AGENDA

Date: January 7, 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, January 13, 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/85425678783?pwd=N0xGNVJDN0JEdkhYNUROYXZsZTJpZz09 Passcode: 753088.** Items of the following agenda will be presented to the Board:

A. MOMENT OF SILENCE

B. CONSENT AGENDA

1. Approval of Minutes

a. Regular meeting of December 9, 2021
b. Special meeting of January 4, 2022

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

3. **Approval of Activity in the Deferred Retirement Option Plan (DROP) for January 2022**

4. **Approval of Estate Settlements**

5. **Approval of Survivor Benefits**

6. **Approval of Service Retirements**

7. **Approval of Alternate Payee Benefits**

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

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. **Active-Duty Survivor Benefits**

2. **Staff Compensation Plan**

3. **Monthly Contribution Report**

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

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

5. **Portfolio Update**

6. **Investment Policy Amendments**

7. **Investment Advisory Committee Appointments**

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

8. **Report on the Investment Advisory Committee**

9. **International (Non-US) Small Cap Equity Manager Recommendation**

10. **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.

11. **Legal issues - In accordance with Section 551.071 of the Texas Government Code, the Board will meet in executive session to seek and receive the advice of its attorneys about pending or contemplated litigation 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.**

12. Closed Session - Board serving as Medical Committee

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

13. Executive Director Performance Evaluation

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

D. BRIEFING ITEMS

1. Public Comment

2. Executive Director's report

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

b. Open Records
c. CIO Recruitment
d. Communication Plan

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
Patricia L. Cantrell	Retired	Fire	Nov. 18, 2021
William B. Buchanan	Retired	Police	Nov. 30, 2021
Donovan S. Plummer	Retired	Fire	Dec. 3, 2021
Charles R. Bailey	Retired	Police	Dec. 5, 2021
Manuel Guevara	Retired	Police	Dec. 7, 2021
Jimmy W. Page	Retired	Police	Dec. 9, 2021
Anthony D. Gipson	Retired	Police	Dec. 11, 2021
George A. Mabry	Retired	Police	Dec. 12, 2021
Elmer H. Gilbert	Retired	Police	Dec. 17, 2021
Robert S. Holt	Retired	Police	Dec. 17, 2021
Aaron R. Dean	Active	Fire	Dec. 28, 2021

Regular Board Meeting –Thursday, January 13, 2022

Dallas Police and Fire Pension System
Thursday, December 9, 2021
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

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

ROLL CALL

Board Members

Present at 8:32 a.m.	Nicholas A. Merrick, William F. Quinn, Armando Garza, Michael Brown (by telephone), Robert B. French (by telephone), Gilbert A. Garcia (by telephone), Kenneth Haben, Tina Hernandez Patterson, Steve Idoux, Mark Malveaux
Absent:	None
Staff	Kelly Gottschalk, Josh Mond, Ryan Wagner, Brenda Barnes, John Holt, Damion Hervey, Greg Irlbeck, Michael Yan (by telephone), Cynthia Thomas (by telephone), Milissa Romero
Others	Kristi Walters, Jill Svoboda, Matt Liu, Leandro Festino, Aaron Lally, Ryan Cotton

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

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A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of active police office Danny L. Watley, retired police officers Albert M. Cargile, Jerry L. Craig, active firefighter John K. Crutcher, and retired firefighter Jesse Lee Bean

No motion was made.

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Regular Board Meeting
Thursday, December 9, 2021

B. CONSENT AGENDA

1. Approval of Minutes

- **a.** Required Public meeting of November 11, 2021
- **b.** Regular meeting of November 11, 2021

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

3. Approval of Estate Settlements

4. Approval of Survivor Benefits

5. Approval of Service Retirements

6. Approval of Payment of Military Leave Contributions

After discussion, Mr. Haben made a motion to approve the minutes of the Required Public Meeting and the Regular Meeting of November 11, 2021. Mr. Garza 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 Audit Committee

The Audit Committee met with representatives of BDO on December 9, 2021. The Committee Chair commented on Committee observations and advice.

No motion was made.

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Regular Board Meeting
Thursday, December 9, 2021

2. 2020 Financial Audit

Representatives from BDO, DPFP's independent audit firm, discussed the results of their audit for the year ended December 31, 2020.

Mr. Quinn made a comment that staff should consider updating the investment policy regarding concentration of credit risk.

