AGENDA

Date: April 8, 2022

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, April 14, 2022, in the Second Floor Board Room at 4100 Harry Hines Boulevard, Dallas, Texas and via telephone conference for audio at 214-271-5080 access code 588694 or Toll-Free (US & CAN): 1-800-201-5203 and Zoom meeting for visual** https://us02web.zoom.us/j/81843261040?pwd=YmJURXlzU1ZPVEtYTnYzMmFBK2UwQT09 **Passcode: 404574.** Items of the following agenda will be presented to the Board:

A. MOMENT OF SILENCE

B. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of March 10, 2022

2. Approval of Refunds of Contributions for the Month of March 2022

3. **Approval of Estate Settlements**

4. **Approval of Survivor Benefits**

5. **Approval of Service Retirements**

6. **Approval of Alternate Payee Benefits**

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

8. **Approval of Payment of QDRO Buyback Contributions**

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. **Report on Audit Committee Meeting**

2. **Portfolio Update**

3. **Real Estate Portfolio Review - AEW**

   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. **Report on Investment Advisory Committee Meeting**

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

   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. **Employee Handbook and Policies**

7. **Monthly Contribution Report**

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

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

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

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

11. Closed Session - Board serving as Medical Committee

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

a. Disability application 2022-1
b. Disability application 2022-2

D. BRIEFING ITEMS

1. Public Comment

2. Executive Director's report

a. Associations' newsletters
- NCPERS Monitor (April 2022)

b. Open Records
c. Nominations Committee
d. Survivor Benefits Committee

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

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

DALLAS POLICE & FIRE PENSION SYSTEM

MOMENT OF SILENCE

In memory of our Members and Pensioners who recently passed away

NAME	ACTIVE/ RETIRED	DEPARTMENT	DATE OF DEATH
Jimmy R. Johnson	Retired	Fire	Mar. 4, 2022
Robert M. Spigler	Retired	Police	Mar. 4, 2022
James K. Barksdale	Retired	Police	Mar. 11, 2022
Howard R. Hulse	Retired	Police	Mar. 13, 2022
Willie R. Taylor	Retired	Police	Mar. 15, 2022
James M. Zak	Retired	Fire	Mar. 15, 2022
Joe B. Jones, Jr.	Retired	Police	Mar. 21, 2022
W. G. Berry	Retired	Fire	Mar. 25, 2022
Gary D. Hash	Retired	Fire	Mar. 25, 2022
Jack S. Golden	Retired	Fire	Mar. 27, 2022
Allen E. Angell	Retired	Fire	Apr. 3, 2022

Regular Board Meeting –Thursday, April 14, 2022

Dallas Police and Fire Pension System
Thursday, March 10, 2022
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

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

ROLL CALL

Board Members

Present at 8:30 a.m. Nicholas A. Merrick (by telephone), William F. Quinn, Armando Garza, Michael Brown, Robert B. French (by telephone), Kenneth Haben (by telephone), Tina Hernandez Patterson, Steve Idoux, Mark Malveaux

Absent: Gilbert A. Garcia

Staff Kelly Gottschalk, Josh Mond, Brenda Barnes, Ryan Wagner, John Holt, Greg Irlbeck, Akshay Patel, Michael Yan, Milissa Romero, Cynthia Thomas (by telephone)

Others Leandro Festino, Aaron Lally (by telephone), Colin Kowalski (by telephone), Bohdy Hedgcock, Kevin McCabe (by telephone), Tom Tull

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

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A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officer Clyde T. Patton, John E. Westphalen, Barry E. Cauley, and retired firefighters Gerry Friday, William M. Dollar, Richard P. Rucks, Alvin M. Farley, Jimmy F. Stark, Larry W. Knight, C. D. Rothrock, Leo J. Taylor, Jr.

No motion was made.

Regular Board Meeting
Thursday, March 10, 2022

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B. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of February 10, 2022

2. Approval of Refunds of Contributions for the Month of February 2022

3. Approval of Estate Settlements

4. Approval of Survivor Benefits

5. Approval of Service Retirements

After discussion, Mr. Garza made a motion to approve the minutes of the meeting of February 10, 2022. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

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

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C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Report on Professional Services Provider Meeting

The Professional Services Committee met on March 7, 2022 with the investment consultant, Meketa. The Committee reported to the Board that Meketa had positive remarks regarding the team, staff, and Trustees, and no concerns were brought forth by Meketa.

No motion was made.

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Regular Board Meeting
Thursday, March 10, 2022

2. Fiduciary Attorney Services

In 2015, the Board gave direction to conduct a competitive selection process for specific service providers, including the fiduciary counsel, every five years unless the Board explicitly waives or extends the requirement. Staff discussed their rationale to waive that requirement with respect to Chuck Campbell with Jackson Walker, fiduciary counsel to the Board, until after the 2025 legislative session.

After discussion, Mr. Idoux made a motion to waive the requirement to conduct a competitive selection process until the end of the 2025 legislative session. Mr. Haben seconded the motion, which was approved by the following vote:
For: Mr. Merrick, Mr. Quinn, Mr. Garza, Mr. Brown, Mr. Haben, Ms. Hernandez Patterson, Mr. Idoux,
Opposed: Mr. Malveaux, Mr. French

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3. Monthly Contribution Report

The Executive Director reviewed the Monthly Contribution Report.

No motion was made.

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4. Board approved of Trustee education and travel

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

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

No motion was made.

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Regular Board Meeting
Thursday, March 10, 2022

5. Portfolio Update

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

As required by section 6.D of the Investment Policy Statement, staff notified the Board that the determination has been made to draw down the Safety Reserve to meet liquidity needs, rather than rebalancing to target.

No motion was made.

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Mr. Merrick left the meeting at 9:12 a.m.

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6. Fourth Quarter 2021 Investment Performance Analysis and Third Quarter 2021 Private Markets &Real Estate

Leandro Festino, Managing Principal; Aaron Lally, Principal; Colin Kowalski, Associate; with Meketa Investment Group and the Investment staff reviewed the investment performance.

No motion was made.

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7. Real Estate Portfolio Review

The Board went into closed executive session at 9:39 a.m.

The meeting was reopened at 10:41 a.m.

a. Bohdy Hedgcock, Senior Vice President and Kevin McCabe, Associate of Clarion updated the Board on the status and plans for DPFP's investment in CCH Lamar.

b. Staff provided an overview of the asset and a review of strategy for Kings Harbor managed by L&B.

No motion was made.

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Regular Board Meeting
Thursday, March 10, 2022

8. Cybersecurity Update

The Board went into closed executive session at 9:39 a.m.

The meeting was reopened at 10:41 a.m.

Staff discussed the current security measures in place as well as future plans with regard to testing and improvements.

No motion was made.

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

The Board went into closed executive session at 9:39 a.m.

The meeting was reopened at 10:41 a.m.

The Board and staff discussed legal issues.

No motion was made.

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10. Chief Investment Officer Appointment

The Board went into closed executive session at 9:39 a.m.

The meeting was reopened at 10:41 a.m.

After discussion, Mr. Garza made a motion to confirm the appointment of Ryan Wagner as the Chief Investment Officer. Mr. Idoux seconded the motion, which was unanimously approved by the Board.

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Regular Board Meeting
Thursday, March 10, 2022

D. BRIEFING ITEMS

1. Public Comments

Prior to commencing items for Board discussion and deliberation, the Board received public comments during the open forum.

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2. Executive Director's report

a. Associations' newsletters
- NCPERS Monitor (March 2020)
- NCPERS PERSist (Winter 2022)

b. Open Records
c. Employee Service Awards

The Executive Director's report was presented.

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Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Malveaux and a second by Ms. Hernandez Patterson, the meeting was adjourned at 10:43 a.m.

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William F. Quinn
Vice-Chairman

ATTEST:

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Kelly Gottschalk
Secretary

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C1

Topic: **Report on Audit Committee Meeting**

Discussion: The Audit Committee met with representatives of BDO on April 14, 2022 to review the Audit Plan for the 2021 audit. The Committee Chair will comment on the meeting and the audit plan.

Representatives from BDO, DPFP's external independent audit firm, will be present at the meeting to answer any questions regarding the 2021 Audit Plan.

The Audit Plan is included in the board materials for review.

Report to Board of Trustees and Audit Committee

DALLAS POLICE & FIRE PENSION SYSTEM

Audit Planning:
Year Ended December 31, 2021

Contents

QUICK ACCESS TO THE FULL REPORT

The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., Board of Directors and Audit Committee) and, if appropriate, management of the Company and is not intended and should not be used by anyone other than these specified parties.

Welcome

April 14, 2022

Board of Trustees and Audit Committee
Dallas Police & Fire Pension System

Professional standards require us to communicate with you regarding matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. This document provides an overview of our plan for the audit of the financial statements of Dallas Police & Fire Pension System (the "System") as of and for the year ended December 31, 2021, including a summary of the nature, scope, and timing of the planned audit work.

We are pleased to be of service to the System and look forward to discussing our audit plan, as well as other matters that may be of interest to you, during our meeting on April 14, 2022.

Respectfully,

BDO USA, LLP

Executive Summary

Responsibilities

BDO USA, LLP, as your auditor, is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. The engagement letter, a copy of which has been provided to you, includes specific details regarding the auditor's and management's responsibilities.

Audit Strategy

Overall, our audit strategy is to assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design further audit procedures responsive to assessed risks. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. In connection with our audit, we will obtain a sufficient understanding of the System's internal control to plan the audit of the financial statements. However, such understanding is required for the purposes of determining our audit procedures and not to provide any assurance concerning such internal control.

We focus on areas with higher risk of material misstatement (whether due to error or fraud). Our audit strategy includes consideration of:

- prior year audit results together with current year preliminary analytical review, including discussions with management and those charged with governance regarding the System's operations, activities, and risks,
- inherent risk within the System (i.e. susceptibility of the financial statements to material error or fraud) before recognizing the effectiveness of internal controls,
- recent developments within the industry, regulatory environment and general economic conditions,
- recently issued and effective accounting and financial reporting guidance,
- the System's significant accounting policies and procedures, including those requiring significant management judgments and estimates and those related to significant unusual transactions,
- the control environment and the possibility that the control system and procedures may fail to prevent or detect a material error or fraud,
- Information about systems and the computer environment in which the related systems operate (including the custodian's service provider's systems as reported in their SOC 1 reports), and
- a continual assessment of materiality thresholds based upon qualitative and quantitative factors affecting the System.
- Possible internal plan changes for the audited plan year, such as the following:
  - Accounting systems
  - System management personnel or those charged with governance
  - Internal control processes in accounting and financial reporting
  - Service providers (such as actuary, legal, custodian, investment managers, etc.)
  - Custodian and/or investment advisor agreements
  - System amendments
  - System policies and practices (Considering all new policies put into place in 2021 and ensuring previous policies put into place are being adhered to)
  - Workforce (significant layoffs, terminations, future reductions in force)
- Possible issues impacting the audit, such as the following:
  - System management's review of the recent System results when compared to the investment industry results
  - Regulatory reviews or communications and/or pending litigation
  - Prohibited transactions with parties-in-interest
  - Errors or fraud related to the System
  - Misappropriation of System assets
  - Concerns about fictitious participants or distributions made to missing, ineligible, or incorrect individuals
  - Fees and expenses paid to inappropriate vendors
  - Significant assumptions used in the valuation of the System assets
  - Significant assumptions used in the actuarial report determination of the total pension liability
  - Effect of 2021 activity and impact on the System's Net Position including effects on debt covenants as applicable, agreements and amendments

Planned Scope

Based upon our initial assessment, our audit will entail substantive testing only. The primary areas of focus in our overall audit strategy include the following:

- *Fraud Risk*
- *Entity/System Level Internal Controls Over Financial Reporting*
- *Actuarial Valuation*
- *Compliance with Plan Documents (eligibility, contributions/contribution receivables, and benefit payments)*
- *Investments (Existence and Valuation)*
- *Other Receivables, Payables and System Expenses (including any new debt agreements and amendments that may have been entered into in 2021)*
- *Investment Income (Loss)*
- *Evaluation of Related Party Transactions, Including Transactions With Parties-in-Interest*
- *Other Matters, Including Proper Disclosures, Accounting and Financial Reporting for Pensions, Legal Matter Disclosures*

Primary Areas of Focus and Audit Strategy

FRAUD RISK

Consideration	Approach
▶ Fraud risk may be impacted by the following characteristics: • Incentive or pressure • Opportunity • Rationalization or attitude ▶ Presence of fraud risk factors and how management's controls and programs to detect and prevent fraud may mitigate these risks. ▶ Risk of management override of controls.	▶ Review System management's controls and programs relating to fraud and assess operating effectiveness of such programs. ▶ Inquire of System management and other sponsor personnel as to their knowledge of any potential fraudulent or alleged fraudulent activities. ▶ Inquire of those charged with governance about their views about risks of material misstatements, including fraud risk and whether they are aware of: • tips or complaints regarding the System's financial reporting; and • matters relevant to the audit including, but not limited to, violations or possible violation of laws or regulations ▶ Consider additional procedures to address any specific fraud risks identified, including management override of controls. ▶ Introduce an element of unpredictability into our procedures by either altering the nature, timing, or extent of the procedures when compared to procedures performed in the prior year. ▶ Perform focused procedures on any significant unusual transactions, including gaining an understanding of the business purpose (or lack thereof) for the System entering into the transaction. ▶ Obtain an understanding of the System's financial relationships and transactions with those charged with governance of the System and the System Administrator for risk assessment purposes. ▶ Exercise professional skepticism. ▶ Communicate with System management, those charged with governance and the System Administrator, as necessary. ▶ Perform journal entry testing and fraud inquires.

Primary Areas of Focus and Audit Strategy

ENTITY/PLAN LEVEL INTERNAL CONTROLS OVER FINANCIAL REPORTING

Consideration	Approach
▸ System management has controls in place to maintain compliance with applicable rules and regulations and provisions of the Plan Document and Amendments. ▸ The Staff or the Executive Director has controls to monitor the activities of the outside service providers. ▸ Significant changes to personnel and internal control processes increase the risk that an internal control failure will occur due to either the design or operation of a particular control.	▸ Consider the System's internal control environment for purposes of planning our audit. ▸ Review the System's control processes in a number of areas to evaluate the design and implementation of controls in place. ▸ Review SOC 1 reports for the custodian and the external investment accounting service provider to determine whether adequate controls are in place and functioning effectively.

ACTUARIAL VALUATION

Consideration	Approach
▸ Significant judgement and expertise is required in developing assumptions and performing evaluations. ▸ Actuarial valuation data is accurate and consistent. ▸ The effects of amendments, terminations, curtailments and other System events on the calculation. ▸ Whether the actuarial calculation appropriately applies current standards. ▸ Whether actuarial provisions and assumptions are deemed reasonable. ▸ Whether disclosures over actuarial assumptions and funding issues are appropriate.	▸ Confirm the actuarial data directly with the actuary. ▸ Perform census data reconciliations and review the completeness of the census data submitted to the actuary. ▸ Evaluate the professional qualifications of the actuary. ▸ With the assistance of the Actuarial Managing Director and Actuarial Manager, review and assess underlying documentation and development of assumptions and methods used. ▸ Review funding requirement, actuarial provisions and assumptions used for accuracy.

Primary Areas of Focus and Audit Strategy

COMPLIANCE WITH PLAN DOCUMENTS - ELIGIBILITY

Consideration	Approach
▶ Whether all covered employees have been properly included in employee eligibility records. ▶ Whether accurate participant data for eligible employees was supplied to the trustee/ custodian/service providers.	▶ Test that participating employees are eligible per the Plan Document on a sample basis. ▶ Review documentation supporting eligibility. ▶ Review participant personnel files.

