | 0 |
| Corporate Bonds | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 2 | 0 | 0 | 0 | 0 | 0 |
| Cash | 1 | 1 | 4 | 2 | 3 | 2 | 2 | 1 | 1 | 2 | 1 | 4 | 0 |

| | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15 | 3Q15 | 4Q15 | 1Q16 | 2Q16 | 3Q16 | 4Q16 | 1Q17 | Index |
|-----------------------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|-------|
| Duration | 0.42 | 0.37 | 0.30 | 0.29 | 0.29 | 0.32 | 0.39 | 0.47 | 0.40 | 0.37 | 0.44 | 0.40 | 0.25 |
| Average Maturity | 5.38 | 4.78 | 4.89 | 4.90 | 4.92 | 4.91 | 4.76 | 4.86 | 4.99 | 5.10 | 5.31 | 5.12 | 4.73 |
| Average Price (\$) | 100.63 | 99.25 | 98.10 | 99.20 | 99.15 | 99.00 | 97.78 | 99.08 | 99.06 | 99.72 | 100.64 | 100.14 | 97.51 |
| Coupon (%) | 5.14 | 5.16 | 4.75 | 4.77 | 4.58 | 4.55 | 4.52 | 4.66 | 4.81 | 5.05 | 5.31 | 5.19 | 4.86 |
| Effective Yield (4yr) | 5.39 | 5.46 | 5.31 | 5.04 | 4.86 | 4.85 | 5.17 | 4.95 | 5.07 | 5.09 | 5.15 | 5.15 | 5.45 |
| Average Quality | B+ | B+ | B+ | B+ | B+ | BB- | BB- | BB- | B+ | B+ | B+ | B+ | BB- |
| Number of Issues | 113 | 101 | 113 | 118 | 126 | 124 | 118 | 118 | 135 | 141 | 165 | 146 | 1,497 |
| Number of Issuers | 104 | 92 | 98 | 107 | 107 | 104 | 93 | 98 | 107 | 108 | 123 | 108 | 1,205 |

| | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15 | 3Q15 | 4Q15 | 1Q16 | 2Q16 | 3Q16 | 4Q16 | 1Q17 | Index |
|--------------|------|------|------|------|------|------|------|------|------|------|------|------|-------|
| BBB | 2 | 2 | 2 | 3 | 0 | 2 | 8 | 6 | 2 | 3 | 1 | 4 | 8 |
| BB | 24 | 26 | 34 | 38 | 42 | 49 | 49 | 49 | 45 | 36 | 33 | 33 | 41 |
| B | 60 | 61 | 51 | 50 | 48 | 40 | 35 | 39 | 47 | 54 | 54 | 49 | 42 |
| CCC | 12 | 8 | 8 | 7 | 7 | 7 | 6 | 5 | 5 | 5 | 9 | 10 | 5 |
| CC and below | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 2 |
| NR | 2 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| Cash | 1 | 1 | 4 | 2 | 3 | 2 | 2 | 1 | 1 | 2 | 1 | 4 | 0 |

Strategy Characteristics

FACILITY SIZES AND SECTOR WEIGHTS

| By Facility/Loan Size | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15 | 3Q15 | 4Q15 | 1Q16 | 2Q16 | 3Q16 | 4Q16 | 1Q17 | Index ¹ |
|-----------------------|------|------|------|------|------|------|------|------|------|------|------|------|--------------------|
| \$300m or less | 1 | 2 | 1 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 1 | 1 | 6 |
| \$301-500m | 12 | 10 | 10 | 10 | 10 | 10 | 8 | 7 | 7 | 6 | 4 | 5 | 12 |
| \$501m-\$1bn | 34 | 28 | 25 | 25 | 23 | 20 | 18 | 19 | 21 | 19 | 19 | 16 | 21 |
| \$1-5bn | 48 | 52 | 53 | 56 | 60 | 63 | 61 | 61 | 65 | 67 | 67 | 69 | 54 |
| \$5bn+ | 5 | 8 | 11 | 9 | 7 | 7 | 13 | 11 | 8 | 7 | 9 | 9 | 6 |

| Sector Weights (%) | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15 | 3Q15 | 4Q15 | 1Q16 | 2Q16 | 3Q16 | 4Q16 | 1Q17 | Index |
|------------------------|------|------|------|------|------|------|------|------|------|------|------|------|-------|
| Aerospace | 6 | 4 | 3 | 3 | 4 | 5 | 4 | 2 | 3 | 1 | 0 | 0 | 2 |
| Chemicals | 3 | 7 | 7 | 4 | 4 | 3 | 3 | 3 | 5 | 5 | 5 | 5 | 3 |
| Consumer Durables | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Consumer Non-Durables | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 2 |
| Energy | 5 | 8 | 3 | 2 | 1 | 0 | 0 | 0 | 1 | 3 | 4 | 5 | 4 |
| Financial | 5 | 3 | 1 | 1 | 2 | 3 | 3 | 3 | 5 | 3 | 4 | 6 | 5 |
| Food And Drug | 7 | 4 | 7 | 6 | 5 | 5 | 4 | 3 | 3 | 4 | 4 | 3 | 1 |
| Food/Tobacco | 5 | 5 | 6 | 6 | 5 | 5 | 6 | 6 | 7 | 5 | 5 | 4 | 4 |
| Forest Products | 5 | 7 | 6 | 6 | 8 | 8 | 9 | 8 | 8 | 5 | 7 | 7 | 2 |
| Gaming/Leisure | 8 | 10 | 7 | 7 | 7 | 6 | 6 | 6 | 4 | 4 | 5 | 6 | 6 |
| Healthcare | 5 | 4 | 8 | 8 | 7 | 7 | 4 | 10 | 7 | 7 | 3 | 4 | 13 |
| Housing | 5 | 3 | 10 | 10 | 10 | 11 | 11 | 10 | 8 | 10 | 8 | 8 | 3 |
| Information Technology | 3 | 1 | 0 | 4 | 3 | 4 | 7 | 7 | 10 | 11 | 10 | 13 | 10 |
| Manufacturing | 8 | 6 | 6 | 6 | 8 | 8 | 7 | 5 | 5 | 7 | 8 | 8 | 5 |
| Media/Telecom | 3 | 6 | 9 | 8 | 8 | 8 | 10 | 10 | 8 | 10 | 11 | 10 | 16 |
| Metals/Minerals | 4 | 1 | 1 | 2 | 1 | 1 | 0 | 0 | 0 | 0 | 2 | 1 | 1 |
| Retail | 12 | 11 | 8 | 11 | 12 | 11 | 11 | 9 | 7 | 7 | 7 | 3 | 5 |
| Service | 8 | 15 | 12 | 12 | 11 | 12 | 12 | 13 | 14 | 11 | 11 | 10 | 11 |
| Transportation | 5 | 4 | 1 | 1 | 1 | 1 | 1 | 3 | 2 | 2 | 1 | 1 | 3 |
| Utility | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 3 | 4 | 4 |

PORTFOLIO THEMES

- We remain focused on U.S. domestic companies given an outlook of better U.S. growth relative to Europe and Asia.
- We are modestly underweight risk as compared to our benchmark by effective yield (5.15% versus 5.45%). However, our underweight in yield is driven by our limited exposure to distressed issuers. We are focused on the performing part of the bank loan market.
- We are overweight Housing, Manufacturing and underweight Service, and Consumer Non-Durables. The Strategy has a neutral weighting within the Energy sector.
- We are focused on the larger issuers within the bank loan index with 78% of the Strategy in loans/facility sizes over \$1bn versus 60% for the benchmark. We hold no CLO, middle market, or non-USD securities.
- While return profiles are expected to be a coupon like 4-6% in 2017, bank loans have proven to be a low volatility, credit focused asset class, that can diversify traditional fixed income.



APPENDIX

| | Strategy (Gross) | Strategy (Net) | CS Leveraged Loan Index | # of Portfolios | Dispersion | Composite Size (\$m) | % of Firm Assets | Total Firm Assets (\$m) |
|------|---------------------|-------------------|----------------------------|-----------------|------------|-------------------------|---------------------|----------------------------|
| 1Q17 | 1.42 | 1.30 | 1.20 | 6 | 0.70 | 2,332 | 36.94 | 6,312 |
| 2016 | 9.33 | 8.79 | 9.88 | 6 | 0.56 | 2,026 | 34.98 | 5,792 |
| 2015 | 1.85 | 1.34 | -0.38 | 7 | 0.40 | 1,942 | 35.32 | 5,499 |
| 2014 | 1.26 | 0.76 | 2.06 | <5 | N/A | 1,849 | 38.64 | 4,785 |
| 2013 | 6.43 | 5.91 | 6.15 | <5 | N/A | 1,378 | 30.09 | 4,450 |
| 2012 | 10.69 | 10.14 | 9.43 | <5 | N/A | 365 | 11.38 | 3,207 |
| 2011 | 3.29 | 2.78 | 1.82 | <5 | N/A | 225 | 7.81 | 2,880 |
| 2010 | 10.67 | 10.12 | 9.97 | <5 | N/A | 242 | 9.60 | 2,519 |
| 2009 | 39.30 | 38.62 | 44.87 | <5 | N/A | 189 | 6.98 | 2,706 |
| 2008 | -19.55 | -19.96 | -28.75 | <5 | N/A | 159 | 6.06 | 2,623 |
| 2007 | 3.50 | 2.99 | 1.88 | <5 | N/A | 178 | 62.89 | 283 |

COMPLIANCE STATEMENT. Pacific Asset Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Pacific Asset Management has been independently verified for the periods of 2007 through 2015. Verification assesses whether (i) the Firm has complied with all the composite construction requirements of the GIPS standards on a Firm-wide basis and (ii) the Firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Corporate (Bank) Loan Composite has been examined for the periods of 2007 through 2015. The verification and performance examination reports are available upon request.

FIRM DEFINITION. Pacific Asset Management (the "firm") is a business division of Pacific Life Fund Advisors LLC (PLFA), an SEC registered investment adviser and a subsidiary of Pacific Life Insurance Company (Pacific Life). The firm, as defined for compliance with GIPS, includes assets managed by the investment professionals of Pacific Asset Management for Pacific Life and for clients of Pacific Asset Management.

COMPOSITE DESCRIPTION. The Corporate (Bank) Loan Composite consists of fixed income portfolios comprised of primarily the bank debt of non-investment grade companies managed with a view towards current income. The Corporate (Bank) Loan Composite includes all actual, fully discretionary bank loan portfolios managed by Pacific Asset Management that meet the following criteria: minimum asset level of \$5 million and no material client restrictions. For comparison purposes, the Corporate Bank Loan Composite is measured against the Credit Suisse Leveraged Loan Index.

BENCHMARK. The Credit Suisse Leveraged Loan Index is an index designed to mirror the investable universe of the U.S. dollar denominated leveraged loan market. Index returns assume reinvestment of all dividends and distributions, if any. The index is unmanaged, has no fees and is not available for investment. Comparisons of returns to a benchmark index may be of limited value for various reasons. For example, indices not presented herein may have performed better (or worse) than the one used in the comparisons. There may be differences in the types of assets contained in such investment vehicles and those in the index. The performance information is not audited and accordingly no assurance is given with respect to its accuracy.

CURRENCY. Valuations are computed and performance is reported in U.S. dollars.

PERFORMANCE. All calculations are on a total return basis and includes the reinvestment of all income. Actual performance results may differ from composite returns, depending on the size of the account, investment guidelines and/or restrictions, inception date and other factors. Past performance is not indicative of future results. As with any investment vehicle, there is always the potential for gains as well as the possibility of losses.

FEES AND FEE SCHEDULE. Gross-of-fee returns are presented before management and custodial fees but after all trading expenses. Net-of-fee returns are presented after management fees and trading expenses. Net performance is calculated using the highest applicable fee as shown in the fee schedule provided. The treatment of withholding tax on dividends, interest income and capital gains, if applicable have not been considered in the performance calculations and are subject to each investors tax situation. The fee schedule, as stated in our ADV Part II, for portfolios in the Corporate Bank Loan Composite is: First \$100 million 0.50%, next \$100 million 0.40%, excess 0.30%.

EX-POST STANDARD DEVIATION. The three-year annualized ex-post standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period, if available. The standard deviation of the composite and benchmark as of each year end is as follows:

| | Composite 3-year Standard Deviation (%) | Benchmark 3-year Standard Deviation (%) |
|------|--|--|
| 2016 | 2.40 | 2.82 |
| 2015 | 2.11 | 2.07 |
| 2014 | 2.18 | 1.92 |
| 2013 | 4.12 | 3.51 |
| 2012 | 4.66 | 4.07 |
| 2011 | 7.74 | 7.52 |
| 2010 | 11.66 | 12.92 |
| 2009 | 11.75 | 12.93 |
| 2008 | N/A | N/A |
| 2007 | N/A | N/A |

POLICIES. Valuation, Calculation Methodology, and Presentation and Reporting Policies are available upon request.

LIST OF COMPOSITES. A complete list and description of Pacific Asset Management's composites are available upon request.

Important Disclosures

- The Information presented herein has been provided by Pacific Asset Management. It has been provided for one-on-one presentation purposes only and is not for distribution.
- This information is intended for sophisticated investors who will understand and accept its inherent limitations, and will use it only for the purpose of discussing preliminary interest in Pacific Asset Management. This material is not a solicitation of any offer to buy or sell any security, commodity or other financial instrument (or related derivative) or to participate in any trading strategy.
- Pacific Asset Management, formed on May 30, 2007, is a division and d/b/a of Pacific Life Fund Advisors LLC (PLFA), an SEC registered investment adviser and subsidiary of Pacific Life Insurance Company (Pacific Life). Investment professionals at Pacific Asset Management also have investment responsibilities at Pacific Life. The firm, as defined, includes assets managed at Pacific Life by the investment professionals of Pacific Asset Management and assets managed within Pacific Asset Management.
- The Credit Suisse Leveraged Loan Index is an index designed to mirror the investable universe of the U.S. dollar denominated leveraged loan market. Index returns assume reinvestment of all dividends and distributions, if any.
- The indices are unmanaged, have no fees and are not available for investment. Comparisons of returns to a benchmark index may be of limited value for various reasons. For example, indices not presented herein may have performed better (or worse) than the one used in the comparisons. There may be differences in the types of assets contained in such investment vehicles and those in the index. The performance information is not audited and accordingly no assurance is given with respect to its accuracy.



DISCUSSION SHEET

ITEM #D7

Topic:

NEPC

- a. First Quarter 2017 Investment Performance Analysis
- b. Fourth Quarter 2016 Private Markets & Real Assets Review

Attendees:

Rhett Humphreys, Michael Yang (NEPC)

Discussion:

NEPC will present the above reports.



NEPC, LLC

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Dallas Police & Fire Pension System

Investment Summary

Quarter Ending March 31, 2017

June 8, 2017

Rhett Humphreys, CFA
Partner

Keith Stronkowsky, CFA
Senior Consultant

255 State Street, Boston, MA 02109 | TEL: 617.374.1300 | FAX: 617.374.1313 | www.nepc.com

BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | SAN FRANCISCO

Q1 2017 Market Update



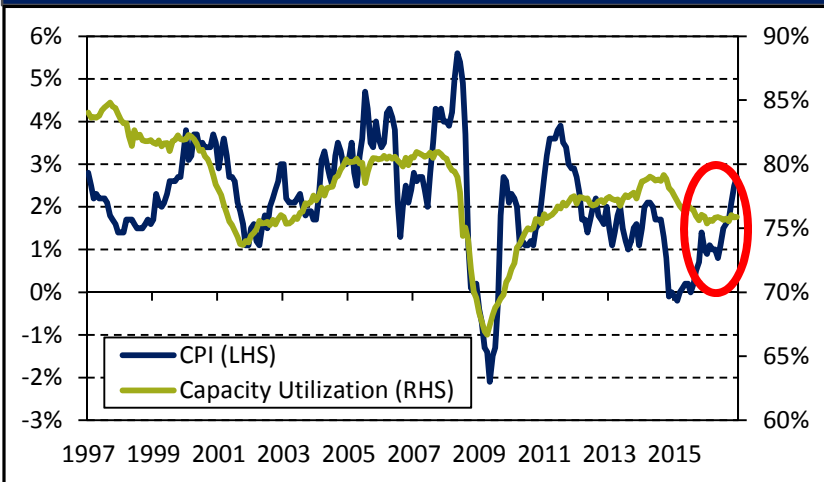
Index Performance Summary as of 03/31/2017

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Jan | Feb | Mar | YTD |
|---------------------------------|--------|-------|--------|-------|--------|--------|--------|-------|------|------|-------|-------|
| MSCI EM | 78.5% | 18.9% | -18.4% | 18.2% | -2.6% | -2.2% | -14.9% | 11.2% | 5.5% | 3.1% | 2.5% | 11.4% |
| MSCI EAFE | 31.8% | 7.8% | -12.1% | 17.3% | 22.8% | -4.9% | -0.8% | 1.0% | 2.9% | 1.4% | 2.8% | 7.2% |
| MSCI ACWI | 34.6% | 12.7% | -7.3% | 16.1% | 22.8% | 4.2% | -2.4% | 7.9% | 2.7% | 2.8% | 1.2% | 6.9% |
| JPM GBI-EM Global Div | 22.0% | 15.7% | -1.8% | 16.8% | -9.0% | -5.7% | -14.9% | 9.9% | 2.3% | 1.8% | 2.3% | 6.5% |
| S&P 500 | 26.5% | 15.1% | 2.1% | 16.0% | 32.4% | 13.7% | 1.4% | 12.0% | 1.9% | 4.0% | 0.1% | 6.1% |
| Russell 1000 | 28.4% | 16.1% | 1.5% | 16.4% | 33.1% | 13.2% | 0.9% | 12.1% | 2.0% | 3.9% | 0.1% | 6.0% |
| Alerian MLP | 76.4% | 35.9% | 13.9% | 4.8% | 27.6% | 4.8% | -32.6% | 18.3% | 4.9% | 0.4% | -1.3% | 3.9% |
| JPM EMBI Glob Div | 29.8% | 12.2% | 7.3% | 17.4% | -5.3% | 7.4% | 1.2% | 10.2% | 1.4% | 2.0% | 0.4% | 3.9% |
| Russell 2500 | 34.4% | 26.7% | -2.5% | 17.9% | 36.8% | 7.1% | -2.9% | 17.6% | 1.4% | 2.4% | -0.1% | 3.8% |
| Barclays US Corporate HY | 58.2% | 15.1% | 5.0% | 15.8% | 7.4% | 2.5% | -4.5% | 17.1% | 1.5% | 1.5% | -0.2% | 2.7% |
| Russell 2000 | 27.2% | 26.9% | -4.2% | 16.3% | 38.8% | 4.9% | -4.4% | 21.3% | 0.4% | 1.9% | 0.1% | 2.5% |
| BC US STRIPS 20+ Yr | -36.0% | 10.9% | 58.5% | 3.0% | -21.0% | 46.4% | -3.7% | 1.4% | 0.5% | 2.3% | -1.0% | 1.8% |
| BC Global Agg | -6.5% | -5.3% | -5.3% | -4.1% | 2.7% | -0.6% | 3.3% | 2.1% | 1.1% | 0.5% | 0.2% | 1.8% |
| Credit Suisse Hedge Fund | 18.6% | 10.9% | -2.5% | 7.7% | 9.7% | 4.1% | -0.7% | 1.2% | 0.7% | 1.0% | - | 1.7% |
| BC US Long Credit | 16.8% | 10.7% | 17.1% | 12.7% | -6.6% | 16.4% | -4.6% | 10.2% | 0.2% | 2.0% | -0.6% | 1.7% |
| BC Municipal | 12.9% | 2.4% | 10.7% | 6.8% | -2.6% | 9.1% | 3.3% | 0.2% | 0.7% | 0.7% | 0.2% | 1.6% |
| BC US Govt/Credit Long | 1.9% | 10.2% | 22.5% | 8.8% | -8.8% | 19.3% | -3.3% | 6.7% | 0.3% | 1.8% | -0.6% | 1.6% |
| BC TIPS | 11.4% | 6.3% | 13.6% | 7.0% | -8.6% | 3.6% | -1.4% | 4.7% | 0.8% | 0.5% | -0.1% | 1.3% |
| CS Leveraged Loan | 44.9% | 10.0% | 1.8% | 9.4% | 6.2% | 2.1% | -0.4% | 9.9% | 0.5% | 0.6% | 0.1% | 1.2% |
| FTSE NAREIT Equity REITs | 28.0% | 28.0% | 8.3% | 18.1% | 2.5% | 30.1% | 3.2% | 8.5% | 0.1% | 3.4% | -2.3% | 1.2% |
| BC US Agg Bond | 5.9% | 6.5% | 7.8% | 4.2% | -2.0% | 6.0% | 0.5% | 2.6% | 0.2% | 0.7% | -0.1% | 0.8% |
| BC US Agg Interm | 6.5% | 6.1% | 6.0% | 3.6% | -1.0% | 4.1% | 1.2% | 2.0% | 0.2% | 0.5% | 0.0% | 0.7% |
| BC US Govt/Credit 1-3 Yr | 3.8% | 2.8% | 1.6% | 1.3% | 0.6% | 0.8% | 0.7% | 1.3% | 0.2% | 0.2% | 0.1% | 0.4% |
| Bloomberg Commodity | 18.9% | 16.8% | -13.3% | -1.1% | -9.5% | -17.0% | -24.7% | 11.8% | 0.1% | 0.2% | -2.7% | -2.3% |

Source: Bloomberg, Barclays, Alerian, Nareit, MSCI, JP Morgan, Credit Suisse

US Economic Indicators

Inflation continues rising



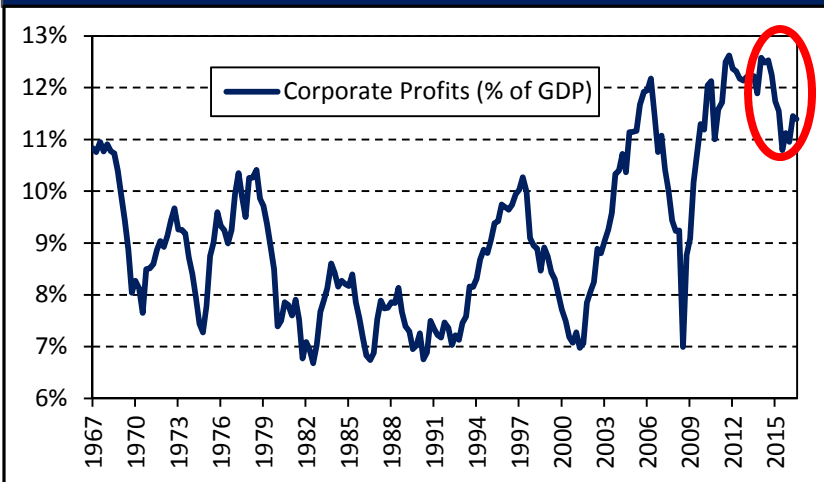
Source: Bloomberg, Federal Reserve, Bureau of Labor Statistics

Unemployment has steadied



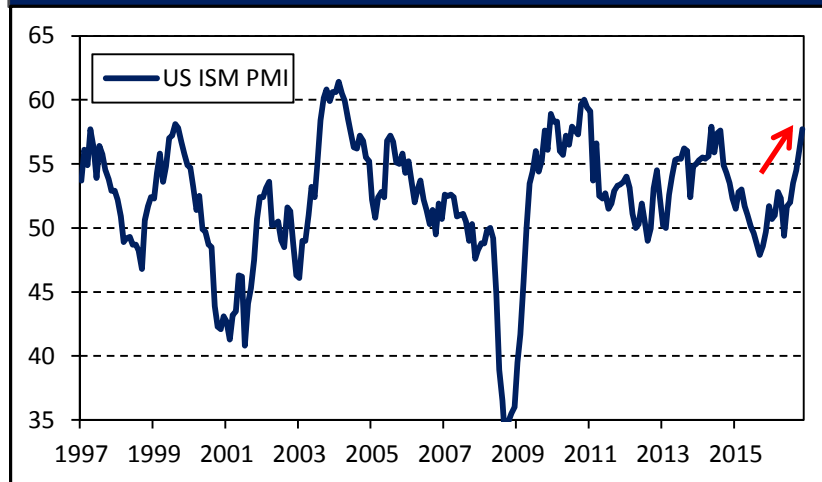
Source: Bloomberg, Bureau of Labor Statistics

Corporate profits experience an uptick



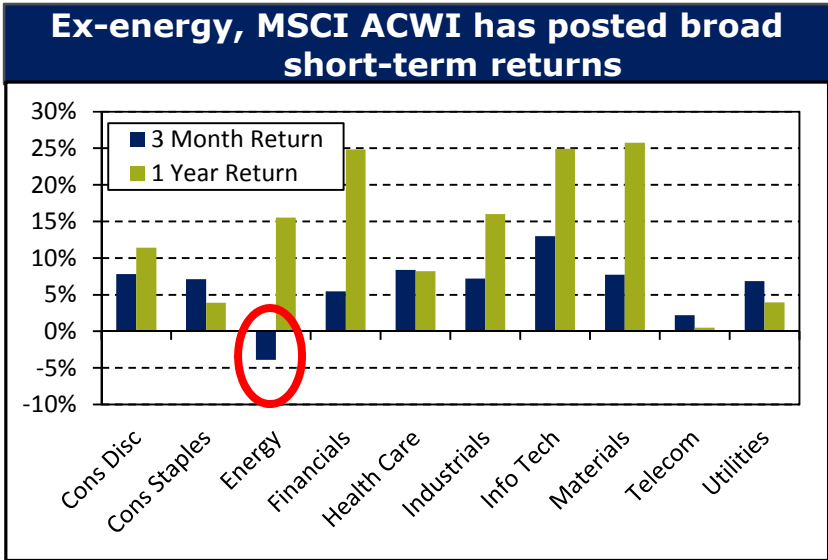
Source: Bloomberg, Bureau of Economic Analysis

Manufacturing shows continued strength

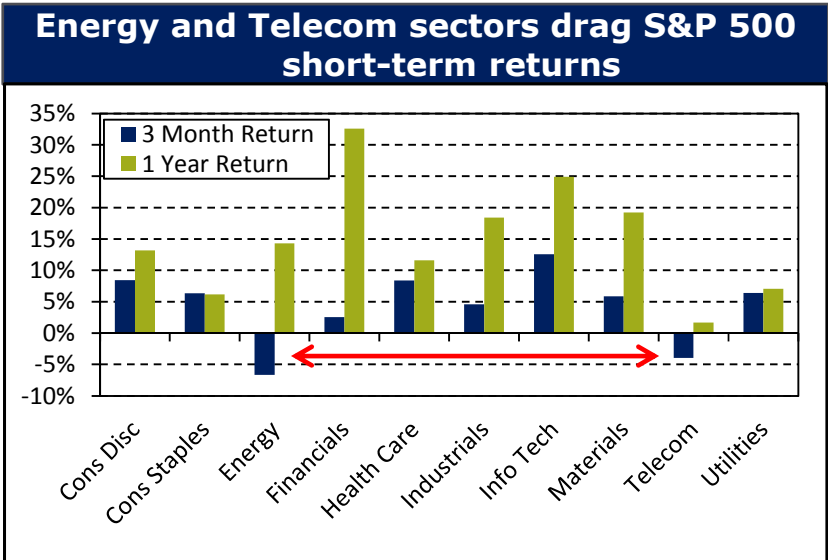


Source: Bloomberg, Institute for Supply Management

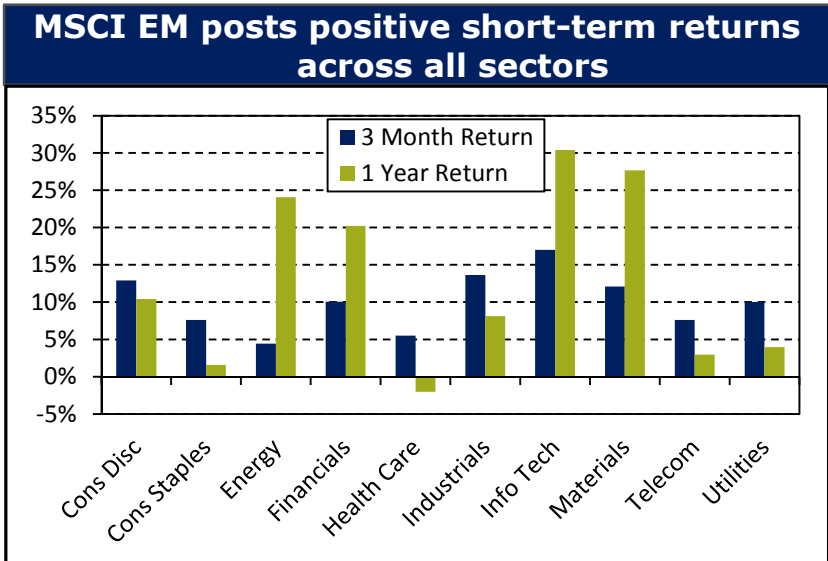
Global Equity by Sector



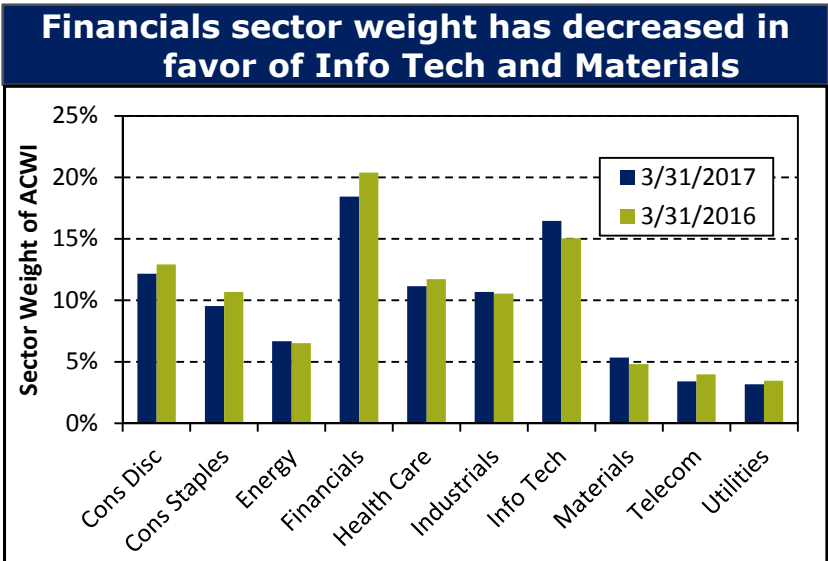
Source: Bloomberg, MSCI



Source: Bloomberg, Standard and Poors



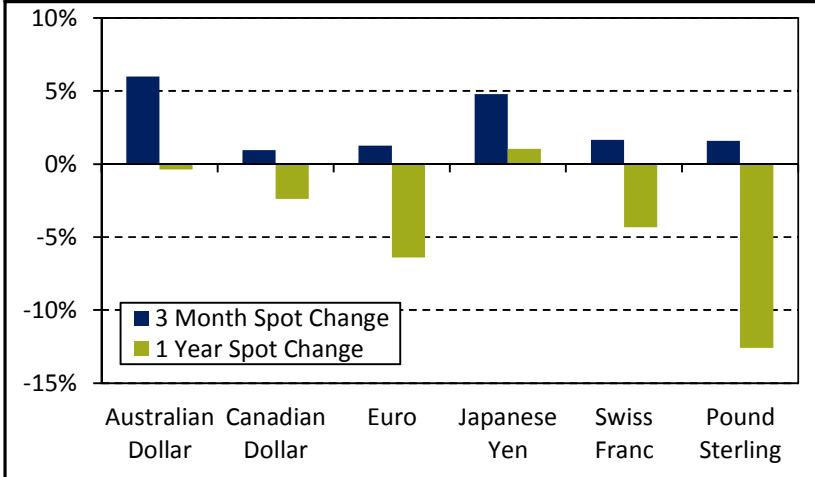
Source: Bloomberg, MSCI



Source: Bloomberg, MSCI

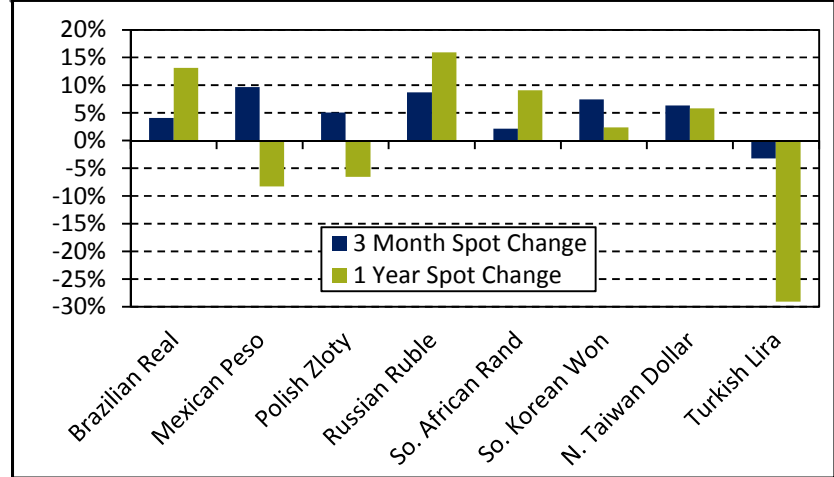
Currencies

International currencies have appreciated with the dollar decline



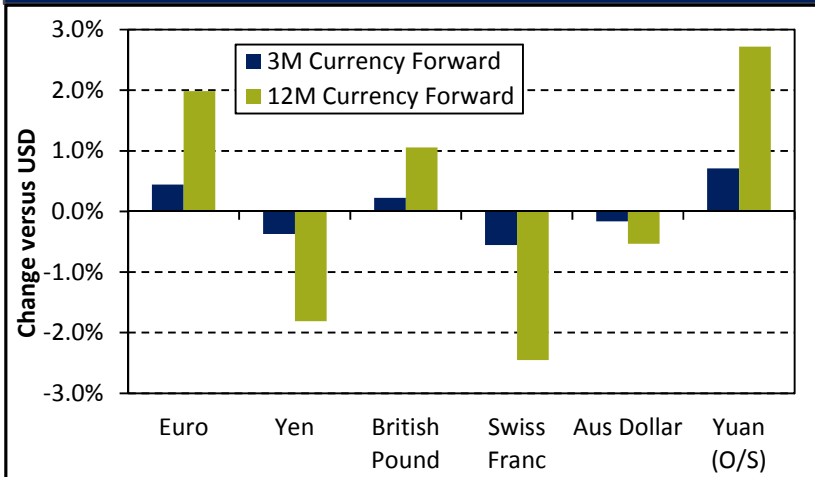
Source: Bloomberg

The Lira has experienced sharp depreciation



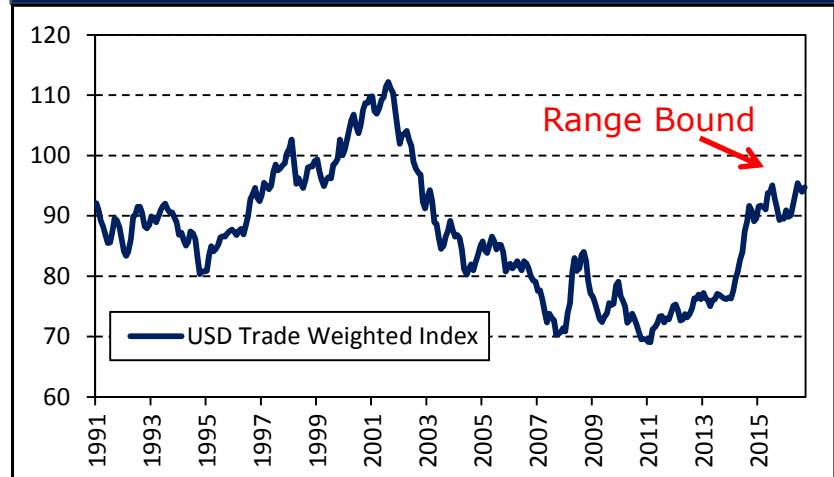
Source: Bloomberg

USD expectations vary across developed markets



Source: Bloomberg

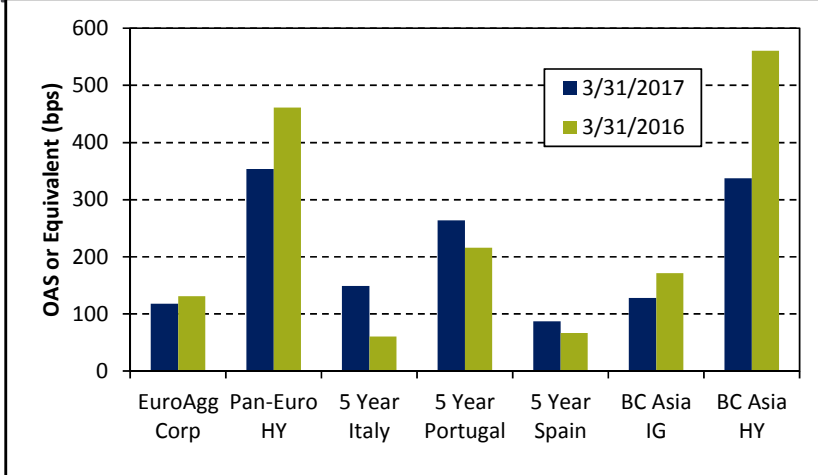
The dollar has steadied in 2017



Source: Bloomberg, Federal Reserve

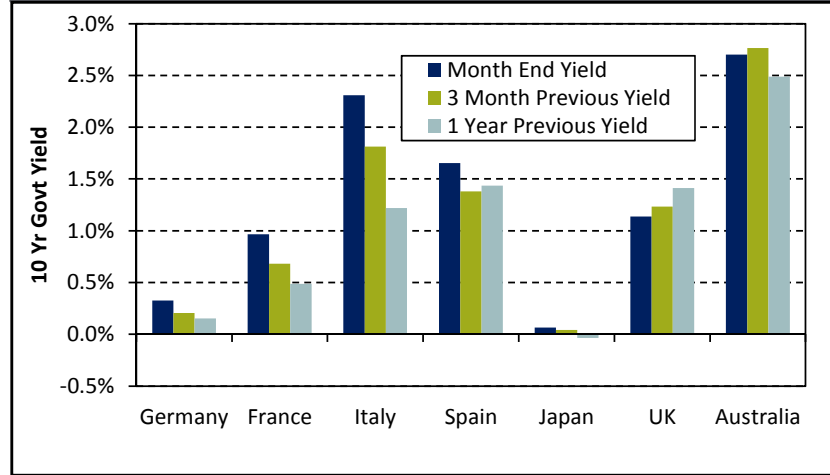
International Developed Fixed Income

European periphery yields vary relative to Germany



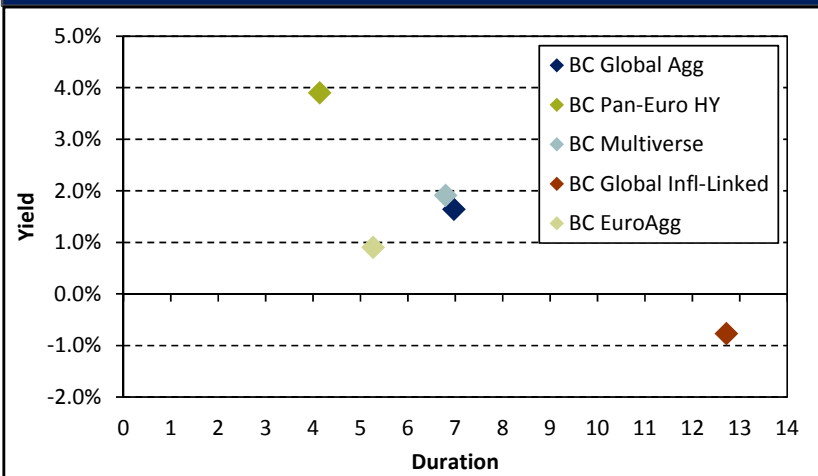
Source: Barclays, Bloomberg, *European periphery spreads are over equivalent German Bund