COMPLIANCE WITH PLAN DOCUMENTS - CONTRIBUTIONS/CONTRIBUTIONS RECEIVABLVE

Consideration	Approach
▶ Whether the amounts received or due to the Plan have been determined, recorded, and disclosed in the financial statements in conformity with the Plan document and accounting principles generally accepted in the U.S.	▶ Confirm the contributions made in 2021 directly with the City of Dallas. ▶ Test and ensure the calculation of employer and employee contributions is in accordance with the Plan Document. ▶ Test the reasonableness of contributions receivable.

Primary Areas of Focus and Audit Strategy

COMPLIANCE WITH PLAN DOCUMENTS - BENEFIT PAYMENTS

Consideration	Approach
▶ Whether benefit payments are in accordance with the Plan Document. ▶ Whether benefit payments are made to or on behalf of person entitled to them and only to such persons. ▶ Whether transactions are recorded in the proper account, amount, and period.	▶ Verify eligibility to receive the distributions. ▶ For DROP distributions agree distribution to proper request. ▶ Agree distributions to supporting checks or ACH transfer. ▶ Test the proper tax withholdings were made, if any. ▶ Review and recalculate benefit payments. ▶ Perform data analytics over annuity payments throughout the year

INVESTMENTS

Consideration	Approach
▶ Due to significant valuation issues with certain investments in the industry over the last several years, consider whether investments are properly valued and whether classified in conformity with accounting principles generally accepted in the U.S. ▶ Whether investment transactions are recorded in conformity with accounting principles generally accepted in the U.S.	▶ Confirm investments with third-party fund managers and/or custodians. ▶ Test fair value of investments at year-end by comparing the carrying value to an outside third-party source, including audited financial statements presented at fair value, real estate appraisals (if applicable), and partnership agreements. ▶ Compare the investment income to rates of return per a third-party source, including audited financial statements at fair value, and test earning allocations. ▶ Consider management's policy of reviewing valuation methodologies, inputs and assumptions. ▶ Review the System's investment policy in correlation with the investments in place. ▶ Assess the appropriateness of the classification of investment within the fair value hierarchy in accordance with GASB 72, Fair Value Measurement and Application and related disclosures.

Primary Areas of Focus and Audit Strategy

OTHER RECEIVABLES, PAYABLES AND SYSTEM EXPENSES

Consideration	Approach
▶ Whether receivables and payables are appropriately recorded. ▶ Whether liabilities recorded are complete and all expenses are captured. ▶ Whether securities lending obligations are appropriately recorded. ▶ Whether the System is in compliance with debt covenants and plans to alleviate violations of such covenants if any new ones were entered into in 2021.	▶ For loans payable review maturity schedules and covenants and send confirmations. Review for any new debt agreements in 2021 to ensure compliance with covenants and related disclosures are appropriately included in the financial statements. ▶ Review schedules of uncompensated liabilities. ▶ Review securities lending arrangements. ▶ Obtain forward currency contracts and review the appropriateness of the receivable and payable balances. ▶ Perform a search of unrecorded liabilities. ▶ Obtain a detail break out of System expenses. ▶ Confirm fund management fees in correlation with the investment confirms. ▶ Select a sample of expenses and agree them to invoices and payments.

INVESTMENTS INCOME

Consideration	Approach
▶ Whether the realized gain or loss on investments is appropriately recorded. ▶ Whether dividends are appropriately recorded by the System. ▶ Whether interest earned is appropriately recorded by the System.	▶ For a selection of transactions recalculate the realized gains and losses. ▶ For a selection of transactions test dividends received by the System to independent market sources. ▶ Test interest earned by recalculating or performing reasonableness tests.

Primary Areas of Focus and Audit Strategy

EVALUATION OF RELATED PARTY TRANSACTIONS, INCLUDING TRANSACTIONS WITH PARTIES-IN-INTEREST

Consideration	Approach
▶ Consider the System's relationships and transactions with its related parties and parties-in-interest. ▶ Example of related party transactions include those between an entity, affiliates of the entity, other parties that can significantly influence the management or operating policies of the other, management, or members of their immediate families. ▶ Consider the susceptibility of the System financial statements to material misstatement (whether due to error or to fraud) that could result from the System's related party and party-in-interest relationships and transactions.	▶ Assess the risk of material misstatement associated with the System related party and party-in-interest relationships and transactions. ▶ Perform inquiry of System management regarding the identity of the System's related parties and parties-in-interest, the nature of the System's relationships and transactions with such parties and the System's process for identifying, authorizing and approving, and accounting for and disclosing such relationships and transactions. ▶ Perform inquiry and other procedures deemed appropriate to obtain an understanding of the controls, if any, that System management has established to identify, authorize and approve, and account for and disclose such relationships and transactions. ▶ Evaluate whether the System financial statements (1) appropriately account for and disclose identified relationships and transactions with related parties and parties-in-interest and (2) are fairly presented given any such relationships and transactions identified. ▶ Communicate to those charged with governance regarding significant matters arising from our audit.

OTHER MATTERS

Consideration	Approach
▶ Ensure the financial report includes all appropriate disclosures.	▶ Complete a disclosure checklist specific to Pension System and one specific to GASB standards. ▶ Review the credit risk disclosure for appropriateness and adequacy. ▶ Review legal expenses and obtain legal confirmations for any potential commitments and contingencies and/or litigation that may require disclosure.

We will communicate to those charged with governance, in a timely manner, any significant changes to the planned audit strategy initially identified that may occur during the audit to the results of audit procedures or in response to external factors, such as changes in the economic environment.

Overall Audit Timeline

The following represents our anticipated schedule with regard to our audit of the financial statements of the System:

	Apr	May	Jun	Jul
Planning meeting, client assistance listings provided to System management	✓			
Confirmation procedures	✓	✓		
Year-End Fieldwork (Various weeks beginning in May and occurring through July as needed)		✓	✓	✓
Review draft financial statements (from date of receipt of financials)			✓	✓
Final communications with those charged with governance				✓
Update subsequent event inquiries; release opinion on financial statements				✓

Independence

Our engagement letter to you dated March 21, 2022 describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the System with respect to independence as agreed to by the System. Please refer to that letter for further information.

Client Service Team

As a matter of policy, we attempt to provide continuity of service to our clients to the greatest extent possible. Where engagement team rotation is necessary, we will discuss this matter with you and determine the appropriate individual to be assigned to the engagement based on particular experience, expertise, and engagement needs.

We are pleased to be of service to the System and look forward to answering questions you may have regarding our audit plan as well as other matters that may be of interest to you.

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Appendix

Implementation of New GASB Standards

New GASB Standards

In light of the COVID-19 Pandemic, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, to provide relief to governments. This Statement, which was effective upon the issuance date of May 8, 2020, postponed the effective dates of certain provisions in Statements that were first effective for reporting periods beginning after June 15, 2018. The effective dates of certain provisions contained in the following pronouncements were postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The effective date of Statement No. 87, Leases, has been postponed by 18 months.

Earlier application of the standards is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

(The GASB Standards listed above should be tailored to the entity.)

GASB Statement No. 83, *Certain Asset Retirement Obligations*

	Date per Pronouncement	Date as amended per GASB Statement No. 95
Effective Dates	Reporting Periods Beginning After 6/15/2018	Reporting Periods Beginning After 6/15/2019

- Establishes measurement criteria for recording a liability for the retirement or removal of certain assets such as nuclear power plants, sewage treatment facilities, coal-fired power plants, wind turbines, and x-ray machines.
- Governments with legal obligations to perform future asset retirement activities related to its tangible capital assets would be required to recognize a liability.
- Must be both an external obligating event, such as a court judgment or federal, state or local law; and an internal obligating event, such as contamination or retirement.
- A liability and corresponding deferred outflow are recorded when the liability is both incurred and reasonably estimable.
- The liability is based on the best estimate of the current value of outlays expected to be incurred.
- Deferred outflows should be amortized over the estimated useful life of the tangible capital asset.
- Annual remeasurement required, adjusting for effects of inflation or deflation.
- Exception for minority owner (<50%).

GASB Statement No. 84, *Fiduciary Activities*

Effective Dates	Date per Pronouncement	Date as amended per GASB Statement No. 95
	Reporting Periods Beginning After 12/15/2018	Reporting Periods Beginning After 12/15/2019

- Establishes criteria for reporting fiduciary activities that focuses on whether the government controls the assets and the fiduciary relationship with the beneficiaries.
- Four fiduciary funds will be used: Pension and OPEB trust funds; Investment trust funds; Private-purpose trust funds; and Custodial funds.
- Custodial funds replace agency funds for activities that are not held in trust.
- For activities other than a Pension or OPEB plan for which a trust agreement exists, an investment trust fund or private purpose trust fund will be used.
- For stand-alone business-type activities, fiduciary activities should be reported in separate fiduciary fund financial statements, unless resources are expected to be held three months or less.

GASB Statement No. 87, *Leases*

Effective Dates	Date per Pronouncement (as amended)	Date as amended per GASB Statement No. 95
	Fiscal Years Beginning After 12/15/2019	Fiscal Years Beginning After 6/15/2021

- Requires recognition of certain lease assets and liabilities for leases that are currently classified as operating leases.
- New definition of a lease - a contract that conveys the right to use another entity's nonfinancial asset for a period in an exchange or exchange-like transaction.
- Eliminates the distinction between operating and capital leases.
- Excludes short-term leases, leases that transfer ownership and service concession arrangements that are covered by GASB Statement No. 60.
- Lessees would recognize a lease liability and an intangible right-to-use lease asset which would be amortized in a systematic and reasonable manner over the shorter of the lease term or the useful life of the underlying asset.
- Lessors would recognize a lease receivable and deferred inflow of resources which would be recognized as revenue in a systematic and rational manner over the term of the lease.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

	Date per Pronouncement	Date as amended per GASB Statement No. 95
Effective Dates	Reporting Periods Beginning After 6/15/2018	Reporting Periods Beginning After 6/15/2019

- Defines debt for purposes of disclosure as a liability that arises from a contractual obligation to pay cash or other assets in one or more payments to settle an amount that is fixed as of the date the obligation is established.
- Excludes pension and OPEB liabilities, leases (except for contracts reported as a financed purchase of the underlying assets) and accounts payable as those should be disclosed in separate notes.
- Includes capital appreciation bonds and variable rate debt.
- Additional note disclosures required for unused lines of credit, assets pledged as collateral, specific debt agreement terms.
- Debt disclosures should separate information for direct borrowings and direct placements of debt from other debt.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*

Effective Dates	Date per Pronouncement	Date as amended per GASB Statement No. 95
	Reporting Periods Beginning After 12/15/2019	Reporting Periods Beginning After 12/15/2020

- Upon implementation, in financial statements using the economic resources measurement focus (business-type activities and enterprise funds) interest incurred during construction should be recognized as an expense of the period.
- Interest costs on construction-in-progress will be capitalized only to the implementation date of this Statement. The provisions of this Statement are to be applied prospectively and will therefore not require a restatement of any balances.
- In financial statements using the current financial resources measurement focus (governmental funds), interest incurred during construction should be recognized as an expenditure (no change).
- If a government has regulated operations as defined by paragraph 476 of GASB Statement No. 62, this Statement does not eliminate or remove the requirement to capitalize qualifying interest costs as a regulatory asset.

GASB Statement No. 90, *Majority Equity Interests, an Amendment of GASB Statements No. 14 and No. 61*

	Date per Pronouncement	Date as amended per GASB Statement No. 95
Effective Dates	Reporting Periods Beginning After 12/15/2018	Reporting Periods Beginning After 12/15/2019

- A majority equity interest in a legally separate organization will be reported as an investment if it meets the definition of an investment.
- Measured using the equity method, unless held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund or an endowment/permanent fund. These funds would utilize fair value to measure the majority equity interest.
- For all other majority equity interests in a legally separate organization, report the legally separate organization as component unit and the fund that holds the equity interest should report an asset using the equity method.
- Acquisition of a component unit in which the government holds 100% interest would be measured using acquisition value.

GASB Statement No. 91, *Conduit Debt Obligations*

Effective Dates	Date per Pronouncement	Date as amended per GASB Statement No. 95
	Reporting Periods Beginning After 12/15/2020	Reporting Periods Beginning After 12/15/2021

- Clearly defines the characteristics of a conduit debt obligation and establishes that a conduit debt obligation is not a liability of the issuer.
- An issuer should recognize a liability associated with an additional commitment or voluntary commitment to support debt service if certain recognition criteria are met.
- As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether the recognition criteria are met. An issuer that has only made a limited commitment should evaluate whether those recognition criteria are met when an event occurs that cause the issuer to evaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.
- Standard addresses accounting for arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities.
- Standard enhances note disclosures related to conduit debt.

GASB Statement No. 92, *Omnibus 2020*

Effective Dates	Date per Pronouncement	Date as amended per GASB Statement No. 95
	Key Provisions Effective as Noted Below	Except for Provisions Effective upon Statement Issuance, all other Provisions are Delayed One Year

Key Provisions of the Statement are as follows:

- Effective Upon Statement Issuance– February 5, 2020:
  - The effective date for interim financial reporting of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, is for fiscal years beginning after December 15, 2019.
  - Clarifies that for public entity risk pools, amounts recoverable from reinsurers or excess insurers related to paid claims and claims adjustment expenses may be reported as a reduction of expenses.
  - The terms derivative and derivatives should be replaced with derivative instrument and derivative instruments, respectively.
- Effective for Fiscal Years Beginning After June 15, 2020:
  - Clarification of the reporting of intra-entity transfers of assets between a government employer or noncontributing entity to a defined benefit pension or other postemployment (OPEB) plan that are within the same reporting entity.
- Effective for Reporting Periods Beginning After June 15, 2020:
  - Clarification that a government that reports a fiduciary activity for assets that are accumulated for purposes of providing pension or OPEB through certain defined benefit plans should recognize liabilities in accordance with Statement No. 84.
- Effective for Government Acquisitions Occurring in Reporting Periods Beginning After June 15, 2020:
  - In a government acquisition, liabilities and assets related to the acquired entity's asset retirement obligations (AROs) should be measured using the accounting and financial reporting requirements of Statement No. 83, when the AROs fall within the scope of that standard.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*

	Date per Pronouncement	Date as amended per GASB Statement No. 95
Effective Dates	Effective as Noted Below	Paragraphs 13 and 14 are Effective for Fiscal Years Beginning After June 15, 2021

- Effective for Reporting Periods Beginning After June 15, 2020:
  - Provides exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
  - Clarifies the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
  - Clarifies that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
  - Identifies a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
  - Clarifies the definition of reference rate, as it is used in Statement 53, as amended.
  - Provides an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. (paragraphs 13 and 14)
- Effective for Reporting Periods Ending After December 31, 2021:
  - Removes LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap (paragraph 11b).