Ex the UK and Australia, international developed market yields have increased



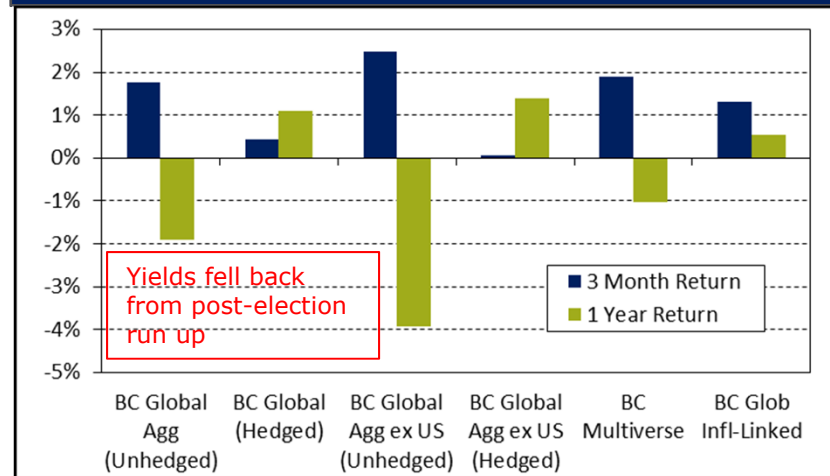
Source: Bloomberg

Low yields persist in global bond universe



Source: Bloomberg, Citigroup, Barclays

Global bonds post relatively strong short-term returns

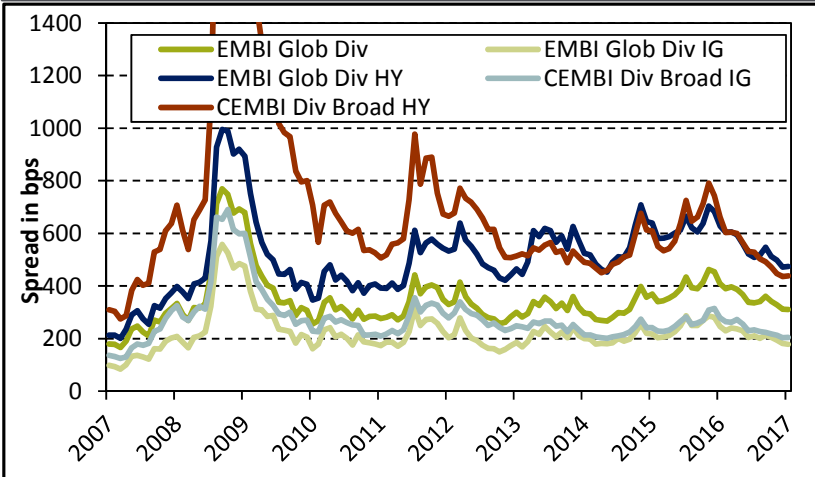


Yields fell back from post-election run up

Source: Bloomberg, Citigroup, Barclays

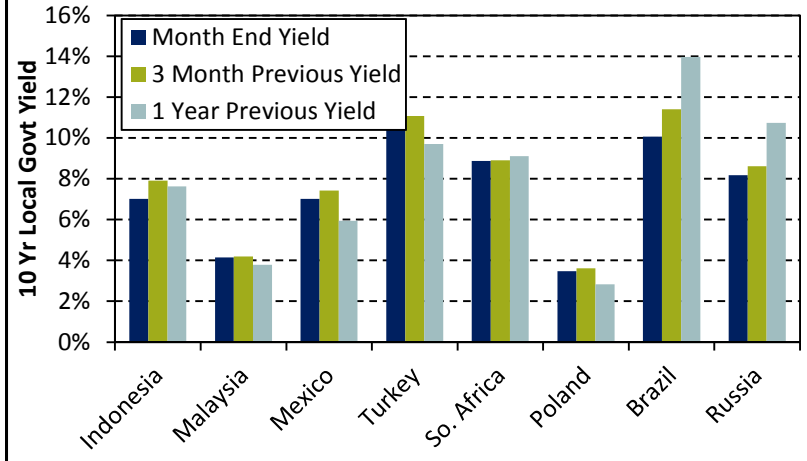
Emerging Markets Fixed Income

Spreads continue to decline



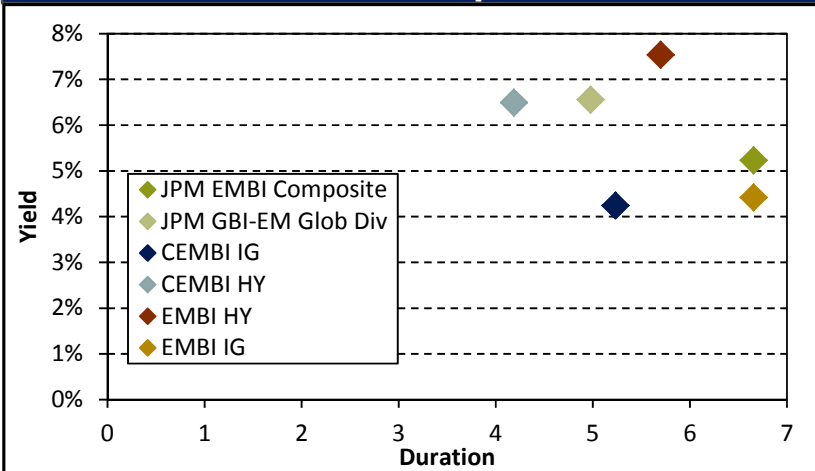
Source: Bloomberg, JP Morgan

Ex Russia and Brazil, EM local bond yields remain largely unchanged for the year



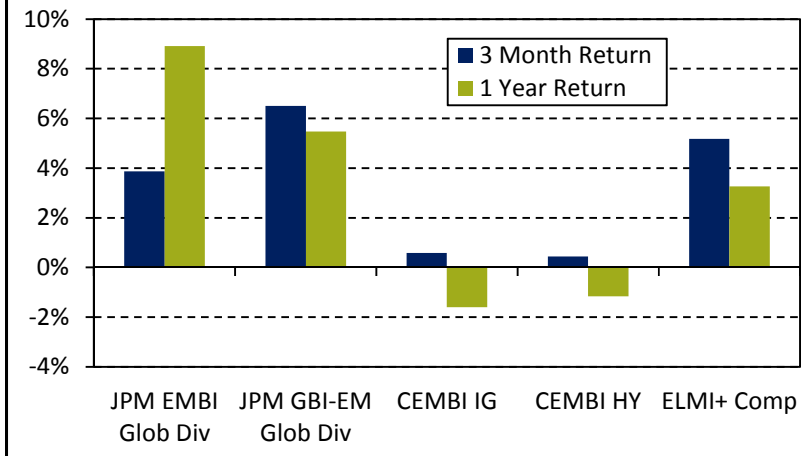
Source: Bloomberg

EM yields remain attractive versus global counterparts



Source: Bloomberg, JP Morgan

EM debt posts strong positive short-term returns



Source: Bloomberg, JP Morgan



- **Past performance is no guarantee of future results.**
- **The goal of this report is to provide a basis for monitoring financial markets. The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.**
- **Information on market indices was provided by sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.**
- **All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.**
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Q1 2017 Performance & Asset Allocation



Asset Allocation: Broad Composites

| | Market Value \$ | % of Portfolio | Policy % |
|--------------------------|------------------------|-----------------------|-----------------|
| Total Equity | 487,413,857 | 23.1% | 30% |
| Total Fixed Income | 229,749,325 | 10.9% | 33% |
| Total GAA | 137,758,176 | 6.5% | 10% |
| Total Real Assets | 948,651,396 | 44.9% | 25% |
| Cash | 421,017,340 | 19.9% | 2% |
| DPFP Debt | (110,000,000) | -5.2% | --- |
| <i>Total DPFP</i> | 2,114,590,093 | 100% | 100% |



Asset Allocation: By Asset Class

| | Current Allocation \$ | Current Allocation % | Policy % |
|---------------------------|-----------------------|----------------------|-------------|
| Global Equity | 174,175,706 | 8.2% | 20% |
| Emerging Market Equity | -- | 0.0% | 5% |
| Private Equity | 313,238,150 | 14.8% | 5% |
| <i>Total Equity</i> | 487,413,857 | 23.1% | 30% |
| Short-Term Core Bonds | -- | 0.0% | 2% |
| High Yield | 77,608,681 | 3.7% | 5% |
| Bank Loans | 57,068,161 | 2.7% | 6% |
| Emerging Market Debt | 18,650,794 | 0.9% | 6% |
| Global Bonds | 61,997,149 | 2.9% | 3% |
| Structured & AR Credit | -- | 0.0% | 6% |
| Private Debt | 14,424,541 | 0.7% | 5% |
| <i>Total Fixed Income</i> | 229,749,325 | 10.9% | 33% |
| GTAA | 21,678,235 | 1.0% | 3% |
| Risk Parity | 77,688,398 | 3.7% | 5% |
| Absolute Return | 38,391,543 | 1.8% | 2% |
| <i>Total GAA</i> | 137,758,176 | 6.5% | 10% |
| Real Estate | 510,582,738 | 24.1% | 12% |
| Real Assets – Liquid | -- | 0.0% | 3% |
| Natural Resources | 266,068,236 | 12.6% | 5% |
| Infrastructure | 172,000,422 | 8.1% | 5% |
| <i>Total Real Assets</i> | 948,651,396 | 44.9% | 25% |
| Cash | 421,017,340 | 19.9% | 2% |
| DPPF Debt | (110,000,000) | -5.2% | -- |
| Total | 2,114,590,093 | 100% | 100% |



Asset Allocation: Portfolio Lookthrough

| | Lookthrough % | Actual % | Policy % |
|---------------------------|---------------|----------|----------|
| US Equity | 4.0% | -- | -- |
| International Equity | 4.1% | -- | -- |
| Emerging Markets Eq | 0.8% | -- | 5% |
| Global Equity | -- | 8.2% | 20% |
| Private Equity | 14.8% | 14.8% | 5% |
| <i>Total Equity</i> | 23.7% | 23.0% | 30% |
| Short-Term Core Bonds | -- | -- | 2% |
| High Yield | 3.7% | 3.7% | 5% |
| Bank Loans | 2.7% | 2.7% | 6% |
| Emerging Market Debt | 1.1% | 0.9% | 6% |
| Global Bonds | 5.3% | 2.9% | 3% |
| Structured & AR Credit | -- | -- | 6% |
| Private Debt | 0.7% | 0.7% | 5% |
| <i>Total Fixed Income</i> | 13.5% | 10.9% | 33% |

| | Lookthrough % | Actual % | Policy % |
|--------------------------|---------------|----------|----------|
| GTAA | -- | 1.0% | 3% |
| Risk Parity | -- | 3.7% | 5% |
| Absolute Return | -- | 1.8% | 2% |
| Hedge Funds | 2.6% | -- | -- |
| <i>Total GAA</i> | 2.6% | 6.5% | 10% |
| Real Estate | 24.7% | 24.2% | 12% |
| Real Assets – Liquid | -- | -- | 3% |
| Natural Resources | 12.6% | 12.6% | 5% |
| Infrastructure | 8.1% | 8.1% | 5% |
| <i>Total Real Assets</i> | 45.4% | 44.9% | 25% |
| Cash | 19.7% | 19.9% | 2% |
| DPFP Debt | -5.2% | -5.2% | -- |

Dallas Police & Fire Pension

Trailing Returns: By Broad Composite

| | Market Value (\$) | % of Portfolio | 3 Mo (%) | Rank | 1 Yr (%) | Rank | 3 Yrs (%) | Rank | 5 Yrs (%) | Rank | 7 Yrs (%) | Rank | 10 Yrs (%) | Rank | Return (%) | Since |
|--|----------------------|-------------------|-------------|-----------|-------------|-----------|--------------|-----------|--------------|-----------|--------------|-----------|---------------|-----------|---------------|---------------|
| DPFP | 2,114,590,093 | 100.0 | 0.7 | 99 | 5.7 | 99 | -2.5 | 99 | 1.1 | 99 | 2.4 | 99 | 1.0 | 99 | 6.1 | Jun-96 |
| <i>Policy Index</i> | | | 4.4 | 40 | 11.7 | 28 | 7.9 | 1 | 8.7 | 5 | 8.9 | 5 | 5.9 | 13 | -- | Jun-96 |
| Total Equity | 487,413,857 | 23.1 | 1.3 | -- | 5.8 | -- | 2.3 | -- | 7.3 | -- | -- | -- | -- | -- | 6.3 | Dec-10 |
| <i>Total Equity Policy Index</i> | | | 7.7 | -- | 17.1 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | Dec-10 |
| Total Fixed Income | 229,749,325 | 10.9 | -0.9 | 99 | 6.4 | 40 | 0.9 | 61 | 4.0 | 38 | 6.3 | 16 | 5.0 | 43 | 5.6 | Jul-06 |
| <i>Total Fixed Income Policy Index</i> | | | 2.8 | 30 | 9.3 | 26 | -- | -- | -- | -- | -- | -- | -- | -- | -- | Jul-06 |
| Total GAA | 137,758,176 | 6.5 | 2.8 | 81 | 13.9 | 11 | 4.4 | 24 | 4.8 | 42 | 6.2 | 33 | -- | -- | 3.9 | Jul-07 |
| <i>Total Asset Allocation Policy Index</i> | | | 4.0 | 46 | 6.7 | 60 | 6.1 | 10 | 6.3 | 17 | 6.7 | 23 | -- | -- | 6.7 | Jul-07 |
| Total Real Assets | 948,651,396 | 44.9 | 0.7 | -- | 3.6 | -- | -8.6 | -- | -4.6 | -- | -- | -- | -- | -- | -4.7 | Dec-10 |
| <i>Total Real Assets Policy Index</i> | | | 3.1 | -- | 11.5 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | Dec-10 |
| Cash Equivalents | 421,017,340 | 19.9 | 0.1 | -- | 0.7 | -- | -- | -- | -- | -- | -- | -- | -- | -- | 1.1 | Apr-15 |
| <i>91 Day T-Bills</i> | | | 0.1 | -- | 0.4 | -- | 0.2 | -- | 0.1 | -- | 0.1 | -- | 0.5 | -- | 0.2 | Apr-15 |

Policy Indexes are calculated using policy benchmarks and weights of the underlying sub composites.

Net of fees returns shown on report are time weighted.

Dallas Police & Fire Pension

Trailing Returns: By Asset Class

| | Market Value (\$) | % of Portfolio | 3 Mo (%) | Rank | 1 Yr (%) | Rank | 3 Yrs (%) | Rank | 5 Yrs (%) | Rank | 7 Yrs (%) | Rank | 10 Yrs (%) | Rank | Return (%) | Since |
|--|----------------------|----------------|--------------|-----------|--------------|-----------|--------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|--------------|---------------|
| DPFP | 2,114,590,093 | 100.0 | 0.7 | 99 | 5.7 | 99 | -2.5 | 99 | 1.1 | 99 | 2.4 | 99 | 1.0 | 99 | 6.1 | Jun-96 |
| <i>Policy Index</i> | | | 4.4 | 40 | 11.7 | 28 | 7.9 | 1 | 8.7 | 5 | 8.9 | 5 | 5.9 | 13 | -- | Jun-96 |
| Global Equity | 174,175,706 | 8.2 | 8.3 | 21 | 16.9 | 20 | 6.3 | 31 | 9.6 | 37 | 8.9 | 49 | 4.4 | 46 | 5.6 | Jul-06 |
| <i>MSCI ACWI Gross</i> | | | 7.0 | 39 | 15.7 | 28 | 5.7 | 39 | 9.0 | 50 | 8.4 | 57 | 4.6 | 45 | 5.8 | Jul-06 |
| Private Equity | 313,238,150 | 14.8 | -2.1 | -- | 1.0 | -- | -6.5 | -- | -2.4 | -- | -0.1 | -- | -0.4 | -- | 1.9 | Oct-05 |
| <i>Russell 3000 + 3%</i> | | | 6.5 | -- | 21.6 | -- | 13.0 | -- | 16.5 | -- | 16.2 | -- | 10.7 | -- | 11.4 | Oct-05 |
| Global Bonds | 61,997,149 | 2.9 | 4.5 | 8 | 0.4 | 76 | 0.7 | 64 | 1.5 | 68 | -- | -- | -- | -- | 2.5 | Dec-10 |
| <i>BBgBarc Global Aggregate TR</i> | | | 1.8 | 64 | -1.9 | 88 | -0.4 | 80 | 0.4 | 83 | 2.0 | 84 | 3.3 | 83 | 1.3 | Dec-10 |
| High Yield | 77,608,681 | 3.7 | 5.6 | 1 | 23.3 | 1 | 3.1 | 71 | 6.1 | 50 | -- | -- | -- | -- | 7.1 | Dec-10 |
| <i>BBgBarc Global High Yield TR</i> | | | 3.2 | 22 | 13.2 | 49 | 3.7 | 60 | 6.5 | 39 | 7.6 | 23 | 7.4 | 1 | 6.9 | Dec-10 |
| Bank Loans | 57,068,161 | 2.7 | 1.6 | 72 | 12.9 | 13 | 3.9 | 21 | -- | -- | -- | -- | -- | -- | 4.1 | Jan-14 |
| <i>S&P/LSTA U.S. Leveraged Loan</i> | | | 1.1 | 84 | 9.7 | 23 | 3.6 | 28 | 4.6 | 29 | 4.8 | 34 | 4.6 | 48 | 3.7 | Jan-14 |
| Emerging Markets Debt | 18,650,794 | 0.9 | 6.9 | 24 | 14.2 | 7 | 3.0 | 53 | 2.5 | 58 | -- | -- | -- | -- | 3.6 | Dec-10 |
| <i>50% JPM EMBI/50% JPM GBI-EM</i> | | | 5.2 | 49 | 7.3 | 75 | 1.5 | 60 | 1.8 | 60 | -- | -- | -- | -- | 3.0 | Dec-10 |
| Private Debt | 14,424,541 | 0.7 | -20.8 | -- | -19.4 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -14.5 | Jan-16 |
| <i>Barclays Global High Yield +2%</i> | | | 3.7 | -- | 15.5 | -- | -- | -- | -- | -- | -- | -- | -- | -- | 16.3 | Jan-16 |
| Risk Parity | 77,688,398 | 3.7 | 3.3 | 61 | 11.3 | 26 | 3.3 | 38 | 4.5 | 49 | -- | -- | -- | -- | 6.7 | Dec-10 |
| <i>60% MSCI ACWI/40% Barclays Global Agg</i> | | | 4.8 | 33 | 8.0 | 48 | 3.0 | 45 | 5.2 | 35 | 5.6 | 43 | 4.0 | 61 | 5.0 | Dec-10 |
| GTA | 21,678,235 | 1.0 | 5.1 | 28 | 9.0 | 41 | 2.5 | 47 | 4.8 | 42 | -- | -- | -- | -- | 5.4 | Dec-10 |
| <i>60% MSCI ACWI/40% Barclays Global Agg</i> | | | 4.8 | 33 | 8.0 | 48 | 3.0 | 45 | 5.2 | 35 | 5.6 | 43 | 4.0 | 61 | 5.0 | Dec-10 |
| Absolute Return | 38,391,543 | 1.8 | 0.5 | 50 | 23.0 | 3 | 9.2 | 5 | 7.8 | 10 | -- | -- | -- | -- | 7.9 | Aug-11 |
| <i>HFRX Absolute Return Index</i> | | | 0.7 | 47 | 1.5 | 52 | 1.1 | 65 | 1.7 | 56 | 0.9 | 66 | -0.8 | 92 | 1.3 | Aug-11 |
| Natural Resources | 266,068,236 | 12.6 | 0.7 | -- | 3.7 | -- | -- | -- | -- | -- | -- | -- | -- | -- | 4.0 | Apr-15 |
| <i>Natural Resources Benchmark</i> | | | 2.8 | -- | 23.8 | -- | 15.1 | -- | 15.3 | -- | -- | -- | -- | -- | 19.6 | Apr-15 |
| Infrastructure | 172,000,422 | 8.1 | 2.7 | -- | 0.0 | -- | -1.7 | -- | -- | -- | -- | -- | -- | -- | 1.1 | Jul-12 |
| <i>Infrastructure Benchmark</i> | | | 7.9 | -- | 11.7 | -- | 10.1 | -- | -- | -- | -- | -- | -- | -- | 8.9 | Jul-12 |
| Real Estate | 510,582,738 | 24.1 | 0.1 | -- | 4.7 | -- | -12.8 | -- | -7.6 | -- | -6.2 | -- | -4.8 | -- | 3.6 | Mar-85 |
| <i>NCREIF Property Index</i> | | | 1.6 | -- | 7.3 | -- | 10.6 | -- | 10.7 | -- | 11.8 | -- | 6.7 | -- | 8.0 | Mar-85 |
| Cash Equivalents | 421,017,340 | 19.9 | 0.1 | -- | 0.7 | -- | -- | -- | -- | -- | -- | -- | -- | -- | 1.1 | Apr-15 |
| <i>91 Day T-Bills</i> | | | 0.1 | -- | 0.4 | -- | 0.2 | -- | 0.1 | -- | 0.1 | -- | 0.5 | -- | 0.2 | Apr-15 |

Total Fund Risk/Return

3 Years Ending March 31, 2017

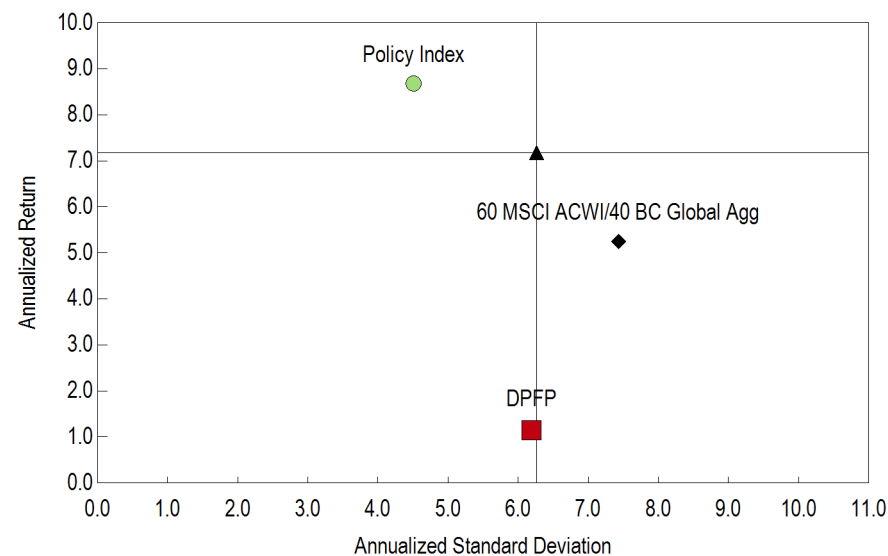
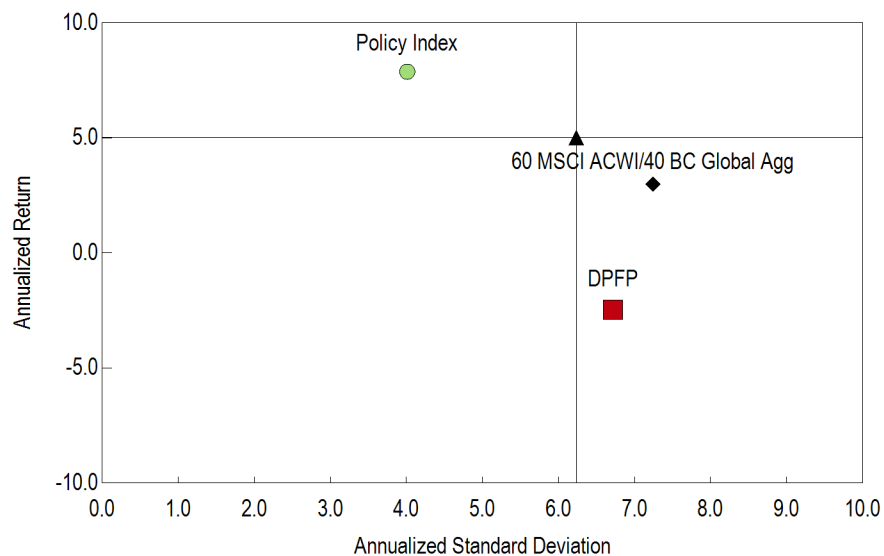
| | Anlzd Ret | Rank | Anlzd Std Dev | Rank |
|------------------------------------|-----------|------|---------------|------|
| DPFP | -2.5% | 99 | 6.7% | 73 |
| Policy Index | 7.9% | 1 | 4.0% | 3 |
| 60 MSCI ACWI/40 BC Global Agg | 3.0% | 97 | 7.2% | 88 |
| InvestorForce Public DB Net Median | 5.0% | -- | 6.2% | -- |

| | Sharpe Ratio | Rank | Sortino Ratio RF | Rank |
|------------------------------------|--------------|------|------------------|------|
| DPFP | -0.39 | 99 | -0.33 | 99 |
| Policy Index | 1.92 | 1 | 4.39 | 1 |
| 60 MSCI ACWI/40 BC Global Agg | 0.39 | 98 | 0.75 | 93 |
| InvestorForce Public DB Net Median | 0.79 | -- | 1.22 | -- |

5 Years Ending March 31, 2017

| | Anlzd Ret | Rank | Anlzd Std Dev | Rank |
|------------------------------------|-----------|------|---------------|------|
| DPFP | 1.1% | 99 | 6.2% | 47 |
| Policy Index | 8.7% | 5 | 4.5% | 4 |
| 60 MSCI ACWI/40 BC Global Agg | 5.2% | 95 | 7.4% | 92 |
| InvestorForce Public DB Net Median | 7.2% | -- | 6.3% | -- |

| | Sharpe Ratio | Rank | Sortino Ratio RF | Rank |
|------------------------------------|--------------|------|------------------|------|
| DPFP | 0.17 | 99 | 0.15 | 99 |
| Policy Index | 1.90 | 2 | 2.36 | 5 |
| 60 MSCI ACWI/40 BC Global Agg | 0.69 | 98 | 1.12 | 97 |
| InvestorForce Public DB Net Median | 1.13 | -- | 1.68 | -- |



Attribution Analysis: By Asset Class – 3 Months Ending March 31, 2017

| | Portfolio Weights | | Returns | | Attribution Effects By | | | |
|------------------------------------|-------------------|---------------|---------------|---------------|------------------------|----------------|----------------|----------------|
| | DPFP [#] | Policy | DPFP | Index | Selection | Allocation | Interaction | Total * |
| Global Equity | 8.2% | 20.0% | 8.317% | 7.047% | 0.245% | -0.337% | -0.156% | -0.248% |
| Emerging Markets Equity | 0.0% | 5.0% | 0.000% | 11.486% | -0.564% | -0.344% | 0.564% | -0.344% |
| Private Equity | 14.8% | 5.0% | -2.064% | 6.513% | -0.430% | 0.193% | -0.839% | -1.076% |
| Short Term Core Bonds | 0.0% | 2.0% | 0.000% | 0.272% | -0.006% | 0.083% | 0.006% | 0.083% |
| Global Bonds | 2.9% | 3.0% | 4.504% | 1.761% | 0.082% | 0.009% | -0.009% | 0.082% |
| High Yield | 3.7% | 5.0% | 5.581% | 3.176% | 0.120% | 0.019% | -0.041% | 0.098% |
| Bank Loans | 2.7% | 6.0% | 1.569% | 1.145% | 0.026% | 0.114% | -0.015% | 0.124% |
| Structured & A/R Credit | 0.0% | 6.0% | 0.000% | 2.436% | -0.148% | 0.117% | 0.148% | 0.117% |
| Emerging Markets Debt | 0.9% | 6.0% | 6.915% | 5.181% | 0.102% | -0.037% | -0.087% | -0.022% |
| Private Debt | 0.7% | 5.0% | -20.760% | 3.683% | -1.298% | 0.020% | 0.669% | -0.609% |
| GTA | 1.0% | 3.0% | 5.054% | 4.830% | 0.007% | -0.009% | -0.005% | -0.007% |
| Risk Parity | 3.7% | 5.0% | 3.298% | 4.830% | -0.075% | -0.007% | 0.024% | -0.058% |
| Absolute Return | 1.8% | 2.0% | 0.452% | 0.650% | -0.003% | 0.013% | 0.000% | 0.010% |
| Real Estate | 24.1% | 12.0% | 0.072% | 1.550% | -0.179% | -0.383% | -0.201% | -0.764% |
| Liquid Real Assets | 0.0% | 3.0% | 0.000% | 1.614% | -0.049% | 0.083% | 0.049% | 0.083% |
| Natural Resources | 12.6% | 5.0% | 0.748% | 2.763% | -0.106% | -0.106% | -0.137% | -0.349% |
| Infrastructure | 8.1% | 5.0% | 2.680% | 7.945% | -0.258% | 0.082% | -0.129% | -0.304% |
| Cash Equivalents | 19.9% | 2.0% | 0.115% | 0.144% | -0.001% | -0.554% | -0.004% | -0.559% |
| Total * | 105.1% | 100.0% | 0.649% | 4.392% | -2.535% | -1.046% | -0.162% | -3.743% |

*Total column may not add up due to rounding.

#Total DPFP Portfolio Weights include 5.2% in DPFP debt.



Attribution Analysis: By Asset Class – 12 Months Ending March 31, 2017

| | Portfolio Weights | | Returns | | Attribution Effects By | | | |
|------------------------------------|-------------------|---------------|---------------|----------------|------------------------|---------------|----------------|----------------|
| | DPFP # | Policy | DPFP | Index | Selection | Allocation | Interaction | Total * |
| Global Equity | 8.2% | 20.0% | 16.938% | 15.686% | 0.245% | -0.516% | -0.088% | -0.359% |
| Emerging Markets Equity | 0.0% | 5.0% | 0.000% | 17.652% | -0.909% | -0.306% | 0.909% | -0.306% |
| Private Equity | 14.8% | 5.0% | 1.038% | 21.559% | -0.954% | 1.089% | -2.419% | -2.285% |
| Short Term Core Bonds | 0.0% | 2.0% | 0.000% | 0.236% | -0.005% | 0.236% | 0.005% | 0.236% |
| Global Bonds | 2.9% | 3.0% | 0.355% | -1.903% | 0.076% | 0.012% | -0.053% | 0.034% |
| High Yield | 3.7% | 5.0% | 23.290% | 13.246% | 0.464% | 0.052% | -0.036% | 0.479% |
| Bank Loans | 2.7% | 6.0% | 12.930% | 9.722% | 0.189% | 0.067% | -0.128% | 0.128% |
| Structured & A/R Credit | 0.0% | 6.0% | 0.000% | 11.534% | -0.709% | 0.014% | 0.709% | 0.014% |
| Emerging Markets Debt | 0.9% | 6.0% | 14.225% | 7.258% | 0.407% | 0.172% | -0.292% | 0.288% |
| Private Debt | 0.7% | 5.0% | -19.398% | 15.488% | -1.864% | -0.059% | 0.905% | -1.018% |
| GTAA | 1.0% | 3.0% | 9.041% | 8.025% | 0.030% | 0.015% | -0.008% | 0.036% |
| Risk Parity | 3.7% | 5.0% | 11.326% | 8.025% | 0.165% | 0.000% | 0.080% | 0.245% |
| Absolute Return | 1.8% | 2.0% | 22.961% | 1.545% | 0.439% | 0.066% | -0.147% | 0.358% |
| Real Estate | 24.1% | 12.0% | 4.681% | 7.270% | -0.320% | -0.540% | -0.321% | -1.180% |
| Liquid Real Assets | 0.0% | 3.0% | 0.000% | 7.492% | -0.234% | 0.127% | 0.234% | 0.127% |
| Natural Resources | 12.6% | 5.0% | 3.666% | 23.806% | -1.011% | 0.638% | -1.122% | -1.495% |
| Infrastructure | 8.1% | 5.0% | 0.022% | 11.683% | -0.612% | 0.035% | -0.273% | -0.849% |
| Cash Equivalents | 19.9% | 2.0% | 0.682% | 0.377% | 0.007% | -0.672% | -0.003% | -0.668% |
| Total * | 105.1% | 100.0% | 5.518% | 11.733% | -4.598% | 0.431% | -2.047% | -6.215% |

*Total column may not add up due to rounding.

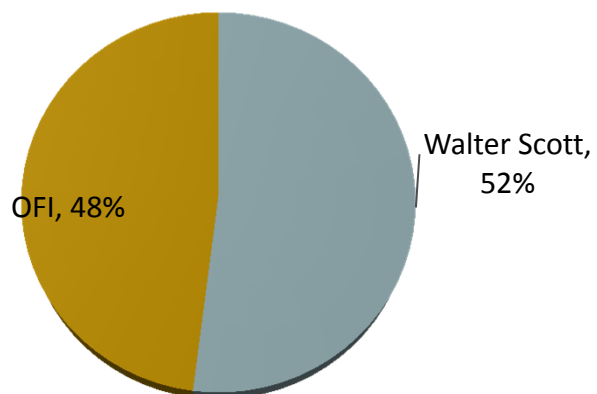
#Total DPFP Portfolio Weights include 5.2% in DPFP debt.



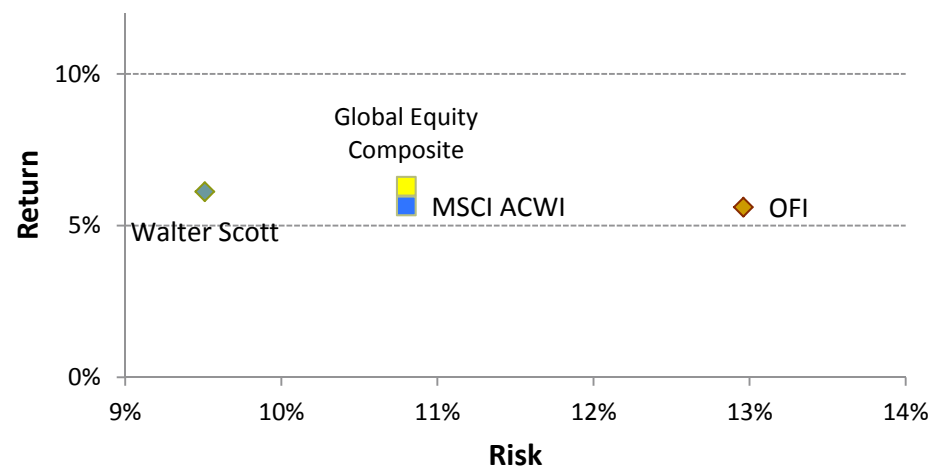
Global Public Equity: Composite Overview

| Manager | Benchmark | Descriptions |
|--------------|-----------|--------------|
| OFI | MSCI ACWI | Growth |
| Walter Scott | MSCI ACWI | Growth |

Global Equity Managers



3-Year Risk/Return



*May not add to 100% due to rounding.

Dallas Police & Fire Pension

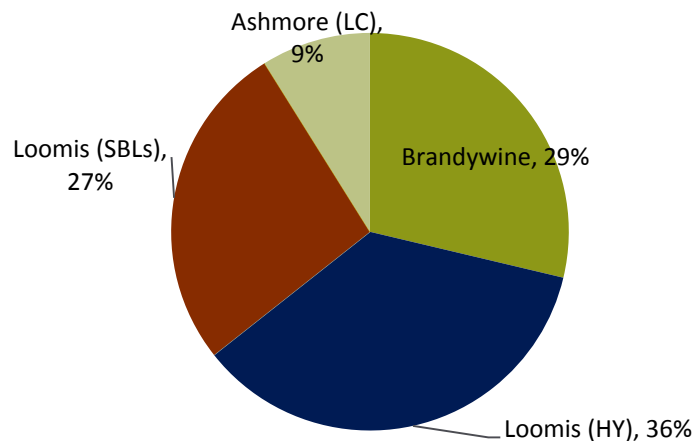
DPFP

| | Market Value (\$) | % of Portfolio | 3 Mo (%) | 1 Yr (%) | 3 Yrs (%) | 5 Yrs (%) | 7 Yrs (%) | 10 Yrs (%) | Return (%) | Since |
|---|----------------------|-------------------|-------------|-------------|--------------|--------------|--------------|---------------|---------------|---------------|
| DPFP | 2,114,590,093 | 100.0 | 0.7 | 5.7 | -2.5 | 1.1 | 2.4 | 1.0 | 6.1 | Jun-96 |
| <i>Policy Index</i> | | | 4.4 | 11.7 | 7.9 | 8.7 | 8.9 | 5.9 | -- | Jun-96 |
| <i>InvestorForce Public DB Net Rank</i> | | | 99 | 99 | 99 | 99 | 99 | 99 | 72 | Jun-96 |
| Global Equity | 174,175,706 | 8.2 | 8.3 | 16.9 | 6.3 | 9.6 | 8.9 | 4.4 | 5.6 | Jul-06 |
| <i>MSCI ACWI Gross</i> | | | 7.0 | 15.7 | 5.7 | 9.0 | 8.4 | 4.6 | 5.8 | Jul-06 |
| <i>eA All Global Equity Net Rank</i> | | | 21 | 20 | 31 | 37 | 49 | 46 | 45 | Jul-06 |
| Pyramis | 162,814 | 0.0 | | | | | | | | |
| <i>eA All Global Equity Net Rank</i> | | | | | | | | | | |
| Walter Scott | 90,433,986 | 4.3 | 6.9 | 11.5 | 6.1 | 8.6 | 8.4 | -- | 8.5 | Dec-09 |
| <i>MSCI ACWI Gross</i> | | | 7.0 | 15.7 | 5.7 | 9.0 | 8.4 | 4.6 | 8.8 | Dec-09 |
| <i>eA Global Large Cap Growth Eq Net Rank</i> | | | 90 | 81 | 46 | 77 | 67 | -- | 80 | Dec-09 |
| OFI | 83,461,757 | 3.9 | 9.9 | 18.4 | 5.6 | 10.1 | 9.2 | -- | 4.8 | Oct-07 |
| <i>MSCI ACWI Gross</i> | | | 7.0 | 15.7 | 5.7 | 9.0 | 8.4 | 4.6 | 3.6 | Oct-07 |
| <i>eA Global Large Cap Growth Eq Net Rank</i> | | | 39 | 11 | 61 | 29 | 44 | -- | 56 | Oct-07 |
| RREEF Global REIT | 88,420 | 0.0 | | | | | | | | |
| <i>eA Global REIT Net Rank</i> | | | | | | | | | | |
| Sustainable Asset Management | 28,706 | 0.0 | | | | | | | | |
| <i>eA All Global Equity Net Rank</i> | | | | | | | | | | |

Global Fixed Income: Composite Overview

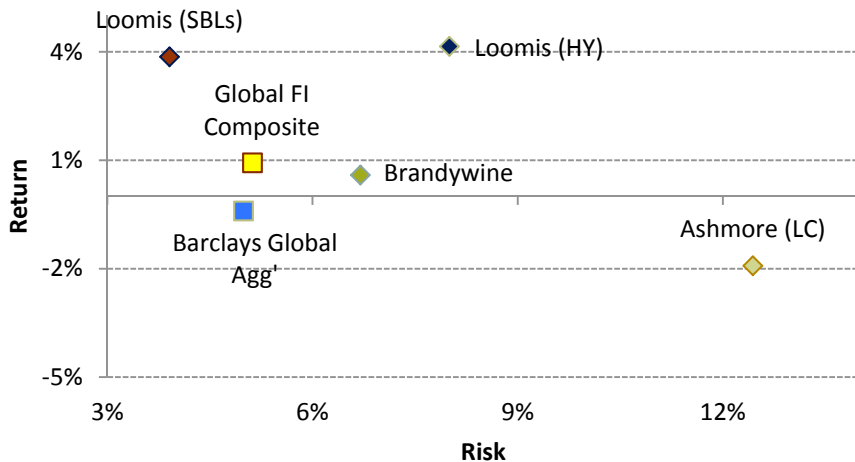
| Manager | Benchmark | Asset Class | Descriptions |
|--------------------------|-----------------------------|----------------------|-----------------------------------|
| Brandywine | Barclays Global Aggregate | Global Bonds | Aggressive, but diversified |
| Loomis (HY) | 70% MLHY/30% JPM EMBI+ | High Yield | Aggressive |
| Loomis (BLs) | S&P/LSTA US Levered | Bank Loans | Bank Loans (min 65% of portfolio) |
| Ashmore (Local Currency) | JPM EMBI Global Diversified | Emerging Market Debt | Diversified, Local Currency |

Global Fixed Income Managers



*May not add to 100% due to rounding.