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

Effective Dates	Date per Pronouncement
	Fiscal Years Beginning After June 15, 2022

- For the Public-Private and Public-Public Partnerships (P3s) that meet the definition of a service concession arrangement (SCA), this Statement carries forward the financial reporting requirements for SCAs that were included in Statement 60, with modifications to apply the more extensive requirements related to recognition and measurement of leases to SCAs.
- For P3s that meet the definition of a lease, the guidance in Statement No. 87 should be applied, if existing assets of the transferor that are not required to be improved by the operator as part of the P3 arrangement are the only underlying P3 assets and the P3s do not meet the definition of an SCA.
- This Statement provides specific guidance for all other P3s from the perspective of both a government that transfers rights to another party and governmental operators that receive those rights.
- The Statement requires governments to account for Availability Payment Arrangement (APAs) in which ownership of the asset transfers by the end of the contract as a financed purchase of the underlying infrastructure or other nonfinancial asset. It also requires a government to report an APA that is related to operating or maintaining a nonfinancial asset as an outflow of resources (for example, expense) in the period to which payments relate

GASB Statement No. 96, *Subscription Based Information Technology Arrangements*

Effective Dates	Date per Pronouncement
	Fiscal Years Beginning After June 15, 2022

- Addresses accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. Standard is based on the standards established in Statement No. 87, Leases.
- Defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.
- Requires governments with SBITAs to recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability (with an exception for short-term SBITAs—those with a maximum possible term of 12 months).
- Provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Plans Deferred Compensation Plans*

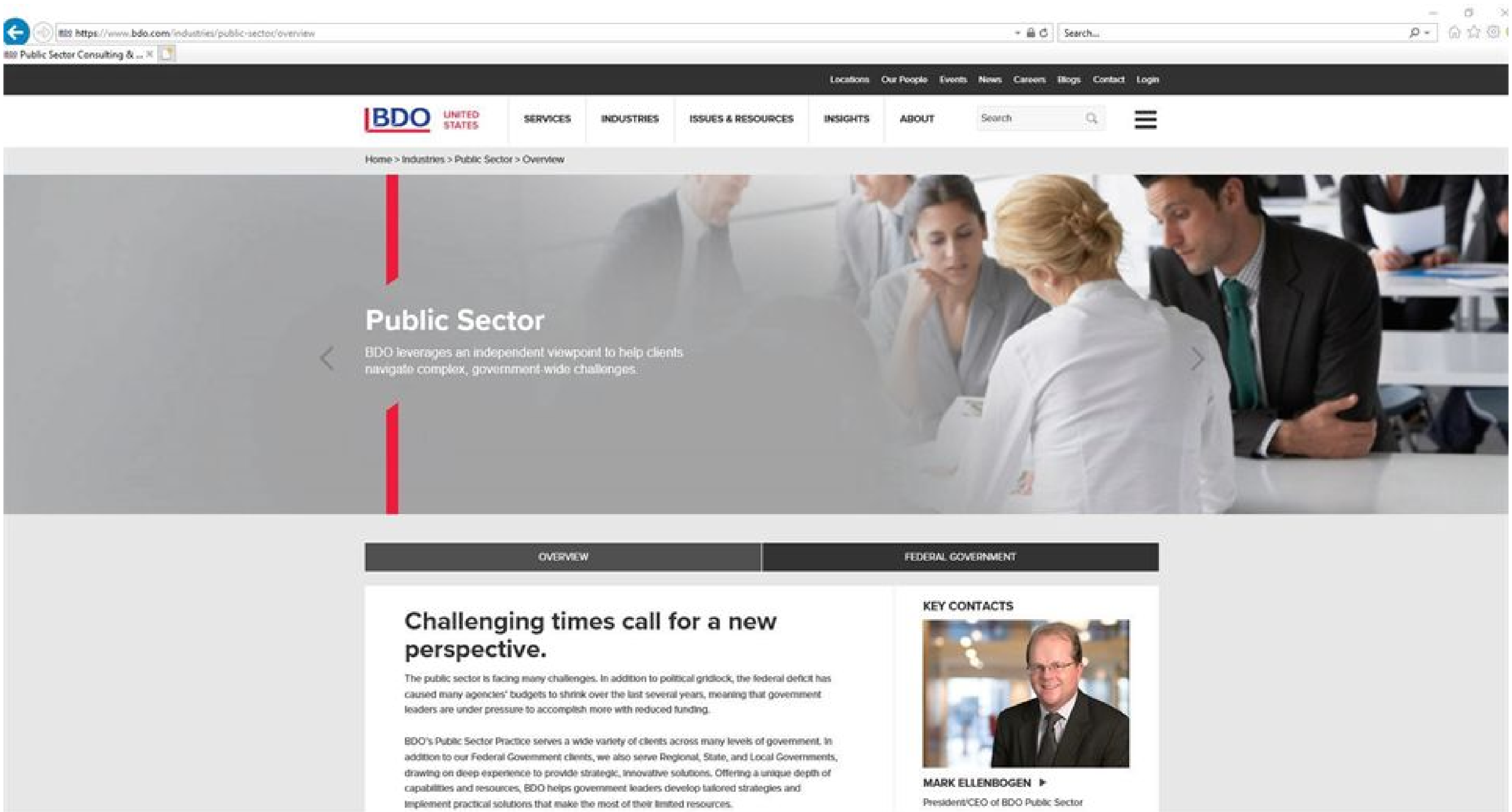
Effective Dates	Date per Pronouncement
	Effective as Noted Below

- Effective Upon Statement Issuance – June 23, 2020:
  - Requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically performs.
  - Requires that the financial benefit burden criteria in Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension and OPEB plans administered through a trust.
- Effective for Fiscal Years Beginning After June 15, 2021
  - Requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan.
  - Requires that a Section 457 plan that meets the definition of a pension apply all accounting and financial reporting requirements relevant to pensions.
  - Clarifies that Statement 84, as amended, should be applied to all Section 457 plans to determine whether those arrangements should be reported as fiduciary activities.

Industry Resources

Industry Risk and Resources

- BDO's industry focus is part of who we are and how we serve our clients and has been for over a century. We demonstrate our experience through knowledgeable professionals, relevant client work and participation in the industries we serve.
- Our industry practices bring perspective on trends, opportunities, issues and regulations that frame our services and approach to address your needs and your industry.



Accounting, Audit and Other Compliance Considerations for Public Sector Entities Related to COVID-19

The global pandemic is having unprecedented impacts on federal, state, local, tribal and territory governments. Our COVID-19 resource center helps organizations stay abreast of the latest developments and mitigate risk during this time of uncertainty. For government organizations, the stakes are high as agencies and elected officials work overtime to flatten the curve, save lives and ensure the safety of the American people.

While circumstances are changing daily, our FAQs for the Public Sector answer the most frequently asked questions by government organizations, along with resources to help them respond and plan around each on.

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DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C2

Topic: **Portfolio Update**

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

Regular Board Meeting – Thursday, April 14, 2022

DALLAS POLICE & FIRE PENSION SYSTEM

Portfolio Update

April 14th, 2022

Executive Summary

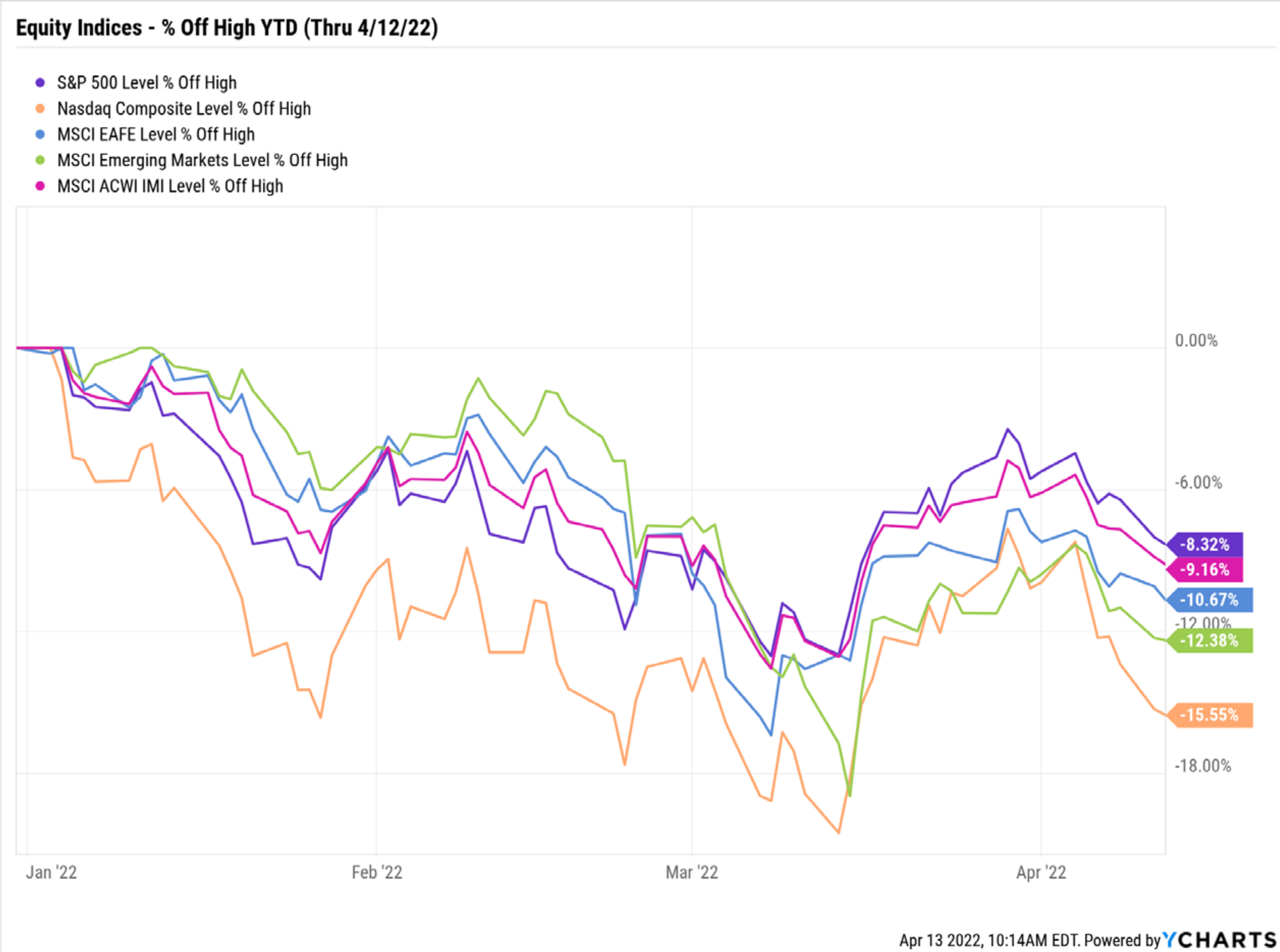
- Liquidation of private market assets remains the top focus.
    - $9.8M in distributions received in Q1 2022. $25M+ in distributions expected over next few months.

- At the March Board meeting, staff notified the Board that, given the recent market downturn, the Safety Reserve would be drawn down to fund net benefit outflows.
    - Staff has initiated a $30M withdrawal from IR+M to rebalance into Cash, which is expected to occur by the end of April.

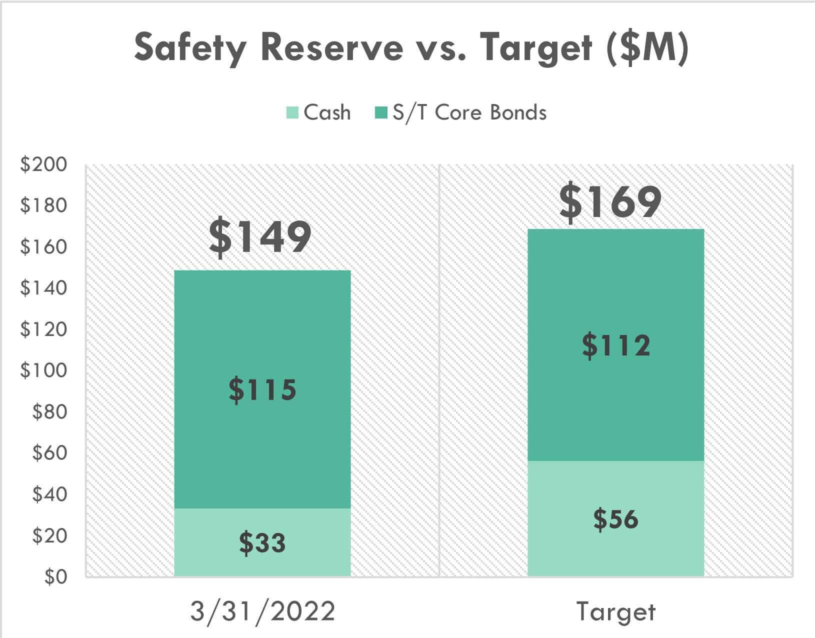
- Plan to fund initial $40M allocation to new International Small Cap equity manager, Global Alpha, in Q2. Funding expected to come from the passive Northern Trust account.

- Estimated Year-to-Date Return (as of 3/31/22): -4.2% for DPFP portfolio; -6.4% for Public Markets (ex-Cash) which accounts for 70% of the assets.

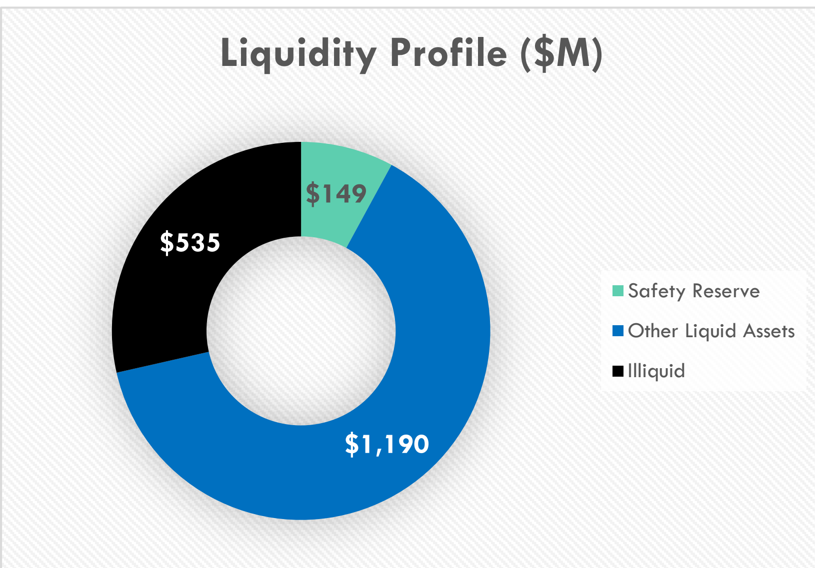
Equity Market Correction



Safety Reserve Dashboard – As of 3/31/22



Projected Net Monthly outflows of **$9.4M** per month. Safety Reserve of **$149M** would cover net monthly outflows for next **16 months** or through **July 2023.**



Expected Cash Activity	Date	Amount ($M)	Projected Cash Balance ($M)	Projected Cash (%)
	3/31/22		$33.3	1.8%
City Contribution	4/1/22	$8.8	$42.1	2.2%
City Contribution	4/15/22	$8.8	$50.9	2.7%
Pension Payroll	4/27/22	($27.5)	$23.4	1.2%
City Contribution	4/29/22	$8.8	$32.2	1.7%
IR+M Withdrawal	4/30/22	$30.0	$62.2	3.3%
City Contribution	5/13/22	$8.8	$71.0	3.8%
City Contribution	5/27/22	$8.8	$79.8	4.3%
Pension Payroll	5/27/22	($27.5)	$52.3	2.8%
City Contribution	6/10/22	$8.8	$61.1	3.3%
City Contribution	6/24/22	$8.8	$69.9	3.7%
Pension Payroll	6/28/22	($27.5)	$42.4	2.3%