3-Year Risk/Return



Dallas Police & Fire Pension

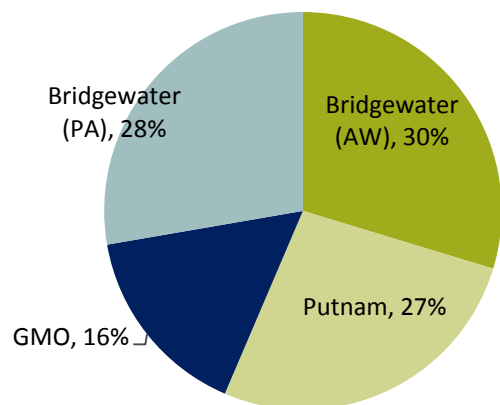
DPFP

| | Market Value (\$) | % of Portfolio | 3 Mo (%) | 1 Yr (%) | 3 Yrs (%) | 5 Yrs (%) | 7 Yrs (%) | 10 Yrs (%) | Return (%) | Since |
|---|----------------------|-------------------|-------------|-------------|--------------|--------------|--------------|---------------|---------------|---------------|
| DPFP | 2,114,590,093 | 100.0 | 0.7 | 5.7 | -2.5 | 1.1 | 2.4 | 1.0 | 6.1 | Jun-96 |
| <i>Policy Index</i> | | | 4.4 | 11.7 | 7.9 | 8.7 | 8.9 | 5.9 | -- | Jun-96 |
| <i>InvestorForce Public DB Net Rank</i> | | | 99 | 99 | 99 | 99 | 99 | 99 | 72 | Jun-96 |
| Public Fixed Income | 215,324,784 | 10.2 | 4.3 | 13.3 | 2.6 | 4.4 | -- | -- | 5.7 | Dec-10 |
| <i>BBgBarc Global Aggregate TR</i> | | | 1.8 | -1.9 | -0.4 | 0.4 | 2.0 | 3.3 | 1.3 | Dec-10 |
| Brandywine | 61,997,149 | 2.9 | 4.5 | 0.8 | 0.6 | 2.2 | 4.8 | 5.7 | 4.8 | Oct-04 |
| <i>BBgBarc Global Aggregate TR</i> | | | 1.8 | -1.9 | -0.4 | 0.4 | 2.0 | 3.3 | 3.5 | Oct-04 |
| <i>eA All Global Fixed Inc Net Rank</i> | | | 8 | 73 | 66 | 61 | 34 | 30 | 48 | Oct-04 |
| Loomis Sayles | 77,608,681 | 3.7 | 5.7 | 25.1 | 4.2 | 7.3 | 8.3 | 7.9 | 10.0 | Oct-98 |
| <i>70% BofA ML High Yield / 30% JPM EMBI Plus</i> | | | 3.0 | 14.0 | 5.0 | 6.4 | 7.4 | 7.2 | 8.2 | Oct-98 |
| <i>eA Global High Yield Fixed Inc Net Rank</i> | | | 1 | 1 | 42 | 12 | 1 | 1 | 1 | Oct-98 |
| Loomis Sayles Senior Rate and Fixed Income | 57,068,161 | 2.7 | 1.6 | 12.9 | 3.9 | -- | -- | -- | 4.1 | Jan-14 |
| <i>S&P/LSTA U.S. Leveraged Loan</i> | | | 1.1 | 9.7 | 3.6 | 4.6 | 4.8 | 4.6 | 3.7 | Jan-14 |
| <i>eA Float-Rate Bank Loan Net Rank</i> | | | 10 | 9 | 29 | -- | -- | -- | 27 | Jan-14 |
| Ashmore AEMLCB | 18,650,794 | 0.9 | 7.9 | 9.0 | -1.9 | -1.6 | -- | -- | -0.4 | Mar-11 |
| <i>JP Morgan GBI EM Global Diversified TR USD</i> | | | 6.5 | 5.5 | -2.7 | -1.6 | 1.0 | 4.1 | -0.3 | Mar-11 |
| <i>eA All Emg Mkts Fixed Inc Net Rank</i> | | | 7 | 52 | 80 | 81 | -- | -- | 78 | Mar-11 |

Global Asset Allocation: Composite Overview

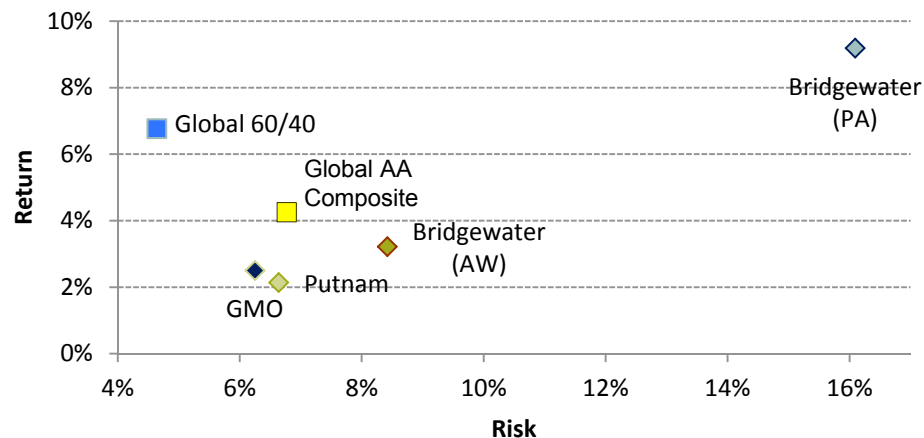
| Manager | Benchmark | Asset Class | Descriptions |
|---------------------------|----------------------|-----------------|-------------------------|
| Bridgewater (All Weather) | Global 60/40 | Risk Parity | Passive approach |
| Bridgewater (Pure Alpha) | HFRX Absolute Return | Absolute Return | Global Macro Hedge Fund |
| GMO | Global 60/40 | GTAA | Unconstrained |
| Putnam | Global 60/40 | Risk Parity | Active approach |

GAA Managers



*May not add to 100% due to rounding.

3-Year Risk/Return



Dallas Police & Fire Pension

DPFP

| | Market Value (\$) | % of Portfolio | 3 Mo (%) | 1 Yr (%) | 3 Yrs (%) | 5 Yrs (%) | 7 Yrs (%) | 10 Yrs (%) | Return (%) | Since |
|--|----------------------|-------------------|-------------|-------------|--------------|--------------|--------------|---------------|---------------|---------------|
| DPFP | 2,114,590,093 | 100.0 | 0.7 | 5.7 | -2.5 | 1.1 | 2.4 | 1.0 | 6.1 | Jun-96 |
| <i>Policy Index</i> | | | 4.4 | 11.7 | 7.9 | 8.7 | 8.9 | 5.9 | -- | Jun-96 |
| <i>InvestorForce Public DB Net Rank</i> | | | 99 | 99 | 99 | 99 | 99 | 99 | 72 | Jun-96 |
| Total GAA | 137,758,176 | 6.5 | 2.8 | 13.9 | 4.4 | 4.8 | 6.2 | -- | 3.9 | Jul-07 |
| <i>Total Asset Allocation Policy Index</i> | | | 4.0 | 6.7 | 6.1 | 6.3 | 6.7 | -- | 6.7 | Jul-07 |
| <i>eA All Global Balanced / TAA Net Rank</i> | | | 81 | 11 | 24 | 42 | 33 | -- | 61 | Jul-07 |
| Bridgewater All Weather | 41,100,372 | 1.9 | 3.6 | 12.5 | 3.2 | 4.2 | 8.5 | -- | 5.7 | Sep-07 |
| <i>Global 60/40</i> | | | 4.8 | 8.0 | 7.1 | 6.7 | 6.5 | -- | 6.7 | Sep-07 |
| <i>eA All Global Balanced / TAA Net Rank</i> | | | 55 | 17 | 43 | 53 | 12 | -- | 13 | Sep-07 |
| Putnam | 36,588,026 | 1.7 | 3.0 | 10.0 | 2.1 | 3.7 | 5.5 | -- | 5.8 | Dec-09 |
| <i>Global 60/40</i> | | | 4.8 | 8.0 | 6.8 | 6.7 | 7.0 | -- | 6.9 | Dec-09 |
| <i>eA All Global Balanced / TAA Net Rank</i> | | | 78 | 35 | 56 | 63 | 44 | -- | 43 | Dec-09 |
| GMO | 21,678,235 | 1.0 | 5.1 | 9.0 | 2.5 | 4.8 | 5.3 | -- | 4.5 | Sep-07 |
| <i>Global 60/40</i> | | | 4.8 | 8.0 | 6.8 | 6.7 | 7.0 | -- | 7.0 | Sep-07 |
| <i>eA All Global Balanced / TAA Net Rank</i> | | | 28 | 41 | 47 | 42 | 51 | -- | 45 | Sep-07 |
| Bridgewater Pure Alpha | 38,391,543 | 1.8 | 0.5 | 23.0 | 9.2 | 7.8 | -- | -- | 7.9 | Aug-11 |
| <i>HFRX Absolute Return</i> | | | 0.7 | 1.5 | 3.8 | 4.7 | -- | -- | 4.9 | Aug-11 |
| <i>eV Alt All Macro Rank</i> | | | 50 | 3 | 5 | 10 | -- | -- | 10 | Aug-11 |

Policy Compliance Test: Traditional Managers

3 Year Rolling Excess Return Violations:

| Manager | Return Rank | NEPC Recommendation |
|----------------------------|-------------|---------------------|
| Global Equity | | |
| OFI | 61 | HOLD |
| Public Fixed Income | | |
| Brandywine | 66 | HOLD |
| Ashmore AEMLCB | 80 | N/A |
| GAA | | |
| Putnam | 85 | N/A |

3 Year Rolling Risk-Adjusted Excess Return Violations:

| Manager | Sharpe Ratio Rank | NEPC Recommendation |
|----------------------------|-------------------|---------------------|
| Global Equity | | |
| OFI | 67 | HOLD |
| Public Fixed Income | | |
| Brandywine | 68 | HOLD |
| Loomis Sayles HY | 72 | HOLD |
| Ashmore AEMLCB | 77 | N/A |
| GAA | | |
| Putnam | 56 | N/A |

Qualitative Concerns:

| Manager | NEPC Status |
|---------|-------------|
| N/A | N/A |

Note: 'N/A' denotes that the Board has voted to terminate the manager in question. However, market exposure will be maintained with managers that have previously been approved for liquidation and to rebalance if additional cash is needed.

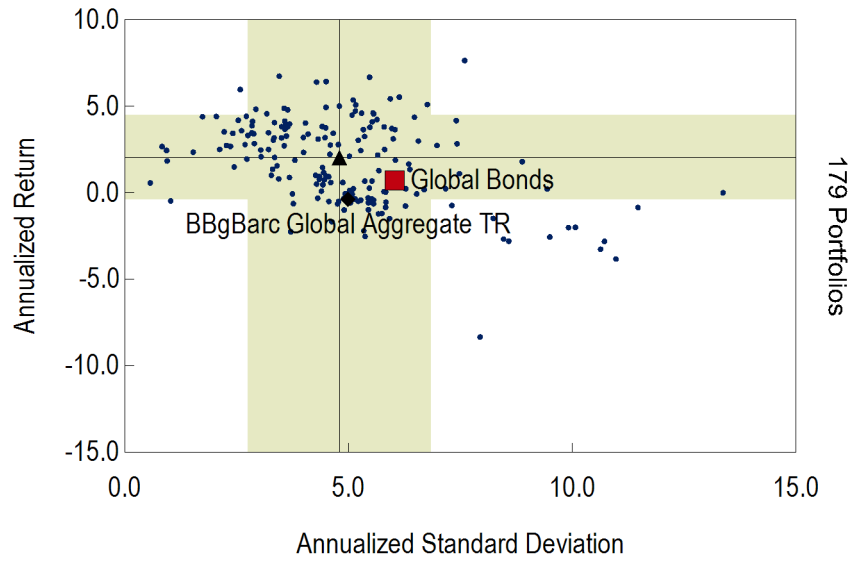
Footnotes

1. **Mitchell Group** was included in the Global Natural Resources composite from 10/1/2001 to 3/31/2015 and included in the Global Equity composite from 4/1/2015 to present.
2. **Sustainable Asset Management** was included in the Global Natural Resources composite from 11/1/2008 to 3/31/2015 and included in the Global Equity composite from 4/1/2015 to present.
3. **Hudson Clean Energy** was included in the Global Natural Resources composite from 1/1/2010 to 3/31/2015 and included in the Private Markets composite from 4/1/2015 to 12/31/2015 and the Private Equity composite from 1/1/2016 to present.
4. **RREEF** was included in the Real Estate composite from 2/1/1999 to 12/31/2009 and included in the Global Equity composite from 1/1/2010 to present.
5. **Highland Crusader** was included in the Global Fixed Income composite from 7/1/2003 to 12/31/2015 and included in the Private Credit composite from 1/1/2016 to present.
6. **Highland Capital Management** was included in the Global Fixed Income composite from 1/1/2007 to 12/31/2015 and included in the Private Credit composite from 1/1/2016 to present.
7. **Lone Star Fund VII, LP** was included in the Global Fixed Income composite from 10/1/2011 to 3/31/2015 and included in the Private Markets composite from 4/1/2015 to 12/31/2015 and included in the Private Credit composite from 1/1/2016 to present.
8. **Lone Star Fund VIII, LP** was included in the Global Fixed Income composite from 10/1/2013 to 3/31/2015 and included in the Private Markets composite from 4/1/2015 to 12/31/2015 and included in the Private Credit composite from 1/1/2016 to present.
9. **Lone Star Fund IX, LP** was included in the Global Fixed Income composite from 10/1/2014 to 3/31/2015 and included in the Private Markets composite from 4/1/2015 to 12/31/2015 and included in the Private Credit composite from 1/1/2016 to present.
10. **Oaktree Fund IV & 2x Loan Fund** was included in the Global Fixed Income composite from 1/1/2002 to 3/31/2015 and included in the Private Markets composite from 4/1/2015 to 12/31/2015 and included in the Private Credit composite from 1/1/2016 to present.
11. **Ashmore Capital GSSF IV** was included in the Private Markets composite from 10/1/2007 to 12/31/2015 and included in the Private Credit composite from 1/1/2016 to present.
12. **Global Infrastructure composite** was included in the Private Markets composite history until 6/30/2012.
13. **Private Equity composite** includes Private Credit managers until 12/31/2015. From 01/01/2016 to present the Private Equity and Credit managers are now in separate composites.
14. **Policy index** changed on 4/1/2016 from 20% MSCI ACWI, 15% S&P 500+2%, 10% Global Natural Resources Benchmark, 15% Barclays Global Agg, 20% CPI+5%, 10% CPI +5%, 15% NCREIF PI to 20% MSCI ACWI (gross), 5% MSCI EM Equity (gross), 5% Russell 3000 +3%, 2% Barclays UST 1-3 Yr, 3% Barclays Global Agg, 5% Barclays Global HY, 6% S&P Leveraged Loan Index, 6% HFRX RV: FI (50/50- Abs/Corp), 6%50% JPM EMBI/50% JPM GBI-EM, 5% Barclays Global HY +2%, 5% S&P Global Nat Res, 5% S&P Global Infra, 12% NCREIF, 3% CPI +5%, 5% 60% MSCI ACWI/40% Barclays Global Agg, 3% 60% MSCI ACWI/40% Barclays Global Agg, 2% HFRX Abs Ret Index, 2% 90 Day T-Bill.
15. **Natural Resources** benchmark changed from the Global Natural Resources benchmark from 12/1/2010 to 12/31/2015 to the S&P Global Natural Resources benchmark 1/1/2016 to present.
16. **Infrastructure** benchmark changed from CPI +5% from 7/1/2012 to 12/31/2015 to S&P Global Infrastructure benchmark 1/1/2016 to present.
17. **Total Asset Allocation** benchmark changed from CPI+ 5% from 7/1/2007 to 12/31/2015 to 80% 60/40 MSCI ACWI & Barclays Global Agg and 20% HFRX Absolute Return Index 1/1/2016 to present.
18. **Bridgewater All Weather** benchmark changed from 91 Day T Bills +6% from 9/1/2007 to 12/31/2015 to 60/40 MSCI ACWI & Barclays Global Agg 1/1/2016 to present.
19. **GMO** benchmark changed from CPI +5% from 9/1/2007 to 12/31/2015 to 60/40 MSCI ACWI & Barclays Global Agg 1/1/2016 to present.
20. **Putnam** benchmark changed from CPI +5% from 12/1/2009 to 12/31/2016 to 60/40 MSCI ACWI & Barclays Global Agg 1/1/2016 to present.
21. **Bridgewater Pure Alpha** benchmark changed from 91 Day T Bills +6% from 8/1/2011 to 12/31/2015 to HFRX Absolute Return Index 1/1/2016 to present.

Portfolio Review: Global Fixed Income

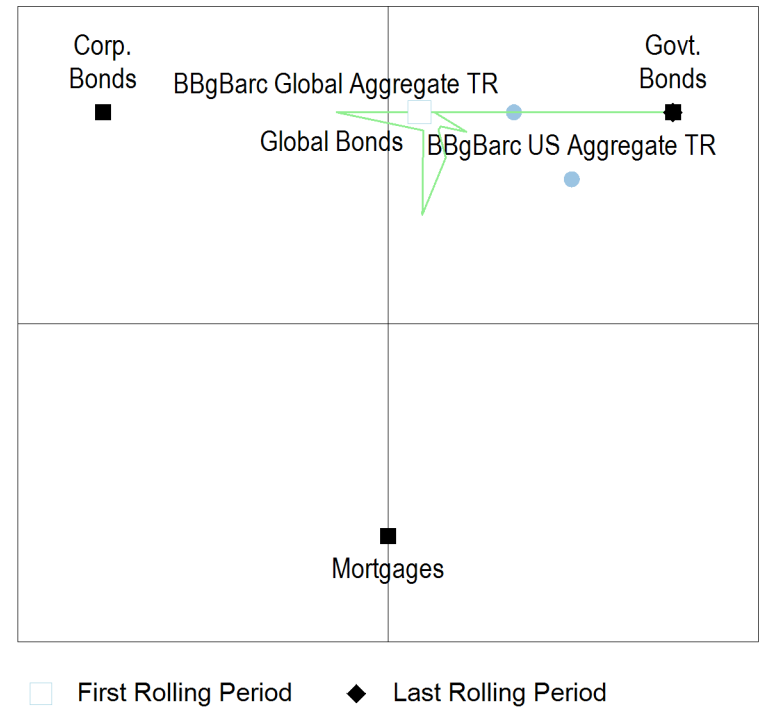


3 Year Risk Return



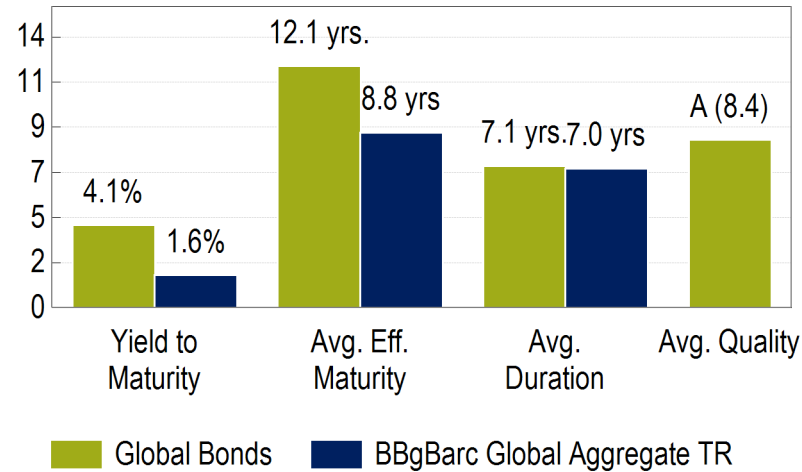
- Global Bonds
- ◆ BBgBarc Global Aggregate TR
- ▲ Universe Median
- 68% Confidence Interval
- eA All Global Fixed Inc Net

3 Year Style Analysis

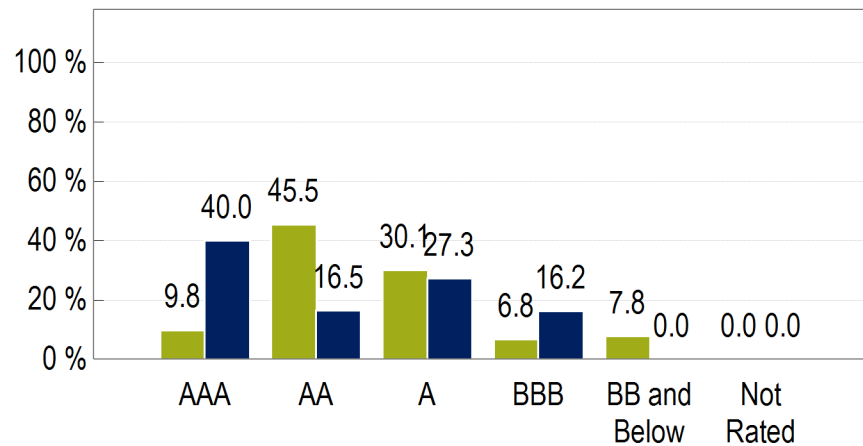


- First Rolling Period
- ◆ Last Rolling Period

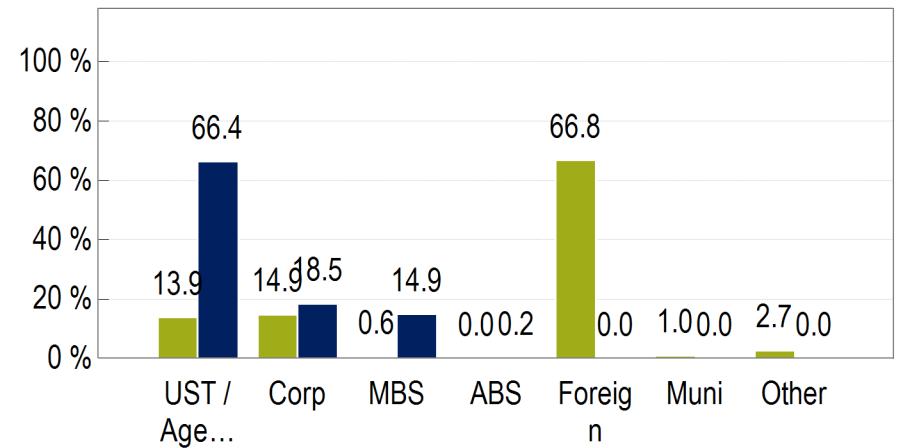
Characteristics



Quality Ratings



Sectors



- **Manager Role in Portfolio**

- One of two global fixed income managers

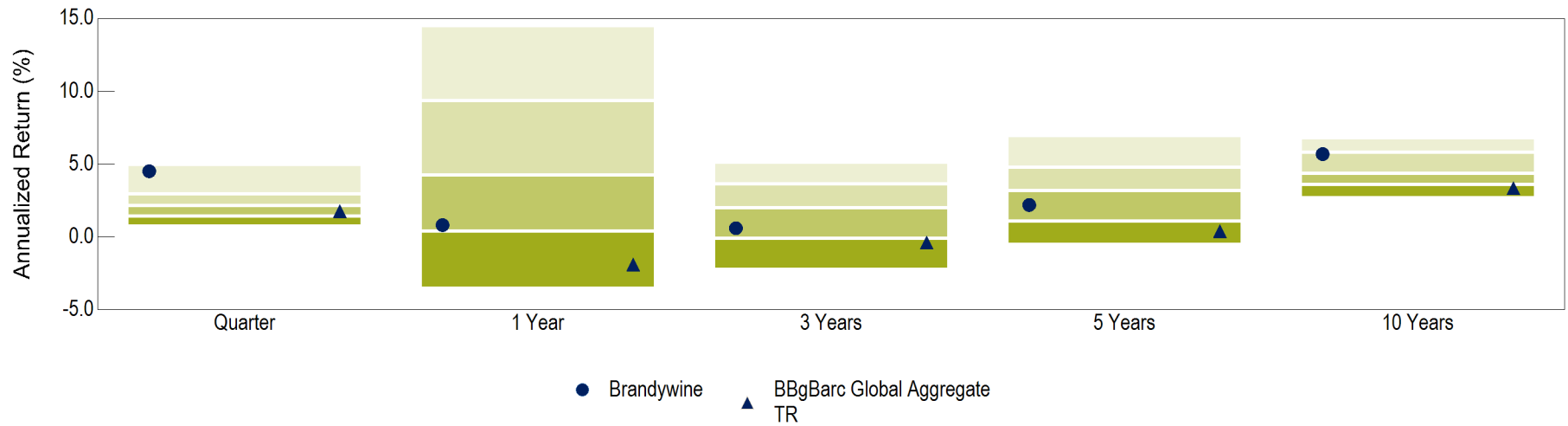
- **Organizational Profile**

- Brandywine Asset Management, LLC is a wholly-owned, independent subsidiary of Legg Mason, Inc. Prior to October 2001, they were Brandywine Asset Management, Inc. Of note, their senior investment professionals have non-competes with Legg Mason, Inc. for up to 6 years.

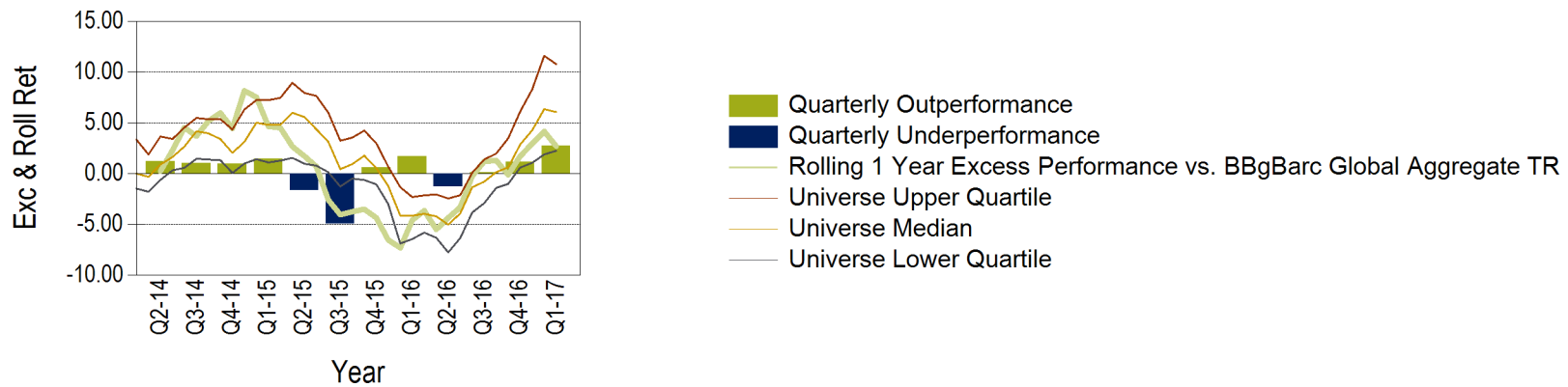
- **Investment Strategy Commentary**

- Brandywine attempts to invest in bonds with the highest real yield, manage currencies to protect principle and increase returns, avoid index-like weights, limit risk and patiently rotate countries
- Secular trends drive bond markets and opportunities exist to add value by identifying trends which capitalize on the dynamics of liquidity cycles and business cycles in each country
- Currency valuations that Brandywine considers extreme are hedged

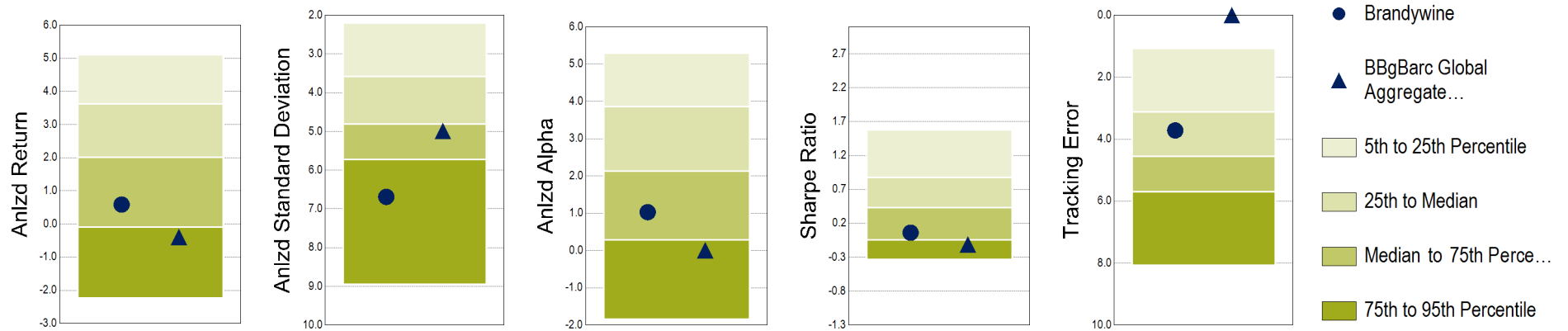
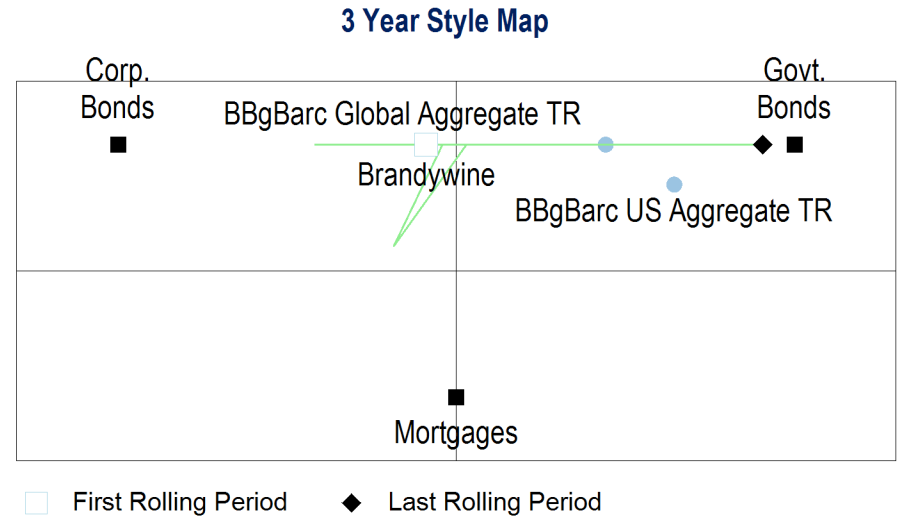
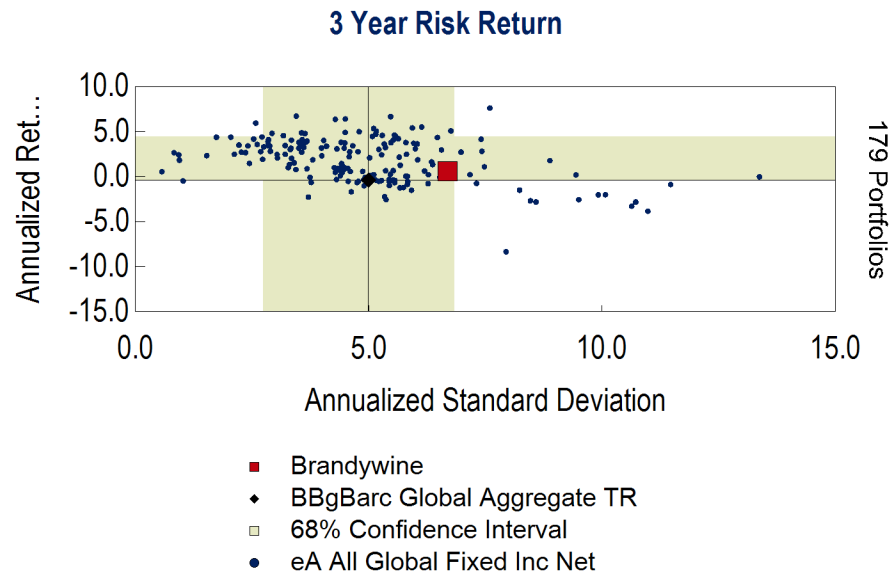
eA All Global Fixed Inc Net Accounts



Annualized Excess Performance



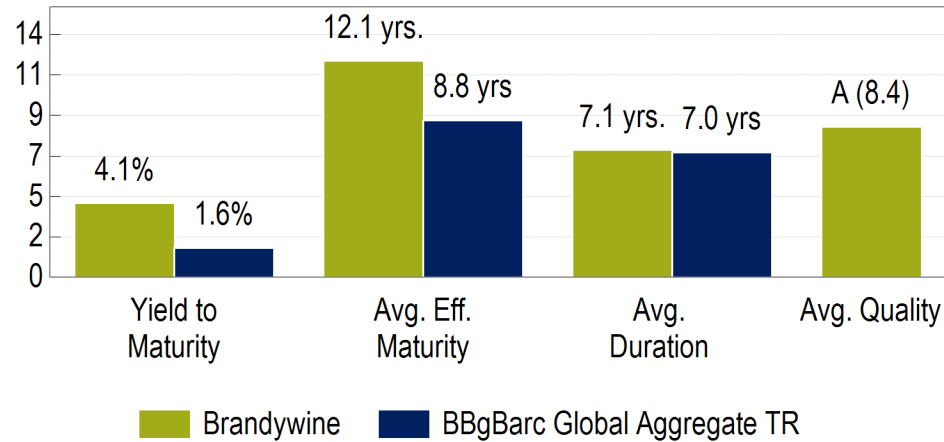
Returns are net of fees



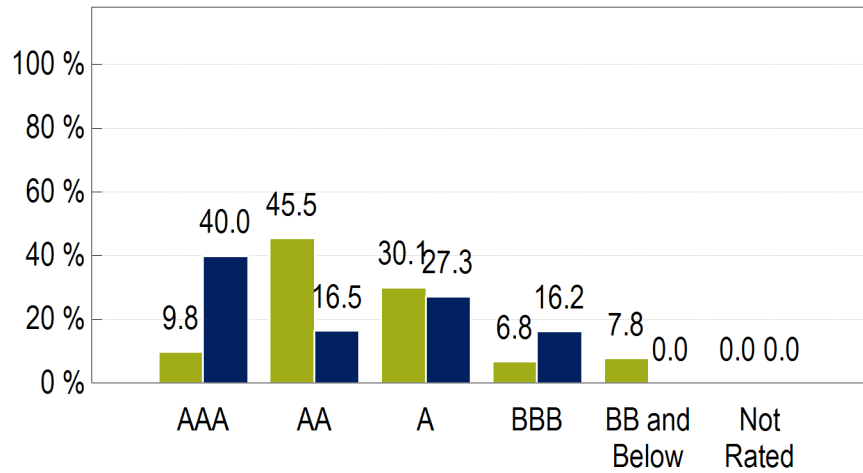
Returns are net of fees

Brandywine

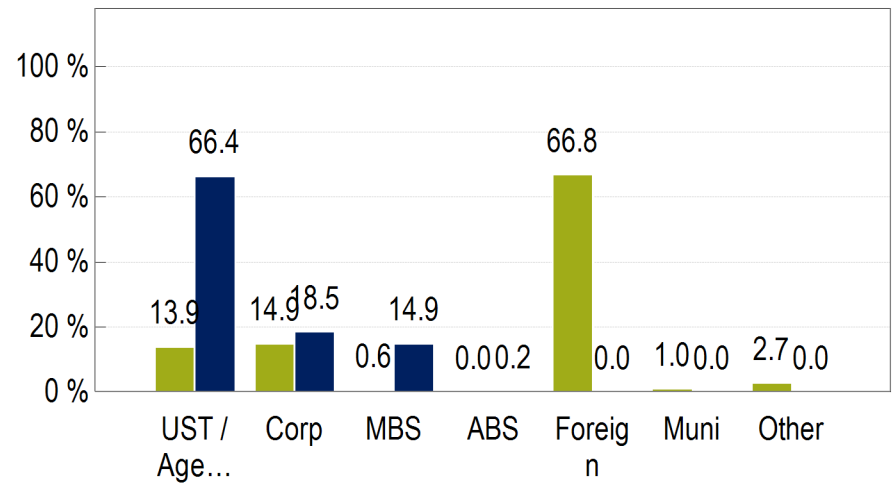
Characteristics



Quality Ratings



Sectors



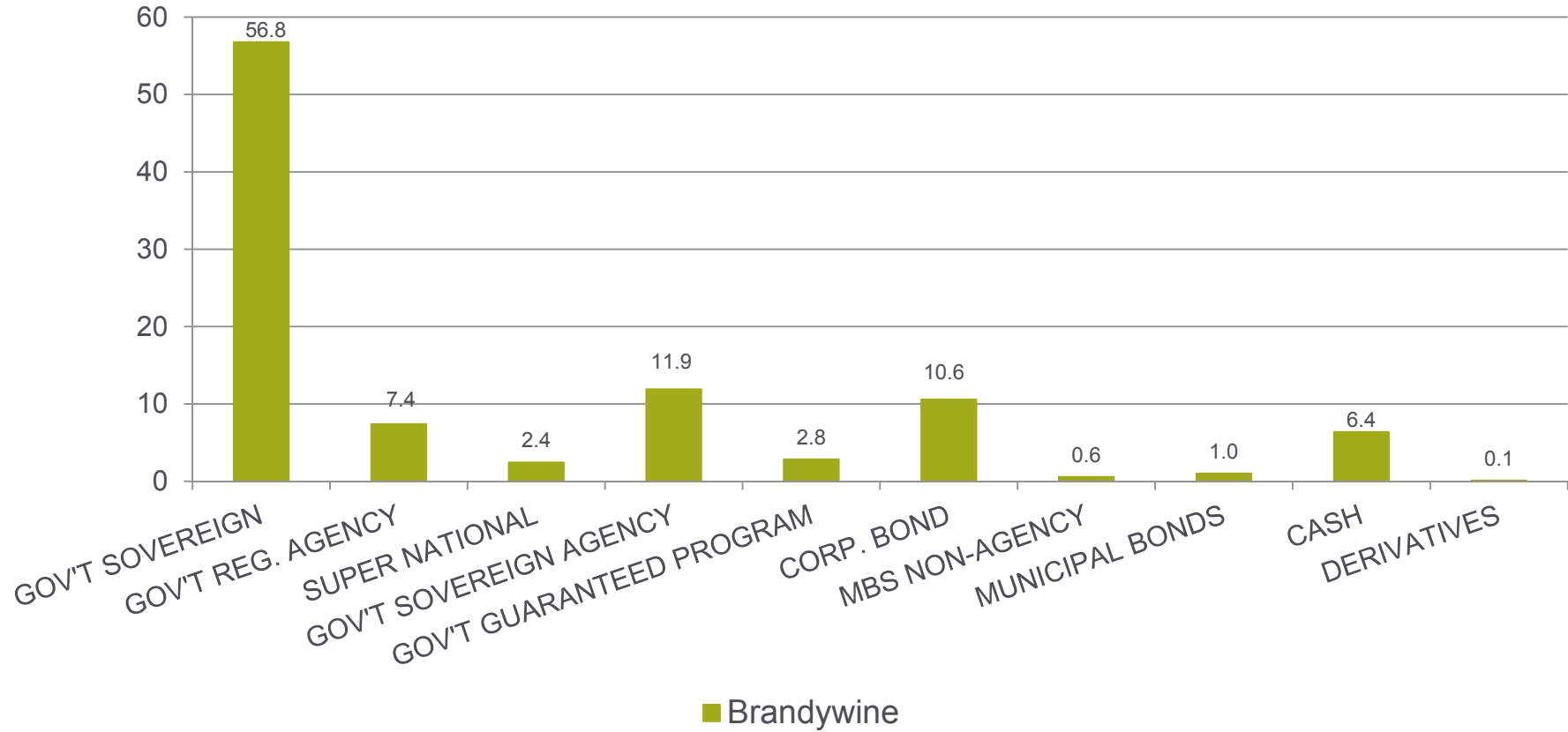
Characteristics

Brandywine

| | |
|-------------------|------|
| Average Coupon | 4.5 |
| Average Maturity | 11.3 |
| Modified Duration | 5.9 |
| Number of Issues | 49 |
| Yield to Maturity | 3.8 |

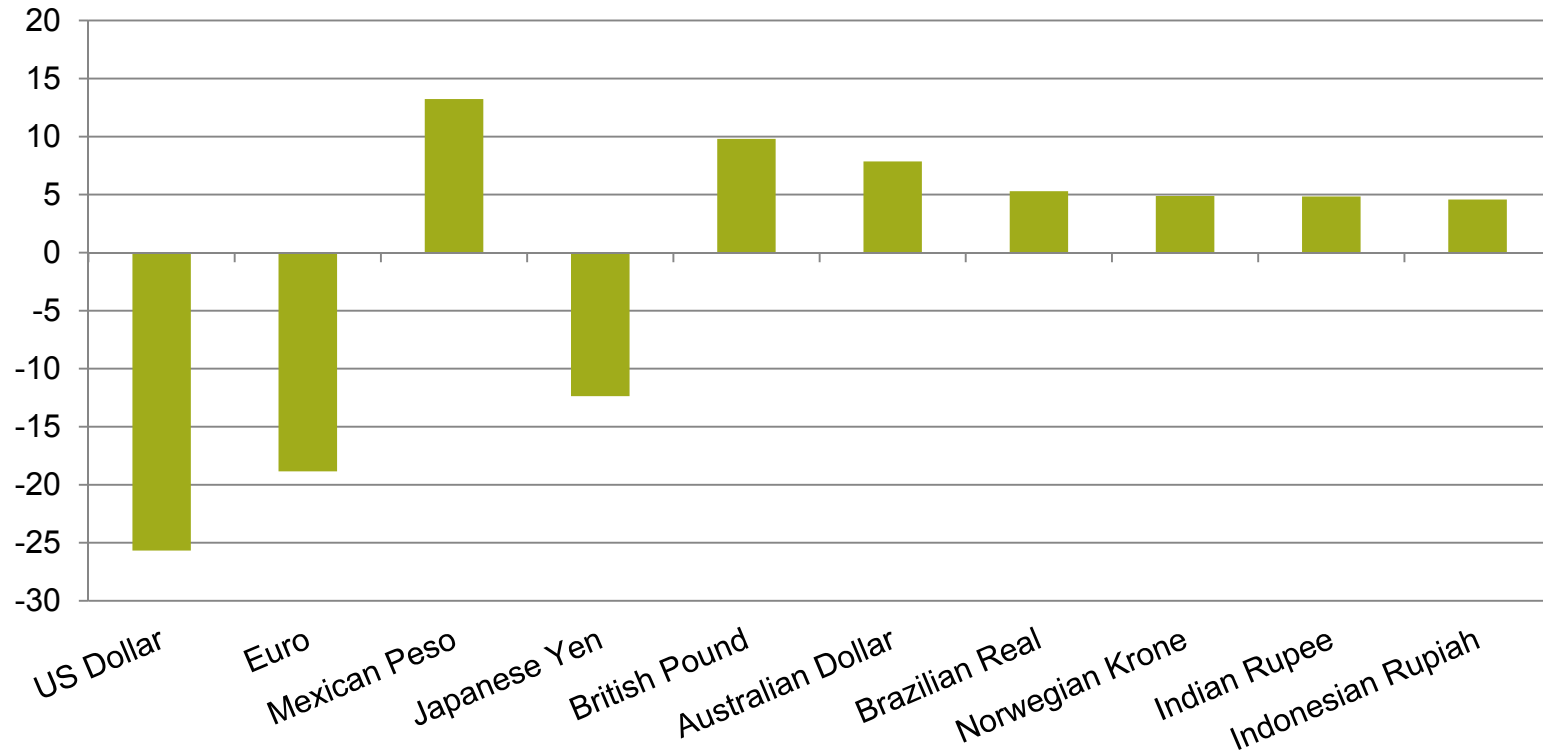
Source: Brandywine, March 2017

Sector Allocation



Source: Brandywine, March 2017

■ **Currency Allocations: Top 10 Over/Under Weights**



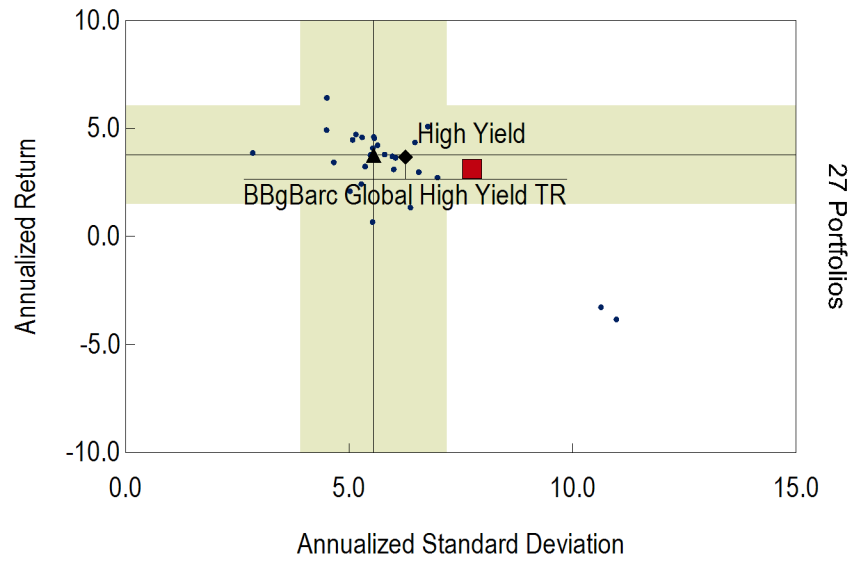
Source: Brandywine, March 2017

■ Country Allocations: Top 10 Over/Under Weights



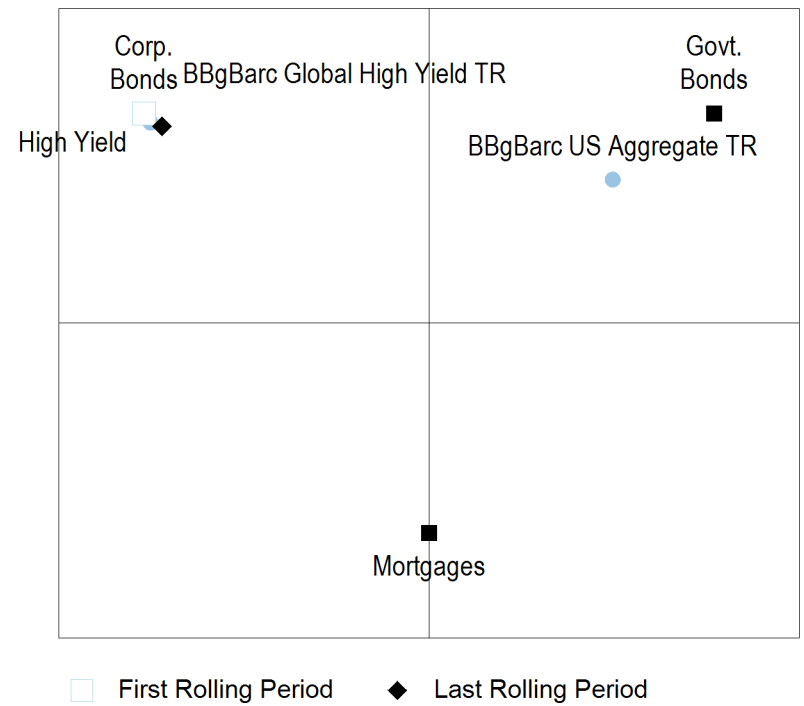
Source: Brandywine, March 2017

3 Year Risk Return

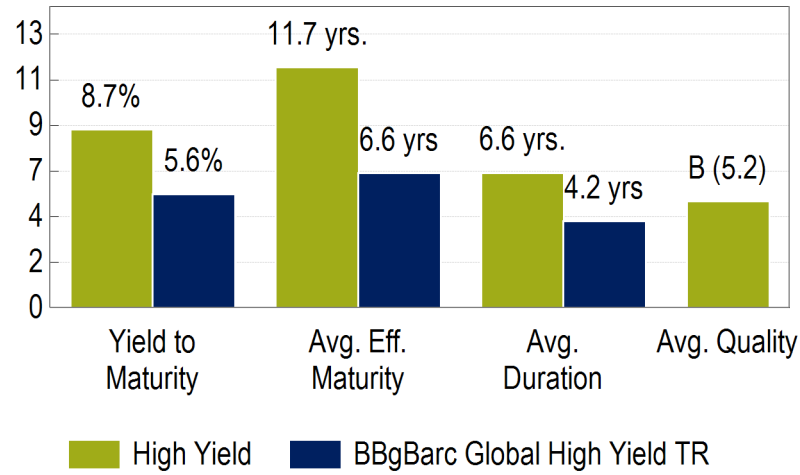


- High Yield
- ◆ BBgBarc Global High Yield TR
- ▲ Universe Median
- 68% Confidence Interval
- eA Global High Yield Fixed Inc Net

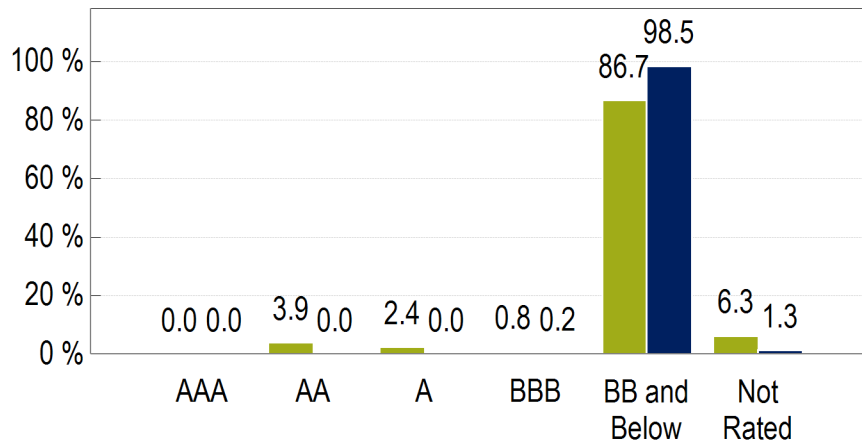
3 Year Style Analysis



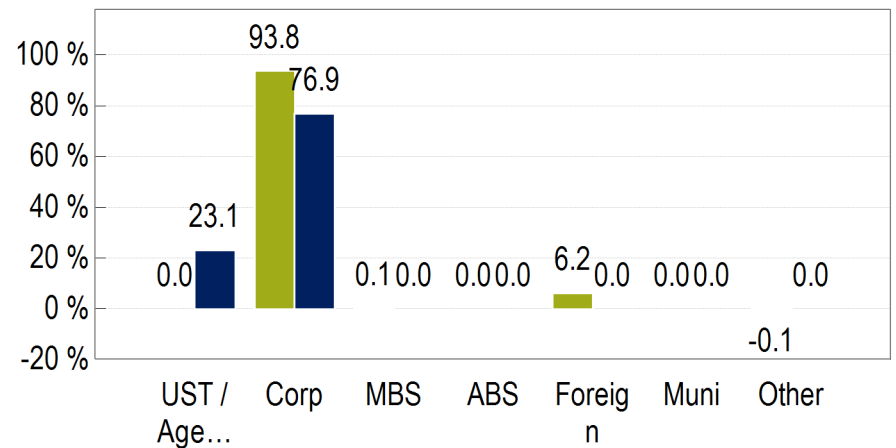
Characteristics



Quality Ratings



Sectors



- **Manager Role in Portfolio**

- Global opportunistic fixed income manager operating in public securities markets

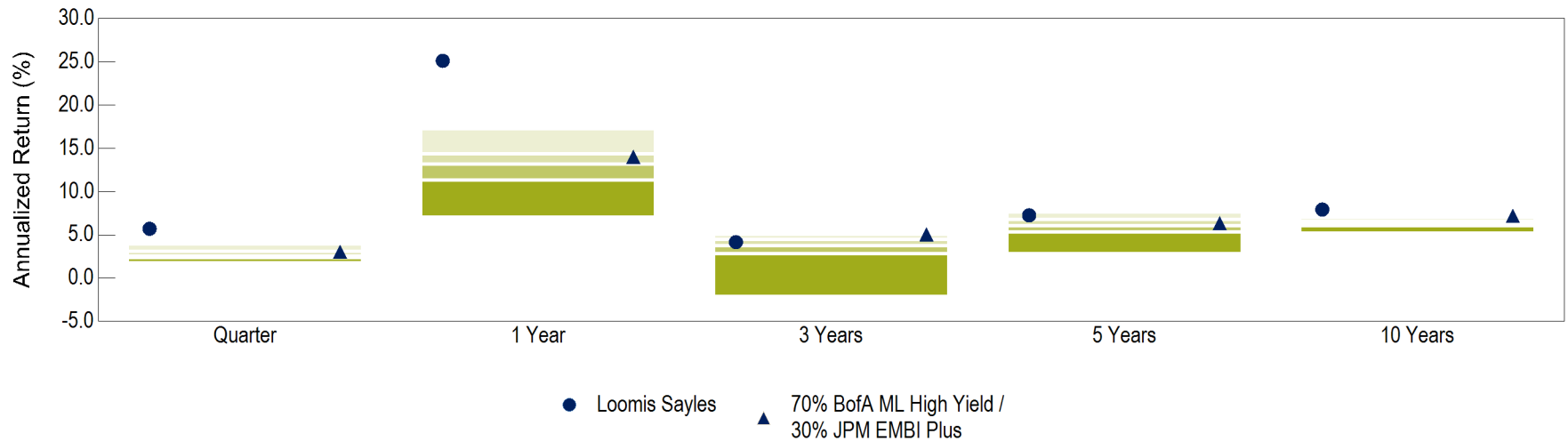
- **Organizational Profile**

- Originally founded in 1926, Loomis Sayles is now a wholly-owned subsidiary of CDC IXIS Asset Management
- Loomis is highly regarded for its credit research skills

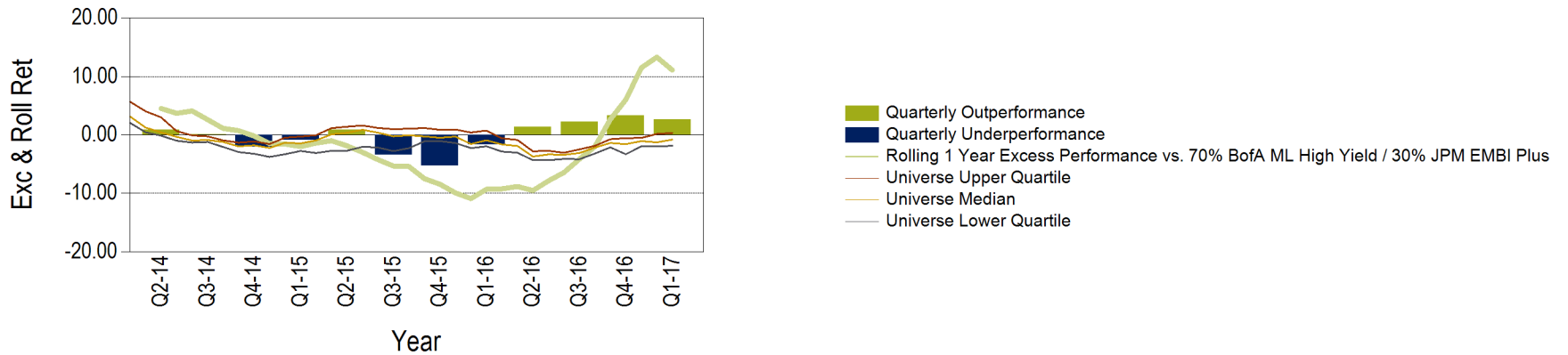
- **Investment Strategy Commentary**

- Bottom-up selection with top-down “awareness”
- Bond Policy Committee provides top-down, macro view of market conditions
- Investment professionals from research, portfolio management and trading collaborate for bottom-up selection in eleven specific sectors

eA Global High Yield Fixed Inc Net Accounts

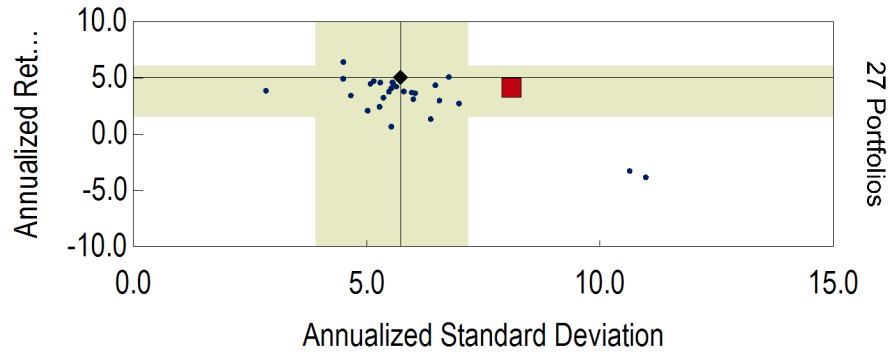


Annualized Excess Performance



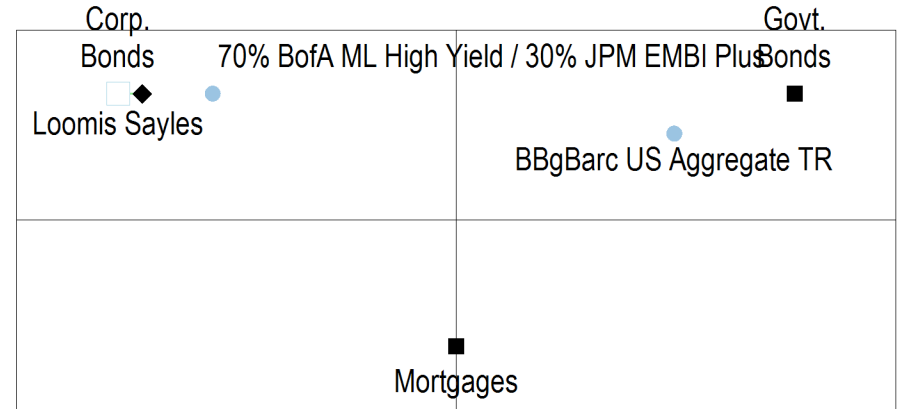
Returns are net of fees

3 Year Risk Return

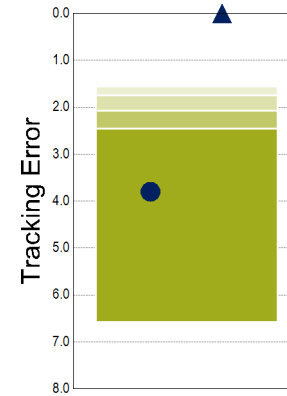
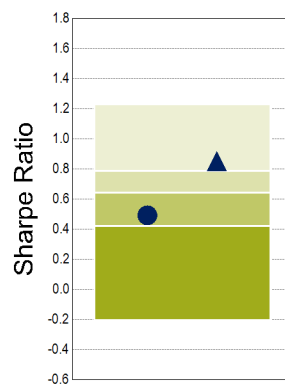
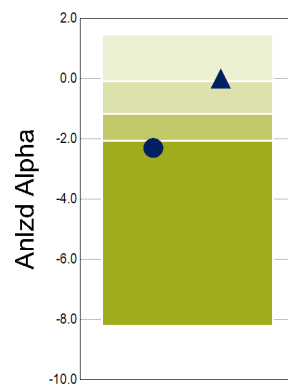
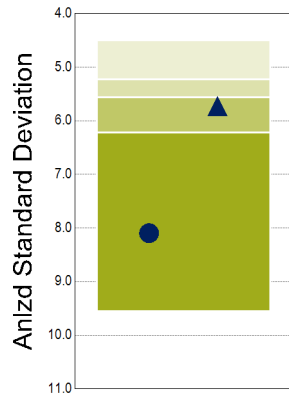
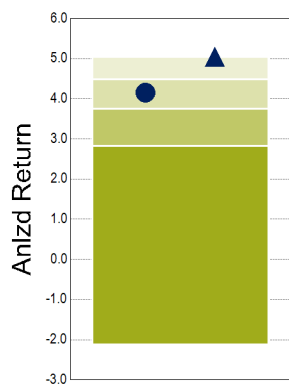


- Loomis Sayles
- ◆ 70% BofA ML High Yield / 30% JPM EMBI Plus
- 68% Confidence Interval
- eA Global High Yield Fixed Inc Net

3 Year Style Map



- First Rolling Period
- ◆ Last Rolling Period



- Loomis Sayles
- ▲ 70% BofA ML High Yield / ...
- 5th to 25th Percentile
- 25th to Median
- Median to 75th Perce...
- 75th to 95th Percentile

Returns are net of fees

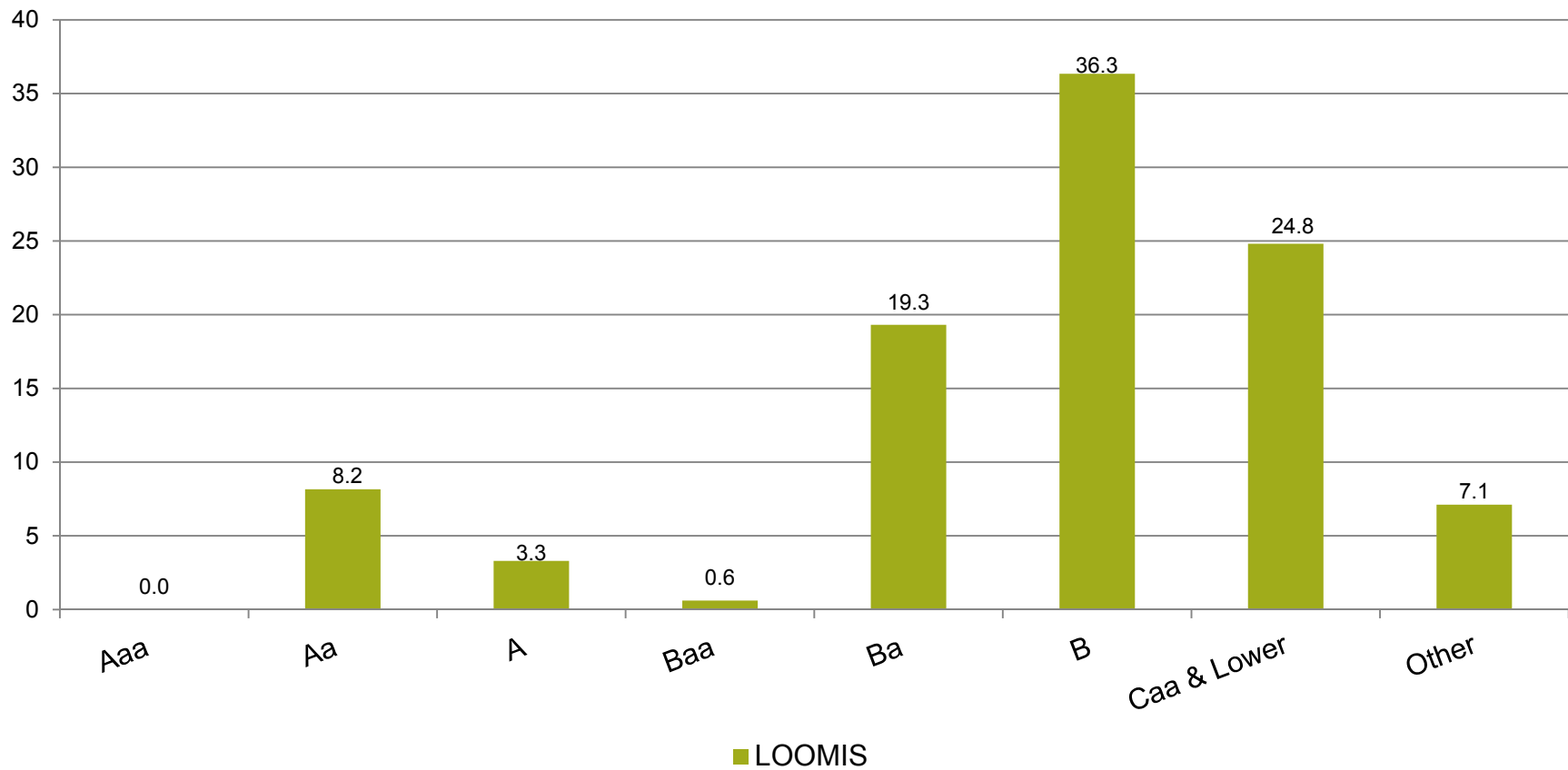
Characteristics

Loomis

| | |
|------------------------|-----|
| Average Maturity (Yrs) | 6.4 |
| Duration(Yrs) | 4.0 |
| Average Quality | B2 |
| Yield(%) | 6.5 |

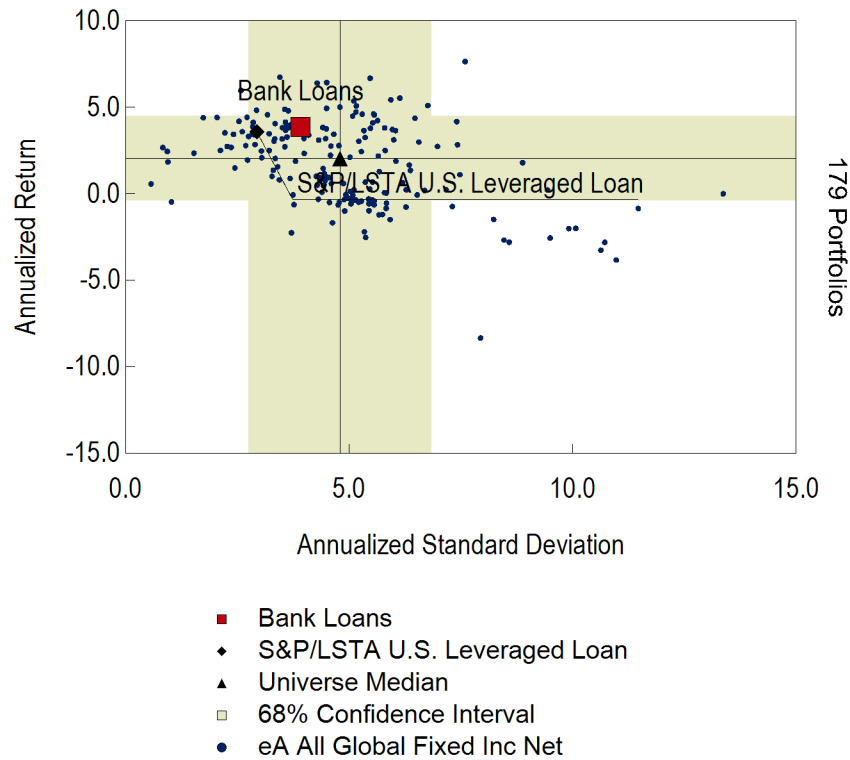
Source: Loomis March 2017

Quality Allocation

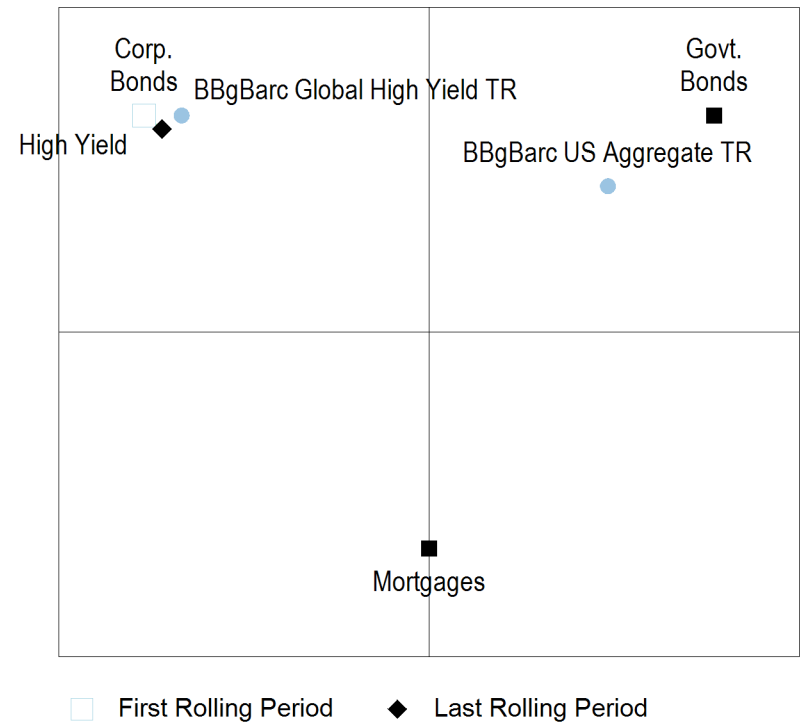


Source: Loomis, March 2017

3 Year Risk Return



3 Year Style Analysis

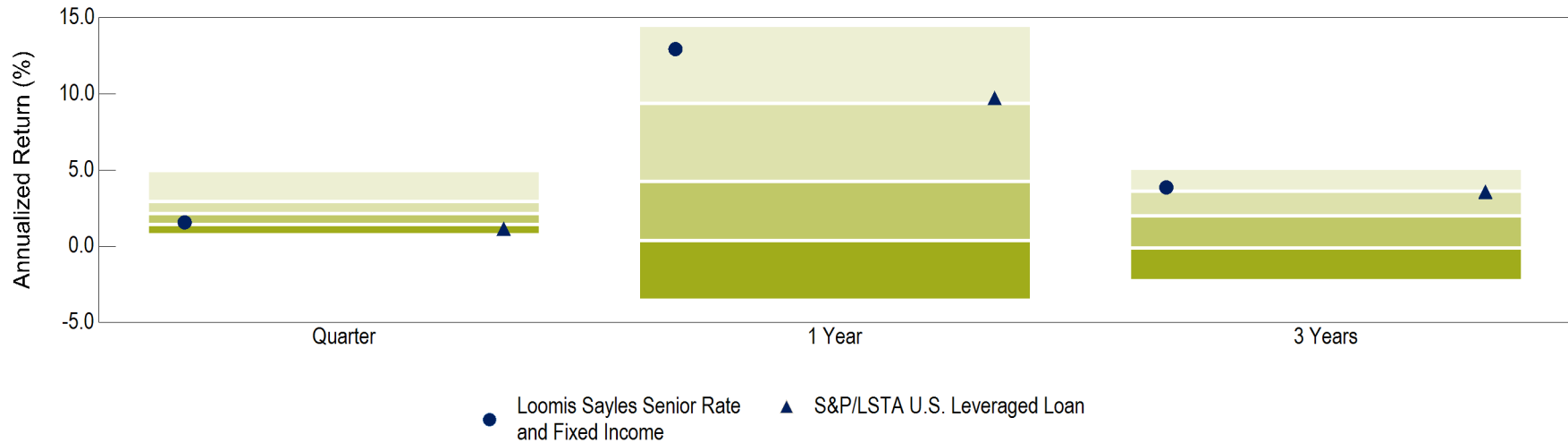


Loomis Sayles Senior Floating Rate and Fixed Income

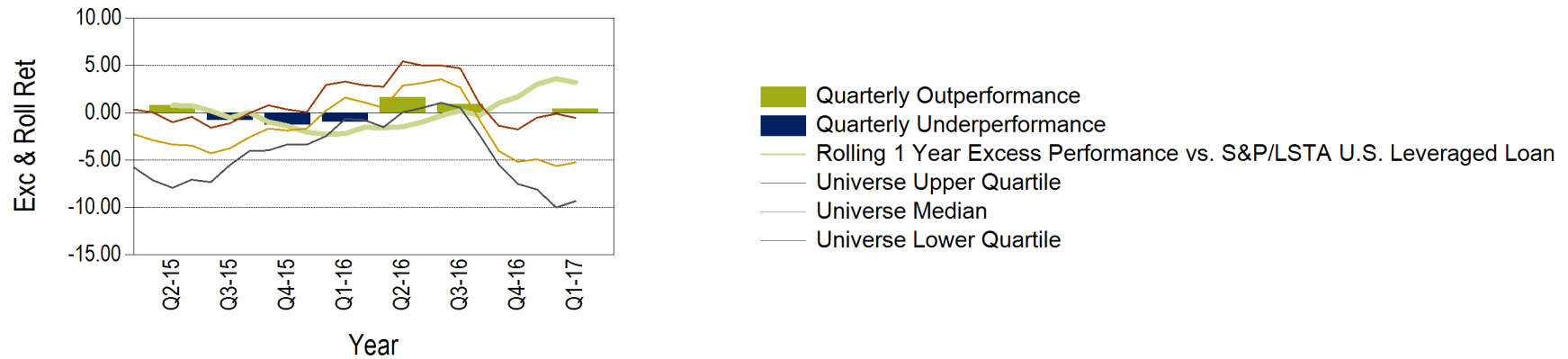
- **Manager Role in Portfolio**
 - Seeks to provide a high level of current income by using a value driven, opportunistic approach and macro-guided portfolio construction
 - Provides some protection in a rising rate environment
- **Organizational Profile**
 - Originally founded in 1926, Loomis Sayles is now a wholly-owned subsidiary of Natixis Global Asset Management.
 - Loomis is highly regarded for its credit research skills
- **Investment Strategy Commentary**
 - Allocations to out of benchmark securities for offensive and defensive purposes
 - Must invest at least 65% in floating rate loans
 - May invest up to 35% of assets in other fixed income securities
 - May invest up to 20% of assets in non-US issuers, including 10% in emerging market debt securities
 - May use leverage through borrowing up to 33.33% of the Fund's total assets after such borrowing

Loomis Sayles Senior Rate and Fixed Income

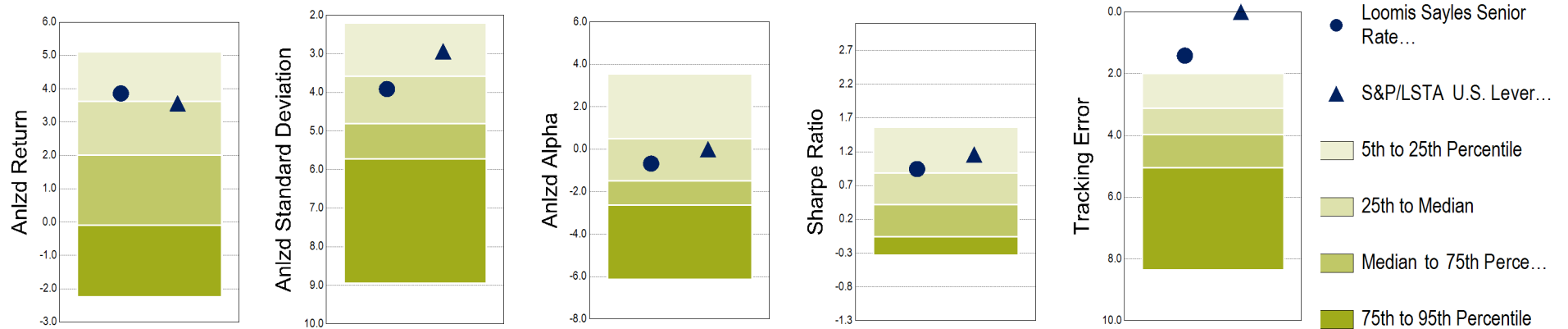
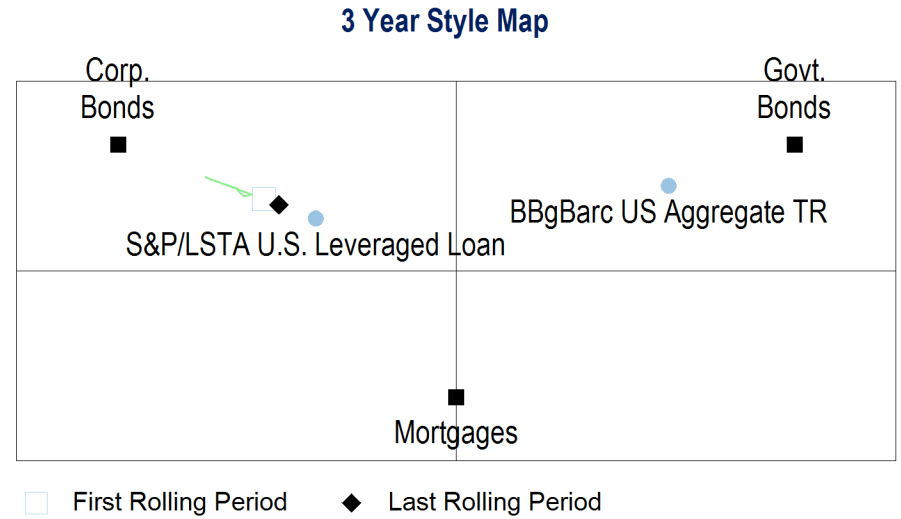
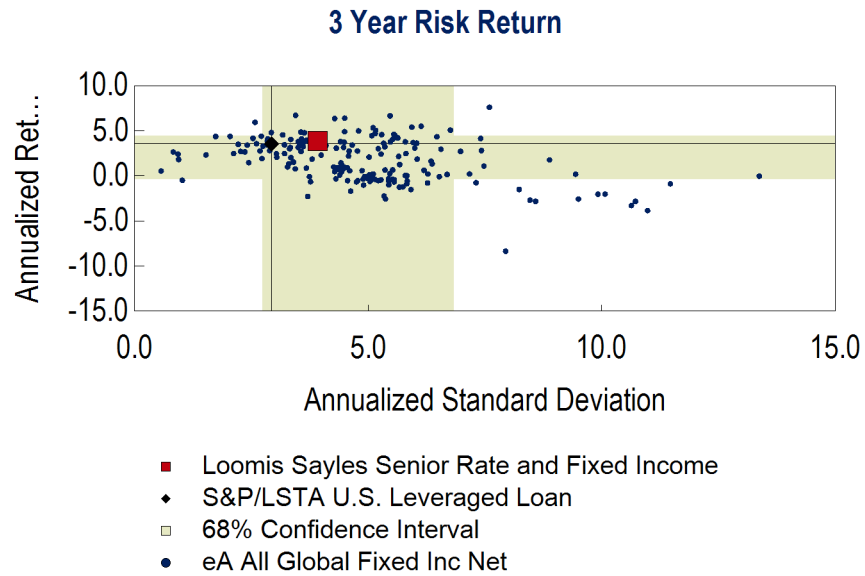
eA All Global Fixed Inc Net Accounts



Annualized Excess Performance



Returns are net of fees



Returns are net of fees

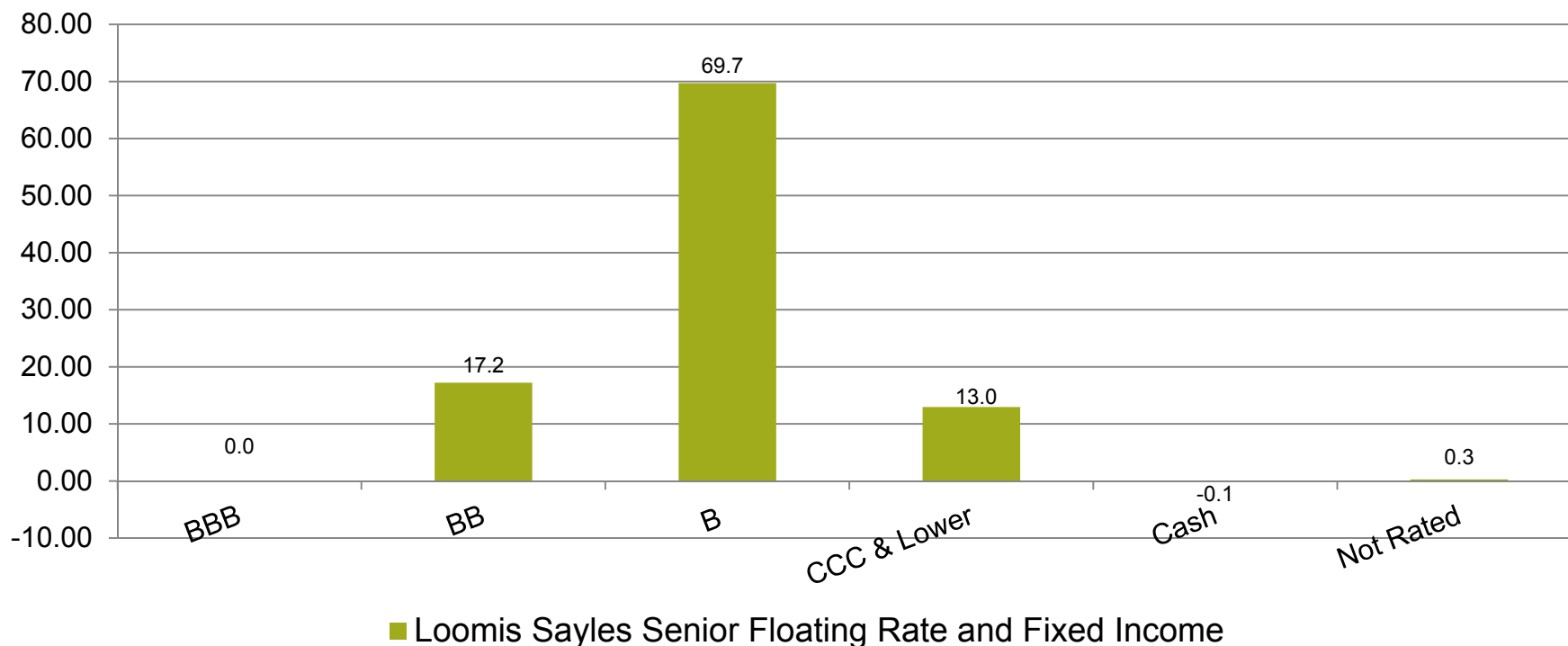
Characteristics

Loomis Sayles

| | |
|------------------|-----|
| Current Yield | 5.9 |
| Stated Maturity | 5.3 |
| Duration | 0.3 |
| Number of Issues | 292 |
| Average Quality | B |

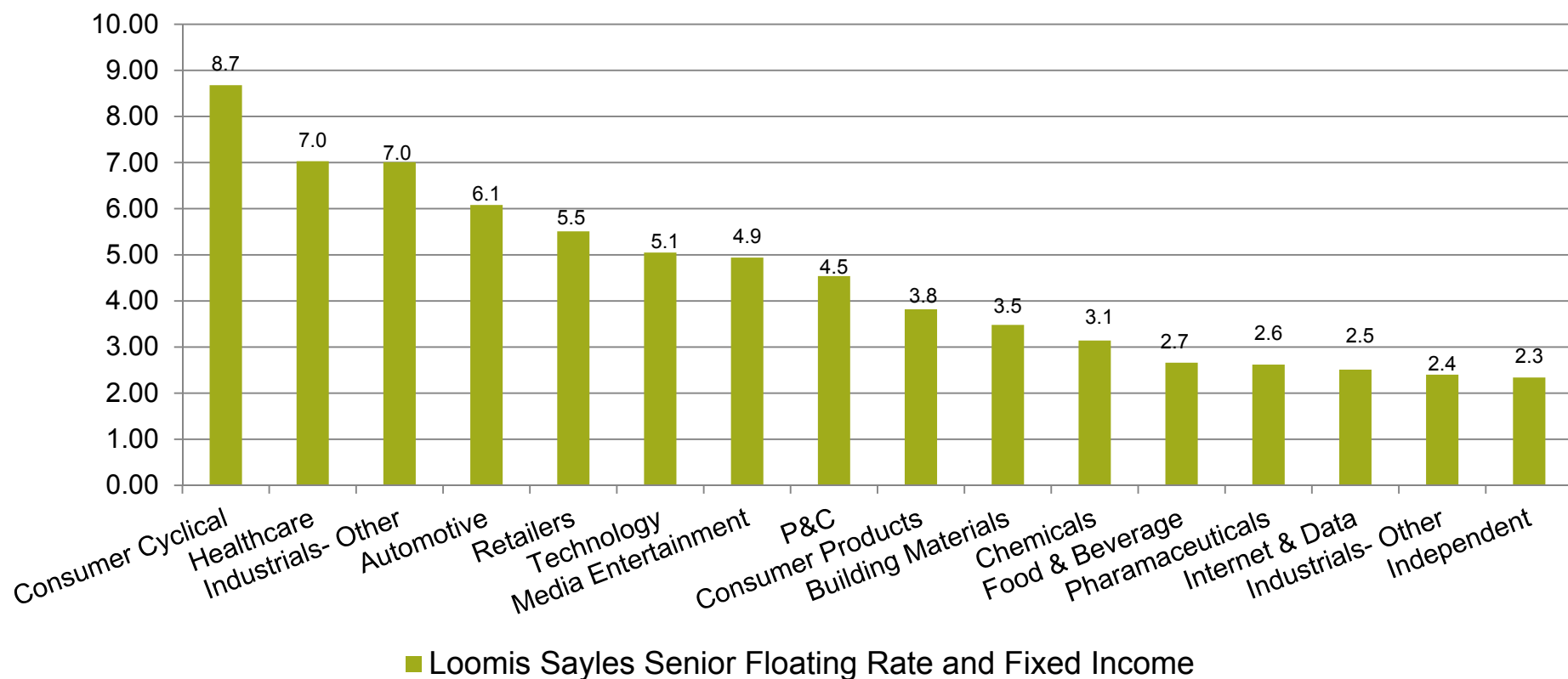
Source: Loomis Sayles, March 2017

Quality Allocation



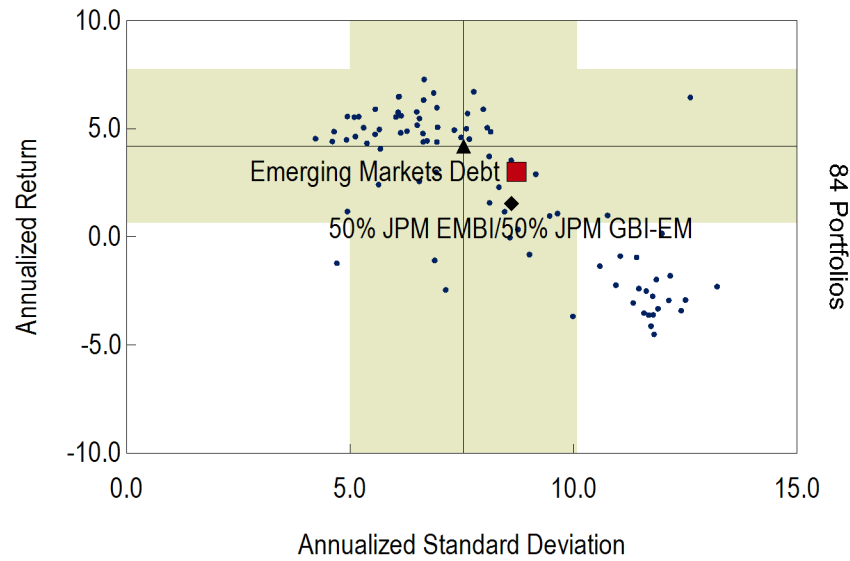
Source: Loomis Sayles, March 2017

Sector Distribution



Source: Loomis Sayles, March 2017

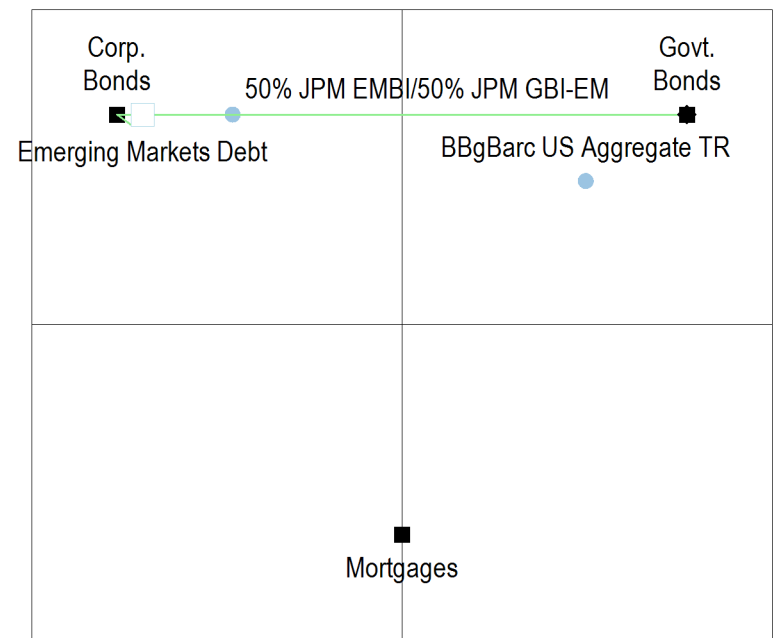
3 Year Risk Return



84 Portfolios

- Emerging Markets Debt
- ◆ 50% JPM EMBI/50% JPM GBI-EM
- ▲ Universe Median
- 68% Confidence Interval
- eA All Emg Mkts Fixed Inc Net