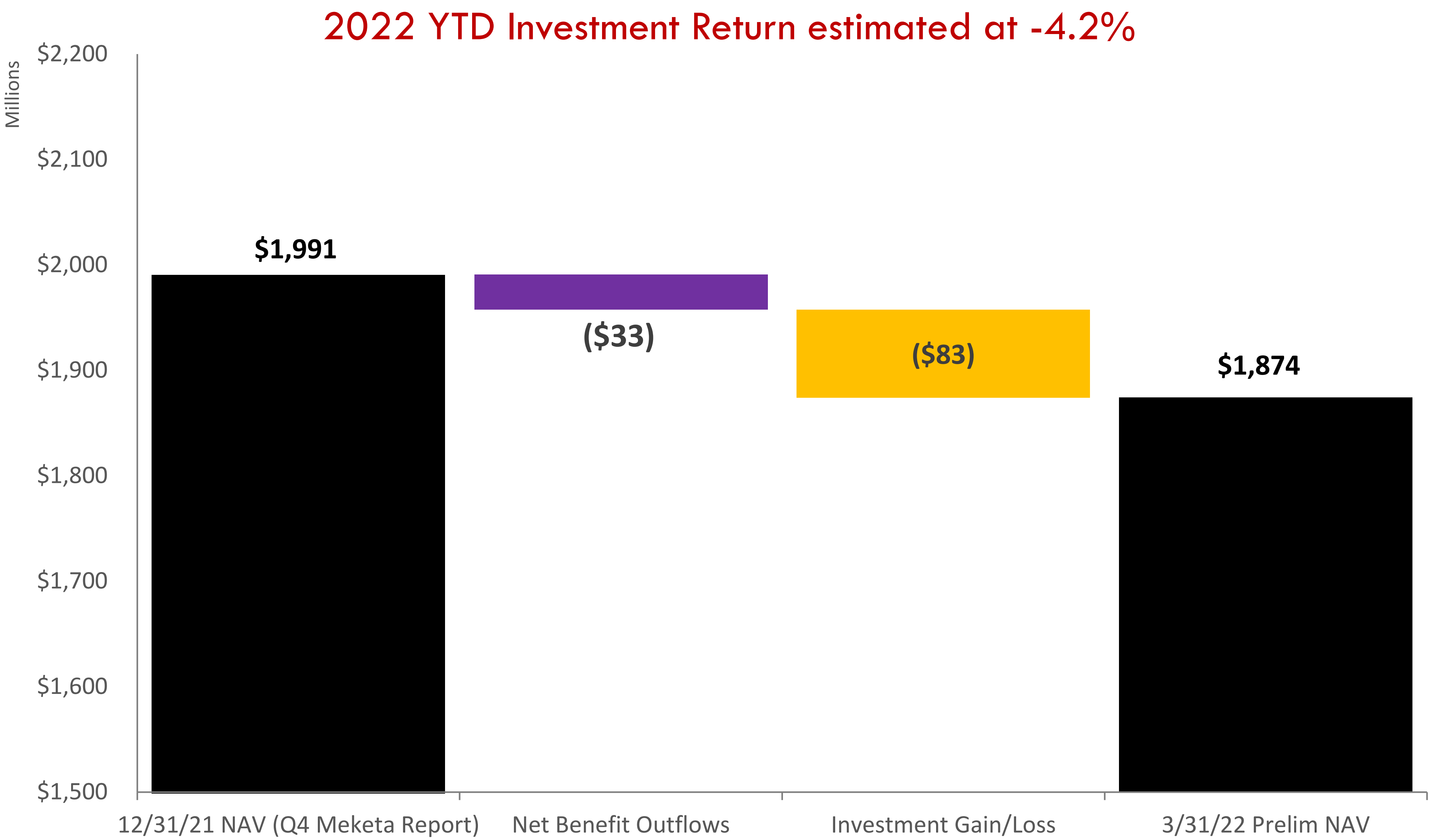
Projected Cash activity includes expected benefit contributions, payments, and material expected capital calls or expenses

Numbers may not foot due to rounding

DALLAS POLICE & FIRE PENSION SYSTEM

2022 YTD Change in Market Value Bridge Chart

In Millions



Numbers may not foot due to rounding.

Public Markets Performance Snapshot - Estimates

Public Markets (ex-Cash) currently make up 70% of DPFP Investment Portfolio.

Net of fees	Index	MTD as of 3/31/2022 Manager	MTD Index	MTD Excess	YTD as of 3/31/2022 Manager	YTD Index	YTD Excess	3 yr Trailing as of 3/31/2022 Manager	3 yr Index	3 yr Excess
Total Public Portfolio (ex-Cash)	**60% ACWI IMI/40% Global AGG**	**-0.1%**	**0.0%**	**-0.2%**	**-6.4%**	**-5.7%**	**-0.7%**	**7.8%**	**8.4%**	**-0.6%**
Global Equity	**MSCI ACWI IMI**	**0.6%**	**2.0%**	**-1.4%**	**-7.5%**	**-5.5%**	**-2.0%**	**13.1%**	**13.5%**	**-0.4%**
Boston Partners	MSCI World	-0.7%	2.7%	-3.4%	-0.8%	-5.2%	4.4%	11.9%	15.0%	-3.0%
Manulife	MSCI ACWI	-0.3%	2.2%	-2.5%	-6.8%	-5.4%	-1.4%	12.0%	13.8%	-1.8%
Invesco (OFI)	MSCI ACWI	0.2%	2.2%	-2.0%	-15.5%	-5.4%	-10.2%	12.5%	13.8%	-1.3%
Walter Scott	MSCI ACWI	1.9%	2.2%	-0.3%	-9.5%	-5.4%	-4.1%	13.5%	13.8%	-0.2%
Northern Trust ACWI IMI Index*	MSCI ACWI IMI	1.8%	2.0%	-0.3%	-5.6%	-5.5%	-0.2%	13.7%	13.5%	0.2%
Eastern Shore US Small Cap*	Russell 2000	-0.3%	1.2%	-1.6%	-11.0%	-7.5%	-3.4%	10.4%	11.7%	-1.4%
EM Equity - RBC	**MSCI EM IMI**	**-1.8%**	**-1.7%**	**-0.2%**	**-5.0%**	**-6.6%**	**1.7%**	**4.5%**	**5.7%**	**-1.3%**
Public Fixed Income (ex-Cash)	**BBG Multiverse TR**	**-1.3%**	**-2.9%**	**1.6%**	**-4.3%**	**-6.1%**	**1.8%**	**1.5%**	**0.9%**	**0.6%**
S/T IG Bonds - IR+M	BBG 1-3YR AGG	-1.3%	-1.4%	0.1%	-2.4%	-2.5%	0.1%	1.3%	1.4%	-0.1%
IG Bonds - Longfellow*	BBG US AGG	-2.8%	-2.8%	0.0%	-6.1%	-5.9%	-0.1%	2.2%	1.7%	0.6%
Bank Loans - Pacific Asset Mgmt.	CS Leveraged Loan	-0.3%	0.0%	-0.3%	-0.2%	-0.1%	-0.1%	4.4%	5.5%	-1.0%
High Yield - Loomis Sayles*	BBG USHY 2% Cap	-0.9%	-1.1%	0.3%	-4.5%	-4.8%	0.3%	3.5%	4.3%	-0.8%
EM Debt - Ashmore	50% EMBI / 25% ELMI / 25% GBI-EM	-1.4%	-1.8%	0.5%	-9.5%	-8.0%	-1.5%	-4.5%	-0.7%	-3.8%

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

** - 3 yr trailing performance is based on composite data due to inception date with DPFP being less than 3 years.*

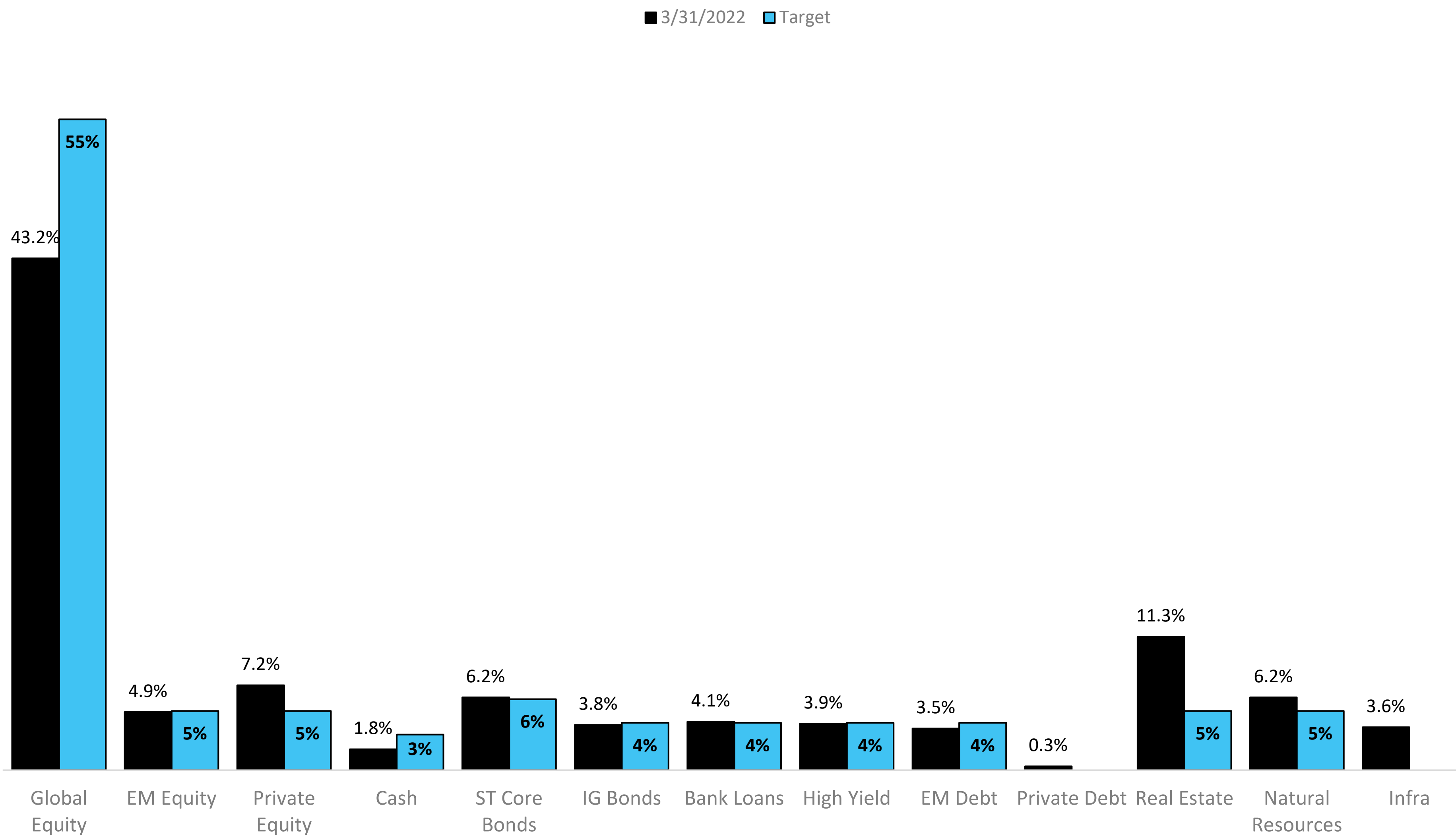
DALLAS POLICE & FIRE PENSION SYSTEM

Asset Allocation Detail

DPFP Asset Allocation	3/31/2022 NAV	%	Target $ mil.	%	Variance $ mil.	%
Equity	**1,037**	**55.3%**	**1,218**	**65%**	**-181**	**-9.7%**
Global Equity	810	43.2%	1,031	55%	-220	-11.8%
Boston Partners	*147*	*7.9%*	*150*	*8%*	*-3*	*-0.1%*
Manulife	*139*	*7.4%*	*150*	*8%*	*-11*	*-0.6%*
Invesco (OFI)	*120*	*6.4%*	*150*	*8%*	*-30*	*-1.6%*
Walter Scott	*134*	*7.1%*	*150*	*8%*	*-16*	*-0.9%*
Northern Trust ACWI IMI Index	*234*	*12.5%*	*281*	*15%*	*-47*	*-2.5%*
Eastern Shore US Small Cap	*36*	*1.9%*	*75*	*4%*	*-39*	*-2.1%*
Future International Small Cap Mandate	*0*	*0.0%*	*75*	*4%*	*-75*	*-4.0%*
Russell Transition	*0*	*0.0%*	*0*	*0%*	*0*	*0.0%*
Emerging Markets Equity - RBC	92	4.9%	94	5%	-2	-0.1%
Private Equity*	134	7.2%	94	5%	41	2.2%
Fixed Income	**443**	**23.6%**	**469**	**25%**	**-26**	**-1.4%**
Cash	33	1.8%	56	3%	-23	-1.2%
S/T Investment Grade Bonds - IR+M	115	6.2%	112	6%	3	0.2%
Investment Grade Bonds - Longfellow	72	3.8%	75	4%	-3	-0.2%
Bank Loans - Pacific Asset Management	77	4.1%	75	4%	2	0.1%
High Yield Bonds - Loomis Sayles	74	3.9%	75	4%	-1	-0.1%
Emerging Markets Debt - Ashmore	66	3.5%	75	4%	-9	-0.5%
Private Debt*	6	0.3%	0	0%	6	0.3%
Real Assets*	**395**	**21.1%**	**187**	**10%**	**207**	**11.1%**
Real Estate*	211	11.3%	94	5%	118	6.3%
Natural Resources*	115	6.2%	94	5%	22	1.2%
Infrastructure*	68	3.6%	0	0%	68	3.6%
Total	**1,874**	**100.0%**	**1,874**	**100%**	**0**	**0.0%**
Safety Reserve ~$162M=18 mo net CF	149	7.9%	169	9%	-20	-1.1%
*Private Market Assets	535	28.5%	281	15%	254	13.5%

Source: Preliminary JP Morgan Custodial Data, Staff Estimates and Calculations
Numbers may not foot due to rounding

Asset Allocation – Actual vs Target

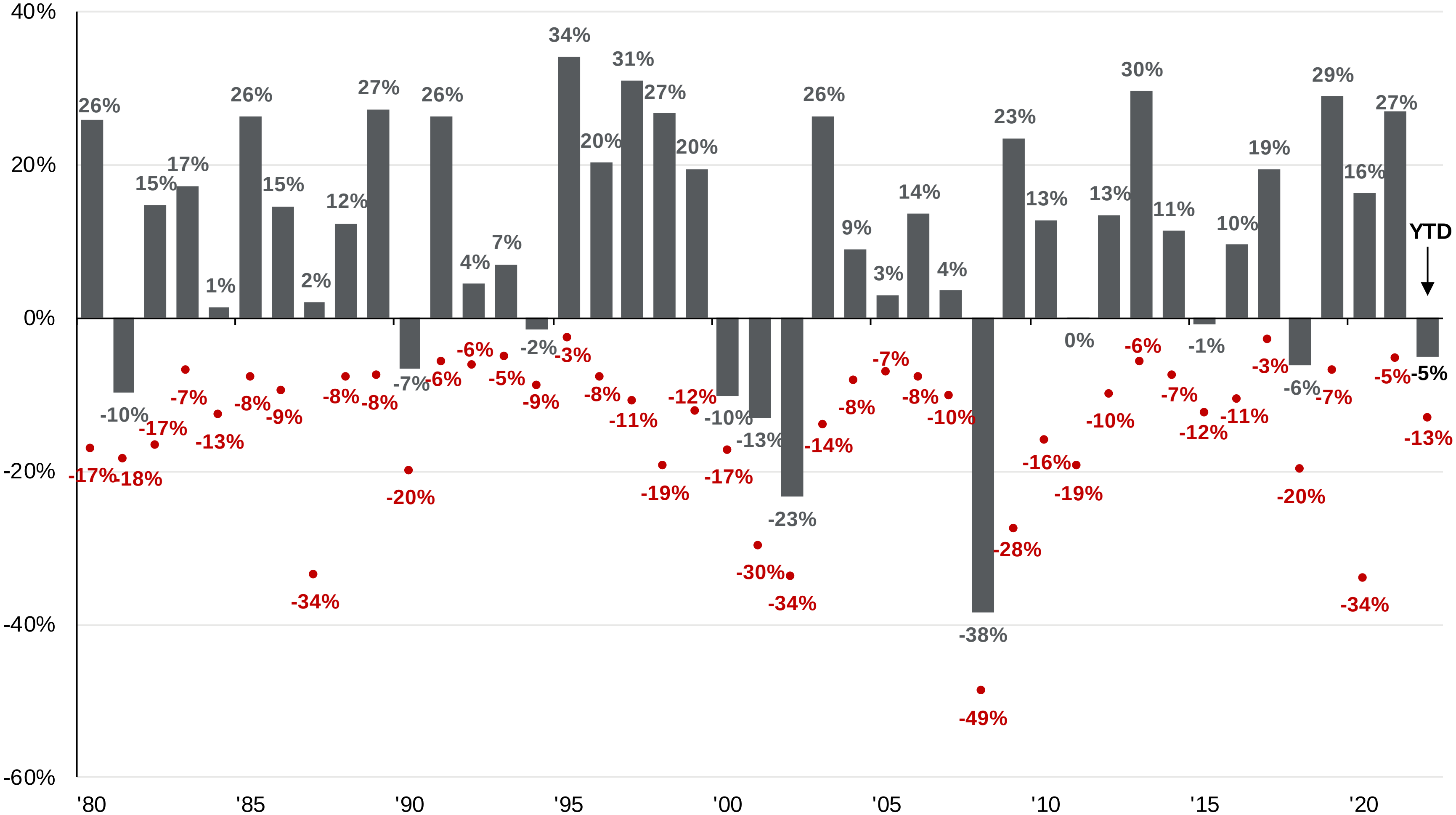


DALLAS POLICE & FIRE PENSION SYSTEM

S&P Intra-Year Declines

S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.0%, annual returns were positive in 32 of 42 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2021, over which time period the average annual return was 9.4%.
Guide to the Markets – U.S. Data are as of March 31, 2022.