3 Year Style Analysis



- First Rolling Period
- ◆ Last Rolling Period

- **Manager Role in Portfolio**

- Represents the local emerging market debt portion of the global fixed income allocation

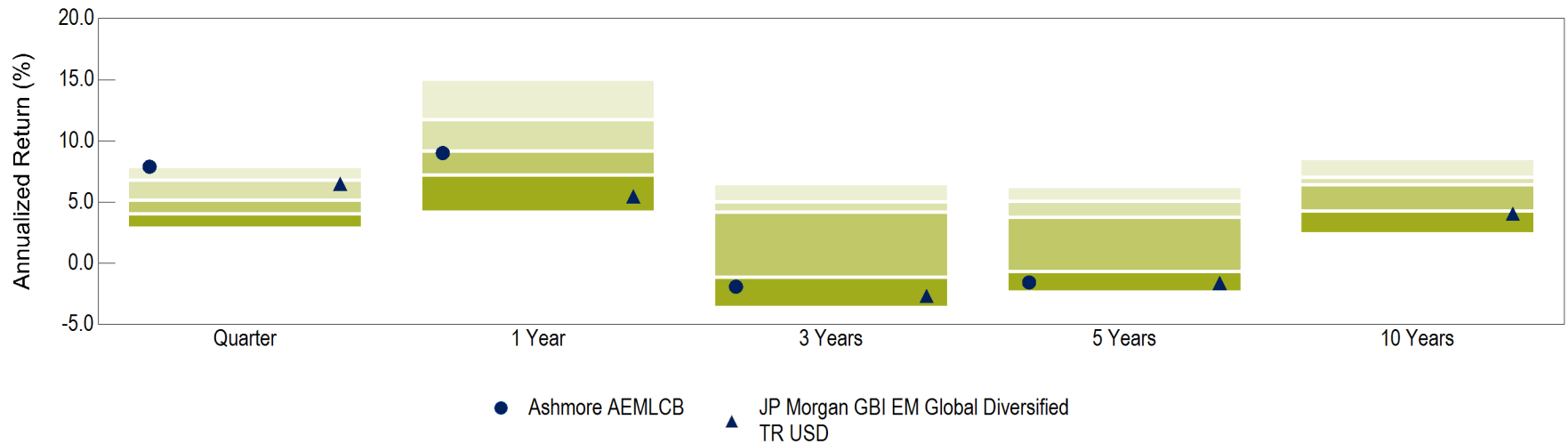
- **Organizational Profile**

- Established in 1992 with a management buyout in 1998/1999
- Ashmore Group plc, the parent company of Ashmore Investment Management Limited ("AIML" or "Ashmore"), was listed on the London Stock Exchange in October 2006.
- Specialist in emerging market investing

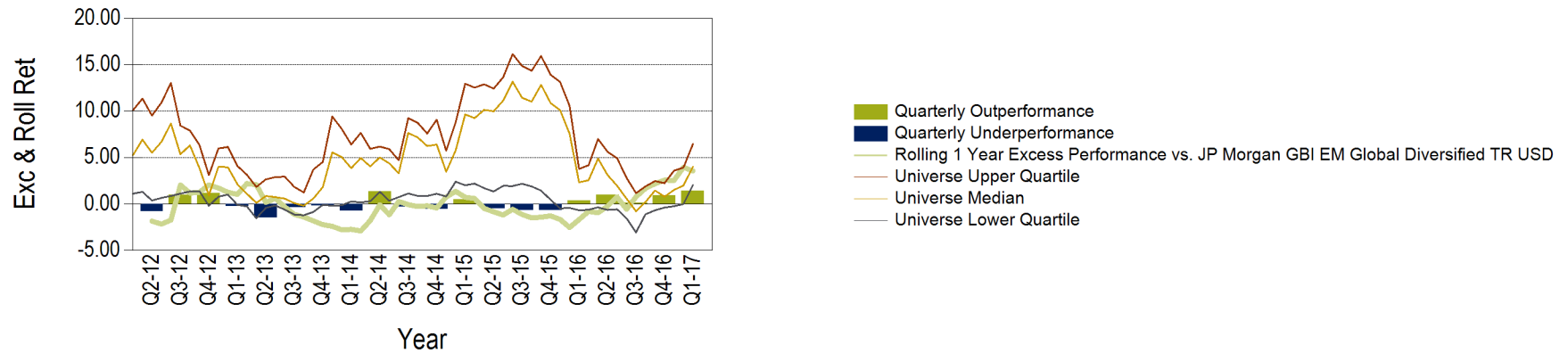
- **Investment Strategy Commentary**

- Ashmore combines top down thematic approaches with issue-by-issue security selection.
- Process is overseen by an investment committee which meets weekly to approve all strategies and transactions.
- Strong emphasis on risk management in portfolio construction and ongoing monitoring.

eA All Emg Mkts Fixed Inc Net Accounts

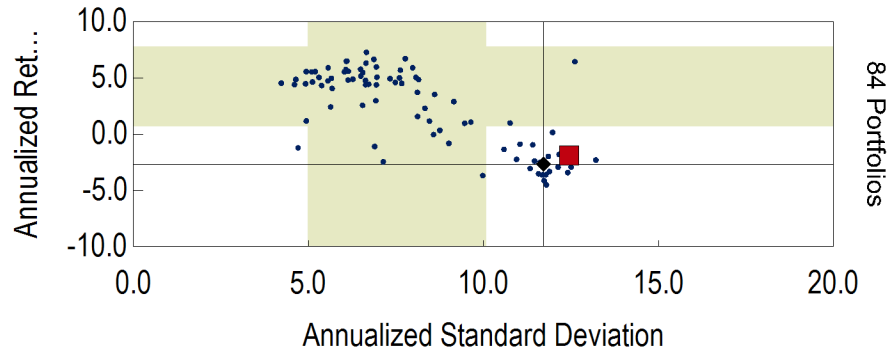


Annualized Excess Performance



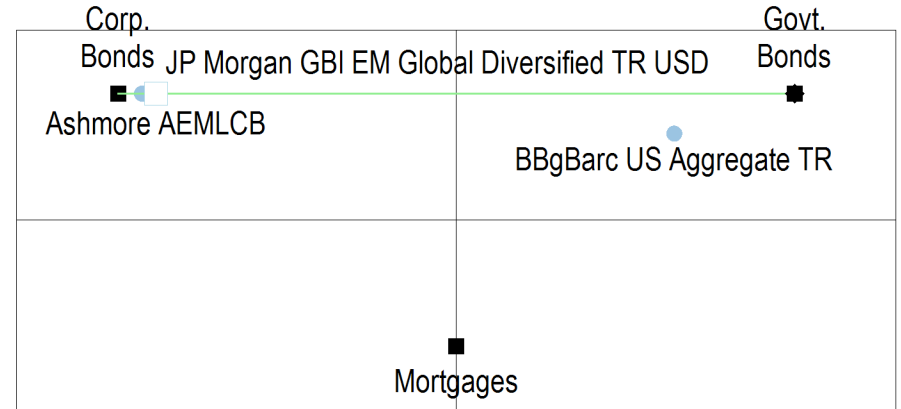
Returns are net of fees

3 Year Risk Return

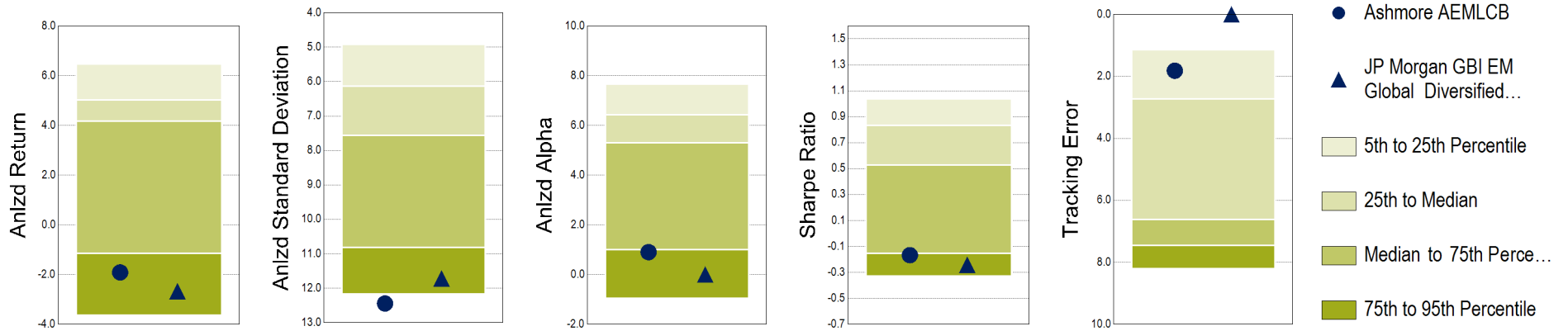


- Ashmore AEMLCB
- ◆ JP Morgan GBI EM Global Diversified TR USD
- 68% Confidence Interval
- eA All Emg Mkts Fixed Inc Net

3 Year Style Map



- First Rolling Period
- ◆ Last Rolling Period



Returns are net of fees

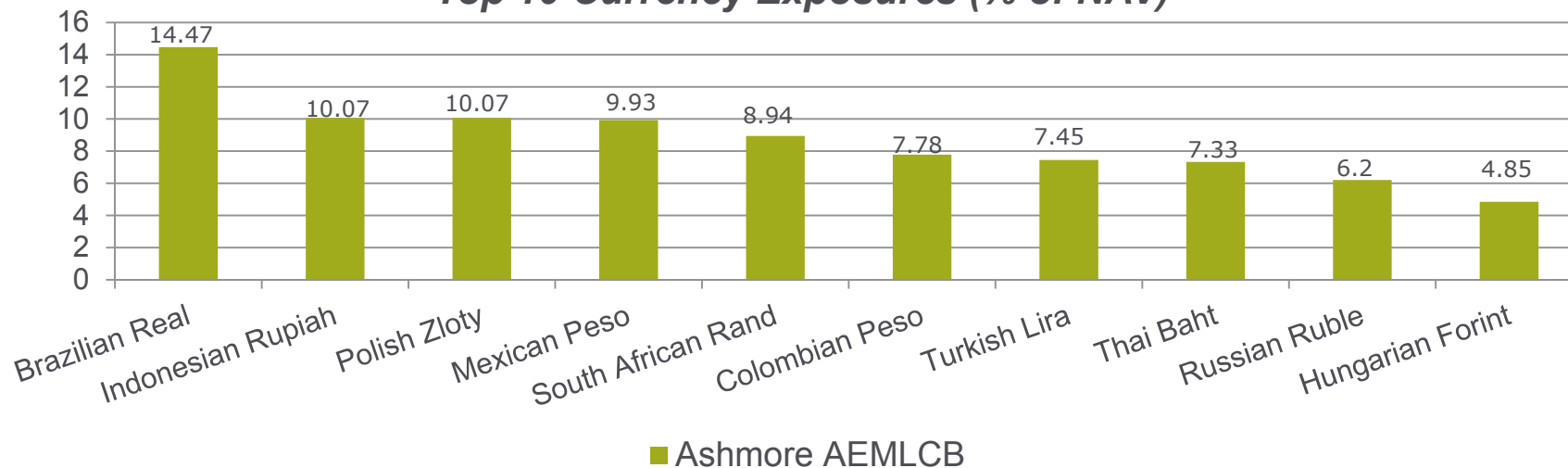
Characteristics

**Ashmore
AEMLCB**

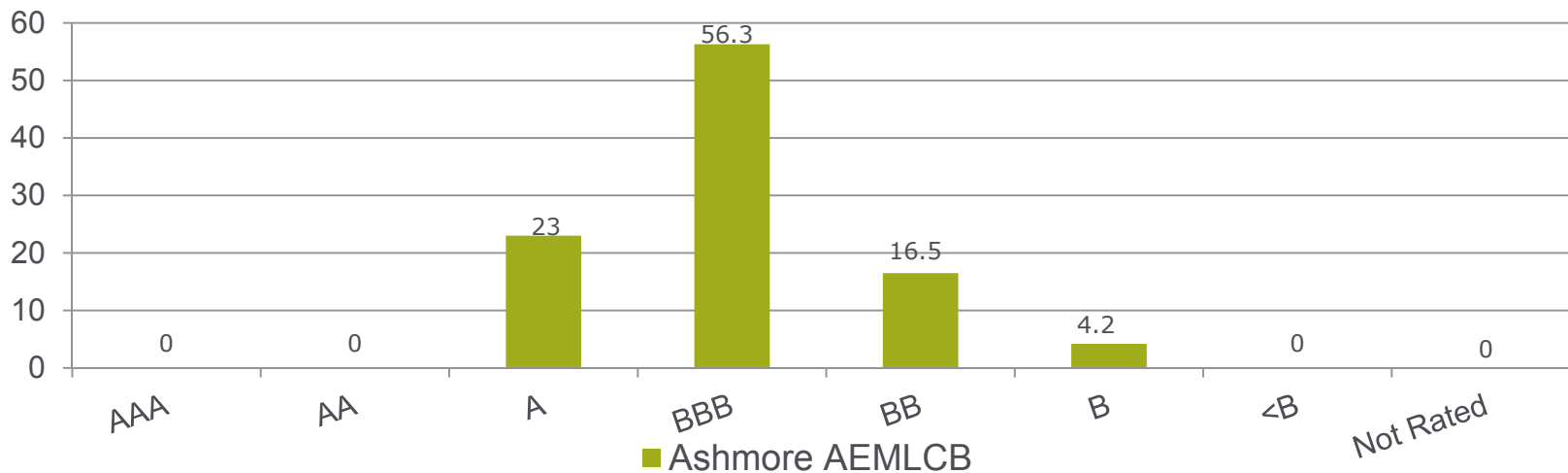
| | |
|---------------------------|-----|
| Average Modified Duration | 5.4 |
| Average Life (years) | 6.7 |
| Yield to Maturity | 6.4 |

Source: Ashmore, March 2017

Top 10 Currency Exposures (% of NAV)

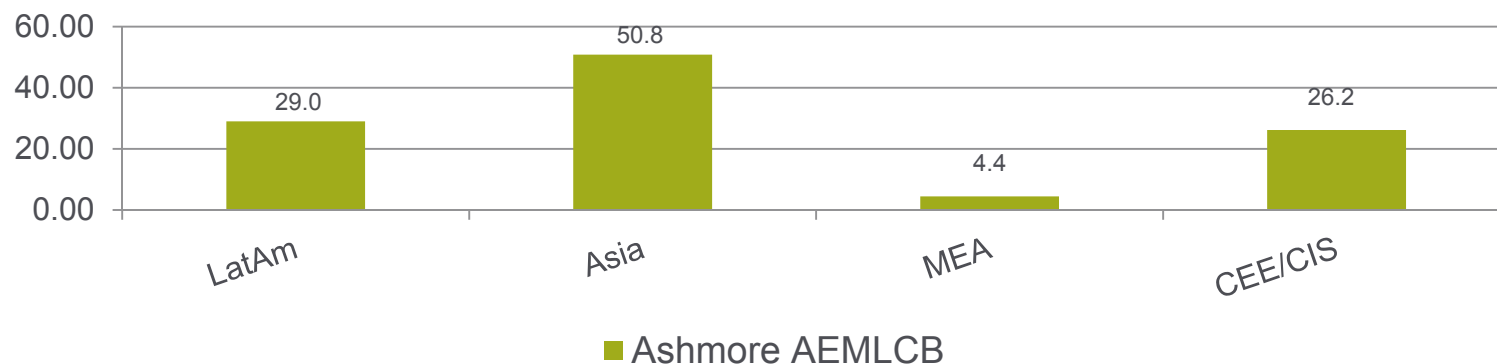


Credit Rating of Debt Instruments (% of NAV)

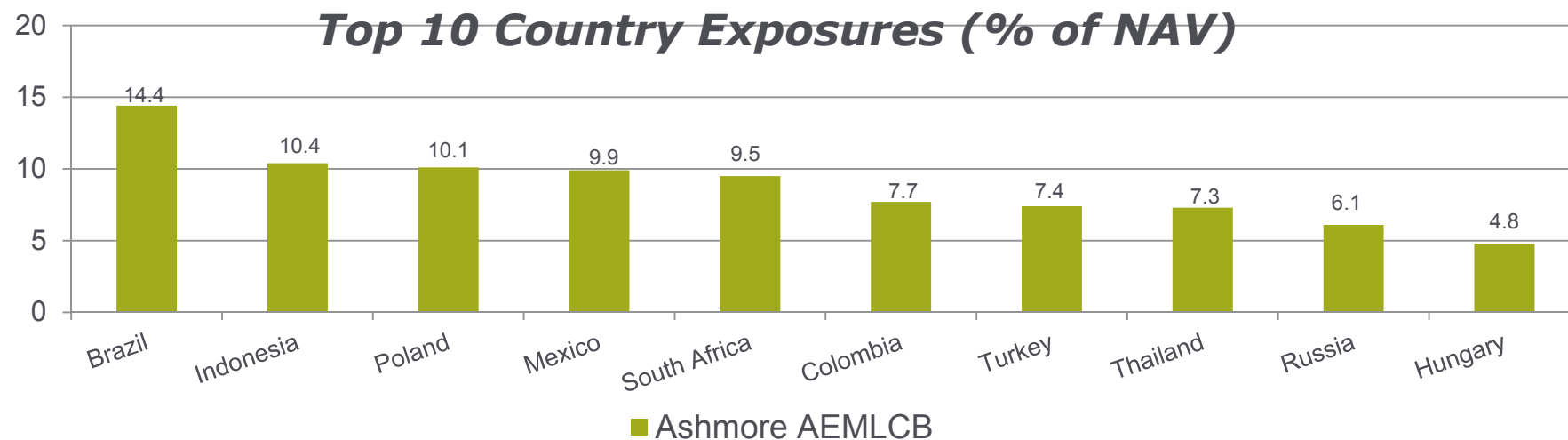


Source: Ashmore, March 2017

Exposure by Region



Top 10 Country Exposures (% of NAV)



Source: Ashmore, March 2017

- **Manager Role in Portfolio**
 - Invests in financially stressed and distressed companies. Part of the Private Debt strategy.

- **Organizational Profile**
 - Established in 1990 as a standalone investment division of Protective Life Insurance Company. In 1997, the founders purchased Protective's interest.
 - Specialists in leveraged loans and high yield

- **Investment Strategy Commentary**
 - Seeks to maximize value through influence or control of the corporate workout and restructuring process.
 - Investment positions are generally monetized within 12 to 24 months of initial investment.

- **Notable Occurrences**
 - The fund unwound on November 15, 2008
 - A working group has been formulated and will work with a mediator to come to a final conclusion.

Appendix



Glossary of Investment Terminology – Risk Statistics

Alpha - Measures the relationship between the fund performance and the performance of another fund or benchmark index and equals the excess return while the other fund or benchmark index is zero.

Alpha Jensen - The average return on a portfolio over and above that predicted by the capital asset pricing model (CAPM), given the portfolio's beta and the average market return. Also known as the abnormal return or the risk adjusted excess return.

Annualized Excess Return over Benchmark - Annualized fund return minus the annualized benchmark return for the calculated return.

Annualized Return - A statistical technique whereby returns covering periods greater than one year are converted to cover a 12 month time span.

Beta - Measures the volatility or systematic risk and is equal to the change in the fund's performance in relation to the change in the assigned index's performance.

Information Ratio - A measure of the risk adjusted return of a financial security, asset, or portfolio.

Formula:
 $(\text{Annualized Return of Portfolio} - \text{Annualized Return of Benchmark}) / \text{Annualized Standard Deviation}(\text{Period Portfolio Return} - \text{Period Benchmark Return})$. To annualize standard deviation, multiply the deviation by the square root of the number of periods per year where monthly returns per year equals 12 and quarterly returns is four periods per year.

R-Squared - Represents the percentage of a fund's movements that can be explained by movements in an index. R-Squared values range from 0 to 100. An R-Squared of 100 denotes that all movements of a fund are completely explained by movements in the index.

Sharpe Ratio - A measure of the excess return or risk premium per unit of risk in an investment asset or trading strategy.

Sortino Ratio - A method to differentiate between good and bad volatility in the Sharpe Ratio. The differentiation of up and down volatility allows the calculation to provide a risk adjusted measure of a security or fund's performance without upward price change penalties.

Formula:
 $\text{Calculation Average } (X-Y) / \text{Downside Deviation } (X-Y) * 2$
Where X=Return Series X Y = Return Series Y which is the risk free return (91 day T-bills)

Standard Deviation - The standard deviation is a statistical term that describes the distribution of results. It is a commonly used measure of volatility of returns of a portfolio, asset class, or security. The higher the standard deviation the more volatile the returns are.

Formula:
 $(\text{Annualized Return of Portfolio} - \text{Annualized Return of Risk Free}) / \text{Annualized Standard Deviation (Portfolio Returns)}$

Tracking Error - Tracking error, also known as residual risk, is a measure of the degree to which a portfolio tracks its benchmark. It is also a measure of consistency of excess returns. Tracking error is computed as the annualized standard deviation of the difference between a portfolio's return and that of its benchmark.

Formula:
 $\text{Tracking Error} = \text{Standard Deviation } (X-Y) * \sqrt{(\# \text{ of periods per year})}$
Where X = periods portfolio return and Y = the period's benchmark return
For monthly returns, the periods per year = 12
For quarterly returns, the periods per year = 4

Treynor Ratio - A risk-adjusted measure of return based on systematic risk. Similar to the Sharpe ratio with the difference being the Treynor ratio uses beta as the measurement of volatility.

Formula:
 $(\text{Portfolio Average Return} - \text{Average Return of Risk-Free Rate}) / \text{Portfolio Beta}$

Up/Down Capture Ratio - A measure of what percentage of a market's returns is "captured" by a portfolio. For example, if the market declines 10% over some period, and the manager declines only 9%, then his or her capture ratio is 90%. In down markets, it is advantageous for a manager to have as low a capture ratio as possible. For up markets, the higher the capture ratio the better. Looking at capture ratios can provide insight into how a manager achieves excess returns. A value manager might typically have a lower capture ratio in both up and down markets, achieving excess returns by protecting on the downside, whereas a growth manager might fall more than the overall market in down markets, but achieve above-market returns in a rising market.

$\text{Upside Capture} = \text{Total Return}(\text{Fund Returns}) / \text{Total Returns}(\text{BM Return})$ when Period Benchmark Return is $> = 0$

$\text{Downside Capture} = \text{Total Return}(\text{Fund Returns}) / \text{Total Returns}(\text{BM Return})$ when Benchmark < 0

Source: Investor Force

Glossary of Investment Terminology

Of Portfolios/Observations¹ – The total number of data points that make up a specified universe

Allocation Index³ - The allocation index measures the value added (or subtracted) to each portfolio by active management. It is calculated monthly: The portfolio asset allocation to each category from the prior month-end is multiplied by a specified market index.

Asset Allocation Effect² - Measures an investment manager's ability to effectively allocate their portfolio's assets to various sectors. The allocation effect determines whether the overweighting or underweighting of sectors relative to a benchmark contributes positively or negatively to the overall portfolio return. Positive allocation occurs when the portfolio is over weighted in a sector that outperforms the benchmark and underweighted in a sector that underperforms the benchmark. Negative allocation occurs when the portfolio is over weighted in a sector that underperforms the benchmark and under weighted in a sector that outperforms the benchmark.

Agency Bonds (Agencies)³ - The full faith and credit of the United States government is normally not pledged to payment of principal and interest on the majority of government agencies issuing these bonds, with maturities of up to ten years. Their yields, therefore, are normally higher than government and their marketability is good, thereby qualifying them as a low risk-high liquidity type of investment. They are eligible as security for advances to the member banks by the Federal Reserve, which attests to their standing.

Asset Backed Securities (ABS)³ - Bonds which are similar to mortgage-backed securities but are collateralized by assets other than mortgages; commonly backed by credit card receivables, auto loans, or other types of consumer financing.

Attribution³ - Attribution is an analytical technique that allows us to evaluate the performance of the portfolio relative to the benchmark. A proper attribution tells us where value was added or subtracted as a result of the manager's decisions.

Average Effective Maturity⁴ - For a single bond, it is a measure of maturity that takes into account the possibility that a bond might be called back to the issuer.

For a portfolio of bonds, average effective maturity is the weighted average of the maturities of the underlying bonds. The measure is computed by weighing each bond's maturity by its market value with respect to the portfolio and the likelihood of any of the bonds being called. In a pool of mortgages, this would also account for the likelihood of prepayments on the mortgages.

Batting Average¹ - A measurement representing an investment manager's ability to meet or beat an index.

Formula: Divide the number of days (or months, quarters, etc.) in which the manager beats or matches the index by the total number of days (or months, quarters, etc.) in the period of question and multiply that factor by 100.

Brinson Fachler (BF) Attribution¹ - The BF methodology is a highly accepted industry standard for calculating the allocation, selection, and interaction effects within a portfolio that collectively explains a portfolio's underlying performance. The main advantage of the BF methodology is that rather than using the overall return of the benchmark, it goes a level deeper than BHB and measures whether the benchmark sector, country, etc. outperformed/or underperformed the overall benchmark.

Brinson Hood Beebower (BHB) Attribution¹ - The BHB methodology shows that excess return must be equal to the sum of all other factors (i.e., allocation effect, selection effect, interaction effect, etc.). The advantage to using the BHB methodology is that it is a highly accepted industry standard for calculating the allocation, selection, and interaction effects within a portfolio that collectively explains a portfolio's underlying performance.

Corporate Bond (Corp)⁴ - A debt security issued by a corporation and sold to investors. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations. In some cases, the company's physical assets may be used as collateral for bonds.

Correlation¹ - A range of statistical relationships between two or more random variables or observed data values. A correlation is a single number that describes the degree of relationship between variables.

Data Source: ¹InvestorForce, ²Interaction Effect Performance Attribution, ³NEPC, LLC, ⁴Investopedia, ⁵Hedgeco.net



Glossary of Investment Terminology

Coupon⁴ – The interest rate stated on a bond when it is issued. The coupon is typically paid semiannually. This is also referred to as the "coupon rate" or "coupon percent rate."

Currency Effect¹ - Is the effect that changes in currency exchange rates over time affect excess performance.

Derivative Instrument³ - A financial obligation that derives its precise value from the value of one or more other instruments (or assets) at the same point of time. For example, the relationship between the value of an S&P 500 futures contract (the derivative instrument in this case) is determined by the value of the S&P 500 Index and the value of a U.S. Treasury bill that matures at the expiration of the futures contract.

Downside Deviation¹ - Equals the standard deviation of negative return or the measure of downside risk focusing on the standard deviation of negative returns.

Formula:

Annualized Standard Deviation (Fund Return - Average Fund Return) where average fund return is greater than individual fund returns, monthly or quarterly.

Duration³ - Duration is a measure of interest rate risk. The greater the duration of a bond, or a portfolio of bonds, the greater its price volatility will be in response to a change in interest rates. A bond's duration is inversely related to interest rates and directly related to time to maturity.

Equity/Debt/Cash Ratio¹ – The percentage of an investment or portfolio that is in Equity, Debt, and/or Cash (i.e. A 7/89/4 ratio represents an investment that is made up of 7% Equity, 89% Debt, and 4% Cash).

Foreign Bond³ - A bond that is issued in a domestic market by a foreign entity, in the domestic market's currency. A foreign bond is most often issued by a foreign firm to raise capital in a domestic market that would be most interested in purchasing the firm's debt. For foreign firms doing a large amount of business in the domestic market, issuing foreign bonds is a common practice.

Hard Hurdle⁵ – is a hurdle rate that once beaten allows a fund manager to charge a performance fee on only the funds above the specified hurdle rate.

High-Water Mark⁴ - The highest peak in value that an investment fund/account has reached. This term is often used in the context of fund manager compensation, which is performance based. Some performance-based fees only get paid when fund performance exceeds the high-water mark. The high-water mark ensures that the manager does not get paid large sums for poor performance.

Hurdle Rate⁴ - The minimum rate of return on an investment required, in order for a manager to collect incentive fees from the investor, which is usually tied to a benchmark.

Interaction Effects² - The interaction effect measures the combined impact of an investment manager's selection and allocation decisions within a sector. For example, if an investment manager had superior selection and over weighted that particular sector, the interaction effect is positive. If an investment manager had superior selection, but underweighted that sector, the interaction effect is negative. In this case, the investment manager did not take advantage of the superior selection by allocating more assets to that sector. Since many investment managers consider the interaction effect to be part of the selection or the allocation, it is often combined with the either effect.

Median³ - The value (rate of return, market sensitivity, etc.) that exceeds one-half of the values in the population and that is exceeded by one-half of the values. The median has a percentile rank of 50.

Modified Duration³ - The percentage change in the price of a fixed income security that results from a change in yield.

Mortgage Backed Securities (MBS)³ - Bonds which are a general obligation of the issuing institution but are also collateralized by a pool of mortgages.

Municipal Bond (Muni)⁴ - A debt security issued by a state, municipality or county to finance its capital expenditures.

Net Investment Change¹ – Is the change in an investment after accounting for all Net Cash Flows.

Performance Fee⁴ - A payment made to a fund manager for generating positive returns. The performance fee is generally calculated as a percentage of investment profits, often both realized and unrealized.

Data Source: ¹InvestorForce, ²Interaction Effect Performance Attribution, ³NEPC, LLC, ⁴Investopedia, ⁵Hedgeco.net



Glossary of Investment Terminology

Policy Index³ - A custom benchmark designed to indicate the returns that a passive investor would earn by consistently following the asset allocation targets set forth in this investment policy statement.

Price to Book (P/B)⁴ - A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share, also known as the "price-equity ratio".

Price to Earnings (P/E)³ - The weighted equity P/E is based on current price and trailing 12 months earnings per share (EPS).

Price to Sales (P/S)⁴ - A ratio for valuing a stock relative to its own past performance, other companies, or the market itself. Price to sales is calculated by dividing a stock's current price by its revenue per share for the trailing 12 months.

Return on Equity (ROE)⁴ - The amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

Selection (or Manager) Effect² - Measures the investment manager's ability to select securities within a given sector relative to a benchmark. The over or underperformance of the portfolio is weighted by the benchmark weight, therefore, selection is not affected by the manager's allocation to the sector. The weight of the sector in the portfolio determines the size of the effect—the larger the sector, the larger the effect is, positive or negative.

Soft Hurdle rate⁵ - is a hurdle rate that once beaten allows a fund manager to charge a performance fee based on the entire annualized return.

Tiered Fee¹ - A fee structure that is paid to fund managers based on the size of the investment (i.e. 1.00% fee on the first \$10M invested, 0.90% on the next \$10M, and 0.80% on the remaining balance).

Total Effects² - The active management (total) effect is the sum of the selection, allocation, and interaction effects. It is also the difference between the total portfolio return and the total benchmark return. You can use the active management effect to determine the amount the investment manager has added to a portfolio's return.

Total Return¹ - The actual rate of return of an investment over a specified time period. Total return includes interest, capital gains, dividends, and distributions realized over a defined time period.

Universe³ - The list of all assets eligible for inclusion in a portfolio.

Upside Deviation¹ - Standard Deviation of Positive Returns

Weighted Avg. Market Cap.⁴ - A stock market index weighted by the market capitalization of each stock in the index. In such a weighting scheme, larger companies account for a greater portion of the index. Most indexes are constructed in this manner, with the best example being the S&P 500.

Yield (%)³ - The current yield of a security is the current indicated annual dividend rate divided by current price.

Yield to Maturity³ - The discount rate that equates the present value of cash flows, both principal and interest, to market price.

Data Source: ¹InvestorForce, ²Interaction Effect Performance Attribution, ³NEPC, LLC, ⁴Investopedia, ⁵Hedgeco.net



- **Past performance is no guarantee of future results.**
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Dallas Police & Fire Pension System

Fourth Quarter 2016 Private Markets Performance Review (Abbreviated Report)

May, 2017

Rhett Humphreys, CFA
Partner

Keith Stronkowsky, CFA
Senior Consultant

Jeff Roberts
Senior Research Consultant

Michael Yang
Research Consultant

255 State Street, Boston, MA 02109
TEL: 617.374.1300 | FAX: 617.374.1313 | www.nepc.com

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Information Disclosure

- NEPC, LLC uses, as its data source, the plan's fund manager and custodian bank or fund service company, and NEPC, LLC relies on those sources for all transactions, including capital calls, distributions, income/expense and reported values. While NEPC, LLC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
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May, 2017

Trustees
 Dallas Police & Fire Pension System
 4100 Harry Hines Blvd – Suite 100
 Dallas, TX 75219

RE: Private Markets Strategy – 4th Quarter 2016

Dear Trustees:

We are pleased to present the December 31, 2016 Private Markets Report for Dallas Police & Fire Pension System, (DPFP). The report provides a variety of performance analysis for the private markets portfolio. The reports include trailing performance, performance by investment stage and vintage year performance.

The DPFP experienced a negative quarter with a nominal IRR of -1.48%. The annualized IRR of the private markets portfolio since inception was 0.99% at quarter end. Since inception, the Total Value to Paid In multiple (current valuation plus cumulative distributions, divided by total capital calls) was 1.04.

In December, the DPFP received distributions from an Evercore secondary sale of 8 funds.

The following table presents the status of the DPFP private markets portfolio as of December 31, 2016:

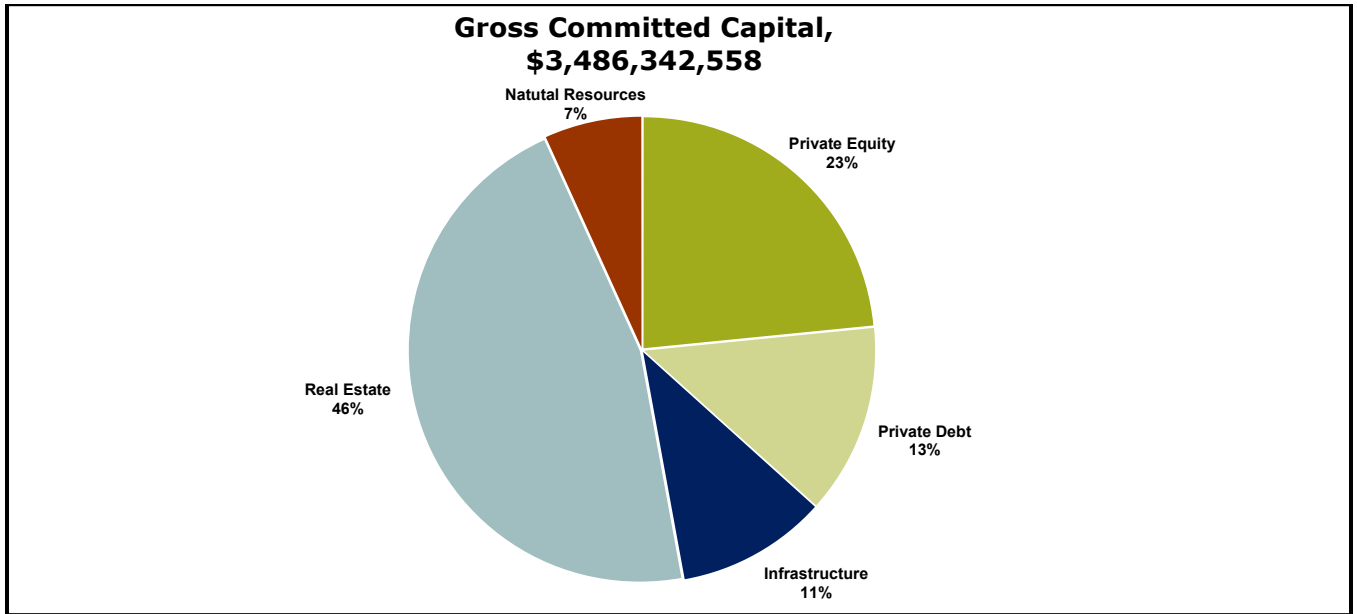
| Since Inception Commitments | Terminated Commitments | Amount Funded | Amount Distributed | Reported Value | Call Ratio | Distribution Ratio |
|-----------------------------|------------------------|-----------------|--------------------|-----------------|------------|--------------------|
| \$3,486,342,558 | \$94,419,364 | \$3,068,099,184 | \$1,807,798,062 | \$1,419,857,590 | 88.00% | 58.92% |

| Unfunded Commitment | Market Exposure (Reported Value + Unfunded Commitment) | Total Fund Composite as of 12/31/2016 | Private Markets Target | Reported Value of Total Fund | Market Exposure as a % Total Fund |
|---------------------|--|---------------------------------------|------------------------|------------------------------|-----------------------------------|
| \$343,976,950 | \$1,763,834,540 | \$2,148,175,753 | Varies By Category | 66.10% | 82.11% |

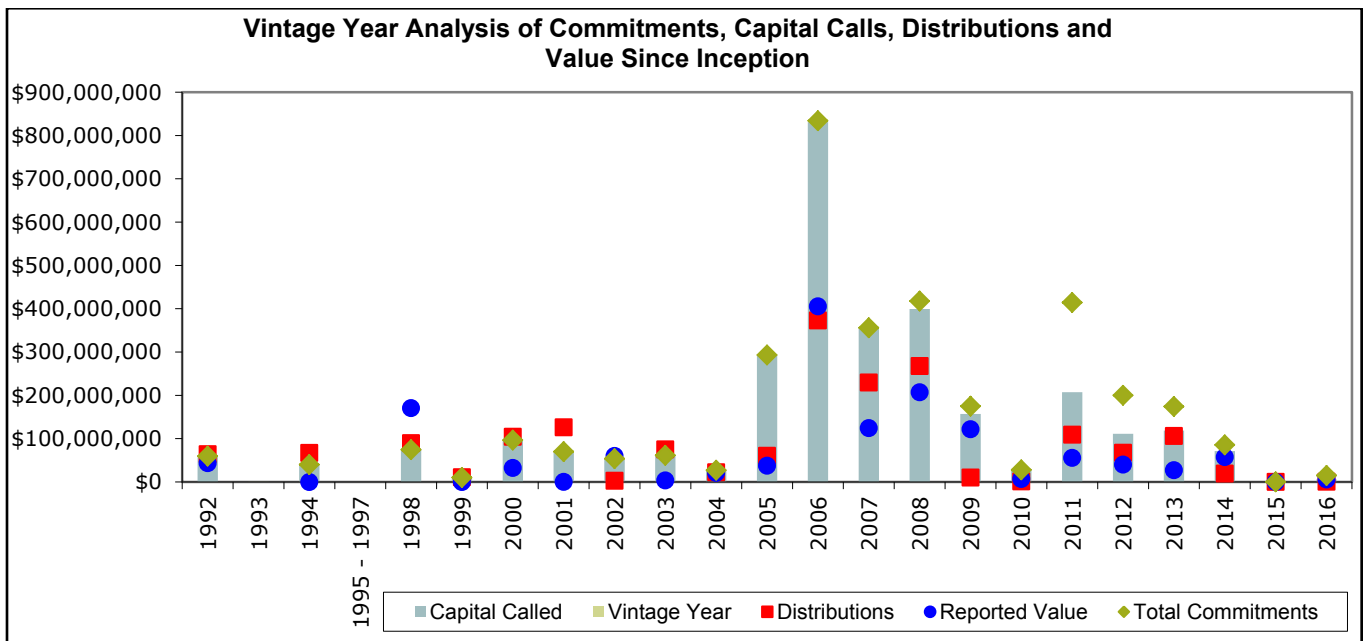
| Total Value (Reported Value + Distributions) | Total Value To Capital Call Ratio | Internal Rate of Return IRR, Since Inception (October 13, 1994) |
|--|-----------------------------------|---|
| \$3,227,655,652 | 1.04 | 0.99% |



As of December 31, 2016, the DFPF has made commitments totaling \$3,486.34 million to 87 private markets assets.



The following chart provides an analysis of the vintage year performance comparing the capital calls to the distributions and reported value for the private markets program:

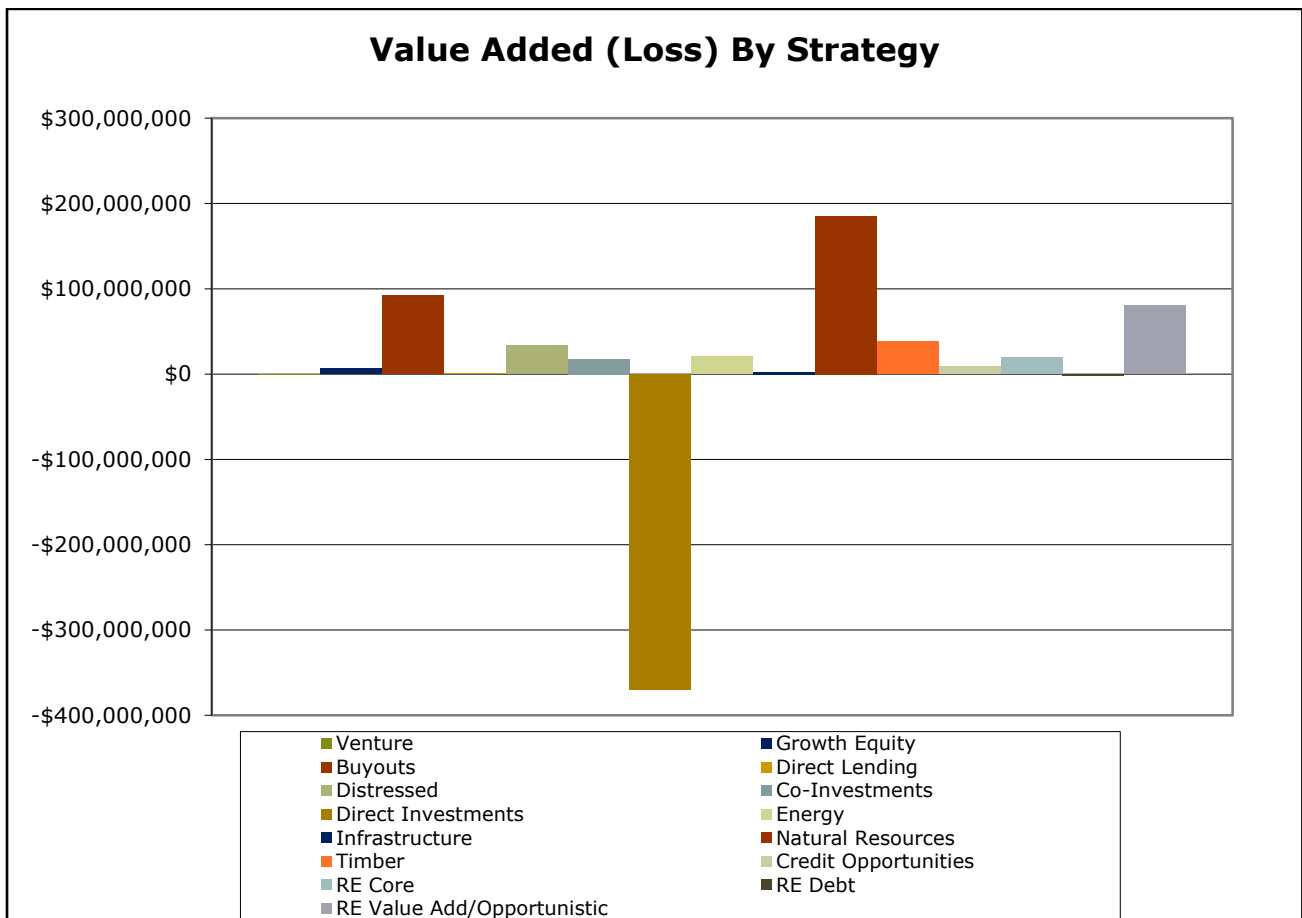




During the quarter-ended December 31, 2016, the DFPF private markets portfolio funded 32 investments and received 36 distributions from its funds. The summary of the cash flows follows:

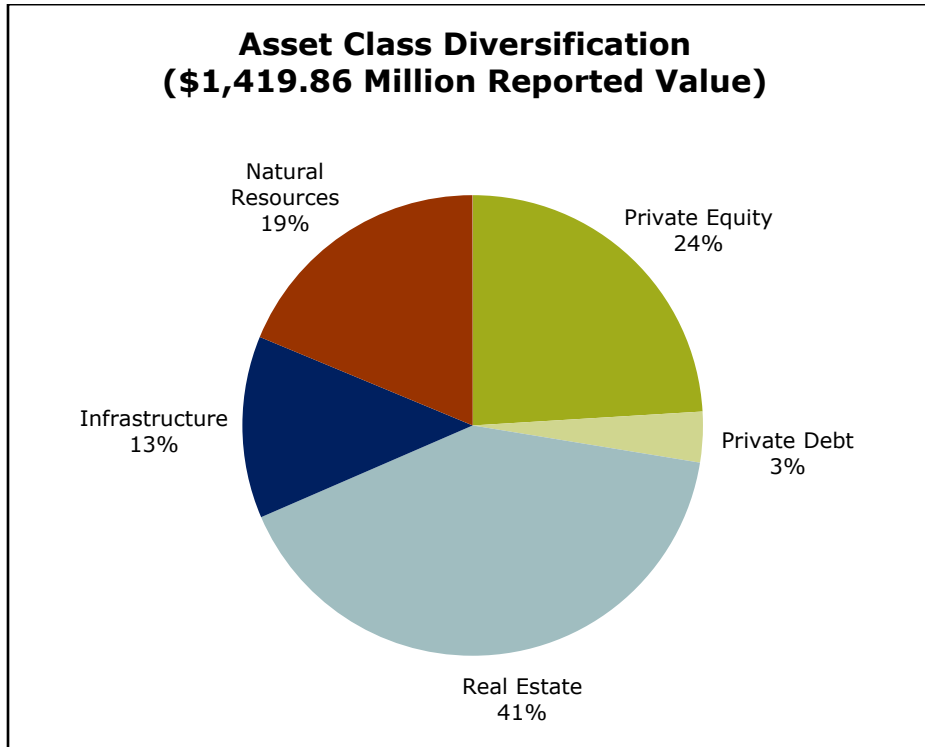
| Amount Funded for the Quarter | Number of Funds Calling Capital | Distributions for the Quarter | Number of Funds Making Distributions | Net Cash/Stock Flows for the Quarter |
|-------------------------------|---------------------------------|-------------------------------|--------------------------------------|--------------------------------------|
| \$69,211,699 | 32 | \$185,797,350 | 36 | \$116,585,650 |

Since inception the DFPF private markets portfolio added \$133.38 million in value to the DFPF. Investment strategies adding value include Growth Equity \$6.42 million, Buyouts \$91.85 million, Direct Lending \$0.63 million, Distressed \$33.74 million, Energy \$20.65 million, Infrastructure \$2.54 million, Natural Resources \$185.51 million, Timber \$37.79 million, Credit Opportunities \$8.53 million, RE Core \$19.39 million, RE Value Add/Opportunistic \$80.80 million, and Co-Investments \$17.49 million. Direct Investments lost (\$370.35) million, Venture lost (\$0.002) million, and RE Debt lost (\$2.24) million.





As of December 31, 2016, the private markets funds in the DFPF portfolio had the following investment strategy diversification based on the investment fund's reported value:



We thank you for the opportunity to work with the DFPF and look forward to continued success in the future.

Dallas Police & Fire Pension System
Performance Analysis - Total Private Markets Program

12/31/2016

| Investment Name | Commitment Amount | Paid in Capital | Capital to be Funded | Cumulative Distributions | Valuation | Total Value | Net Benefit | Call Ratio | DPI Ratio | TVPI Ratio | IRR (SI) |
|-----------------------|-------------------------|-------------------------|-----------------------|--------------------------|-------------------------|-------------------------|-----------------------|------------|-------------|-------------|--------------|
| Private Equity / Debt | \$ 1,278,265,642 | \$ 1,151,539,041 | \$ 91,693,792 | \$ 963,660,723 | \$ 391,648,463 | \$ 1,355,309,186 | \$ 177,675,548 | 90% | 0.82 | 1.15 | 3.70% |
| Real Assets | \$ 2,208,076,916 | \$ 1,916,560,143 | \$ 252,283,158 | \$ 844,137,339 | \$ 1,028,209,127 | \$ 1,872,346,466 | \$ (44,297,021) | 87% | 0.44 | 0.98 | -0.51% |
| Total | \$ 3,486,342,558 | \$ 3,068,099,184 | \$ 343,976,950 | \$ 1,807,798,062 | \$ 1,419,857,590 | \$ 3,227,655,652 | \$ 133,378,527 | 88% | 0.58 | 1.04 | 0.99% |

Performance Analysis - Private Markets Subsectors

| Investment Name | Commitment Amount | Paid in Capital | Capital to be Funded | Cumulative Distributions | Valuation | Total Value | Net Benefit | Call Ratio | DPI Ratio | TVPI Ratio | IRR (SI) ¹ |
|-------------------|-------------------------|-------------------------|-----------------------|--------------------------|-------------------------|-------------------------|-----------------------|------------|-------------|-------------|-----------------------|
| Private Equity | \$ 816,962,080 | \$ 720,455,469 | \$ 68,606,668 | \$ 528,789,376 | \$ 341,412,236 | \$ 870,201,612 | \$ 134,779,176 | 88% | 0.72 | 1.18 | 4.16% |
| Private Debt | \$ 461,303,562 | \$ 431,083,572 | \$ 23,087,123 | \$ 434,871,347 | \$ 50,236,227 | \$ 485,107,574 | \$ 42,896,373 | 93% | 0.98 | 1.10 | 2.78% |
| Natural Resources | \$ 236,397,292 | \$ 236,397,292 | \$ - | \$ 193,631,632 | \$ 266,068,236 | \$ 459,699,868 | \$ 223,302,576 | 100% | 0.82 | 1.94 | 9.99% |
| Real Estate | \$ 1,607,679,624 | \$ 1,393,972,992 | \$ 213,706,631 | \$ 543,096,162 | \$ 580,736,414 | \$ 1,123,832,576 | \$ (270,140,416) | 87% | 0.39 | 0.81 | -4.50% |
| Infrastructure | \$ 364,000,000 | \$ 286,189,859 | \$ 38,576,527 | \$ 107,409,546 | \$ 181,404,476 | \$ 288,814,022 | \$ 2,540,819 | 79% | 0.38 | 1.01 | 0.27% |
| Total | \$ 3,486,342,558 | \$ 3,068,099,184 | \$ 343,976,950 | \$ 1,807,798,062 | \$ 1,419,857,590 | \$ 3,227,655,652 | \$ 133,378,527 | 88% | 0.58 | 1.04 | 0.99% |

Notes:

1. IRR's are since inception as of the following dates: Private Equity (10.13.94), Private Debt (12.20.01), Real Estate (3.31.99), Natural Resources (3.12.99), Infrastructure (10.3.07)



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Dallas Police & Fire Pension System

Fourth Quarter 2016 *Private Equity & Private Debt*

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Private Equity and Private Debt

The following table presents the status of the DFPF **PRIVATE EQUITY** portfolio as of December 31, 2016:

| Since Inception Commitments | Terminated Commitments | Amount Funded | Amount Distributed | Reported Value | Call Ratio | Distribution Ratio |
|------------------------------------|-------------------------------|----------------------|---------------------------|-----------------------|-------------------|---------------------------|
| \$816,962,080 | \$48,052,883 | \$720,455,469 | \$528,789,376 | \$341,412,236 | 88.19% | 73.40% |

| Unfunded Commitment | Market Exposure (Reported Value + Unfunded Commitment) | Total Fund Composite as of 12/31/2016 | Private Equity Target | Reported Value of Total Fund | Market Exposure as a % Total Fund |
|----------------------------|---|--|------------------------------|-------------------------------------|--|
| \$68,606,668 | \$410,018,904 | \$2,148,175,753 | 5% | 15.89% | 19.09% |

| Total Value (Reported Value + Distributions) | Total Value To Capital Call Ratio | Internal Rate of Return IRR, Since Inception |
|---|--|---|
| \$870,201,612 | 1.18 | 4.16% |

The following table presents the status of the DFPF **PRIVATE DEBT** portfolio as of December 31, 2016:

| Since Inception Commitments | Terminated Commitments | Amount Funded | Amount Distributed | Reported Value | Call Ratio | Distribution Ratio |
|------------------------------------|-------------------------------|----------------------|---------------------------|-----------------------|-------------------|---------------------------|
| \$461,303,562 | \$7,132,867 | \$431,083,572 | \$434,871,347 | \$50,236,227 | 93.45% | 100.88% |

| Unfunded Commitment | Market Exposure (Reported Value + Unfunded Commitment) | Total Fund Composite as of 12/31/2016 | Private Debt Target | Reported Value of Total Fund | Market Exposure as a % Total Fund |
|----------------------------|---|--|----------------------------|-------------------------------------|--|
| \$23,087,123 | \$73,323,350 | \$2,148,175,753 | 5% | 2.34% | 3.41% |

| Total Value (Reported Value + Distributions) | Total Value To Capital Call Ratio | Internal Rate of Return IRR, Since Inception |
|---|--|---|
| \$485,107,574 | 1.10 | 2.78% |

Dallas Police & Fire Pension System
Private Equity & Debt Funds - IRR Summary

12/31/2016

| Investment Name | Vintage Year | Commitment Amount | QTD | YTD | 1 Year | 3 Year | 5 Year | Inception | |
|---|--------------|-------------------|----------------------|--------------|--------------|--------------|--------------|-------------|-------------|
| Ashmore Global Special Situations Fund IV | 2007 | 70,000,000 | -60.64 | -58.09 | -58.09 | -18.72 | -14.46 | -10.13 | |
| BankCap Partners Fund I | 2007 | 20,000,000 | 35.65 | 32.16 | 32.16 | 9.37 | 6.10 | 1.67 | |
| BankCap Partners Opportunity Fund, LP | 2013 | 20,000,000 | -7.72 | -10.49 | -10.49 | -4.59 | | -5.22 | |
| Highland Credit Ops | 2006 | 35,348,165 | 3.32 | 3.05 | 3.05 | 2.88 | 28.49 | -2.20 | |
| Highland Crusader Fund | 2003 | 50,955,397 | -0.44 | 0.00 | 0.00 | -6.79 | 2.58 | 4.31 | |
| HM Capital Sector Performance Fund | 2008 | 47,300,000 | | | | -3.70 | 14.51 | -4.01 | |
| Hudson Clean Energy Partners | 2009 | 25,000,000 | -20.62 | -40.38 | -40.38 | -15.94 | -16.57 | -11.13 | |
| Huff Alternative Fund | 2000 | 66,795,718 | 0.00 | -4.67 | -4.67 | 4.96 | 4.29 | 1.08 | |
| Huff Alternative Income Fund | 1994 | 40,000,000 | | | | | | 17.82 | |
| Huff Energy Fund | 2006 | 100,000,000 | 0.00 | 16.62 | 16.62 | -2.86 | -3.76 | 4.65 | |
| Industry Ventures Partnership Holdings IV | 2016 | 5,000,000 | -4.11 | | | | | -7.94 | |
| Kainos Capital Partners, L.P. | 2013 | 35,000,000 | -0.53 | 21.46 | 21.46 | 27.67 | | 25.01 | |
| Levine Leichtman Capital Partners IV | 2008 | 50,000,000 | 20.27 | 20.88 | 20.88 | 13.42 | 18.83 | 20.14 | |
| Levine Leichtman Capital Partners V, L.P. | 2013 | 25,000,000 | 9.14 | 18.28 | 18.28 | 17.39 | | 15.56 | |
| Levine Leichtman Deep Value Fund | 2006 | 75,000,000 | 0.16 | -15.84 | -15.84 | 9.18 | -3.38 | 0.73 | |
| Levine Leichtman Private Capital Solutions II, L.P. | 2012 | 25,000,000 | 7.74 | 3.23 | 3.23 | 1.01 | | 1.47 | |
| Lone Star CRA Fund | 2008 | 50,000,000 | -2.28 | 1.81 | 1.81 | -24.09 | -6.26 | 16.90 | |
| Lone Star Fund IX (U.S.), L.P. | 2014 | 35,000,000 | -19.74 | -5.88 | -5.88 | | | -3.52 | |
| Lone Star Fund VII (U.S.), L.P. | 2011 | 25,000,000 | -15.22 | -26.66 | -26.66 | 8.71 | 48.97 | 47.68 | |
| Lone Star Fund VIII (U.S.), L.P. | 2013 | 25,000,000 | -7.78 | -18.93 | -18.93 | 16.36 | | 17.35 | |
| Lone Star Growth Capital | 2006 | 16,000,000 | -5.17 | 5.38 | 5.38 | 0.67 | -2.50 | 8.49 | |
| Lone Star Opportunities Fund V, LP | 2012 | 75,000,000 | 2.04 | 10.96 | 10.96 | -12.75 | | -1.28 | |
| Merit Energy Partners E-I | 2004 | 7,018,930 | -16.29 | -21.18 | -21.18 | -19.76 | -1.11 | 14.49 | |
| Merit Energy Partners F-I | 2005 | 8,748,346 | -21.91 | -13.87 | -13.87 | -27.62 | -14.61 | -17.19 | |
| Merit Energy Partners G, LP | 2008 | 39,200,000 | -13.79 | -23.00 | -23.00 | -18.58 | -15.66 | -9.89 | |
| Merit Energy Partners H, LP | 2010 | 10,000,000 | -21.17 | -20.95 | -20.95 | -16.87 | -13.99 | -13.72 | |
| Miscellaneous Private Equity Expenses | 2016 | 80,516 | | | | | | | |
| North Texas Opportunity Fund | 2000 | 10,000,000 | -53.23 | -55.51 | -55.51 | -39.25 | -22.70 | 1.04 | |
| Oaktree Loan Fund 2X | 2007 | 60,000,000 | -58.08 | -57.15 | -57.15 | -31.05 | 5.57 | 2.24 | |
| Oaktree Power Fund III | 2011 | 30,000,000 | 3.64 | 5.91 | 5.91 | 7.72 | 15.43 | 12.59 | |
| OCM Opportunities Fund IV | 2001 | 50,000,000 | -0.37 | 8.90 | 8.90 | 5.46 | 12.46 | 28.36 | |
| Pharos Capital Co-Investment, LLC | 2007 | 20,000,000 | | | | 0.44 | 41.28 | -9.92 | |
| Pharos Capital Co-Investments, LP | 2008 | 40,000,000 | -97.49 | -97.49 | -97.49 | 18.15 | 16.34 | 8.42 | |
| Pharos Capital Partners IIA, L.P. | 2005 | 20,000,000 | -54.20 | -58.62 | -58.62 | -28.34 | -15.32 | -2.30 | |
| Pharos Capital Partners III, LP | 2012 | 50,000,000 | -31.16 | -26.16 | -26.16 | -17.74 | | -19.52 | |
| Riverstone Credit Partners | 2016 | 10,000,000 | 6.13 | | | | | 14.20 | |
| Yellowstone Energy Ventures II, L.P. | 2008 | 5,283,254 | 0.01 | 17.42 | 17.42 | -36.86 | -35.52 | -28.63 | |
| Total: Dallas Police & Fire Pension System | | | 1,278,265,642 | -5.57 | -1.25 | -1.25 | -2.06 | 1.01 | 3.70 |

Dallas Police & Fire Pension System
Private Equity & Debt Funds - Performance Analysis by Investment Strategy

12/31/2016

| Investment Name | Vintage Year | Commitment Amount | Paid in Capital | Capital to be Funded | Additional Fees | Cumulative Distributions | Valuation | Total Value | Net Benefit | Call Ratio | DPI Ratio | TVPI Ratio | IRR |
|--|--------------|--------------------|--------------------|----------------------|-------------------|--------------------------|--------------------|--------------------|-------------------|-------------|-------------|-------------|---------------|
| 100 Venture | | | | | | | | | | | | | |
| 1 Industry Ventures Partnership Holdings IV | 2016 | 5,000,000 | 425,000 | 4,575,000 | 0 | 0 | 401,063 | 401,063 | -23,937 | 9% | 0.00 | 0.94 | -7.94% |
| Subtotal: 100 Venture | | 5,000,000 | 425,000 | 4,575,000 | 0 | 0 | 401,063 | 401,063 | -23,937 | 9% | 0.00 | 0.94 | -7.94% |
| 110 Growth Equity | | | | | | | | | | | | | |
| 1 BankCap Partners Fund I | 2007 | 20,000,000 | 20,000,000 | 0 | 0 | 5,885,019 | 17,006,617 | 22,891,636 | 2,891,636 | 100% | 0.29 | 1.14 | 1.67% |
| 2 BankCap Partners Opportunity Fund, LP ⁴ | 2013 | 20,000,000 | 19,480,769 | 0 | 0 | 18,266,454 | 0 | 18,266,454 | -1,214,314 | 97% | 0.94 | 0.94 | -5.22% |
| 3 Hudson Clean Energy Partners | 2009 | 25,000,000 | 24,912,744 | 87,256 | 0 | 3,661,896 | 10,689,705 | 14,351,601 | -10,561,143 | 100% | 0.15 | 0.58 | -11.13% |
| 4 Lone Star CRA Fund | 2008 | 50,000,000 | 57,352,941 | 0 | 0 | 12,928,698 | 59,541,782 | 72,470,480 | 15,117,539 | 115% | 0.23 | 1.26 | 16.90% |
| 5 Lone Star Growth Capital | 2006 | 16,000,000 | 12,800,000 | 16,000,000 | 0 | 12,800,000 | 10,193,552 | 22,993,552 | 10,193,552 | 80% | 1.00 | 1.80 | 8.49% |
| 6 Lone Star Opportunities Fund V, LP | 2012 | 75,000,000 | 41,250,000 | 33,750,000 | 0 | 531,444 | 40,063,273 | 40,594,717 | -655,283 | 55% | 0.01 | 0.98 | -1.28% |
| 7 North Texas Opportunity Fund ¹ | 2000 | 10,000,000 | 10,000,000 | 0 | 0 | 8,798,464 | 2,131,900 | 10,930,364 | 930,364 | 100% | 0.88 | 1.09 | 1.04% |
| 8 Pharos Capital Partners IIA, L.P. ⁴ | 2005 | 20,000,000 | 20,000,000 | 0 | 0 | 17,715,199 | 0 | 17,715,199 | -2,284,801 | 100% | 0.89 | 0.89 | -2.30% |
| 9 Pharos Capital Partners III, LP ⁴ | 2012 | 50,000,000 | 28,250,000 | 0 | -54,286 | 20,196,932 | 0 | 20,196,932 | -7,998,782 | 57% | 0.72 | 0.72 | -19.52% |
| Subtotal: 110 Growth Equity | | 286,000,000 | 234,046,453 | 49,837,256 | -54,286 | 100,784,106 | 139,626,829 | 240,410,935 | 6,418,767 | 82% | 0.43 | 1.03 | 0.88% |
| 120 Buyouts | | | | | | | | | | | | | |
| 1 HM Capital Sector Performance Fund | 2008 | 47,300,000 | 44,354,248 | 0 | 1,933,378 | 39,792,545 | 0 | 39,792,545 | -6,495,081 | 100% | 0.86 | 0.86 | -4.01% |
| 2 Huff Alternative Fund ² | 2000 | 66,795,718 | 66,795,718 | 0 | 12,022,676 | 54,931,727 | 30,038,169 | 84,969,896 | 6,151,502 | 100% | 0.70 | 1.08 | 1.08% |
| 3 Huff Alternative Income Fund | 1994 | 40,000,000 | 40,000,000 | 0 | 2,018,676 | 66,940,198 | 0 | 66,940,198 | 24,921,522 | 100% | 1.59 | 1.59 | 17.82% |
| 4 Kainos Capital Partners, L.P. ⁴ | 2013 | 35,000,000 | 30,163,455 | 0 | 0 | 43,263,688 | 0 | 43,263,688 | 13,100,233 | 86% | 1.43 | 1.43 | 25.01% |
| 5 Levine Leichtman Capital Partners IV ⁴ | 2008 | 50,000,000 | 37,933,751 | 0 | 0 | 78,916,788 | 0 | 78,916,788 | 40,983,037 | 76% | 2.08 | 2.08 | 20.14% |
| 6 Levine Leichtman Capital Partners V, L.P. ⁴ | 2013 | 25,000,000 | 19,064,894 | 0 | -4,405 | 24,506,336 | 0 | 24,506,336 | 5,445,847 | 76% | 1.29 | 1.29 | 15.56% |
| 7 Oaktree Power Fund III ³ | 2011 | 30,000,000 | 16,096,514 | 13,903,486 | 0 | 11,940,647 | 11,899,312 | 23,839,959 | 7,743,445 | 54% | 0.74 | 1.48 | 12.59% |
| Subtotal: 120 Buyouts | | 294,095,718 | 254,408,580 | 13,903,486 | 15,970,325 | 320,291,929 | 41,937,481 | 362,229,410 | 91,850,506 | 95% | 1.18 | 1.34 | 8.16% |
| 135 Direct Lending | | | | | | | | | | | | | |
| 1 Riverstone Credit Partners | 2016 | 10,000,000 | 5,373,854 | 4,626,146 | 102,142 | 679,425 | 5,424,424 | 6,103,849 | 627,853 | 54% | 0.12 | 1.11 | 14.20% |
| Subtotal: 135 Direct Lending | | 10,000,000 | 5,373,854 | 4,626,146 | 102,142 | 679,425 | 5,424,424 | 6,103,849 | 627,853 | 54% | 0.12 | 1.11 | 14.20% |
| 150 Distressed | | | | | | | | | | | | | |
| 1 Ashmore Global Special Situations Fund IV ³ | 2007 | 70,000,000 | 70,000,000 | 0 | 0 | 37,580,583 | 2,072,128 | 39,652,711 | -30,347,289 | 100% | 0.54 | 0.57 | -10.13% |
| 2 Levine Leichtman Deep Value Fund | 2006 | 75,000,000 | 75,000,000 | 0 | 11,025,662 | 88,688,224 | 0 | 88,688,224 | 2,662,562 | 100% | 1.03 | 1.03 | 0.73% |
| 3 Levine Leichtman Private Capital Solutions II, L.P. ⁴ | 2012 | 25,000,000 | 17,867,133 | 0 | -175 | 18,691,764 | 0 | 18,691,764 | 824,805 | 71% | 1.05 | 1.05 | 1.47% |
| 4 Lone Star Fund IX (U.S.), L.P. ³ | 2014 | 35,000,000 | 22,701,874 | 12,298,126 | 0 | 2,043,505 | 19,987,411 | 22,030,916 | -670,958 | 65% | 0.09 | 0.97 | -3.52% |
| 5 Lone Star Fund VII (U.S.), L.P. ³ | 2011 | 25,000,000 | 23,459,112 | 1,540,888 | 0 | 39,541,921 | 2,082,645 | 41,624,566 | 18,165,453 | 94% | 1.69 | 1.77 | 47.68% |
| 6 Lone Star Fund VIII (U.S.), L.P. ³ | 2013 | 25,000,000 | 20,378,036 | 4,621,964 | 0 | 15,135,714 | 10,755,531 | 25,891,245 | 5,513,210 | 82% | 0.74 | 1.27 | 17.35% |
| 7 Oaktree Loan Fund 2X ³ | 2007 | 60,000,000 | 60,000,000 | 0 | 0 | 64,287,256 | 779,695 | 65,066,951 | 5,066,951 | 100% | 1.07 | 1.08 | 2.24% |
| 8 OCM Opportunities Fund IV | 2001 | 50,000,000 | 50,000,000 | 0 | 0 | 82,364,001 | 162,273 | 82,526,274 | 32,526,274 | 100% | 1.65 | 1.65 | 28.36% |
| Subtotal: 150 Distressed | | 365,000,000 | 339,406,155 | 18,460,978 | 11,025,487 | 348,332,969 | 35,839,683 | 384,172,652 | 33,741,009 | 95% | 0.99 | 1.10 | 3.47% |
| 200 Co-Investment | | | | | | | | | | | | | |
| 1 Pharos Capital Co-Investment, LLC | 2007 | 20,000,000 | 20,000,000 | 0 | 0 | 10,019,157 | 0 | 10,019,157 | -9,980,843 | 100% | 0.50 | 0.50 | -9.92% |
| 2 Pharos Capital Co-Investments, LP | 2008 | 40,000,000 | 40,000,000 | 0 | 0 | 67,397,892 | 70,866 | 67,468,758 | 27,468,758 | 100% | 1.68 | 1.69 | 8.42% |
| Subtotal: 200 Co-Investment | | 60,000,000 | 60,000,000 | 0 | 0 | 77,417,049 | 70,866 | 77,487,915 | 17,487,915 | 100% | 1.29 | 1.29 | 3.88% |

1. Net asset value reflects preliminary value from manager pending final audit
2. Net asset value is cash-adjusted pending final audit
3. Net asset value reflects cash-adjusted Evercore purchase prices which occurred during Q1 2017
4. Funds sold in Evercore secondary sale during Q4 2016

Dallas Police & Fire Pension System
Private Equity & Debt Funds - Performance Analysis by Investment Strategy

12/31/2016

| Investment Name | Vintage Year | Commitment Amount | Paid in Capital | Capital to be Funded | Additional Fees | Cumulative Distributions | Valuation | Total Value | Net Benefit | Call Ratio | DPI Ratio | TVPI Ratio | IRR |
|---|--------------|----------------------|----------------------|----------------------|-------------------|--------------------------|--------------------|----------------------|--------------------|-------------|-------------|-------------|----------------|
| 210 Direct Investment | | | | | | | | | | | | | |
| 1 Miscellaneous Private Equity Expenses | 2016 | 80,516 | 80,516 | 0 | 0 | 8,866 | 0 | 8,866 | -71,651 | 100% | 0.11 | 0.11 | N/A |
| Subtotal: 210 Direct Investment | | 1,615,832 | 1,615,832 | 0 | 0 | 8,866 | 0 | 8,866 | -1,606,966 | 100% | 0.01 | 0.01 | -23.17% |
| 400 Energy | | | | | | | | | | | | | |
| 1 Huff Energy Fund | 2006 | 100,000,000 | 99,880,021 | 119,979 | -947,331 | 4,477,394 | 131,208,655 | 135,686,049 | 36,753,359 | 100% | 0.05 | 1.37 | 4.65% |
| 2 Merit Energy Partners E-I ³ | 2004 | 7,018,930 | 7,018,930 | 0 | -1,741 | 12,933,530 | 2,042,246 | 14,975,776 | 7,958,587 | 100% | 1.84 | 2.13 | 14.49% |
| 3 Merit Energy Partners F-I ³ | 2005 | 8,748,346 | 8,748,346 | 0 | 0 | 3,644,724 | 156,482 | 3,801,206 | -4,947,140 | 100% | 0.42 | 0.43 | -17.19% |
| 4 Merit Energy Partners G, LP ³ | 2008 | 39,200,000 | 39,200,000 | 0 | 0 | 6,532,135 | 20,224,516 | 26,756,651 | -12,443,349 | 100% | 0.17 | 0.68 | -9.89% |
| 5 Merit Energy Partners H, LP ³ | 2010 | 10,000,000 | 10,000,000 | 0 | 0 | 1,241,072 | 5,629,379 | 6,870,451 | -3,129,549 | 100% | 0.12 | 0.69 | -13.72% |
| 6 Yellowstone Energy Ventures II, L.P. | 2008 | 5,283,254 | 5,112,307 | 170,947 | 0 | 1,458,572 | 114,719 | 1,573,291 | -3,539,016 | 97% | 0.29 | 0.31 | -28.63% |
| Subtotal: 400 Energy | | 170,250,530 | 169,959,604 | 290,926 | -949,072 | 30,287,427 | 159,375,997 | 189,663,424 | 20,652,892 | 100% | 0.18 | 1.12 | 2.02% |
| 502 Credit Opportunities | | | | | | | | | | | | | |
| 1 Highland Credit Ops | 2006 | 35,348,165 | 35,348,165 | 0 | 0 | 23,595,921 | 6,216,120 | 29,812,041 | -5,536,124 | 100% | 0.67 | 0.84 | -2.20% |
| 2 Highland Crusader Fund | 2003 | 50,955,397 | 50,955,397 | 0 | 0 | 62,263,032 | 2,756,000 | 65,019,032 | 14,063,635 | 100% | 1.22 | 1.28 | 4.31% |
| Subtotal: 502 Credit Opportunities | | 86,303,562 | 86,303,562 | 0 | 0 | 85,858,953 | 8,972,120 | 94,831,073 | 8,527,511 | 100% | 0.99 | 1.10 | 1.54% |
| Total: Dallas Police & Fire Pension System | | 1,278,265,642 | 1,151,539,041 | 91,693,792 | 26,094,596 | 963,660,723 | 391,648,463 | 1,355,309,186 | 177,675,548 | 90% | 0.82 | 1.15 | 3.70% |

1. Net asset value reflects preliminary value from manager pending final audit
2. Net asset value is cash-adjusted pending final audit
3. Net asset value reflects cash-adjusted Evercore purchase prices which occurred during Q1 2017
4. Funds sold in Evercore secondary sale during Q4 2016

Dallas Police & Fire Pension System
As of 12/31/2016

| Growth Equity | | | IRR | | | | DPI | | | | TVPI | | | | Quartile Rank | | | Benchmark |
|---------------------------------------|--------------|-------------|---------|--------------|--------|--------------|-------|--------------|--------|--------------|-------|--------------|--------|--------------|---------------|-----|------|--------------------|
| Fund Name | Vintage Year | Sample Size | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | IRR | DPI | TVPI | |
| BankCap Partners Fund I | 2007 | 18 | 1.67% | 15.25% | 10.75% | 3.02% | 0.29x | 1.31x | 0.96x | 0.37x | 1.14x | 2.31x | 1.57x | 1.15x | 4 | 1 | 1 | |
| BankCap Partners Opportunity Fund, LP | 2013 | 12 | -5.22% | 12.29% | 10.04% | 5.92% | 0.94x | 0.05x | 0.00x | 0.00x | 0.94x | 1.30x | 1.20x | 1.11x | 4 | 1 | 1 | U.S. Growth Equity |
| Hudson Clean Energy Partners | 2009 | 7 | -11.13% | --- | 10.77% | --- | 0.15x | --- | 0.50x | --- | 0.58x | --- | 1.60x | --- | NA | NA | NA | U.S. Growth Equity |
| Lone Star CRA Fund | 2008 | 6 | 16.90% | --- | 10.13% | --- | 0.23x | --- | 0.83x | --- | 1.26x | --- | 1.56x | --- | NA | NA | NA | U.S. Growth Equity |
| Lone Star Growth Capital | 2006 | 12 | 8.49% | 13.90% | 6.96% | 4.35% | 1.00x | 1.48x | 1.23x | 1.11x | 1.80x | 1.96x | 1.36x | 1.22x | 2 | 1 | 1 | U.S. Growth Equity |
| Lone Star Opportunities Fund V, LP | 2012 | 12 | -1.28% | 16.82% | 13.26% | 11.00% | 0.01x | 0.24x | 0.15x | 0.03x | 0.98x | 1.44x | 1.34x | 1.30x | 4 | 1 | 1 | U.S. Growth Equity |
| North Texas Opportunity Fund | 2000 | 13 | 1.04% | 9.59% | 4.40% | -4.42% | 0.88x | 1.59x | 1.33x | 0.76x | 1.09x | 1.66x | 1.33x | 0.78x | 3 | 3 | 1 | U.S. Growth Equity |
| Pharos Capital Partners IIA, L.P. | 2005 | 15 | -2.30% | 15.94% | 10.18% | 5.80% | 0.89x | 1.92x | 1.31x | 0.38x | 0.89x | 2.33x | 1.62x | 1.40x | 4 | 1 | 1 | U.S. Growth Equity |
| Pharos Capital Partners III, LP | 2012 | 12 | -19.52% | 16.82% | 13.26% | 11.00% | 0.72x | 0.24x | 0.15x | 0.03x | 0.72x | 1.44x | 1.34x | 1.30x | 4 | 1 | 1 | U.S. Growth Equity |

| Buyouts | | | IRR | | | | DPI | | | | TVPI | | | | Quartile Rank | | | Benchmark |
|---|--------------|-------------|--------|--------------|--------|--------------|-------|--------------|--------|--------------|-------|--------------|--------|--------------|---------------|-----|------|-------------|
| Fund Name | Vintage Year | Sample Size | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | IRR | DPI | TVPI | |
| HM Capital Sector Performance Fund | 2008 | 53 | -4.01% | 19.57% | 13.65% | 8.62% | 0.86x | 1.36x | 0.99x | 0.68x | 0.86x | 1.92x | 1.59x | 1.46x | 4 | 1 | 1 | |
| Huff Alternative Fund | 2000 | 55 | 1.08% | 21.55% | 14.35% | 10.51% | 0.70x | 2.22x | 1.81x | 1.50x | 1.08x | 2.32x | 1.91x | 1.53x | 4 | 1 | 1 | U.S. Buyout |
| Huff Alternative Income Fund | 1994 | 21 | 17.82% | 28.17% | 14.44% | 7.13% | 1.59x | 2.41x | 1.64x | 1.34x | 1.59x | 2.43x | 1.64x | 1.34x | 2 | 3 | 3 | U.S. Buyout |
| Kainos Capital Partners, L.P. | 2013 | 35 | 25.01% | 21.62% | 10.76% | 6.19% | 1.43x | 0.26x | 0.06x | 0.00x | 1.43x | 1.34x | 1.20x | 1.10x | 1 | 1 | 1 | U.S. Buyout |
| Levine Leichtman Capital Partners IV | 2008 | 53 | 20.14% | 19.57% | 13.65% | 8.62% | 2.08x | 1.36x | 0.99x | 0.68x | 2.08x | 1.92x | 1.59x | 1.46x | 1 | 1 | 1 | U.S. Buyout |
| Levine Leichtman Capital Partners V, L.P. | 2013 | 35 | 15.56% | 21.62% | 10.76% | 6.19% | 1.29x | 0.26x | 0.06x | 0.00x | 1.29x | 1.34x | 1.20x | 1.10x | 2 | 1 | 2 | U.S. Buyout |
| Oaktree Power Fund III | 2011 | 24 | 12.59% | 17.14% | 13.81% | 8.18% | 0.74x | 0.52x | 0.36x | 0.24x | 1.48x | 1.61x | 1.39x | 1.27x | 3 | 1 | 2 | U.S. Buyout |

| Direct Lending | | | IRR | | | | DPI | | | | TVPI | | | | Quartile Rank | | | Benchmark |
|----------------------------|--------------|-------------|--------|--------------|---------|--------------|-------|--------------|--------|--------------|-------|--------------|--------|--------------|---------------|-----|------|-----------|
| Fund Name | Vintage Year | Sample Size | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | IRR | DPI | TVPI | |
| Riverstone Credit Partners | 2016 | 83 | 14.20% | 0.74% | -10.08% | -21.22% | 0.12x | 0.00x | 0.00x | 0.00x | 1.11x | 1.00x | 0.95x | 0.85x | 1 | NA | 1 | |

| Distressed | | | IRR | | | | DPI | | | | TVPI | | | | Quartile Rank | | | Benchmark |
|---|--------------|-------------|---------|--------------|--------|--------------|-------|--------------|--------|--------------|-------|--------------|--------|--------------|---------------|-----|------|-------------------|
| Fund Name | Vintage Year | Sample Size | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | IRR | DPI | TVPI | |
| Ashmore Global Special Situations Fund IV | 2007 | 6 | -10.13% | --- | 8.04% | --- | 0.54x | --- | 1.32x | --- | 0.57x | --- | 1.55x | --- | NA | NA | NA | |
| Levine Leichtman Deep Value Fund | 2006 | 14 | 0.73% | 13.12% | 8.30% | 6.36% | 1.03x | 1.66x | 1.19x | 1.05x | 1.03x | 1.88x | 1.66x | 1.38x | 4 | 1 | 1 | U.S. Distressed |
| Levine Leichtman Private Capital Solutions II, L.P. | 2012 | 11 | 1.47% | 16.10% | 9.55% | 8.84% | 1.05x | 0.74x | 0.52x | 0.12x | 1.05x | 1.40x | 1.27x | 1.23x | 4 | 1 | 1 | U.S. Distressed |
| Lone Star Fund IX (U.S.), L.P. | 2014 | 11 | -3.52% | 17.24% | 8.03% | 3.42% | 0.09x | 0.20x | 0.03x | 0.00x | 0.97x | 1.29x | 1.11x | 1.05x | 4 | 2 | 1 | U.S. Distressed |
| Lone Star Fund VII (U.S.), L.P. | 2011 | 3 | 47.68% | --- | --- | --- | 1.69x | --- | --- | --- | 1.77x | --- | --- | --- | NA | NA | NA | Global Distressed |
| Lone Star Fund VIII (U.S.), L.P. | 2013 | 4 | 17.35% | --- | --- | --- | 0.74x | --- | --- | --- | 1.27x | --- | --- | --- | NA | NA | NA | Global Distressed |
| Oaktree Loan Fund 2X | 2007 | 6 | 2.24% | --- | 8.04% | --- | 1.07x | --- | 1.32x | --- | 1.08x | --- | 1.55x | --- | NA | NA | NA | Global Distressed |
| OCM Opportunities Fund IV | 2001 | 4 | 28.36% | --- | --- | --- | 1.65x | --- | --- | --- | 1.65x | --- | --- | --- | NA | NA | NA | U.S. Distressed |

| Co-Investment | | | IRR | | | | DPI | | | | TVPI | | | | Quartile Rank | | | Benchmark |
|-----------------------------------|--------------|-------------|--------|--------------|--------|--------------|-------|--------------|--------|--------------|-------|--------------|--------|--------------|---------------|-----|------|--------------------|
| Fund Name | Vintage Year | Sample Size | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | IRR | DPI | TVPI | |
| Pharos Capital Co-Investment, LLC | 2007 | 18 | -9.92% | 15.25% | 10.75% | 3.02% | 0.50x | 1.31x | 0.96x | 0.37x | 0.50x | 2.31x | 1.57x | 1.15x | 4 | 1 | 1 | |
| Pharos Capital Co-Investments, LP | 2008 | 6 | 8.42% | --- | 10.13% | --- | 1.68x | --- | 0.83x | --- | 1.69x | --- | 1.56x | --- | NA | NA | NA | U.S. Growth Equity |