DALLAS POLICE & FIRE PENSION SYSTEM

Asset Class Returns – JPM Guide to the Markets

																2007 - 2021	
2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD	Ann.	Vol.
EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	REITs 41.3%	Comdty. 25.5%	Large Cap 10.6%	REITs 23.2%
Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	Large Cap 28.7%	Cash 0.0%	Small Cap 8.7%	EM Equity 22.9%
DM Equity 11.6%	Asset Alloc. -25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Large Cap 18.4%	Comdty. 27.1%	Asset Alloc. -3.9%	REITs 7.5%	Small Cap 22.5%
Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. 10.6%	Small Cap 14.8%	Large Cap -4.6%	High Yield 6.6%	Comdty. 19.1%
Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	Asset Alloc. 13.5%	REITs -5.3%	Asset Alloc. 5.7%	DM Equity 18.9%
Large Cap 5.5%	Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	DM Equity 11.8%	High Yield -5.7%	EM Equity 4.8%	Large Cap 16.9%
Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.0%	DM Equity -5.8%	DM Equity 4.1%	High Yield 12.2%
High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	Fixed Income -5.9%	Fixed Income 4.1%	Asset Alloc. 11.7%
Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -3.1%	Fixed Income -1.5%	EM Equity -6.9%	Cash 0.8%	Fixed Income 3.3%
REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	EM Equity -2.2%	Small Cap -7.5%	Comdty. -2.6%	Cash 0.7%

Source: Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Fixed Income: Bloomberg US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg US Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period from 12/31/2006 to 12/31/2021. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of March 31, 2022.

2022 Board Investment Review Plan*

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

April	• Real Estate: AEW Presentation
May	• Natural Resources: Staff review of BTG Pactual (Timber)
June	• Natural Resources: Hancock Presentation
July	• Infrastructure: Staff review of AIRRO and JPM Maritime
August	• Staff review of Public Fixed Income managers
October	• Staff review of Public Equity managers
November	• Staff review of Private Equity and Debt

*Presentation schedule is subject to change.

DISCUSSION SHEET

ITEM #C3

Topic: **Real Estate Portfolio Review - AEW**

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

Attendees: Ron Pastore - Senior Portfolio Manager, AEW Capital Management
Mark Morrison - Portfolio Manager, AEW Capital Management

Discussion: Representatives of AEW Capital Management ("AEW") will update the Board on the status and plans for DPFP's investments in RED Consolidated Holdings ("RCH") and Camel Square, an office development in Phoenix. AEW took over management of these investments in February of 2015. AEW last presented to the Board in April 2021.

Executive Summary

- AEW took over the management of 3 assets from CDK in 2015. Red Consolidated Holdings (RCH) and Camel Square remain.
- **RCH:**
  - 50/50 real estate operating company based in Phoenix, AZ. Holdings consist of operating retail and mixed-use properties with a concentration in Southwest.
  - Complex operating company with numerous underlying operating properties and partnerships with different partners, developmental properties and land holdings.
  - $62M of distributions received in 2021, driven by sale of The Christopher apartments at The Union project in Dallas.
- **Camel Square:**
  - 15.5-acre site located in Phoenix, AZ which was wholly owned by DPFP outside of RCH. Rezoning approved in late 2019. DPFP Board approved redevelopment & investment in 2021.
  - Office, hotel, multifamily, Suns practice facility and self storage tracts have closed to date leading to $44M in distributions to DPFP.
  - Board approved JV investment in office project at April 2021 Board meeting.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C4

Topic: **Report on Investment Advisory Committee Meeting**

Discussion: The Investment Advisory Committee met on March 24, 2022. The Committee Chair and Investment Staff will comment on Committee observations and advice.

Regular Board Meeting – Thursday, April 14, 2022

DISCUSSION SHEET

ITEM #C5

Topic: **Private Asset Cash Flow Projection Update**

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 provide the quarterly update on the private asset cash flow projection model first discussed at the February 2018 Board meeting. The cash flow model projects estimated contributions to, and distributions from, private assets through the end of 2023. These estimates are intended to assist the Board in evaluating the expected time frame to reduce DPFP's exposure to these assets and the implications for the public asset redeployment, overall asset allocation, and expected portfolio risk and return.

DALLAS POLICE & FIRE PENSION SYSTEM

Quarterly Private Asset Cash Flow Projection Update

April 14th, 2022

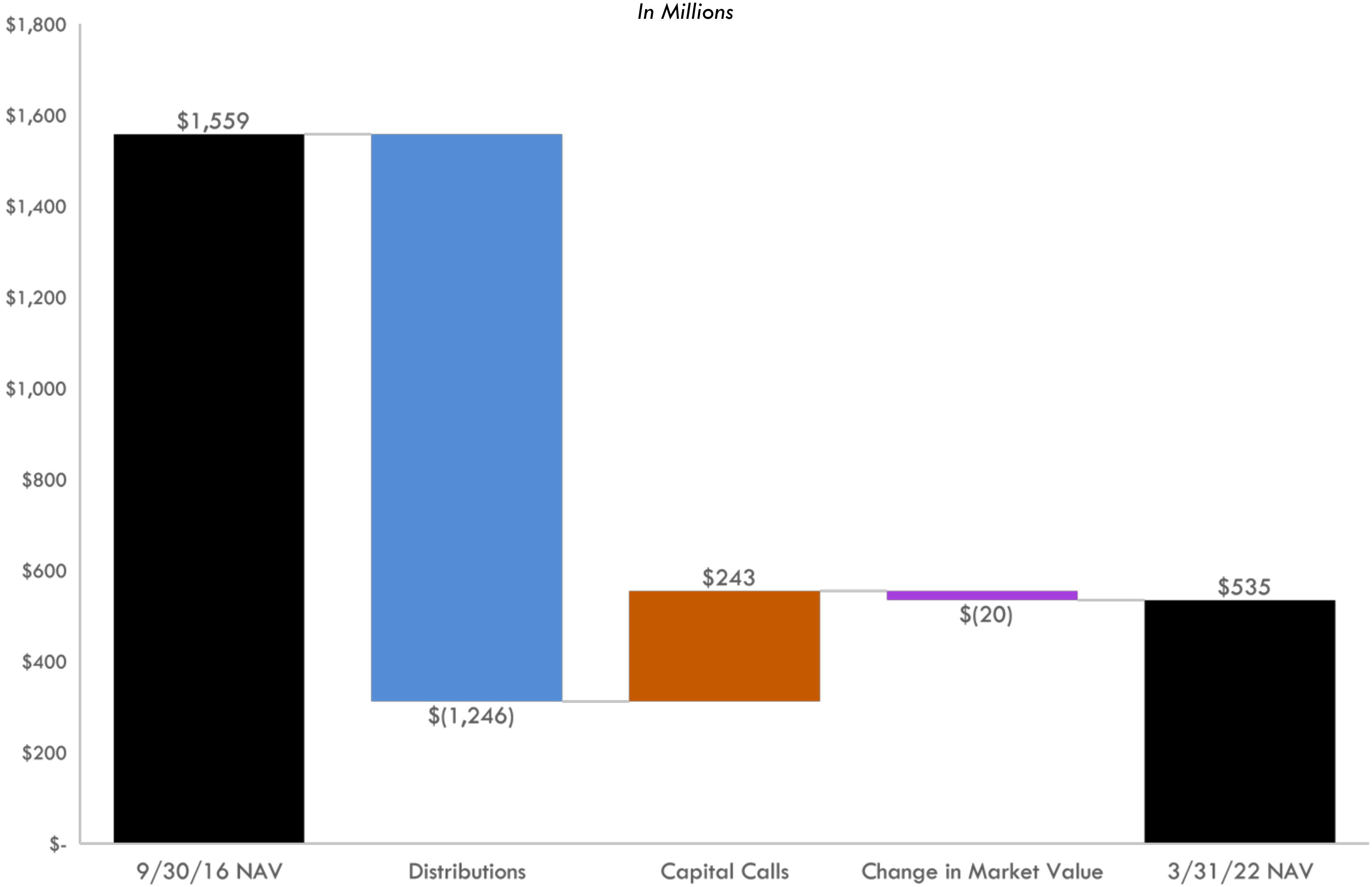
Private Asset Cash Flow Projections

Methodology Review

- Staff estimates capital calls and cash distributions from the Private Asset portfolio, built up by individual asset.
- DPFP has more control over direct investments in Real Estate and Natural Resources, therefore should have more accuracy in forecasting cash flows based on planned sales. Private Equity fund investments are controlled by GP's, therefore DPFP has little or no control over outcome – Staff incorporates GP insights but often uses an even distribution schedule over 2 years with these investments.
- **Cash flow estimates are inherently imprecise as they are often subject to events & forces outside of the manager's control.**

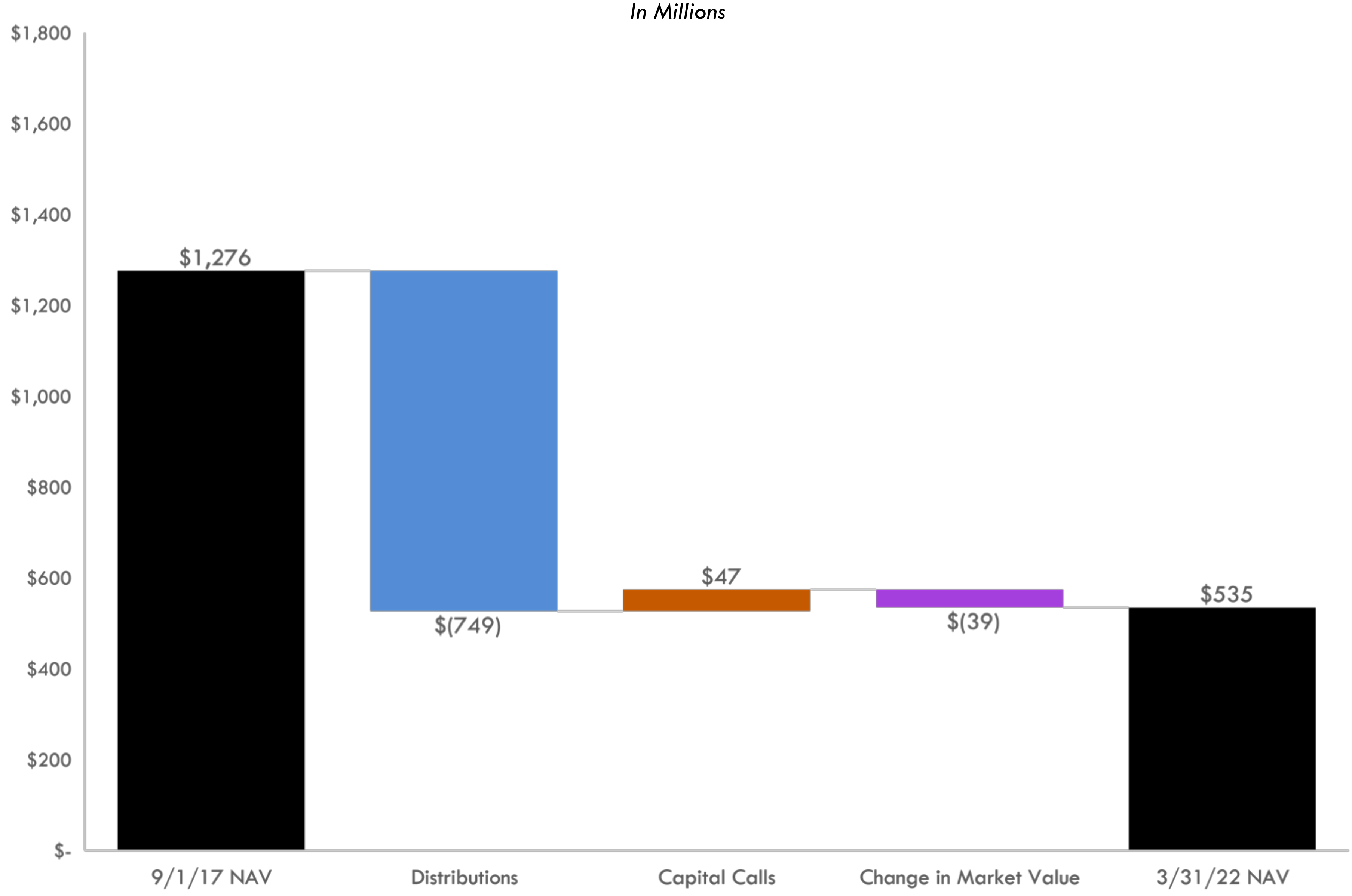
Private Asset Bridge Chart – Since 9/30/16

In Millions



Numbers may not foot due to rounding.

Private Asset Bridge Chart – Since 9/1/17 (New Board Formation)



Numbers may not foot due to rounding.

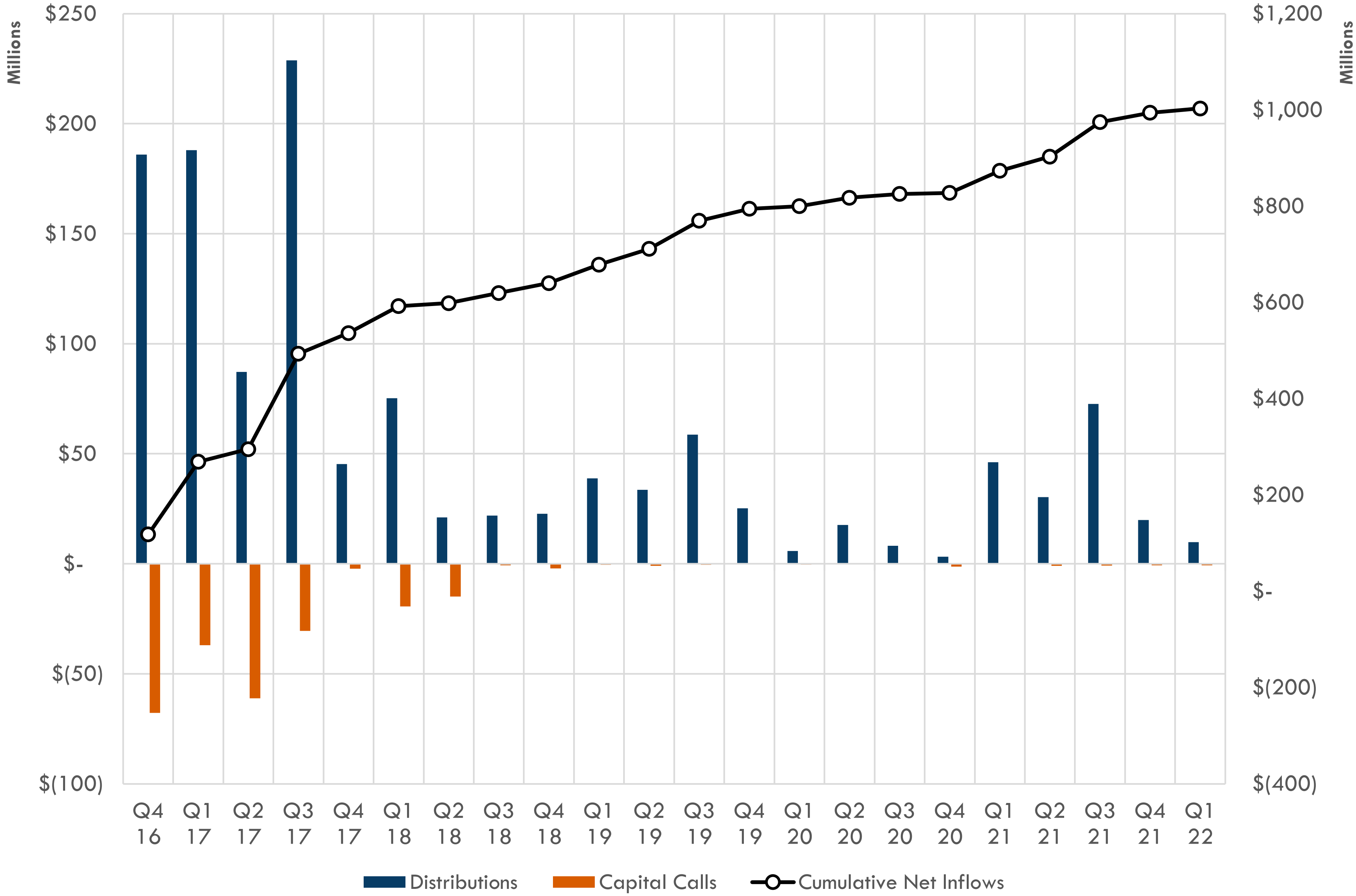
Private Asset Quarterly Cash Flows – Q1 2022

TOTAL CAPITAL CALLS & CONTRIBUTIONS		**$742,000**
Lone Star CRA Bridge	Interim Bridge Initial Draw	$742,000

TOTAL DISTRIBUTIONS		**$9,800,000**
Distributions above $100K		
AEW	RCH Note Distribution	$7,800,000
Hancock	Ag Income	$2,000,000

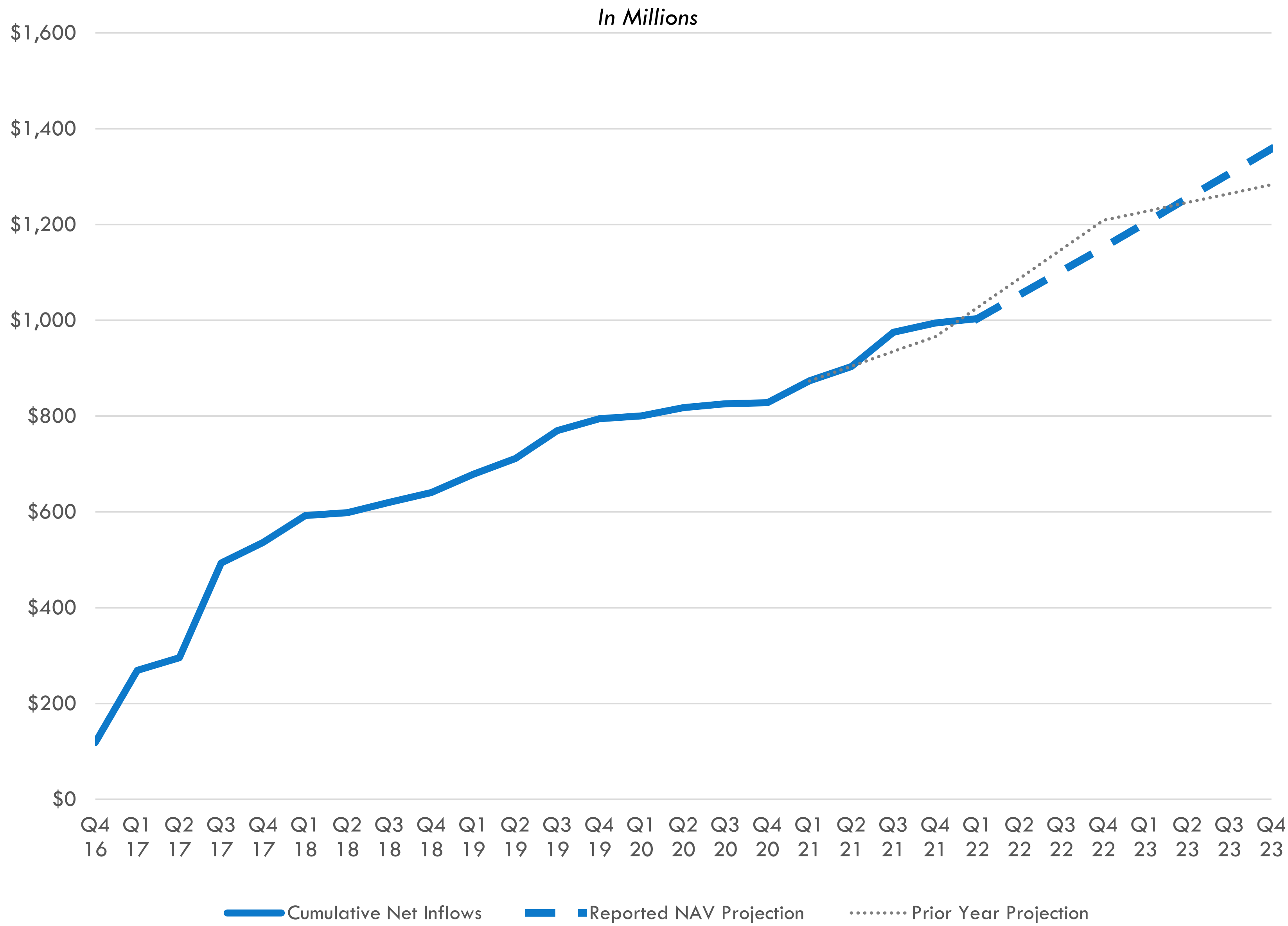
Numbers may not foot due to rounding.

Private Asset Quarterly Cash Flows – Since 9/30/16



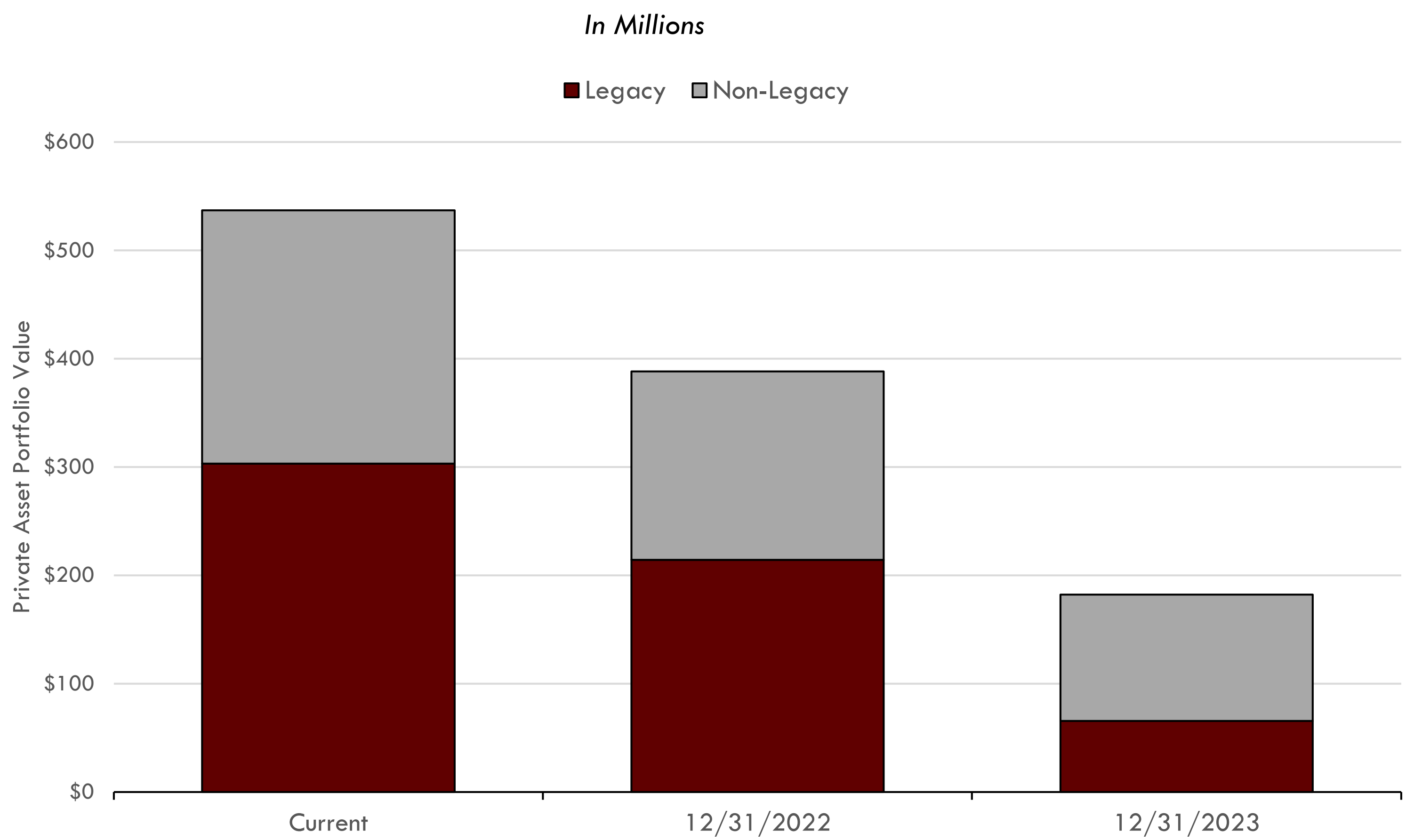
Cumulative Actual and Projected Private Asset Net Inflows

Private asset cash flow projections are based on either in-process/planned sales, if available, or a gradual disposition through 2023.



Private Asset Disposition Timeline & Composition

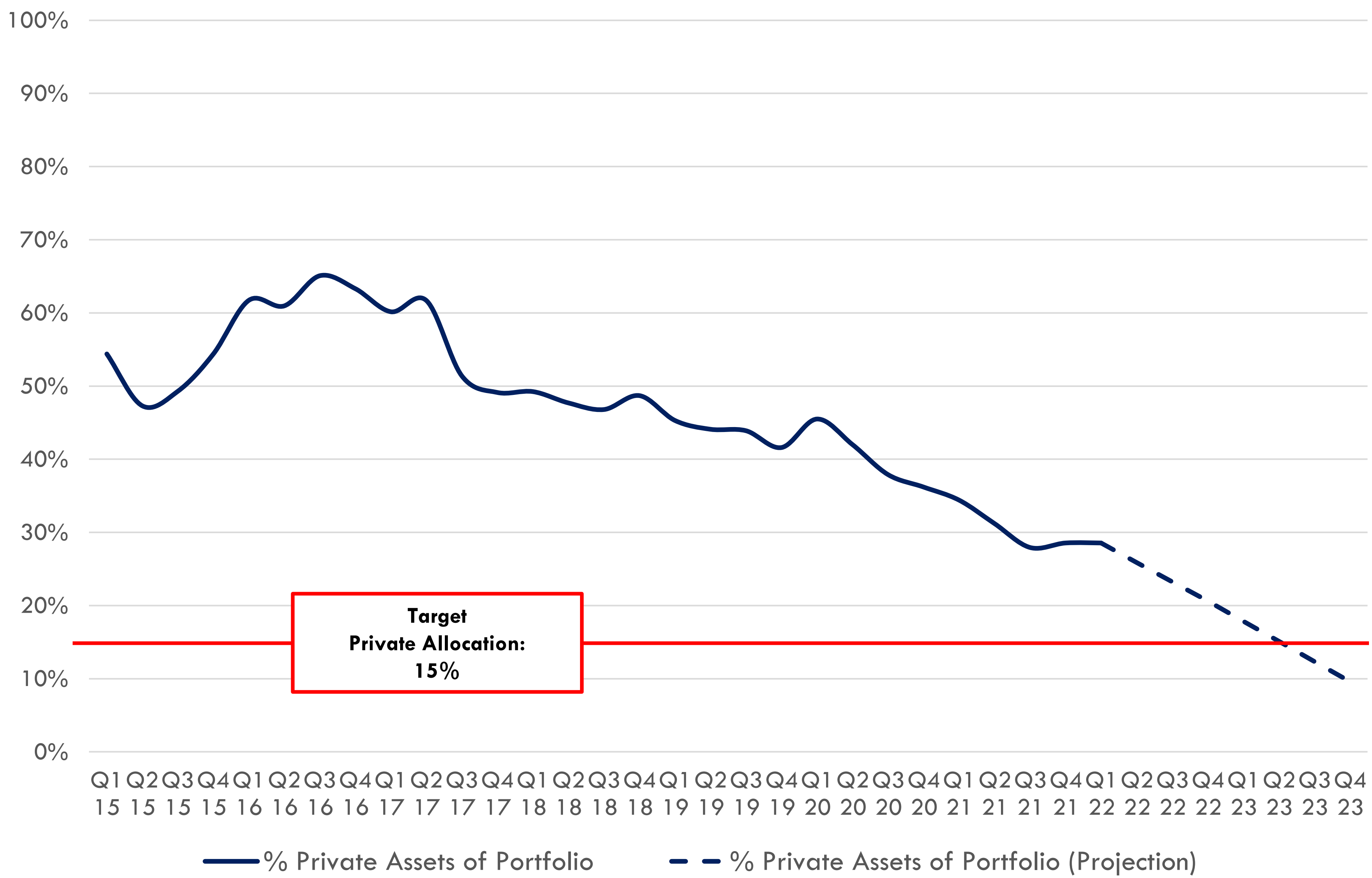
Private asset cash flow projections are based on either in-process/planned sales, if available, or a gradual disposition through 2023.