Note:
Benchmark data from Thomson One/Cambridge Associates as of 12.31.16

Dallas Police & Fire Pension System
As of 12/31/2016

| Energy | | | IRR | | | | DPI | | | | TVPI | | | | Quartile Rank | | | Benchmark |
|--------------------------------------|--------------|-------------|---------|--------------|--------|--------------|-------|--------------|--------|--------------|-------|--------------|--------|--------------|---------------|-----|------|-------------|
| Fund Name | Vintage Year | Sample Size | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | IRR | DPI | TVPI | |
| Huff Energy Fund | 2006 | 10 | 4.65% | 10.44% | 2.08% | -6.70% | 0.05x | 1.38x | 1.02x | 0.49x | 1.37x | 1.57x | 1.09x | 0.76x | 2 | 1 | 1 | U.S. Energy |
| Merit Energy Partners E-I | 2004 | 7 | 14.49% | --- | 17.68% | --- | 1.84x | --- | 1.68x | --- | 2.13x | --- | 1.75x | --- | NA | NA | NA | U.S. Energy |
| Merit Energy Partners F-I | 2005 | 8 | -17.19% | 9.54% | 4.72% | -1.69% | 0.42x | 1.64x | 1.11x | 0.83x | 0.43x | 1.66x | 1.21x | 0.94x | 4 | 1 | 1 | U.S. Energy |
| Merit Energy Partners G, LP | 2008 | 13 | -9.89% | 14.20% | 5.77% | -2.05% | 0.17x | 0.69x | 0.63x | 0.42x | 0.68x | 1.63x | 1.31x | 0.91x | 4 | 4 | 1 | U.S. Energy |
| Merit Energy Partners H, LP | 2010 | 8 | -13.72% | 26.26% | 8.88% | 0.84% | 0.12x | 1.24x | 0.53x | 0.38x | 0.69x | 1.90x | 1.34x | 1.02x | 4 | 1 | 1 | U.S. Energy |
| Yellowstone Energy Ventures II, L.P. | 2008 | 13 | -28.63% | 14.20% | 5.77% | -2.05% | 0.29x | 0.69x | 0.63x | 0.42x | 0.31x | 1.63x | 1.31x | 0.91x | 4 | 1 | 1 | U.S. Energy |

| Credit Opportunities | | | IRR | | | | DPI | | | | TVPI | | | | Quartile Rank | | | Benchmark |
|-----------------------------|--------------|-------------|--------|--------------|--------|--------------|-------|--------------|--------|--------------|-------|--------------|--------|--------------|---------------|-----|------|-------------------|
| Fund Name | Vintage Year | Sample Size | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | IRR | DPI | TVPI | |
| Highland Credit Ops | 2006 | 4 | -2.20% | --- | --- | --- | 0.67x | --- | --- | --- | 0.84x | --- | --- | --- | NA | NA | NA | Global Distressed |
| Highland Crusader Fund | 2003 | 3 | 4.31% | --- | --- | --- | 1.22x | --- | --- | --- | 1.28x | --- | --- | --- | NA | NA | NA | Global Distressed |

| Venture | | | IRR | | | | DPI | | | | TVPI | | | | Quartile Rank | | | Benchmark |
|---|--------------|-------------|--------|--------------|---------|--------------|-------|--------------|--------|--------------|-------|--------------|--------|--------------|---------------|-----|------|--------------|
| Fund Name | Vintage Year | Sample Size | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | IRR | DPI | TVPI | |
| Industry Ventures Partnership Holdings IV | 2016 | 31 | -7.94% | -3.59% | -14.44% | -20.47% | 0.00x | 0.00x | 0.00x | 0.00x | 0.94x | 0.97x | 0.90x | 0.85x | 2 | NA | 2 | U.S. Venture |

Note:
Benchmark data is from Thomson One/Cambridge Associates as of 12.31.16

Dallas Police & Fire Pension System
Private Equity & Debt Funds - Vintage Year Performance Analysis

12/31/2016

| Investment Name | Vintage Year | Commitment Amount | Paid in Capital | Capital to be Funded | Additional Fees | Cumulative Distributions | Valuation | Total Value | Net Benefit | Call Ratio | DPI Ratio | TVPI Ratio | IRR |
|---|--------------|--------------------|--------------------|----------------------|-------------------|--------------------------|--------------------|--------------------|--------------------|-------------|-------------|-------------|---------------|
| 1994 | | | | | | | | | | | | | |
| 1 Huff Alternative Income Fund | 1994 | 40,000,000 | 40,000,000 | 0 | 2,018,676 | 66,940,198 | 0 | 66,940,198 | 24,921,522 | 100% | 1.59 | 1.59 | 17.82% |
| Subtotal: 1994 | | 40,000,000 | 40,000,000 | 0 | 2,018,676 | 66,940,198 | 0 | 66,940,198 | 24,921,522 | 100% | 1.59 | 1.59 | 17.82% |
| 2000 | | | | | | | | | | | | | |
| 1 Huff Alternative Fund | 2000 | 66,795,718 | 66,795,718 | 0 | 12,022,676 | 54,931,727 | 30,038,169 | 84,969,896 | 6,151,502 | 100% | 0.70 | 1.08 | 1.08% |
| 2 North Texas Opportunity Fund | 2000 | 10,000,000 | 10,000,000 | 0 | 0 | 8,798,464 | 2,131,900 | 10,930,364 | 930,364 | 100% | 0.88 | 1.09 | 1.04% |
| Subtotal: 2000 | | 76,795,718 | 76,795,718 | 0 | 12,022,676 | 63,730,191 | 32,170,069 | 95,900,260 | 7,081,866 | 100% | 0.72 | 1.08 | 1.07% |
| 2001 | | | | | | | | | | | | | |
| 1 OCM Opportunities Fund IV | 2001 | 50,000,000 | 50,000,000 | 0 | 0 | 82,364,001 | 162,273 | 82,526,274 | 32,526,274 | 100% | 1.65 | 1.65 | 28.36% |
| Subtotal: 2001 | | 50,000,000 | 50,000,000 | 0 | 0 | 82,364,001 | 162,273 | 82,526,274 | 32,526,274 | 100% | 1.65 | 1.65 | 28.36% |
| 2003 | | | | | | | | | | | | | |
| 1 Highland Crusader Fund | 2003 | 50,955,397 | 50,955,397 | 0 | 0 | 62,263,032 | 2,756,000 | 65,019,032 | 14,063,635 | 100% | 1.22 | 1.28 | 4.31% |
| Subtotal: 2003 | | 50,955,397 | 50,955,397 | 0 | 0 | 62,263,032 | 2,756,000 | 65,019,032 | 14,063,635 | 100% | 1.22 | 1.28 | 4.31% |
| 2004 | | | | | | | | | | | | | |
| 1 Merit Energy Partners E-I | 2004 | 7,018,930 | 7,018,930 | 0 | -1,741 | 12,933,530 | 2,042,246 | 14,975,776 | 7,958,587 | 100% | 1.84 | 2.13 | 14.49% |
| Subtotal: 2004 | | 7,018,930 | 7,018,930 | 0 | -1,741 | 12,933,530 | 2,042,246 | 14,975,776 | 7,958,587 | 100% | 1.84 | 2.13 | 14.49% |
| 2005 | | | | | | | | | | | | | |
| 1 Merit Energy Partners F-I | 2005 | 8,748,346 | 8,748,346 | 0 | 0 | 3,644,724 | 156,482 | 3,801,206 | -4,947,140 | 100% | 0.42 | 0.43 | -17.19% |
| 2 Pharos Capital Partners IIA, L.P. | 2005 | 20,000,000 | 20,000,000 | 0 | 0 | 17,715,199 | 0 | 17,715,199 | -2,284,801 | 100% | 0.89 | 0.89 | -2.30% |
| Subtotal: 2005 | | 28,748,346 | 28,748,346 | 0 | 0 | 21,359,923 | 156,482 | 21,516,405 | -7,231,941 | 100% | 0.74 | 0.75 | -5.28% |
| 2006 | | | | | | | | | | | | | |
| 1 Highland Credit Ops | 2006 | 35,348,165 | 35,348,165 | 0 | 0 | 23,595,921 | 6,216,120 | 29,812,041 | -5,536,124 | 100% | 0.67 | 0.84 | -2.20% |
| 2 Huff Energy Fund | 2006 | 100,000,000 | 99,880,021 | 119,979 | -947,331 | 4,477,394 | 131,208,655 | 135,686,049 | 36,753,359 | 100% | 0.05 | 1.37 | 4.65% |
| 3 Levine Leichtman Deep Value Fund | 2006 | 75,000,000 | 75,000,000 | 0 | 11,025,662 | 88,688,224 | 0 | 88,688,224 | 2,662,562 | 100% | 1.03 | 1.03 | 0.73% |
| 4 Lone Star Growth Capital | 2006 | 16,000,000 | 12,800,000 | 16,000,000 | 0 | 12,800,000 | 10,193,552 | 22,993,552 | 10,193,552 | 80% | 1.00 | 1.80 | 8.49% |
| Subtotal: 2006 | | 226,348,165 | 223,028,186 | 16,119,979 | 10,078,331 | 129,561,539 | 147,618,327 | 277,179,866 | 44,073,349 | 93% | 0.56 | 1.19 | 2.82% |
| 2007 | | | | | | | | | | | | | |
| 1 Ashmore Global Special Situations Fund IV | 2007 | 70,000,000 | 70,000,000 | 0 | 0 | 37,580,583 | 2,072,128 | 39,652,711 | -30,347,289 | 100% | 0.54 | 0.57 | -10.13% |
| 2 BankCap Partners Fund I | 2007 | 20,000,000 | 20,000,000 | 0 | 0 | 5,885,019 | 17,006,617 | 22,891,636 | 2,891,636 | 100% | 0.29 | 1.14 | 1.67% |
| 3 Oaktree Loan Fund 2X | 2007 | 60,000,000 | 60,000,000 | 0 | 0 | 64,287,256 | 779,695 | 65,066,951 | 5,066,951 | 100% | 1.07 | 1.08 | 2.24% |
| 4 Pharos Capital Co-Investment, LLC | 2007 | 20,000,000 | 20,000,000 | 0 | 0 | 10,019,157 | 0 | 10,019,157 | -9,980,843 | 100% | 0.50 | 0.50 | -9.92% |
| Subtotal: 2007 | | 170,000,000 | 170,000,000 | 0 | 0 | 117,772,014 | 19,858,440 | 137,630,454 | -32,369,545 | 100% | 0.69 | 0.81 | -4.01% |
| 2008 | | | | | | | | | | | | | |
| 1 HM Capital Sector Performance Fund | 2008 | 47,300,000 | 44,354,248 | 0 | 1,933,378 | 39,792,545 | 0 | 39,792,545 | -6,495,081 | 100% | 0.86 | 0.86 | -4.01% |
| 2 Levine Leichtman Capital Partners IV | 2008 | 50,000,000 | 37,933,751 | 0 | 0 | 78,916,788 | 0 | 78,916,788 | 40,983,037 | 76% | 2.08 | 2.08 | 20.14% |
| 3 Lone Star CRA Fund | 2008 | 50,000,000 | 57,352,941 | 0 | 0 | 12,928,698 | 59,541,782 | 72,470,480 | 15,117,539 | 115% | 0.23 | 1.26 | 16.90% |
| 4 Merit Energy Partners G, LP | 2008 | 39,200,000 | 39,200,000 | 0 | 0 | 6,532,135 | 20,224,516 | 26,756,651 | -12,443,349 | 100% | 0.17 | 0.68 | -9.89% |
| 5 Pharos Capital Co-Investments, LP | 2008 | 40,000,000 | 40,000,000 | 0 | 0 | 67,397,892 | 70,866 | 67,468,758 | 27,468,758 | 100% | 1.68 | 1.69 | 8.42% |
| 6 Yellowstone Energy Ventures II, L.P. | 2008 | 5,283,254 | 5,112,307 | 170,947 | 0 | 1,458,572 | 114,719 | 1,573,291 | -3,539,016 | 97% | 0.29 | 0.31 | -28.63% |

Dallas Police & Fire Pension System
Private Equity & Debt Funds - Vintage Year Performance Analysis

12/31/2016

| Investment Name | Vintage Year | Commitment Amount | Paid in Capital | Capital to be Funded | Additional Fees | Cumulative Distributions | Valuation | Total Value | Net Benefit | Call Ratio | DPI Ratio | TVPI Ratio | IRR |
|---|--------------|----------------------|----------------------|----------------------|-------------------|--------------------------|--------------------|----------------------|--------------------|-------------|-------------|-------------|----------------|
| Subtotal: 2008 | | 233,318,570 | 225,488,562 | 170,947 | 1,933,378 | 207,026,630 | 79,951,883 | 286,978,513 | 59,556,573 | 100% | 0.91 | 1.26 | 6.34% |
| 2009 | | | | | | | | | | | | | |
| 1 Hudson Clean Energy Partners | 2009 | 25,000,000 | 24,912,744 | 87,256 | 0 | 3,661,896 | 10,689,705 | 14,351,601 | -10,561,143 | 100% | 0.15 | 0.58 | -11.13% |
| Subtotal: 2009 | | 25,000,000 | 24,912,744 | 87,256 | 0 | 3,661,896 | 10,689,705 | 14,351,601 | -10,561,143 | 100% | 0.15 | 0.58 | -11.13% |
| 2010 | | | | | | | | | | | | | |
| 1 Merit Energy Partners H, LP | 2010 | 10,000,000 | 10,000,000 | 0 | 0 | 1,241,072 | 5,629,379 | 6,870,451 | -3,129,549 | 100% | 0.12 | 0.69 | -13.72% |
| Subtotal: 2010 | | 10,000,000 | 10,000,000 | 0 | 0 | 1,241,072 | 5,629,379 | 6,870,451 | -3,129,549 | 100% | 0.12 | 0.69 | -13.72% |
| 2011 | | | | | | | | | | | | | |
| 1 Lone Star Fund VII (U.S.), L.P. | 2011 | 25,000,000 | 23,459,112 | 1,540,888 | 0 | 39,541,921 | 2,082,645 | 41,624,566 | 18,165,453 | 94% | 1.69 | 1.77 | 47.68% |
| 2 Oaktree Power Fund III | 2011 | 30,000,000 | 16,096,514 | 13,903,486 | 0 | 11,940,647 | 11,899,312 | 23,839,959 | 7,743,445 | 54% | 0.74 | 1.48 | 12.59% |
| Subtotal: 2011 | | 55,000,000 | 39,555,626 | 15,444,374 | 0 | 51,482,568 | 13,981,957 | 65,464,525 | 25,908,898 | 72% | 1.30 | 1.65 | 28.35% |
| 2012 | | | | | | | | | | | | | |
| 1 Levine Leichtman Private Capital Solutions II, L.P. | 2012 | 25,000,000 | 17,867,133 | 0 | -175 | 18,691,764 | 0 | 18,691,764 | 824,805 | 71% | 1.05 | 1.05 | 1.47% |
| 2 Lone Star Opportunities Fund V, LP | 2012 | 75,000,000 | 41,250,000 | 33,750,000 | 0 | 531,444 | 40,063,273 | 40,594,717 | -655,283 | 55% | 0.01 | 0.98 | -1.28% |
| 3 Pharos Capital Partners III, LP | 2012 | 50,000,000 | 28,250,000 | 0 | -54,286 | 20,196,932 | 0 | 20,196,932 | -7,998,782 | 57% | 0.72 | 0.72 | -19.52% |
| Subtotal: 2012 | | 150,000,000 | 87,367,133 | 33,750,000 | -54,461 | 39,420,140 | 40,063,273 | 79,483,413 | -7,829,260 | 72% | 0.45 | 0.91 | -5.32% |
| 2013 | | | | | | | | | | | | | |
| 1 BankCap Partners Opportunity Fund, LP | 2013 | 20,000,000 | 19,480,769 | 0 | 0 | 18,266,454 | 0 | 18,266,454 | -1,214,314 | 97% | 0.94 | 0.94 | -5.22% |
| 2 Kainos Capital Partners, L.P. | 2013 | 35,000,000 | 30,163,455 | 0 | 0 | 43,263,688 | 0 | 43,263,688 | 13,100,233 | 86% | 1.43 | 1.43 | 25.01% |
| 3 Levine Leichtman Capital Partners V, L.P. | 2013 | 25,000,000 | 19,064,894 | 0 | -4,405 | 24,506,336 | 0 | 24,506,336 | 5,445,847 | 76% | 1.29 | 1.29 | 15.56% |
| 4 Lone Star Fund VIII (U.S.), L.P. | 2013 | 25,000,000 | 20,378,036 | 4,621,964 | 0 | 15,135,714 | 10,755,531 | 25,891,245 | 5,513,210 | 82% | 0.74 | 1.27 | 17.35% |
| Subtotal: 2013 | | 105,000,000 | 89,087,154 | 4,621,964 | -4,405 | 101,172,193 | 10,755,531 | 111,927,724 | 22,844,976 | 95% | 1.14 | 1.26 | 16.12% |
| 2014 | | | | | | | | | | | | | |
| 1 Lone Star Fund IX (U.S.), L.P. | 2014 | 35,000,000 | 22,701,874 | 12,298,126 | 0 | 2,043,505 | 19,987,411 | 22,030,916 | -670,958 | 65% | 0.09 | 0.97 | -3.52% |
| Subtotal: 2014 | | 35,000,000 | 22,701,874 | 12,298,126 | 0 | 2,043,505 | 19,987,411 | 22,030,916 | -670,958 | 65% | 0.09 | 0.97 | -3.52% |
| 2016 | | | | | | | | | | | | | |
| 1 Industry Ventures Partnership Holdings IV | 2016 | 5,000,000 | 425,000 | 4,575,000 | 0 | 0 | 401,063 | 401,063 | -23,937 | 9% | 0.00 | 0.94 | -7.94% |
| 2 Miscellaneous Private Equity Expenses | 2016 | 80,516 | 80,516 | 0 | 0 | 8,866 | 0 | 8,866 | -71,651 | 100% | 0.11 | 0.11 | N/A |
| 3 Riverstone Credit Partners | 2016 | 10,000,000 | 5,373,854 | 4,626,146 | 102,142 | 679,425 | 5,424,424 | 6,103,849 | 627,853 | 54% | 0.12 | 1.11 | 14.20% |
| Subtotal: 2016 | | 15,080,516 | 5,879,370 | 9,201,146 | 102,142 | 688,291 | 5,825,487 | 6,513,778 | 532,265 | 39% | 0.12 | 1.09 | 11.43% |
| Total: Dallas Police & Fire Pension System | | 1,278,265,642 | 1,151,539,041 | 91,693,792 | 26,094,596 | 963,660,723 | 391,648,463 | 1,355,309,186 | 177,675,548 | 90% | 0.82 | 1.15 | 3.70% |



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Dallas Police & Fire Pension System

Fourth Quarter 2016 *Private Real Assets Program* (Real Estate, Infrastructure, Natural Resources)

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Real Estate and Real Assets

The following table presents the status of the DFPF **REAL ESTATE** portfolio as of December 31, 2016:

| Since Inception Commitments | Terminated Commitments | Amount Funded | Amount Distributed | Reported Value | Call Ratio | Distribution Ratio |
|--|--|-----------------|---------------------------------------|--------------------|--|-----------------------------------|
| \$1,607,679,624 | \$0 | \$1,393,972,992 | \$543,096,162 | \$580,736,414 | 86.71% | 38.96% |
| Unfunded Commitment | Market Exposure (Reported Value + Unfunded Commitment) | | Total Fund Composite as of 12/31/2016 | Real Estate Target | Reported Value of Total Fund | Market Exposure as a % Total Fund |
| \$213,706,631 | \$794,443,045 | | \$2,148,175,753 | 12% | 27.03% | 36.98% |
| Total Value (Reported Value + Distributions) | | | Total Value To Capital Call Ratio | | Internal Rate of Return IRR, Since Inception | |
| \$1,123,832,576 | | | 0.81 | | -4.50% | |

The following table presents the status of the DFPF **NATURAL RESOURCES** portfolio as of December 31, 2016:

| Since Inception Commitments | Terminated Commitments | Amount Funded | Amount Distributed | Reported Value | Call Ratio | Distribution Ratio |
|--|--|---------------|---------------------------------------|--------------------------|--|-----------------------------------|
| \$236,397,292 | \$0 | \$236,397,292 | \$193,631,632 | \$266,068,236 | 100.00% | 81.91% |
| Unfunded Commitment | Market Exposure (Reported Value + Unfunded Commitment) | | Total Fund Composite as of 12/31/2016 | Natural Resources Target | Reported Value of Total Fund | Market Exposure as a % Total Fund |
| \$0 | \$266,068,236 | | \$2,148,175,753 | 3% | 12.39% | 12.39% |
| Total Value (Reported Value + Distributions) | | | Total Value To Capital Call Ratio | | Internal Rate of Return IRR, Since Inception | |
| \$459,699,868 | | | 1.94 | | 9.99% | |

The following table presents the status of the DFPF **INFRASTRUCTURE** portfolio as of December 31, 2016:

| Since Inception Commitments | Terminated Commitments | Amount Funded | Amount Distributed | Reported Value | Call Ratio | Distribution Ratio |
|--|--|---------------|---------------------------------------|-----------------------|--|-----------------------------------|
| \$364,000,000 | \$39,233,614 | \$286,189,859 | \$107,409,546 | \$181,404,476 | 78.62% | 37.53% |
| Unfunded Commitment | Market Exposure (Reported Value + Unfunded Commitment) | | Total Fund Composite as of 12/31/2016 | Infrastructure Target | Reported Value of Total Fund | Market Exposure as a % Total Fund |
| \$38,576,527 | \$219,981,003 | | \$2,148,175,753 | 5% | 8.44% | 10.24% |
| Total Value (Reported Value + Distributions) | | | Total Value To Capital Call Ratio | | Internal Rate of Return IRR, Since Inception | |
| \$288,814,022 | | | 1.01 | | 0.27% | |

Dallas Police & Fire Pension System
Investment Strategy Performance Analysis

12/31/2016¹

| Investment Name | Vintage Year | Commitment Amount | Paid in Capital | Capital to be Funded | Additional Fees | Cumulative Distributions | Valuation | Total Value | Net Benefit | Call Ratio | DPI Ratio | TVPI Ratio |
|---|--------------|----------------------|----------------------|----------------------|-----------------|--------------------------|----------------------|----------------------|---------------------|-------------|-------------|-------------|
| Real Estate | | | | | | | | | | | | |
| Direct Investments ² | Various | 1,384,976,032 | 1,195,622,663 | 189,353,369 | 0 | 321,358,709 | 528,014,026 | 849,372,735 | -346,249,927 | 86% | 0.27 | 0.71 |
| CDK Multifamily I | 2014 | 10,522,376 | 10,522,376 | 0 | 0 | 42,934 | 10,786,650 | 10,829,584 | 307,208 | 100% | 0.00 | 1.03 |
| Hearthstone MS II Homebuilding Investors | 1999 | 10,000,000 | 7,970,115 | 2,029,885 | 0 | 10,989,565 | 959 | 10,990,524 | 3,020,409 | 80% | 1.38 | 1.38 |
| Hearthstone MS III Homebuilding Investors | 2003 | 10,587,389 | 10,587,389 | 0 | 0 | 12,863,833 | 628,450 | 13,492,283 | 2,904,894 | 100% | 1.22 | 1.27 |
| Lone Star Fund III (U.S.), L.P. | 2000 | 20,000,000 | 19,827,415 | 172,585 | 0 | 40,674,181 | 27,069 | 40,701,250 | 20,873,835 | 99% | 2.05 | 2.05 |
| Lone Star Fund IV (U.S.), L.P. | 2001 | 20,000,000 | 19,045,201 | 954,799 | 0 | 43,786,407 | 112,035 | 43,898,442 | 24,853,241 | 95% | 2.30 | 2.30 |
| Lone Star Fund V (U.S.), L.P. | 2005 | 22,500,000 | 22,254,975 | 245,025 | 0 | 17,060,116 | 3,545,779 | 20,605,895 | -1,649,080 | 99% | 0.77 | 0.93 |
| Lone Star Fund VI (U.S.), L.P. | 2008 | 25,000,000 | 20,005,358 | 4,994,642 | 0 | 26,884,679 | 4,828,289 | 31,712,968 | 11,707,610 | 80% | 1.34 | 1.59 |
| Lone Star Real Estate Fund (U.S.), L.P. | 2008 | 25,000,000 | 20,719,418 | 4,280,582 | 0 | 22,817,586 | 2,586,121 | 25,403,707 | 4,684,289 | 83% | 1.10 | 1.23 |
| Lone Star Real Estate Fund II | 2011 | 25,000,000 | 22,152,461 | 2,847,539 | 0 | 29,728,497 | 3,060,873 | 32,789,370 | 10,636,909 | 89% | 1.34 | 1.48 |
| Lone Star Real Estate Fund III | 2014 | 25,000,000 | 23,360,962 | 1,639,038 | 0 | 11,807,078 | 14,786,650 | 26,593,728 | 3,232,766 | 93% | 0.51 | 1.14 |
| M&G Real Estate Debt Fund II | 2013 | 29,093,826 | 21,904,659 | 7,189,167 | 0 | 5,082,577 | 12,359,513 | 17,442,090 | -4,462,569 | 75% | 0.23 | 0.80 |
| Subtotal: Real Estate | | 1,607,679,624 | 1,393,972,992 | 213,706,631 | 0 | 543,096,162 | 580,736,414 | 1,123,832,576 | -270,140,416 | 87% | 0.39 | 0.81 |
| Infrastructure | | | | | | | | | | | | |
| AIRRO Consolidated (2 investments) | Various | 77,000,000 | 43,281,535 | 33,718,465 | -762,541 | 4,677,250 | 39,899,077 | 44,576,327 | 2,057,333 | 56% | 0.11 | 1.03 |
| JP Morgan Consolidated (2 Investments) | Various | 87,000,000 | 82,141,937 | 4,858,063 | -404 | 15,524,562 | 54,533,818 | 70,058,381 | -12,083,153 | 94% | 0.19 | 0.85 |
| LBJ Infrastructure Group Holding, LLC (LBJ) | 2009 | 50,000,000 | 44,346,229 | 0 | 0 | 1,782,000 | 44,346,035 | 46,128,035 | 1,781,806 | 89% | 0.04 | 1.04 |
| NTE 3a-3b | 2012 | 50,000,000 | 23,794,565 | 0 | 0 | 28,186,978 | 0 | 28,186,978 | 4,392,413 | 48% | 1.18 | 1.18 |
| NTE Mobility Partners Holding, LLC (NTE) | 2009 | 50,000,000 | 42,625,592 | 0 | 0 | 2,000,000 | 42,625,545 | 44,625,545 | 1,999,953 | 85% | 0.05 | 1.05 |
| RREEF North American Infrastructure Fund | 2007 | 50,000,000 | 50,000,000 | 0 | 846,289 | 55,238,755 | 0 | 55,238,755 | 4,392,466 | 100% | 1.09 | 1.09 |
| Subtotal: Infrastructure | | 364,000,000 | 286,189,859 | 38,576,527 | 83,344 | 107,409,546 | 181,404,476 | 288,814,022 | 2,540,819 | 79% | 0.38 | 1.01 |
| Natural Resources | | | | | | | | | | | | |
| Hancock Agricultural | 1998 | 74,420,001 | 74,420,001 | 0 | 0 | 89,596,343 | 170,334,050 | 259,930,393 | 185,510,392 | 100% | 1.20 | 3.49 |
| BTG Timberland | 2007 | 22,230,000 | 22,230,000 | 0 | 0 | 33,056,506 | 13,324 | 33,069,830 | 10,839,830 | 100% | 1.49 | 1.49 |
| FIA Timberland | 1992 | 59,649,696 | 59,649,696 | 0 | 0 | 63,978,783 | 43,536,008 | 107,514,791 | 47,865,095 | 100% | 1.07 | 1.80 |
| Subtotal: Natural Resources | | 236,397,292 | 236,397,292 | 0 | 0 | 193,631,632 | 266,068,236 | 459,699,868 | 223,302,576 | 100% | 0.82 | 1.94 |
| Total: Real Assets | | 2,208,076,916 | 1,916,560,143 | 252,283,158 | 83,344 | 844,137,339 | 1,028,209,127 | 1,872,346,466 | -44,297,021 | 87% | 0.44 | 0.98 |

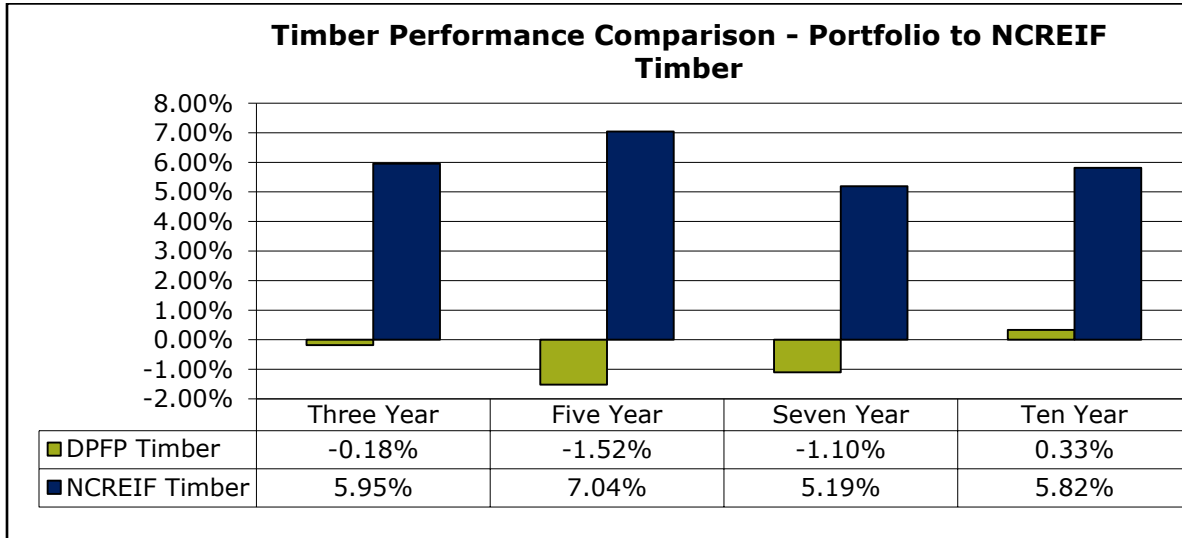
Notes:

1. Data provided from managers as of December 31, 2016

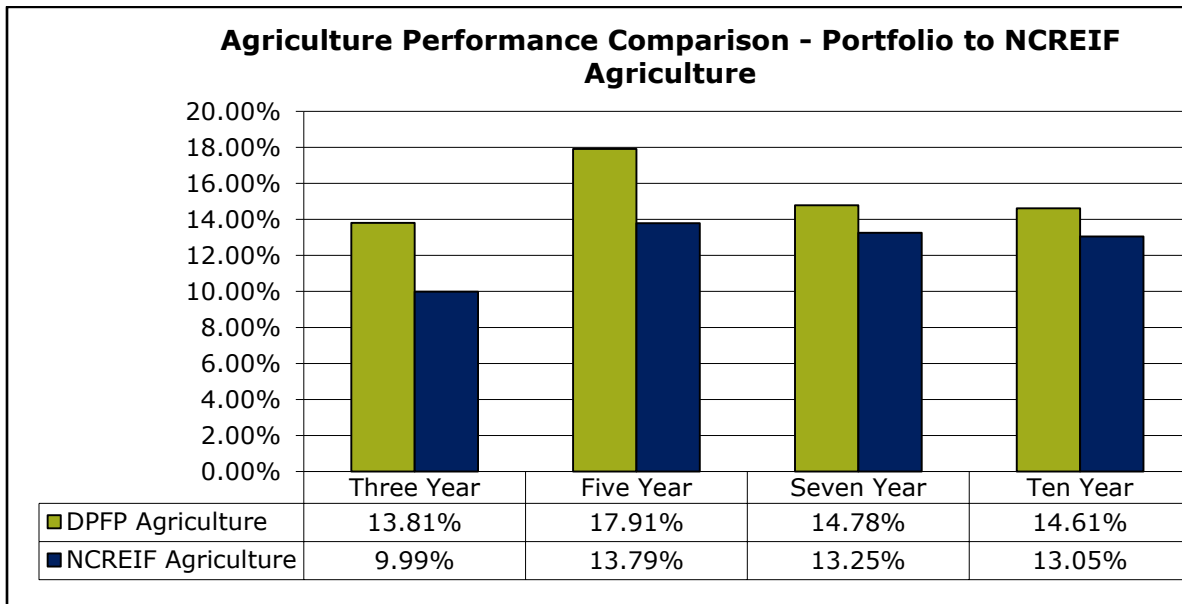
2. Unfunded commitment includes Sumitomo line of credit of \$188,900,000

Timber and Agriculture Benchmarks

The following graph shows the performance of the DFPF **Timber** portfolio vs. the NCREIF Timber Index* as of December 31, 2016:



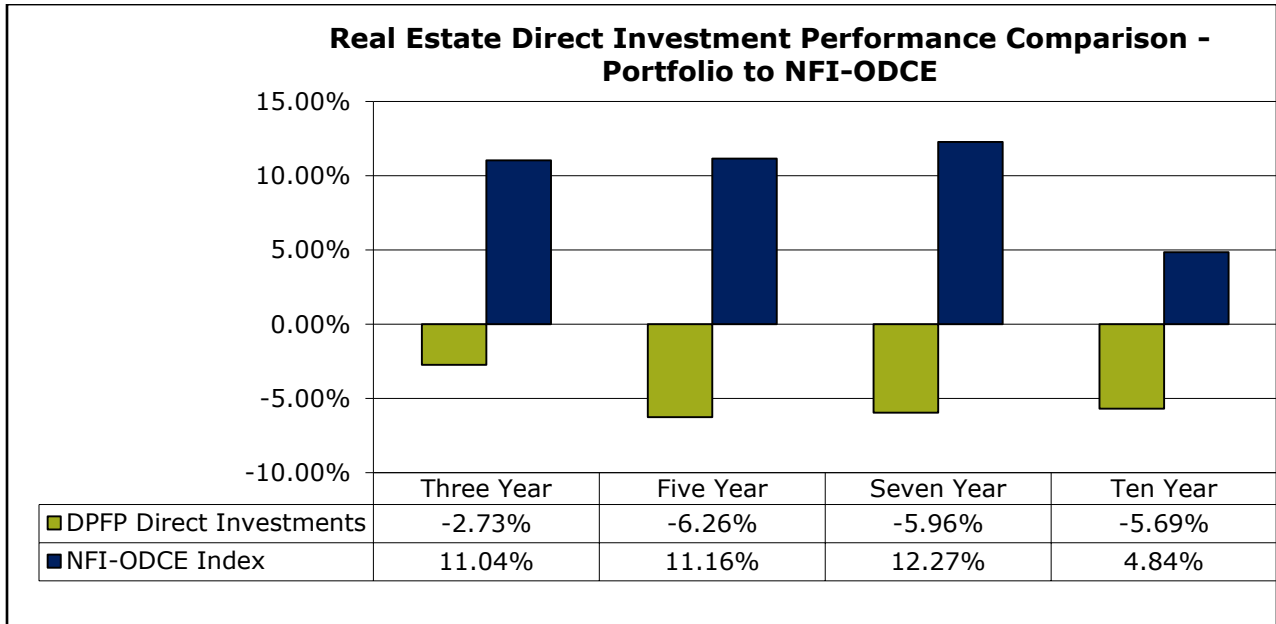
The following graph shows the performance of the DFPF **Agriculture** portfolio vs. the NCREIF Agriculture Index* as of December 31, 2016:



*NCREIF Agriculture and Timber index returns are calculated gross of fees and on a time-weighted basis, NEPC has used an assumed fee of 100 basis points. DFPF returns are calculated net of fees using a money-weighted return

Real Estate Benchmark

The following graph shows the performance of the DPFP **Direct Investment Real Estate** portfolio vs. the NCREIF NFI-ODCE Index** as of December 31, 2016:



**NFI-ODCE Index returns are net of fees and calculated on a time-weighted basis; DPFP returns are calculated net of fees using a money-weighted return

Dallas Police & Fire Pension System
As of 12/31/2016

| U.S. RE | | | IRR | | | | DPI | | | | TVPI | | | | Quartile Rank | | | |
|---|--------------|-------------|--------|--------------|--------|--------------|-------|--------------|--------|--------------|-------|--------------|--------|--------------|---------------|-----|------|-----------|
| Fund Name | Vintage Year | Sample Size | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | IRR | DPI | TVPI | Benchmark |
| CDK Multifamily I | 2014 | 35 | 1.22% | 14.82% | 11.42% | 7.33% | 0.00x | 0.15x | 0.06x | 0.00x | 1.03x | 1.21x | 1.15x | 1.08x | 4 | 4 | 4 | U.S RE |
| Hearthstone MS II Homebuilding Investors | 1999 | 16 | 26.70% | 17.81% | 10.22% | 9.23% | 1.38x | 1.78x | 1.46x | 1.40x | 1.38x | 1.81x | 1.48x | 1.40x | 1 | 4 | 4 | U.S RE |
| Hearthstone MS III Homebuilding Investors | 2003 | 25 | 24.71% | 20.10% | 10.81% | -1.62% | 1.22x | 1.76x | 1.39x | 0.91x | 1.27x | 1.76x | 1.52x | 0.91x | 1 | 3 | 3 | U.S RE |

| European RE | | | IRR | | | | DPI | | | | TVPI | | | | Quartile Rank | | | |
|------------------------------|--------------|-------------|---------|--------------|--------|--------------|-------|--------------|--------|--------------|-------|--------------|--------|--------------|---------------|-----|------|-------------|
| Fund Name | Vintage Year | Sample Size | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | IRR | DPI | TVPI | Benchmark |
| M&G Real Estate Debt Fund II | 2013 | 12 | -16.48% | 6.81% | -0.32% | -2.71% | 0.23x | 0.27x | 0.20x | 0.04x | 0.80x | 1.12x | 0.99x | 0.93x | 4 | 2 | 4 | European RE |

| Global RE | | | IRR | | | | DPI | | | | TVPI | | | | Quartile Rank | | | |
|---|--------------|-------------|--------|--------------|--------|--------------|-------|--------------|--------|--------------|-------|--------------|--------|--------------|---------------|-----|------|-----------|
| Fund Name | Vintage Year | Sample Size | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | IRR | DPI | TVPI | Benchmark |
| Lone Star Fund III (U.S.), L.P. | 2000 | 17 | 31.88% | 24.23% | 18.37% | 13.29% | 2.05x | 2.18x | 1.53x | 1.37x | 2.05x | 2.19x | 1.75x | 1.46x | 1 | 2 | 2 | Global RE |
| Lone Star Fund IV (U.S.), L.P. | 2001 | 21 | 30.15% | 25.99% | 18.82% | 7.95% | 2.30x | 1.89x | 1.65x | 1.30x | 2.30x | 1.89x | 1.65x | 1.43x | 1 | 1 | 1 | Global RE |
| Lone Star Fund V (U.S.), L.P. | 2005 | 66 | -1.40% | 2.53% | -1.49% | -7.76% | 0.77x | 1.07x | 0.72x | 0.46x | 0.93x | 1.20x | 0.92x | 0.68x | 2 | 2 | 2 | Global RE |
| Lone Star Fund VI (U.S.), L.P. | 2008 | 51 | 21.98% | 11.96% | 8.04% | 4.87% | 1.34x | 1.42x | 1.10x | 0.71x | 1.59x | 1.56x | 1.38x | 1.25x | 1 | 2 | 1 | Global RE |
| Lone Star Real Estate Fund (U.S.), L.P. | 2008 | 51 | 5.19% | 11.96% | 8.04% | 4.87% | 1.10x | 1.42x | 1.10x | 0.71x | 1.23x | 1.56x | 1.38x | 1.25x | 3 | 3 | 4 | Global RE |
| Lone Star Real Estate Fund II | 2011 | 53 | 24.96% | 21.26% | 16.44% | 12.81% | 1.34x | 1.29x | 1.09x | 0.71x | 1.48x | 1.71x | 1.49x | 1.37x | 1 | 1 | 3 | Global RE |
| Lone Star Real Estate Fund III | 2014 | 47 | 9.19% | 14.09% | 8.59% | 1.39% | 0.51x | 0.15x | 0.07x | 0.01x | 1.14x | 1.19x | 1.12x | 1.02x | 2 | 1 | 2 | Global RE |

| Infrastructure | | | IRR | | | | DPI | | | | TVPI | | | | Quartile Rank | | | |
|---|--------------|-------------|---------|--------------|--------|--------------|-------|--------------|--------|--------------|-------|--------------|--------|--------------|---------------|-----|------|----------------|
| Fund Name | Vintage Year | Sample Size | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | Fund | 1st Quartile | Median | 3rd Quartile | IRR | DPI | TVPI | Benchmark |
| AIRRO | 2008 | 9 | 2.47% | 12.48% | 7.83% | 6.32% | 0.13x | 0.61x | 0.50x | 0.41x | 1.14x | 1.54x | 1.51x | 1.36x | 4 | 4 | 4 | Infrastructure |
| AIRRO II | 2013 | 8 | -15.68% | --- | --- | --- | 0.00x | --- | --- | --- | 0.60x | --- | --- | --- | NA | NA | NA | Infrastructure |
| J.P. Morgan Maritime Fund, L.P. | 2009 | 3 | -22.98% | --- | --- | --- | 0.06x | --- | --- | --- | 0.59x | --- | --- | --- | NA | NA | NA | Infrastructure |
| JP Morgan Infrastructure Investments Fund | 2007 | 7 | 2.23% | --- | --- | --- | 0.35x | --- | --- | --- | 1.17x | --- | --- | --- | NA | NA | NA | Infrastructure |
| LBJ Infrastructure Group Holding, LLC (LBJ) | 2009 | 3 | 1.04% | --- | --- | --- | 0.04x | --- | --- | --- | 1.04x | --- | --- | --- | NA | NA | NA | Infrastructure |
| NTE 3a-3b | 2012 | 9 | 16.03% | 21.20% | 7.46% | 2.03% | 1.18x | 0.49x | 0.16x | 0.09x | 1.18x | 1.47x | 1.15x | 1.04x | 2 | 1 | 2 | Infrastructure |
| NTE Mobility Partners Holding, LLC (NTE) | 2009 | 3 | 1.11% | --- | --- | --- | 0.05x | --- | --- | --- | 1.05x | --- | --- | --- | NA | NA | NA | Infrastructure |
| RREEF North American Infrastructure Fund | 2007 | 7 | 12.59% | --- | 8.11% | --- | 1.09x | --- | 0.58x | --- | 1.09x | --- | 1.42x | --- | NA | NA | NA | Infrastructure |

Note:
Benchmark data is from Thomson One/Cambridge Associates as of 12.31.16



DISCUSSION SHEET

ITEM #D8

Topic: Violation of federal law (USERRA) by the City of Dallas

Discussion: At the May 11, 2017 Board meeting, the staff briefed the Board on the failure of the City of Dallas to make contributions to DFPF required under the Uniform Services Employment and Reemployment Act (USERRA). The Board directed staff to contact the City Manager concerning this matter and to bring a recommendation to the Board at the June 8, 2017 meeting regarding a law firm to potentially engage in this matter. Staff will provide updates and the requested recommendation.