	Current	12/31/2022	12/31/2023
Legacy NAV (M)	$303	$214	$66
% of Private Portfolio	57%	55%	36%
% of DPFP Portfolio	16%	11%	3%

Private Asset Allocation Over Time

Private asset cash flow projections are based on either in-process/planned sales, if available, or a gradual disposition through 2023.
Assumes 100% of private asset proceeds are reinvested into liquid investments and flat fund NAV



DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C6

Topic: **Employee Handbook and Policies**

Discussion: Staff is preparing a document that is intended to be a comprehensive Employee Handbook. The handbook will include topics from existing personnel related policies, new topics not previously addressed and modifications to modernize policies and address changing conditions. In conjunction with the consideration of the Employee Handbook, staff will recommend the Board rescind several personnel policies.

Staff will discuss a timeline to consider adoption of the Employee Handbook and rescinding existing policies.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

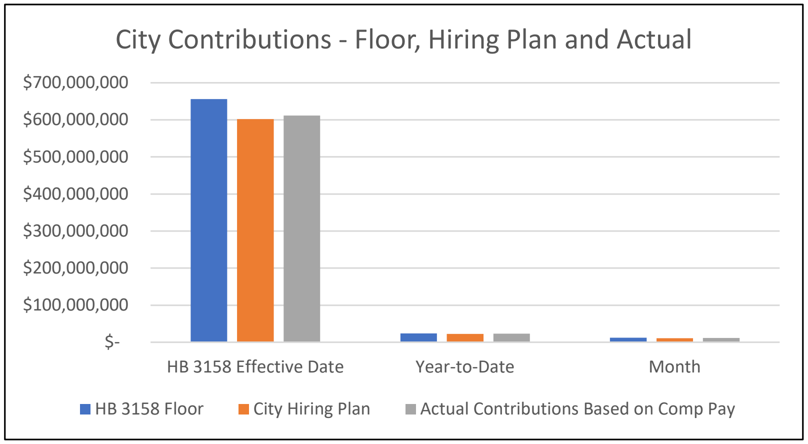
ITEM #C7

Topic: **Monthly Contribution**

Discussion: Staff will review the Monthly Contribution Report.

Regular Board Meeting – Thursday, April 14, 2022

Contribution Tracking Summary - April 2022 (February 2022 Data)



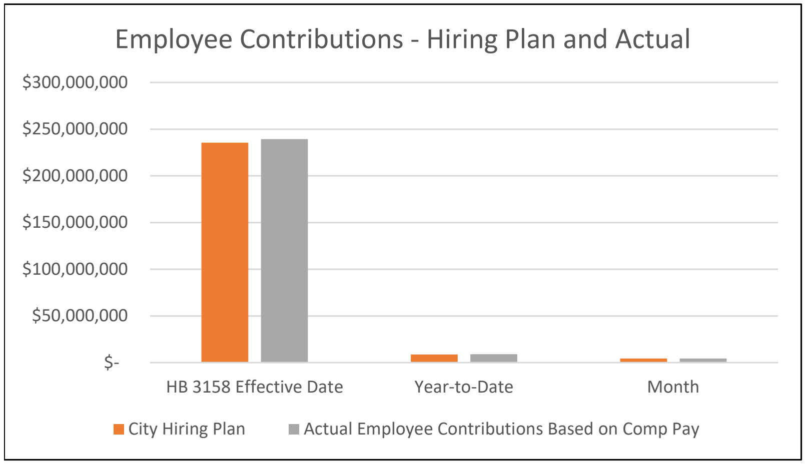
Actual Comp Pay was 102% of the Hiring Plan estimate since the effective date of HB 3158.

In the most recent month Actual Comp Pay was 103% of the Hiring Plan estimate and 95% of the Floor amount.

The Hiring Plan Comp Pay estimate increased by 3.43% in 2022. The Floor increased by 2.74%.

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

The combined actual employees was 170 less than the Hiring Plan for the pay period ending March 1, 2022. Fire was over the estimate by 61 fire fighters and Police under by 231 officers. The number of estimate police officers increase by 25 officer for 2022 from the 2021 estimate.



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

There is no Floor on employee contributions.

Contribution Summary Data

City Contributions

Feb-22	Number of Pay Periods Beginning in the Month	HB 3158 Floor	City Hiring Plan	Actual Contributions Based on Comp Pay	Additional Contributions to Meet Floor Minimum	Comp Pay Contributions as a % of Floor Contributions	Comp Pay Contributions as a % of Hiring Plan Contributions
Month	2	$ 12,086,000	$ 11,199,231	$ 11,492,660	$ 593,340	95%	103%
Year-to-Date		$ 24,172,000	$ 22,398,462	$ 23,002,944	$ 1,169,056	95%	103%
HB 3158 Effective Date		$ 656,275,000	$ 601,918,846	$ 611,815,768	$ 44,532,939	93%	102%

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

Employee Contributions

Feb-22	Number of Pay Periods Beginning in the Month	City Hiring Plan	Actual Employee Contributions Based on Comp Pay	Actual Contribution Shortfall Compared to Hiring Plan	Actuarial Valuation Contribution Assumption	Actual Contributions as a % of Hiring Plan Contributions	Actual Contributions as a % of Actuarial Val Assumption
Month	2	$ 4,382,308	$ 4,496,918	$ 114,610	$ 4,236,924	103%	106%
Year-to-Date		$ 8,764,615	$ 9,000,296	$ 235,681	$ 8,473,848	103%	106%
HB 3158 Effective Date		$ 235,533,462	$ 239,249,208	$ 3,715,747	$ 230,133,502	102%	104%

Potential Earnings Loss from the Shortfall based on Assumed Rate of Return $ (352,820)

Does not include Supplemental Plan Contributions.

Reference Information

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

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

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

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

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

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

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

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

	Actuarial Valuation	GASB 67/68
YE 2017 (1/1/2018 Valuation)		
2018 Employee Contributions Assumption - based on 2017 actual plus growth rate not the Hiring Plan Payroll	$ (2,425,047)	*
2019 Estimate (1/1/2019 Valuation)		
2019 Employee Contribution Assumption	$ 9,278	*
**90% of Hiring Plan was used for the Cash Flow Projection for future years in the 12/31/2017 GASB 67/68 calculation. At 12-31-17, 12-31-18 and 12-31-2019 this did not impact the pension liability or the funded percentage.*		

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

City Hiring Plan - Annual Computation Pay and Numbers of Employees						
	Computation Pay			Number of Employees		
Year	Hiring Plan	Actual	Difference	Hiring Plan	Actual EOY	Difference
2017	$ 372,000,000	Not Available	Not Available	5,240	4,935	(305)
2018	$ 364,000,000	$ 349,885,528	$ (14,114,472)	4,988	4,983	(5)
2019	$ 383,000,000	$ 386,017,378	$ 3,017,378	5,038	5,104	66
2020	$ 396,000,000	$ 421,529,994	$ 25,529,994	5,063	4,988	(75)
2021	$ 408,000,000	$ 429,967,675	$ 21,967,675	5,088	4,958	(130)
2022	$ 422,000,000			5,113		
2023	$ 438,000,000			5,163		
2024	$ 454,000,000			5,213		
2025	$ 471,000,000			5,263		
2026	$ 488,000,000			5,313		
2027	$ 507,000,000			5,363		
2028	$ 525,000,000			5,413		
2029	$ 545,000,000			5,463		
2030	$ 565,000,000			5,513		
2031	$ 581,000,000			5,523		
2032	$ 597,000,000			5,523		
2033	$ 614,000,000			5,523		
2034	$ 631,000,000			5,523		
2035	$ 648,000,000			5,523		
2036	$ 666,000,000			5,523		
2037	$ 684,000,000			5,523		

Comp Pay by Month - 2022	Annual Divided by 26 Pay Periods	Actual	Difference	2022 Cumulative Difference	Number of Employees - EOM	Difference
January	$ 32,461,538	$ 33,363,143	$ 901,604	$ 901,604	4946	(167)
February	$ 32,461,538					
March	$ 48,692,308					
April	$ 32,461,538					
May	$ 32,461,538					
June	$ 32,461,538					
July	$ 32,461,538					
August	$ 48,692,308					
September	$ 32,461,538					
October	$ 32,461,538					
November	$ 32,461,538					
December	$ 32,461,538					

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C8

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

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

Discussion:

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

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

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

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

Future Education and Business Related Travel & Webinars
Regular Board Meeting – April 14, 2022

ATTENDING APPROVED

1. **Conference:** **NCPERS Trustee Educational Seminar (TEDS)**
   Dates: May 21 – 22, 2022
   Location: Washington, DC
   Est Cost: $1,963

2. **Conference:** **NCPERS Accredited Fiduciary (NAF) Program**
   Dates: May 21 – 22, 2022
   Location: Washington, DC
   Est Cost: $2,333

3. **Conference:** **NCPERS Annual Conference & Exhibition (ACE)**
   Dates: May 22 – 25, 2022
   Location: Washington, DC
   Est Cost: $3,106

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

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C9

Topic:	**Board Members' reports on meetings, seminars and/or conferences attended**		
Discussion:	**Conference:**	**TEXPERS Annual Conference**	**KH, TH**
	Dates:	April 3-6, 2022	**GG, AG**
	Location:	Fort Worth, TX	

Regular Board Meeting – Thursday, April 14, 2022

DISCUSSION SHEET

ITEM #C10

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

Discussion: Counsel will brief the Board on these issues.

DISCUSSION SHEET

ITEM #C11

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

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

a. Disability application 2022-1
b. Disability application 2022-2

Discussion: Two members have submitted applications for a disability retirement. At the time of the agenda posting, staff was waiting on information from the independent physicians and the third-party disability case manager for both applications. To possibly avoid delay in the Board's consideration of these applications, the applications were included on the agenda. These applications will be discussed if staff receives in a timely manner sufficient information to present to the Board prior to the meeting.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #D1

Topic: **Public Comment**

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

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #D2

Topic: **Executive Director's report**

a. Associations' newsletters
- NCPERS Monitor (April 2022)

b. Open Records

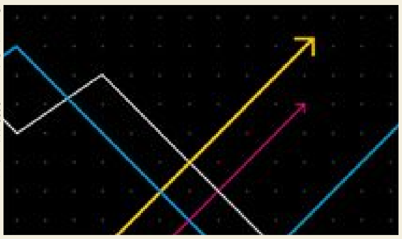
c. Nominations Committee

d. Survivor Benefits Committee

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

THE NCPERS
MONITOR
The Latest in Legislative News
April 2022

In This Issue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Earlier this year, the Urban Institute released a report entitled, Addressing and Avoiding Severe Fiscal Stress in Public Pension Plans.

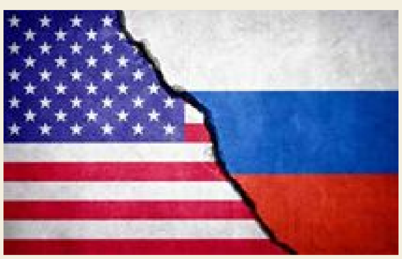
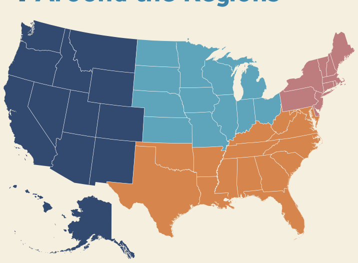


Photo Illustration © 2022, istock.com

Public pension systems are deliberating whether and how to exit investments in Russia in the wake of the country's February 24 invasion of Ukraine and the economic sanctions that quickly followed.



This month, we will highlight New Jersey, Illinois, West Virginia and Oregon.

Pew Research Center Offers Ideas for Stress Testing Muni Pension Plans

Photo Illustration © 2022, istock.com

Plan sponsors can prepare for market volatility and potential cost increases by conducting stress tests that simulate funding levels and required contributions under a variety of economic scenarios, Pew Research Center said.

In an article published on its website, Pew outlined methods for incorporating stress testing and other tools into existing financial and actuarial reporting frameworks. It said that conducting stress tests would be prudent even though funding gaps have been shrinking.

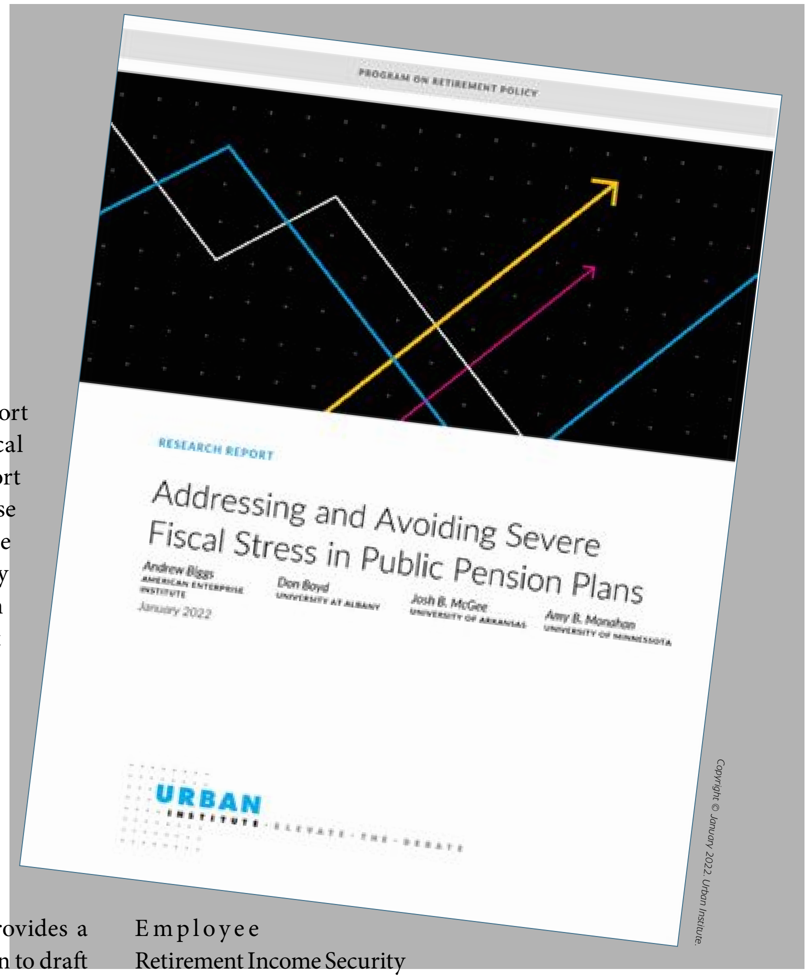
Pew noted that even before 2021's historic investment gains gave a shot in the arm to municipal pension funds, the gap between their assets on hand and future liabilities had improved. Funding ratios rose from 66% in 2015 to 68% in 2017 and jumped to approximately 80% in 2021, Pew said.

"Although funding for many local plans has improved over the past decade, challenges remain for many municipalities," the Pew report said. "To ensure that future market swings do not jeopardize the progress that plans have already made, administrators should consider tools such as stress testing to identify and navigate potential risks."

CONTINUED ON PAGE 5

Playbook for Federal Intervention

By Tony Roda



Earlier this year, the Urban Institute released a report entitled, Addressing and Avoiding Severe Fiscal Stress in Public Pension Plans. The 60-page report was written by Andrew Biggs (American Enterprise Institute), Don Boyd (University of Albany), Josh McGee (University of Arkansas), and Amy Monahan (University of Minnesota). While released by the venerable Urban Institute, the report carries with it the disclaimer that the views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders.

For those of us who watch the U.S. Congress and the Executive Branch agencies for any legislative or regulatory actions that could be harmful to state and local governmental retirement systems or their participants, the report is troubling. In essence, it provides a possible playbook for a future Congress or Administration to draft proposals allowing the federal government to dramatically change the dimensions of the governance of these plans, leading to federal involvement and jurisdiction over basic elements of plan design, funding, and benefits.