Staff

Recommendation: To be provided at the meeting.



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

Discussion: Counsel will brief the Board on these issues.



DISCUSSION SHEET

ITEM #D10

Topic: Investment reports

Discussion: Review of investment reports.



DISCUSSION SHEET

ITEM #D11

Topic: 2016 audit status

Discussion: Staff will update the Board on the status and findings to date related to the 2016 financial statement audit.



DISCUSSION SHEET

ITEM #D12

Topic: Service Credit Repurchases Prior to September 1, 2017

Discussion: Under HB 3158 which becomes effective September 1, 2017, members will have certain retirement rights if they have 20 years of service as of September 1, which will not be available without 20 years of service on that date. In particular, members may be able to retire or enter DROP with a benefit of 90% of the member's average computation pay (i.e. maximum benefit) prior to reaching age 58 if they have 20 years of service as of September 1, 2017.

There are approximately 15 members who may be able to reach 20 years of service as of September 1, 2017 if they buy service which is available for repurchase. The new board will have the authority to interpret the new Plan to decide whether such members would be deemed to have 20 years of service prior to September 1 for time purchased after September 1, 2017 but relating to periods prior to September 1, 2017. However, if members wait until after September 1, 2017, the new board may determine that only service actually purchased prior to September 1, 2017 qualifies in the calculation of whether the member has 20 years of service as of such date.

Staff

Recommendation: Staff will reach out to these potentially affected members individually to advise them of the situation.



DISCUSSION SHEET

ITEM #D13

Topic: Possible revisions to Education and Travel Policy and Procedure

Discussion: Staff is proposing a change to the policy and procedure covering education and travel related expenses to address the Board's approval of attendance of Trustees.

At the May 11, 2017 Board meeting, the Board approved changes to the Education and Travel Policy and Procedure which require the Board to approve plans for education and travel expenses in advance of attendance at the educational conferences or training sessions taking place. Therefore, a listing of upcoming Trustee attendance should be presented as a separate agenda item rather than as a component of the Executive Director's Report to allow for the Board to take action on the item. The proposed changes address the removal of the listing of planned attendance from the Executive Director's Report.

Staff Recommendation: Approve the Education and Travel Policy and Procedure as amended.



D A L L A S
POLICE & FIRE
PENSION SYSTEM



**EDUCATION AND TRAVEL
POLICY AND PROCEDURE**

DRAFT

As Amended Through _____, 2017

DALLAS POLICE AND FIRE PENSION SYSTEM

EDUCATION AND TRAVEL POLICY AND PROCEDURE

Adopted March 9, 1989

As amended through [May 11](#), 2017

A. POLICY

The policy of the Dallas Police and Fire Pension System (DPFP) is to:

1. Provide for a Board Education Plan which outlines the Board's educational goals and addresses compliance with the Texas Pension Review Board's (PRB) Minimum Educational Training (MET) Program for trustees and system administrators of Texas defined benefit public retirement systems.
2. Reimburse Board Trustees and staff members, as approved by the Board, for the cost of meals, accommodations, transportation and other expenses associated with travel activities relating to the operation of DPFP. Costs incurred by Trustees in the conduct of City of Dallas business unrelated to pension business, as opposed to expenses reimbursable under this policy, will be reimbursed in accordance with the appropriate City of Dallas policy and are not to be reimbursed by DPFP.
3. Arrange travel using the most economical means reasonably available.
4. Monitor travel expenses to adhere to budgeted amounts as approved by the Board.

B. PURPOSE

The purpose of this policy is to:

1. Outline a Board Education Plan that addresses the Board's educational goals, identifies topics that Trustees and staff should be educated on, and provides for compliance with the requirements of the PRB's MET Program.
2. Define the procedure for travel and conference/training registration approvals, arrangements, documentation, and reimbursement.
3. Establish general policies and guidelines for determining allowable expenses and processing travel expenses.



B. PURPOSE (continued)

This policy does not address the approval of Trustee travel related to the monitoring of investment consultants and investment managers associated with DPF's investment portfolio. Such approval is addressed in the Investment Policy Statement.

C. BOARD EDUCATION PLAN

1. At minimum, Trustees and the Executive Director are to comply with the training requirements of the PRB's MET Program. The objective of such training is to cover the fundamental competencies necessary for the Trustees and Executive Director to successfully discharge their duties, as well as allow them to gain expertise in additional areas related to their duties. The number of hours and frequency of training should follow the requirements as set forth by the PRB and the content should be aligned with the required content areas of the PRB, including but not limited to the following: fiduciary matters, governance, ethics, investments, actuarial matters, benefits administration, risk management, compliance, legal and regulatory matters, pension accounting, custodial issues, plan administration, Texas Open Meetings Act, and the Texas Public Information Act.
2. A designated staff member shall maintain records of attendance for educational activities for each Trustee and the Executive Director, notating which activities qualify as a PRB approved source for the MET Program. These records are to be utilized to meet the compliance reporting requirements of the MET Program.
3. Trustee and staff attendance of educational activities beyond those sponsored by PRB approved sources should be related to core topics which support the role of a public fund trustee and/or staff person, as applicable (e.g. finance, defined benefit plans, legislative issues, retirement counseling, financial reporting, or any of the areas noted in paragraph C.1. above).

D. PROCEDURE

1. Travel arrangements shall be made by a designated staff member, upon the request of the individual Trustee or staff member attending a conference, training, or meeting. The designated staff member will assist with all necessary arrangements, including registration, airline reservations, car rental, hotel and any other arrangements requiring reservation. In order for staff to assist with such arrangements, a Travel Profile form should be completed by any individual requesting travel reservations.
2. A Trustee or staff member may request the method of transportation that best meets his/her needs and the requirements of the education or business purpose, however the request will be subject to consideration of economic feasibility based on all available options. The staff member designated to assist in arranging travel shall perform a search of all reasonably available options for transportation and lodging prior to booking in order to best manage expenditures.
3. Charges for registration and travel reserved in advance of the travel date shall be made by a designated staff person using the DFPF credit card unless otherwise pre-approved by the Executive Director.
4. All expenses associated with any travel shall be documented on the Expense Report form (see Appendix A).

An explanation of the form is as follows:

a. Dates

A separate column on the Expense Report is to be utilized for each day of the expense period.

b. Registration Fees

- (1) DFPF will reimburse actual expenses incurred in registering for a conference/training or meeting. If the attendee pays the registration fee, an original or electronic (email) receipt must be furnished for reimbursement purposes.

D. PROCEDURE (continued)

- (2) Registration costs are authorized only to the extent necessary for the purpose of the conference/training or meeting; expenses for golf tournaments or other extracurricular activities offered in connection with a conference/training or meeting are the responsibility of the individual.

c. Airfare

- (1) If a reduced airfare may be obtained by traveling a day earlier or later than required for event attendance (i.e. staying an additional night), *and* the cost of all additional travel expenses (hotel, meals, rental car, local transportation, etc) is offset by the savings in airfare, DPFPP will reimburse additional lodging, local transportation, rental car, and meal expenses incurred. The reimbursement for travel expense for the additional day will be limited to the savings in airfare (i.e. the difference between 1) the airfare that would have been incurred based on travel dates required for event attendance and 2) the actual rate paid for the airfare). Support for the amount of cost differential shall be obtained by the staff person assisting with booking travel and shall be included with the Expense Report for record keeping purposes.
- (2) For all flights, DPFPP will reimburse a coach or economy class airfare. First-class or business-class seats may be allowed only if coach seats are not available and no other flight can be substituted.
- (3) Expenses incurred to change or cancel a flight will be reimbursed by DPFPP.
- (4) Upon completion of air travel, a copy of the boarding pass and/or itinerary must be submitted with the Expense Report.

d. Mileage

- (1) Expenses relating to the use of personal vehicles for business travel shall be reimbursed at the current standard mileage rate as released by the Internal Revenue Service for use in computing the deductible costs of operating an automobile for business purposes.

D. PROCEDURE (continued)

d. Mileage (continued)

- (2) If multiple individuals are traveling together by car, DPFPP will reimburse mileage to the person who owns the vehicle.
- (3) Mapquest.com, Map.com, or some equivalent online map service should be used to calculate mileage for reimbursement purposes.
- (4) Mileage to and from DPFPP's office when the origin or end point is the Trustee's home will not be reimbursed for days when a Trustee is compensated by the City. If a Trustee is not compensated by the City in the form of pay or time on the day of commuting to or from the DPFPP office for a meeting, such mileage may be submitted for reimbursement. Any mileage which is being reimbursed by the City is not reimbursable by DPFPP. Mileage to and from DPFPP's office from a Trustee's workplace is reimbursable.
- (5) The total reimbursement for vehicular transportation shall in no case exceed the amount that would be incurred using air transportation. Documentation of airfare used for cost comparison shall be attached to the Education/Travel Request Form.
- (6) For staff, on a normal workday, only the mileage traveled which is in excess of the number of miles from the staff person's residence to the DPFPP office is reimbursable.

e. Local transportation

Actual expenses incurred for taxis or other local transportation service will be reimbursed. The original or electronic (email) receipt must be provided for reimbursement.

f. Car Rental

DPFPP will reimburse for rental cars under the following guidelines:

- (1) Whenever possible, the least expensive mode of transportation to and from the airport will be used, including shuttles, taxis, or other forms of local transportation.

D. PROCEDURE (continued)

f. Car Rental (continued)

- (2) Rental car expenses will not be reimbursed if an individual opts to rent a car rather than use less expensive, reasonably available modes of transportation to and from the airport. Reimbursement of the amount that would have been expended on a shuttle or taxi will be made with documentation of established rates.
- (3) Fuel and mileage costs incurred shall be reimbursed. An original or electronic (email) receipt must be provided for reimbursement. Whenever possible, the individual will return the rental car with a full tank of gas to avoid paying inflated prices for fill-up by the rental agency.
- (4) DFPF will not reimburse for the cost of any collision waiver or liability policy purchased in conjunction with the rental of a car. DFPF is self-insured and additional insurance is unnecessary.
- (5) If a car is rented for personal use beyond the required period for business usage, reimbursement will be made on a pro-rata basis for the period required to attend the conference/training or meeting.

g. Lodging

- (1) Reimbursement shall be made for actual expenses incurred for the period required to attend the conference/training or meeting, to include any additional lodging in accordance with paragraph C.4.c.(1).
- (2) Original hotel receipts must be furnished for reimbursement.
- (3) If one or more other persons accompany the individual and the hotel rate is higher than that charged for single occupancy, the lodging receipt shall indicate both the amount charged and the single occupancy rate. The person authorized to incur expenses shall pay the difference.
- (4) Any personal expenses, such as in-room movies, fitness room access, dry cleaning, etc. are the responsibility of the individual.

D. PROCEDURE (continued)

h. Business Services

- (1) All actual internet access expenses pursuant to DPFP business will be reimbursed. The Trustee or staff member incurring the expense shall annotate any receipts listing such expenses to indicate which expenses were incurred related to DPFP business.
- (2) Miscellaneous business expenses such as facsimile transmissions, courier service and overnight delivery service will be reimbursed. Original or electronic (email) receipts will be required for reimbursement.

i. Tips

All tips must be itemized daily.

j. Meals

- (1) DPFP shall reimburse for meals based on actual expenses supported by receipts.
- (2) If receipts are not available from the provider, but the individual confirms the cost, DPFP will reimburse actual costs not to exceed \$25 for a meal.
- (3) DPFP will not reimburse expenses for alcoholic beverages.
- (4) DPFP will not reimburse expenses for meals purchased in lieu of meals provided by a conference sponsor.
- (5) A meal purchased for a non-DPFP Trustee or staff person with the express purpose of conducting business may be reimbursed.
- (6) Notation of all attendees of meals is required to be made on the receipt provided. If an attendee is a non-DPFP Trustee or staff, their business relationship to DPFP must be noted.
- (7) Itemized, original or electronic (email) receipts will be required for reimbursement.

D. PROCEDURE (continued)

k. Baggage Fees

Fees charged to check baggage on flights will be reimbursed

l. Parking

Parking expenses are eligible for reimbursement. Original or electronic (email) receipts are to be furnished, if available. Terminal (short-term) parking at Dallas Fort Worth International Airport will not be reimbursed for a period exceeding two nights. Long-term parking is to be used in instances of travel exceeding a two-night stay.

m. Tolls

Fees charged for tolls will be reimbursed. Original or electronic (email) receipts are to be furnished, if available.

n. Other Expenses

(1) Taxes

Sales and other taxes paid are reimbursable.

(2) Insurance

Flight insurance and fees for traveler's checks will not be reimbursed.

(3) Educational Materials

Expenditures for books or other materials required to be purchased for an educational course will be reimbursed. Original or electronic (email) receipt is required for reimbursement.

(4) Incidentals

Items other than those mentioned above will not be reimbursed.

D. PROCEDURE (continued)

5. Insurance Coverage

- a. While a Trustee or staff member is driving their privately owned vehicle on DPFPP business, their auto insurance is primary. Any DPFPP insurance will be secondary and will come into use only after the primary policy has paid out to its limits.
- b. DPFPP will provide legal defense and pay all settlements or judgments of claims or suits arising from an accident involving the use of a privately owned vehicle while conducting DPFPP business, subject to the following conditions:
 - (1) DPFPP coverage will be in excess of any other automobile liability insurance that provides coverage for a staff's or Trustee's vehicle while being used to conduct DPFPP business.
 - (2) The staff must be in the scope of DPFPP employment at the time of the accident, or the Board member must be a current Trustee at the time of the accident.
 - (3) The individual must notify their supervisor or the Executive Director, as applicable, of any automobile accident while conducting DPFPP business as soon as possible.
 - (4) The individual must notify his/her insurance carrier of the accident as soon as possible.
 - (5) The individual must cooperate in the DPFPP investigation and defense of any claim or suit related to their accident.
 - (6) DPFPP will reimburse the staff or Trustee for the physical damage deductible under comprehensive and collision coverage due to damage to a staff person's or Trustee's vehicle arising out of the use of the vehicle while in the scope of DPFPP business. The maximum reimbursement will be \$1,000 whether or not the individual has physical damage insurance coverage on the vehicle. All claims for the reimbursement of the deductible must include supporting documentation.

D. PROCEDURE (continued)

6. Filing for Reimbursements

- a.** An Expense Report, along with applicable receipts, shall be submitted to the staff person designated to assist with travel, preferably within ten working days, but in no case later than sixty days after completion of a trip.
- b.** Only original or electronic (email) receipts shall be submitted. Copies are not acceptable. Receipts should be legible and reflect the reimbursement dollar amount.
- c.** All Expense Reports will be reviewed and approved by the Executive Director and Chief Financial Officer, or their designee.
- d.** DPFPP staff will maintain all records and reports pursuant to this policy.
- e.** Reimbursement payments will typically be issued within 10 business days of receipt of a completed Expense Report and all supporting documentation, but never prior to completion of review and approval by executive staff.

7. Approval of Travel and Reimbursements

- a.** Travel will only be approved if the purpose of the trip is to transact official DPFPP business or attend educational conferences or training sessions necessary to promote the efficient conduct of DPFPP's business.
- b.** For any Trustee educational related travel, including day-trip travel (i.e. travel outside of Dallas County which allows an individual to depart and return on the same day), or educational conferences or courses which may not include travel, Board approval is required to be obtained prior to the travel or educational item taking place. Planned travel and education must be reported on an Education/Travel Request form and provided to the staff person designated to maintain travel/education records. Trustees on unapproved travel may not be covered by DPFPP's liability insurance.

D. PROCEDURE (continued)

- c. A listing of all upcoming Trustee education and business related travel and education which does not involve travel, shall be included ~~as a component of the Executive Director's Report~~ in the monthly Board meeting agenda, noting planned attendance of individual Trustees. A Board motion is required for approval of the ~~planned attendance report~~. In order for a training, meeting, conference, or course to be included in the list ~~Executive Director's report~~ it must be submitted to the Executive Director at least two weeks prior to a Board meeting. Any such request must be supported by a program or other evidence of the opening and closing dates, times, location and general content/purpose.
- d. Any business related travel by a Trustee, such as meetings with the city of Dallas or legislative meetings, does not require Board approval, but requires joint approval of the Chairperson and Executive Director prior to travel (including local travel) if related expenses are to be reimbursed. A request must be made by submission of an Education/Travel request form.
- e. A Trustee who is eligible to receive reimbursement from the city of Dallas for an educational course must seek reimbursement from the city prior to seeking reimbursement from DFPF. If the city denies reimbursement and the expense is later submitted to DFPF, evidence of the city's denial must be provided with the Education/Travel Request form.
- f. Staff members must schedule authorized travel and conference/training registration with the staff person designated to assist with travel coordination.
- g. A staff member's supervisor shall approve, in writing, the travel, including day-trip travel, in advance of any registration or travel being booked. Such request must be supported by a program or other evidence of the opening and closing dates, times, location and general content. Supervisor approval is subject to available funds in accordance with the annual budget as approved by the Board. Any costs which exceed the annual budget for staff travel and education must be approved by the Executive Director before expenses are incurred. Such approval is subject to available funds based on upon the overall operating budget as approved by the Board. Staff on unapproved travel may not be covered by DFPF's liability insurance.

D. PROCEDURE (continued)

- h.** As a component of the annual budget, an allocation shall be made to each individual Trustee for education related travel and conference/event registration/materials. Expenditures will be monitored for each Trustee's budget throughout the year, with available balances provided to the Trustees quarterly, at minimum. For the year in which a Trustee's term ends, the Trustee's allocated budget for that year will be prorated from the beginning of the year through the scheduled end of the Trustee's term. If the Trustee is subsequently reelected during that year, the Trustee's budget will be increased to the full amount for the year. For the year in which any new Trustee begins to serve, the Trustee's allocated budget will be prorated from the Trustee's start date through the end of the year.
- i.** Staff shall allocate a separate travel and registration amount in the budget for expenditures in connection with specified professional education programs approved by the Board (i.e. Wharton and Harvard investments related workshops or similar, approved courses). Each Trustee and the Executive Director may attend one such program in any two year period to the extent that budgeted amounts are available. A Trustee may attend additional programs to the extent budgeted amounts are available, with written pre-approval from the Chairperson and Executive Director. If more than six Trustees request to attend such a program in any one year, attendance will be approved according to order of request, with preference given to 1) Trustees who have not yet attended the initial "basic" course,

APPROVED on May 11, 2017 the Board of Trustees of the Dallas Police and Fire Pension System.

[signature]

Samuel L. Friar
Chairman

Attested:

[signature]

Kelly Gottschalk
Secretary





D A L L A S
POLICE & FIRE
PENSION SYSTEM



**EDUCATION AND TRAVEL
POLICY AND PROCEDURE**

DRAFT

As Amended Through _____, 2017

DALLAS POLICE AND FIRE PENSION SYSTEM

EDUCATION AND TRAVEL POLICY AND PROCEDURE

Adopted March 9, 1989

As amended through , 2017

A. POLICY

The policy of the Dallas Police and Fire Pension System (DPFP) is to:

1. Provide for a Board Education Plan which outlines the Board's educational goals and addresses compliance with the Texas Pension Review Board's (PRB) Minimum Educational Training (MET) Program for trustees and system administrators of Texas defined benefit public retirement systems.
2. Reimburse Board Trustees and staff members, as approved by the Board, for the cost of meals, accommodations, transportation and other expenses associated with travel activities relating to the operation of DPFP. Costs incurred by Trustees in the conduct of City of Dallas business unrelated to pension business, as opposed to expenses reimbursable under this policy, will be reimbursed in accordance with the appropriate City of Dallas policy and are not to be reimbursed by DPFP.
3. Arrange travel using the most economical means reasonably available.
4. Monitor travel expenses to adhere to budgeted amounts as approved by the Board.

B. PURPOSE

The purpose of this policy is to:

1. Outline a Board Education Plan that addresses the Board's educational goals, identifies topics that Trustees and staff should be educated on, and provides for compliance with the requirements of the PRB's MET Program.
2. Define the procedure for travel and conference/training registration approvals, arrangements, documentation, and reimbursement.
3. Establish general policies and guidelines for determining allowable expenses and processing travel expenses.



B. PURPOSE (continued)

This policy does not address the approval of Trustee travel related to the monitoring of investment consultants and investment managers associated with DPF's investment portfolio. Such approval is addressed in the Investment Policy Statement.

C. BOARD EDUCATION PLAN

1. At minimum, Trustees and the Executive Director are to comply with the training requirements of the PRB's MET Program. The objective of such training is to cover the fundamental competencies necessary for the Trustees and Executive Director to successfully discharge their duties, as well as allow them to gain expertise in additional areas related to their duties. The number of hours and frequency of training should follow the requirements as set forth by the PRB and the content should be aligned with the required content areas of the PRB, including but not limited to the following: fiduciary matters, governance, ethics, investments, actuarial matters, benefits administration, risk management, compliance, legal and regulatory matters, pension accounting, custodial issues, plan administration, Texas Open Meetings Act, and the Texas Public Information Act.
2. A designated staff member shall maintain records of attendance for educational activities for each Trustee and the Executive Director, notating which activities qualify as a PRB approved source for the MET Program. These records are to be utilized to meet the compliance reporting requirements of the MET Program.
3. Trustee and staff attendance of educational activities beyond those sponsored by PRB approved sources should be related to core topics which support the role of a public fund trustee and/or staff person, as applicable (e.g. finance, defined benefit plans, legislative issues, retirement counseling, financial reporting, or any of the areas noted in paragraph C.1. above).

D. PROCEDURE

1. Travel arrangements shall be made by a designated staff member, upon the request of the individual Trustee or staff member attending a conference, training, or meeting. The designated staff member will assist with all necessary arrangements, including registration, airline reservations, car rental, hotel and any other arrangements requiring reservation. In order for staff to assist with such arrangements, a Travel Profile form should be completed by any individual requesting travel reservations.
2. A Trustee or staff member may request the method of transportation that best meets his/her needs and the requirements of the education or business purpose, however the request will be subject to consideration of economic feasibility based on all available options. The staff member designated to assist in arranging travel shall perform a search of all reasonably available options for transportation and lodging prior to booking in order to best manage expenditures.
3. Charges for registration and travel reserved in advance of the travel date shall be made by a designated staff person using the DFPF credit card unless otherwise pre-approved by the Executive Director.
4. All expenses associated with any travel shall be documented on the Expense Report form (see Appendix A).

An explanation of the form is as follows:

a. Dates

A separate column on the Expense Report is to be utilized for each day of the expense period.

b. Registration Fees

- (1) DFPF will reimburse actual expenses incurred in registering for a conference/training or meeting. If the attendee pays the registration fee, an original or electronic (email) receipt must be furnished for reimbursement purposes.

D. PROCEDURE (continued)

- (2) Registration costs are authorized only to the extent necessary for the purpose of the conference/training or meeting; expenses for golf tournaments or other extracurricular activities offered in connection with a conference/training or meeting are the responsibility of the individual.

c. Airfare

- (1) If a reduced airfare may be obtained by traveling a day earlier or later than required for event attendance (i.e. staying an additional night), *and* the cost of all additional travel expenses (hotel, meals, rental car, local transportation, etc) is offset by the savings in airfare, DPFPP will reimburse additional lodging, local transportation, rental car, and meal expenses incurred. The reimbursement for travel expense for the additional day will be limited to the savings in airfare (i.e. the difference between 1) the airfare that would have been incurred based on travel dates required for event attendance and 2) the actual rate paid for the airfare). Support for the amount of cost differential shall be obtained by the staff person assisting with booking travel and shall be included with the Expense Report for record keeping purposes.
- (2) For all flights, DPFPP will reimburse a coach or economy class airfare. First-class or business-class seats may be allowed only if coach seats are not available and no other flight can be substituted.
- (3) Expenses incurred to change or cancel a flight will be reimbursed by DPFPP.
- (4) Upon completion of air travel, a copy of the boarding pass and/or itinerary must be submitted with the Expense Report.

d. Mileage

- (1) Expenses relating to the use of personal vehicles for business travel shall be reimbursed at the current standard mileage rate as released by the Internal Revenue Service for use in computing the deductible costs of operating an automobile for business purposes.

D. PROCEDURE (continued)

d. Mileage (continued)

- (2) If multiple individuals are traveling together by car, DPFPP will reimburse mileage to the person who owns the vehicle.
- (3) Mapquest.com, Map.com, or some equivalent online map service should be used to calculate mileage for reimbursement purposes.
- (4) Mileage to and from DPFPP's office when the origin or end point is the Trustee's home will not be reimbursed for days when a Trustee is compensated by the City. If a Trustee is not compensated by the City in the form of pay or time on the day of commuting to or from the DPFPP office for a meeting, such mileage may be submitted for reimbursement. Any mileage which is being reimbursed by the City is not reimbursable by DPFPP. Mileage to and from DPFPP's office from a Trustee's workplace is reimbursable.
- (5) The total reimbursement for vehicular transportation shall in no case exceed the amount that would be incurred using air transportation. Documentation of airfare used for cost comparison shall be attached to the Education/Travel Request Form.
- (6) For staff, on a normal workday, only the mileage traveled which is in excess of the number of miles from the staff person's residence to the DPFPP office is reimbursable.

e. Local transportation

Actual expenses incurred for taxis or other local transportation service will be reimbursed. The original or electronic (email) receipt must be provided for reimbursement.

f. Car Rental

DPFPP will reimburse for rental cars under the following guidelines:

- (1) Whenever possible, the least expensive mode of transportation to and from the airport will be used, including shuttles, taxis, or other forms of local transportation.

D. PROCEDURE (continued)

f. Car Rental (continued)

- (2) Rental car expenses will not be reimbursed if an individual opts to rent a car rather than use less expensive, reasonably available modes of transportation to and from the airport. Reimbursement of the amount that would have been expended on a shuttle or taxi will be made with documentation of established rates.
- (3) Fuel and mileage costs incurred shall be reimbursed. An original or electronic (email) receipt must be provided for reimbursement. Whenever possible, the individual will return the rental car with a full tank of gas to avoid paying inflated prices for fill-up by the rental agency.
- (4) DFPF will not reimburse for the cost of any collision waiver or liability policy purchased in conjunction with the rental of a car. DFPF is self-insured and additional insurance is unnecessary.
- (5) If a car is rented for personal use beyond the required period for business usage, reimbursement will be made on a pro-rata basis for the period required to attend the conference/training or meeting.

g. Lodging

- (1) Reimbursement shall be made for actual expenses incurred for the period required to attend the conference/training or meeting, to include any additional lodging in accordance with paragraph C.4.c.(1).
- (2) Original hotel receipts must be furnished for reimbursement.
- (3) If one or more other persons accompany the individual and the hotel rate is higher than that charged for single occupancy, the lodging receipt shall indicate both the amount charged and the single occupancy rate. The person authorized to incur expenses shall pay the difference.
- (4) Any personal expenses, such as in-room movies, fitness room access, dry cleaning, etc. are the responsibility of the individual.

D. PROCEDURE (continued)

h. Business Services

- (1) All actual internet access expenses pursuant to DPFP business will be reimbursed. The Trustee or staff member incurring the expense shall annotate any receipts listing such expenses to indicate which expenses were incurred related to DPFP business.
- (2) Miscellaneous business expenses such as facsimile transmissions, courier service and overnight delivery service will be reimbursed. Original or electronic (email) receipts will be required for reimbursement.

i. Tips

All tips must be itemized daily.

j. Meals

- (1) DPFP shall reimburse for meals based on actual expenses supported by receipts.
- (2) If receipts are not available from the provider, but the individual confirms the cost, DPFP will reimburse actual costs not to exceed \$25 for a meal.
- (3) DPFP will not reimburse expenses for alcoholic beverages.
- (4) DPFP will not reimburse expenses for meals purchased in lieu of meals provided by a conference sponsor.
- (5) A meal purchased for a non-DPFP Trustee or staff person with the express purpose of conducting business may be reimbursed.
- (6) Notation of all attendees of meals is required to be made on the receipt provided. If an attendee is a non-DPFP Trustee or staff, their business relationship to DPFP must be noted.
- (7) Itemized, original or electronic (email) receipts will be required for reimbursement.

D. PROCEDURE (continued)

k. Baggage Fees

Fees charged to check baggage on flights will be reimbursed

l. Parking

Parking expenses are eligible for reimbursement. Original or electronic (email) receipts are to be furnished, if available. Terminal (short-term) parking at Dallas Fort Worth International Airport will not be reimbursed for a period exceeding two nights. Long-term parking is to be used in instances of travel exceeding a two-night stay.

m. Tolls

Fees charged for tolls will be reimbursed. Original or electronic (email) receipts are to be furnished, if available.

n. Other Expenses

(1) Taxes

Sales and other taxes paid are reimbursable.

(2) Insurance

Flight insurance and fees for traveler's checks will not be reimbursed.

(3) Educational Materials

Expenditures for books or other materials required to be purchased for an educational course will be reimbursed. Original or electronic (email) receipt is required for reimbursement.

(4) Incidentals

Items other than those mentioned above will not be reimbursed.

D. PROCEDURE (continued)

5. Insurance Coverage

- a. While a Trustee or staff member is driving their privately owned vehicle on DPFPP business, their auto insurance is primary. Any DPFPP insurance will be secondary and will come into use only after the primary policy has paid out to its limits.
- b. DPFPP will provide legal defense and pay all settlements or judgments of claims or suits arising from an accident involving the use of a privately owned vehicle while conducting DPFPP business, subject to the following conditions:
 - (1) DPFPP coverage will be in excess of any other automobile liability insurance that provides coverage for a staff's or Trustee's vehicle while being used to conduct DPFPP business.
 - (2) The staff must be in the scope of DPFPP employment at the time of the accident, or the Board member must be a current Trustee at the time of the accident.
 - (3) The individual must notify their supervisor or the Executive Director, as applicable, of any automobile accident while conducting DPFPP business as soon as possible.
 - (4) The individual must notify his/her insurance carrier of the accident as soon as possible.
 - (5) The individual must cooperate in the DPFPP investigation and defense of any claim or suit related to their accident.
 - (6) DPFPP will reimburse the staff or Trustee for the physical damage deductible under comprehensive and collision coverage due to damage to a staff person's or Trustee's vehicle arising out of the use of the vehicle while in the scope of DPFPP business. The maximum reimbursement will be \$1,000 whether or not the individual has physical damage insurance coverage on the vehicle. All claims for the reimbursement of the deductible must include supporting documentation.

D. PROCEDURE (continued)

6. Filing for Reimbursements

- a.** An Expense Report, along with applicable receipts, shall be submitted to the staff person designated to assist with travel, preferably within ten working days, but in no case later than sixty days after completion of a trip.
- b.** Only original or electronic (email) receipts shall be submitted. Copies are not acceptable. Receipts should be legible and reflect the reimbursement dollar amount.
- c.** All Expense Reports will be reviewed and approved by the Executive Director and Chief Financial Officer, or their designee.
- d.** DPF staff will maintain all records and reports pursuant to this policy.
- e.** Reimbursement payments will typically be issued within 10 business days of receipt of a completed Expense Report and all supporting documentation, but never prior to completion of review and approval by executive staff.

7. Approval of Travel and Reimbursements

- a.** Travel will only be approved if the purpose of the trip is to transact official DPF business or attend educational conferences or training sessions necessary to promote the efficient conduct of DPF's business.
- b.** For any Trustee educational related travel, including day-trip travel (i.e. travel outside of Dallas County which allows an individual to depart and return on the same day), or educational conferences or courses which may not include travel, Board approval is required to be obtained prior to the travel or educational item taking place. Planned travel and education must be reported on an Education/Travel Request form and provided to the staff person designated to maintain travel/education records. Trustees on unapproved travel may not be covered by DPF's liability insurance.

D. PROCEDURE (continued)

- c. A listing of all upcoming Trustee education and business related travel and education which does not involve travel, shall be included on the monthly Board meeting agenda, noting planned attendance of individual Trustees. A Board motion is required for approval of the planned attendance. In order for a training, meeting, conference, or course to be included on the list it must be submitted to the Executive Director at least two weeks prior to a Board meeting. Any such request must be supported by a program or other evidence of the opening and closing dates, times, location and general content/purpose.
- d. Any business related travel by a Trustee, such as meetings with the city of Dallas or legislative meetings, does not require Board approval, but requires joint approval of the Chairperson and Executive Director prior to travel (including local travel) if related expenses are to be reimbursed. A request must be made by submission of an Education/Travel request form.
- e. A Trustee who is eligible to receive reimbursement from the city of Dallas for an educational course must seek reimbursement from the city prior to seeking reimbursement from DPF. If the city denies reimbursement and the expense is later submitted to DPF, evidence of the city's denial must be provided with the Education/Travel Request form.
- f. Staff members must schedule authorized travel and conference/training registration with the staff person designated to assist with travel coordination.
- g. A staff member's supervisor shall approve, in writing, the travel, including day-trip travel, in advance of any registration or travel being booked. Such request must be supported by a program or other evidence of the opening and closing dates, times, location and general content. Supervisor approval is subject to available funds in accordance with the annual budget as approved by the Board. Any costs which exceed the annual budget for staff travel and education must be approved by the Executive Director before expenses are incurred. Such approval is subject to available funds based on upon the overall operating budget as approved by the Board. Staff on unapproved travel may not be covered by DPF's liability insurance.

D. PROCEDURE (continued)

- h.** As a component of the annual budget, an allocation shall be made to each individual Trustee for education related travel and conference/event registration/materials. Expenditures will be monitored for each Trustee's budget throughout the year, with available balances provided to the Trustees quarterly, at minimum. For the year in which a Trustee's term ends, the Trustee's allocated budget for that year will be prorated from the beginning of the year through the scheduled end of the Trustee's term. If the Trustee is subsequently reelected during that year, the Trustee's budget will be increased to the full amount for the year. For the year in which any new Trustee begins to serve, the Trustee's allocated budget will be prorated from the Trustee's start date through the end of the year.
- i.** Staff shall allocate a separate travel and registration amount in the budget for expenditures in connection with specified professional education programs approved by the Board (i.e. Wharton and Harvard investments related workshops or similar, approved courses). Each Trustee and the Executive Director may attend one such program in any two year period to the extent that budgeted amounts are available. A Trustee may attend additional programs to the extent budgeted amounts are available, with written pre-approval from the Chairperson and Executive Director. If more than six Trustees request to attend such a program in any one year, attendance will be approved according to order of request, with preference given to 1) Trustees who have not yet attended the initial "basic" course,

APPROVED on _____ the Board of Trustees of the Dallas Police and Fire Pension System.

[signature]

Samuel L. Friar
Chairman

Attested:

[signature]

Kelly Gottschalk
Secretary





DISCUSSION SHEET

ITEM #D14

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
Regular Board Meeting – June 8, 2017**

ATTENDING APPROVED

- 1. Conference:** **TEXPERS 2017 Summer Educational Forum**
- Dates:** August 13 – 16, 2017
- Location:** San Antonio, TX
- Est. Cost:** \$1,200

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DISCUSSION SHEET

ITEM #D15

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

- Discussion:**
- a. **Conference:** NCPERS 2017 Annual Conference & Exhibition KH
Dates: May 21 – 24, 2017
Location: Hollywood, FL

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

 - c. **Conference:** PRB: MET Online Core Training: Benefits Administration LW
Dates: May, 2017
Location: <http://www.prb.state.tx.us/>

 - d. **Conference:** PRB: MET Online Core Training: Risk Management LW
Dates: May, 2017
Location: <http://www.prb.state.tx.us/>

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

 - f. **Conference:** PRB: MET Online Core Training: Governance LW
Dates: May, 2017
Location: http://www.prb.state.tx.us



DISCUSSION SHEET

ITEM #D16

Topic: Unforeseeable Emergency Requests from DROP Members

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

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

Staff

Recommendation: To be provided at the meeting.



DISCUSSION SHEET

ITEM #D17

Topic: **Executive Staff Employment Agreements**

Portions of the discussion under this topic may be closed to the public under the terms of Sections 551.071 and 551.074 of the Texas Government Code.

Discussion: The Chairman, Executive Director and outside counsel will brief the Board on these agreements.



DISCUSSION SHEET

ITEM #D18

Topic: 2017 Budget adjustment – Salaries and Benefits

Discussion: Staff will brief the Board on a change to anticipated expenditures for salaries and benefits in 2017 as compared to the budgeted amount. The increase is due to contractual obligations to executive staff which is offset by certain positions remaining unfilled through the end of the year.

| | <u>2017 Budget</u> | <u>Proposed Revised Amount</u> |
|-----------------------|--------------------|--|
| Salaries and Benefits | \$3,574,374 | \$4,199,476 |

Staff Recommendation: Approve the proposed increase in the budget for salaries and benefits for 2017.



DISCUSSION SHEET

ITEM #D19

Topic: **Bank of America loan**

Discussion: DPFP currently has total indebtedness outstanding with Bank of America of \$80 million, \$30 million of which is due on June 30, 2017 under a revolver facility. The remaining \$50 million is due under a term loan, with principal payments of varying amounts due every month through March 30, 2018.

Staff believes that paying off the term loan early may be the optimal use of DPFP's cash in certain circumstances. While the Investment Policy Statement implies that the Executive Director likely has authority to pay off the Bank of America loan prior to maturity, staff is seeking explicit authority to do so at the discretion of the Executive Director.

Staff

Recommendation: **Grant** the Executive Director the discretion to pay off the loan with Bank of America if the Executive Director believes this is in the best interests of DPFP.



DISCUSSION SHEET

ITEM #E

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.