State and local governmental plans are qualified under Internal Revenue Code (IRC) Section 401(a). As such, the public pension community pays close attention to changes in federal tax law or regulation that could affect the qualified status of our plans. Through its IRC qualified status, the plans and their participants receive certain tax advantages – pension plans are not subject to tax on their assets or earnings generated by investments, and participants are not subject to income and employment taxes on contributions made by their employers or on earnings of the trust fund until pension distributions are made. These are significant tax advantages.

The Urban Institute's report contains a section on federal policy options. Most fundamentally, the first option would be to bring state and local governmental plans under the jurisdiction of the U.S. Department of Labor in a regulatory structure based on the current rules of the Employee Retirement Income Security Act, commonly known as ERISA, which governs private sector retirement plans. This shift would require a change in statutory law that would authorize the Labor Department to have jurisdiction over public plans. The Labor Department, in turn, would issue regulations to implement the new policies. The current jurisdiction over our plans through the tax code by the U.S. Treasury Department and the Internal Revenue Service would need to be addressed as well.

For state and local governments, which rightfully enjoy autonomy over decisions related to the retirement security of its employees, the changes would be significant. For instance, the report suggests subjecting public plans to ERISA funding rules, which control the use of discount rates and amortization of unfunded liabilities, while also requiring insurance premiums to be paid to the Pension Benefit Guaranty Corporation. The authors state that this regulatory structure would be strengthening by placing the current Government Accounting Standards Board (GASB), which the authors view as insufficiently independent, under the oversight

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NCPERS Executive Directors Corner

Growing Imperative to Divest from Russia Creates Tricky Balancing Act for Pensions

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Public pension systems are deliberating whether and how to exit investments in Russia in the wake of the country's February 24 invasion of Ukraine and the economic sanctions that quickly followed.

The questions are complex. Investments in Russia account for a very small part of pension portfolios, and many of the investments that do exist are passive, and therefore are outside the pension plan's control.

As Liz Farmer, writing for Forbes, put it on March 11, "Divestment isn't likely to have much impact on the funds themselves as Russian-domiciled investments make up less than 1% of most (if not all) state portfolios. But collectively, it sends a message. For example, California's CalPERS is the largest pension fund in the world and it alone holds nearly $1 billion in Russian assets."

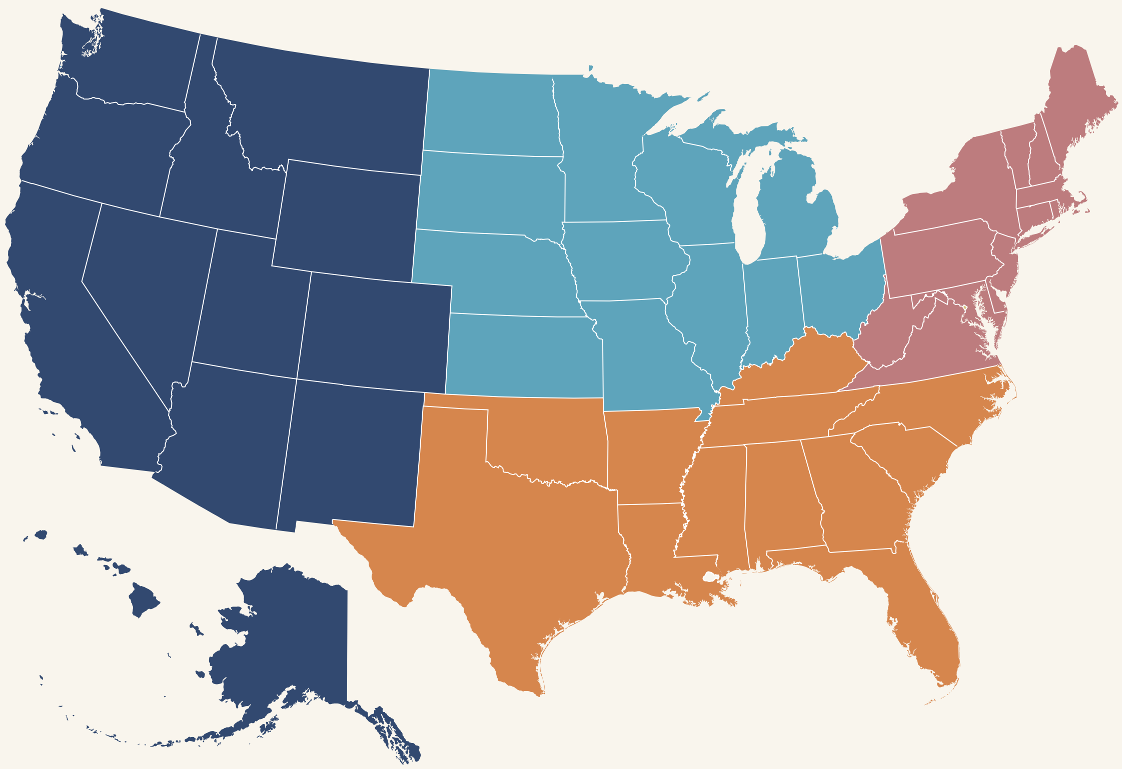
Public pension systems are deliberating whether and how to exit investments in Russia in the wake of the country's February 24 invasion of Ukraine and the economic sanctions that quickly followed.

Given the state of today's Russian economy, however, withdrawing investments is complicated. "The ruble has crashed and the stock market in Russia is closed," Iowa State Treasurer Mike Fitzgerald said in a recent interview with Radio Iowa. "So if you wanted to sell out you can't and if you sold out, you get pennies on the dollar."

CONTINUED ON PAGE 6

NCPERS Around the Regions

This month, we will highlight New Jersey, Illinois, West Virginia and Oregon.



NORTHEAST: New Jersey

The New Jersey Secure Choice Savings Program was slated to kick off in late March, requiring employers with 25 or more workers to facilitate enrollment if they do not offer a retirement savings plan.

The program was authorized by the New Jersey Secure Choice Act, which as signed into law in March 2019. The law gives employers nine months from the implementation date to comply. It covers employers with 25+ workers that have been in business at least two years and haven't offered a qualified retirement plan in the preceding two years. Smaller employers may opt into the program. Workers will contribute at 3% pretax rate unless they opt out or request a different contribution rate.

The official implementation date was March 28. However, Andrea Spalla, Assistant Treasurer of the State of New Jersey, speaking at a Secure Choice Savings Board meeting January 21, said implementation would begin as close as possible to that date. The board "should not and does not intend to cut corners in providing such a new and robust program for the citizens of New Jersey," according to meeting minutes. As of March 28, the program's website indicated it was not yet operational.

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PEW RESEARCH CONTINUED FROM PAGE 1

The report observed that "despite the encouraging trend, public pension funding can be volatile." Many economists were forecasting reduced long-term investment returns even before the pandemic struck. And the opening months of 2022 have been particularly volatile for markets, as geopolitical pressures have intensified.

Pew noted that several cities are incorporating additional financial metrics and forward-looking risk indicators, including pension stress tests, into their annual plan financial reporting. The changes come as actuarial reporting standards have been revised to require pension plan valuations to examine and disclose the risk that actual outcomes may differ from projections.

Plans in Detroit and Milwaukee, for example, are adding financial cash flow measures that can help assess risks to plan assets and government budgets, Pew said. Other jurisdictions, including Baltimore, Los Angeles, Philadelphia, California's Santa Barbara County, and Wichita, Kansas, have begun projecting the effects of market shocks, swings in the stock market, and economic downturns in their risk assessments.

Pew noted that policymakers in several states, including Michigan, Rhode Island, and Tennessee, have adopted oversight models for pension plans sponsored by municipalities. This gives them a way to evaluate the health of local plans within a standardized framework and compare them across municipalities.

"States with local oversight models could expand these reporting frameworks to include simple measures of risk to demonstrate the impact of market shocks and downturns on the municipal plans they oversee," Pew said.

Pew listed elements of pension risk reporting that could be incorporated into a comprehensive municipal framework. They include:

- Data on plan finances and government budgets.
- Key pension metrics, including plan funding levels, contributions as share of tax revenues, net amortization, and operating cash flow as a share of assets.
- Forward-looking risk indicators that assess changes to required contributions and assets if investment returns deviate from plan assumptions. ◆

FEDERAL INTERVENTION CONTINUED FROM PAGE 2

of the U.S. Securities and Exchange Commission (SEC). Further, the report concludes that GASB would need to use lower discount rates more in line with ERISA's corporate bond yield return to value a governmental plan's liabilities and expenses. The authors acknowledge that legal scholars disagree on whether moving GASB under the SEC's jurisdiction could be accomplished simply by issuing a new regulation or would require a statutory change.

The authors also advance changes around the concept of transparency that are less drastic than ERISA coverage, but nonetheless raise concerns. The proposals would:

- Require the federal government to create a regular reporting program on the financial health of public plans.
- Require state and local governments to provide a supplemental report on the funded status of their plans using market-based discount rates in addition to their plans' assumed rates of return.
- Tie state and local governments' ability to issue debt to reporting their plans' funded status using market-based discount rates; this proposal was introduced in numerous Congresses and is commonly known as the Public Employee Pension Transparency Act (PEPTA).
- Ensure that those state and local employees not covered by Social Security are indeed covered by a public retirement plan that at a minimum is equal to Social Security's benefits.

As I've discussed in previous Monitor articles, this November's Congressional midterm elections may result in a new political dynamic in the next Congress. The public plan community should be aware that Members of Congress could reach into this list of federal options as they consider legislative proposals in the retirement area.

NCPERS will closely monitor this and future Congresses for any such proposals and will keep its members apprised of major developments. ◆

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EXECUTIVE DIRECTORS CORNER CONTINUED FROM PAGE 3

Losses notwithstanding, the political pressure for investors to take a stance is considerable, and by and large it is not partisan as Democratic and Republican governors alike issue calls for action.

The list of states that have taken or are considering steps against Russia is a moving target, but it includes Alaska, Arkansas, California, Colorado, Georgia, Illinois, Indiana, Massachusetts, Minnesota, Michigan, New Jersey, New York, North Carolina, North Dakota, Ohio, Pennsylvania, South Carolina, Virginia, and West Virginia. The actions under way thus far are wide ranging—including actual divestitures, reviews of investments, proposals such legislation ordering state entities to cut ties to Russia, and ceasing any ongoing investment.

Cities are also taking a stance. Forbes reported that the Chicago Public School Teachers' Pension & Retirement Fund board voted to divest from its $5 million in holdings in Russian-linked securities and passed a resolution to support the Ukrainian people. The fund holds $13.1 billion in total assets.

The San Francisco City & County Employees' Retirement System board has voted to halt all new Russian investments by the $35.3 billion pension fund and take steps to divest from existing Russian securities. According to Pensions & Investments, SFERS' has about 0.11% of the pension fund's total assets in Russian-related investments.

As public pension boards navigate divestiture decisions, the critical thing for them to do is document, document, document. Given the state of the Russian economy, investors are facing losses, and it's critically important to demonstrate how and why the decision was reached to exit an investment.

Continuing the governance protocol of documenting all decisions is a wise practice, as geopolitical risks are not confined to Russia. As foreign affairs experts have noted, there are many flashpoints around the globe where challenges can suddenly arise or intensify. They include China, the world's second-largest economy, and Saudi Arabia, the world's leading exporter of oil. Future choruses seeking divestment may become more demanding of public pension plans. ◆

NCPERS Around the Regions

AROUND THE REGIONS CONTINUED FROM PAGE 4

MIDWEST: Illinois

Illinois Governor J.B. Pritzker on March 24 signed legislation that includes an extra $300 million payment to the state's public pension systems. The measure was part of SB2803, which pays off $4.1 billion in debt, thereby reducing interest payments over the next two decades.

The pension payment is in addition to the $10.87 billion that the state is legally obligated to contribute during fiscal year 2023, which begins July 1. Paying the extra sum now will reduce pension liabilities by $1 billion between 2023 and 2045, Governor's office said.

Retired teachers and other public sector workers in Illinois have rallied to urge their state lawmakers to get behind Governor J.B. Pritzker's budget proposal, which originally allocated an extra $500 million. On March 8, supporters from the Illinois Education Association and AFSCME, organized by the Illinois Alliance for Retired Americans, held a rally and press event in Springfield to call on the General Assembly to support the investment.

The state was able to make the extra contribution because it has experienced higher-than-expected revenues from corporate taxes, cannabis, online sales taxes, and income. The extra payment marks the first time since 1994 that Illinois will have reduced its pension debt by more than the required contribution. As press time, the budget remained pending before the General Assembly.

SOUTH: West Virginia

The West Virginia General Assembly passed three bills relevant to public pensions before concluding its regular session on March 12, and is a fourth bill is pending in the House Finance Committee.

The first bill, SB 442 was approved unanimously by both chambers, clearing the Senate on Feb. 16 and the House on March 11. It establishes that members of the Teachers Retirement System who have been contributory members for at least three years may only transfer service credit to the Public Employees Retirement System (PERS) if they first became a member on or after July 1, 2015, when the tier two benefit was created. It also eliminates language that had authorized retirement contribution refunds in equal installments, and gives members who leave employment but are entitled to retire with an annuity payment the ability to be paid out upon request.

The second bill, SB 443, was approved unanimously by the Senate on Feb. 16 and the House on March 10, and was signed into law March 23. It deals with former municipal and police and fire pension and relief funds, authorizing members of the closed funds to vote for trustees of those funds.

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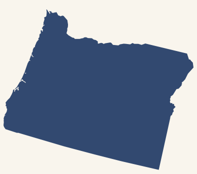
NCPERS Around the Regions

AROUND THE REGIONS CONTINUED FROM PAGE 7

The third bill, SB 641, unanimously passed the House March 10 and the Senate March 11 and will take effect July 1, 2023. It requires the Consolidated Public Retirement Board to set contributions for the Deputy Sheriff's Retirement System.

The fourth bill, SB 670, was approved unanimously by the Senate on February 22. On March 1, the House Pensions and Retirement Committee recommended passage and sent it to the House Finance Committee for further consideration. It remains pending. It would permit 911 personnel hired on or after July 1, 2022, to participate in the Emergency Medical Services Retirement System.

WEST: Oregon



The Oregon Legislature has passed a bill that provides $100 million to recruit and retain school staff to make up labor shortages that developed during the COVID-19 pandemic. At press time, the measure was awaiting the signature of Governor Kate Brown.

The state's school systems are experiencing a shortfall in substitute teachers, bus drivers, food service workers and other staff, according to a report in *The Bulletin*, a daily newspaper in Bend, Oregon.

"We've seen workforce challenges before the pandemic, but they've only been exacerbated by the pandemic," Parasa Chanramy, the legislative director for the Coalition of Oregon School Administrators, told the newspaper. *The Bulletin* reported that multiple school districts said they have particularly struggled to find workers to fill positions that don't require a state-issued teaching license.

House Bill 4030 includes $78.1 million for recruitment and retention of school personnel and will be distributed via grant funds. In addition, $19.5 million in reimbursements will go toward substitute teachers and instructional assistants for their required training incurred through January 2024. A further $2.2 million will go toward teachers standards and practices and for creating a workforce data system with the University of Oregon.

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Calendar of Events 2022

May

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

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

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

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

June

Chief Officers Summit
June 27 – 29, 2022
San Francisco, CA

August

Public Pension Funding Forum
August 21 – 23
Los Angeles, CA

October

Public Safety Conference
October 25 – 28
Nashville, TN

The Voice for Public Pensions

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