After discussion, Mr. Quinn made a motion to approve issuance of the 2020 audit report, subject to final review and approval by BDO and the Executive Director. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

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3. 2020 Annual Comprehensive Financial Report

Staff presented a draft of the 2020 Annual Comprehensive Financial Report.

After discussion, Mr. Garza made a motion to authorize the Executive Director to issue the 2020 Annual Comprehensive Financial Report upon finalization. Mr. Garcia seconded the motion, which was unanimously approved by the Board.

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4. Chairman's Discussion Items

2022 Board Calendar

The Board discussed the 2022 Board meeting calendar schedule.

No motion was made.

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5. Report on Professional Services Provider Meeting

The Professional Services Committee Chair reported to the Board on its meeting with Chuck Campbell of Jackson Walker LLP, DPFP's outside legal counsel. No issues of concern were raised by Jackson Walker.

No motion was made.

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Regular Board Meeting
Thursday, December 9, 2021

6. Portfolio Update

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

No motion was made.

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7. Third Quarter 2021 Investment Performance Analysis and Second Quarter 2021 Private Markets & Real Assets Review

Meketa and investment staff reviewed investment performance.

No motion was made.

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8. Investment Advisory Committee Appointments

The Investment Policy stipulates that members of the Investment Advisory Committee shall serve two-year terms (Sec. 5.B.1.e). The Investment Advisory Committee terms for Rakesh Dahiya and William Velasco, II expire December 2021. Mr. Dahiya is willing to continue serving on the Committee. Staff discussed adding one and possibly multiple new external members to the Investment Advisory Committee and a recommendation will be provided at the January 13, 2022 Board meeting.

Position	Name	Appointed	Proposed Expiration
Board Member #1	Gilbert Garcia	9/13/18	12/31/22
Board Member #2	Michael Brown	11/12/20	12/31/22
Board Member #3	Ken Haben	11/12/20	12/31/22
External #1	Scott Freeman	9/13/18	12/31/22
External #2	Robert Jones	1/10/19	12/31/22
External #3	Rakesh Dahiya	7/9/20	12/31/23
External #4	William Velasco, II	7/9/20	12/31/21

After discussion, Ms. Hernandez Patterson made a motion to reappoint Rakesh Dahiya to serve on the Investment Advisory Committee for a two-year term ending 12/31/23. Mr. Idoux seconded the motion, which was unanimously approved by the Board.

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Regular Board Meeting
Thursday, December 9, 2021

9. Monthly Contribution Report

The Executive Director reviewed the Monthly Contribution Report.

No motion was made.

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10. Board approval of Trustee education and travel

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

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

No motion was made.

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11. Staff Compensation Plan

Staff worked with CBIZ Talent and Compensation Solutions to develop a pay structure and policy related to the administration of the pay structure. The Executive Director reviewed the compensation policy and pay structure for the Staff Compensation Plan with the Board. The Board provided feedback and requested additional information to be provided at the January 13, 2022 Board meeting.

No motion was made.

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Mr. Garcia left the meeting at 10:29 a.m.

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Regular Board Meeting
Thursday, December 9, 2021

12. 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 10:48 a.m.

The meeting was reopened at 11:53 a.m.

The Board and staff discussed legal issues.

After discussion, Mr. Malveaux made a motion to authorize the Executive Director, with the approval of the Chairman and Michael Brown, to enter into a settlement of the pending litigation involving Lone Star Investment Advisors. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

Mr. Garcia was not present for the vote.

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13. Executive Director Performance Evaluation

The Board went into closed executive session at 10:48 a.m.

The meeting was reopened at 11:53 a.m.

The Board discussed the Executive Director’s performance evaluation.

No motion was made.

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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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Regular Board Meeting
Thursday, December 9, 2021

2. Executive Director's report

a. Associations' newsletters
- NCPERS Monitor (December 2021)
- NCPERS PERSist (Fall 2021)
- TEXPERS Pension Observer (Vol.4, 2021) https://online.anyflip.com/mxfu/znio/mobile/index.html

b. Open Records
c. CIO Recruitment

The Executive Director's report was presented.

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Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Garza and a second by Mr. Haben, the meeting was adjourned at 11:55 a.m.

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Nicholas A. Merrick
Chairman

ATTEST:

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Kelly Gottschalk
Secretary

Dallas Police and Fire Pension System
Tuesday, January 4, 2022
10:00 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

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

ROLL CALL

Board Members

Present at 10:02 a.m.	Nicholas A. Merrick, William F. Quinn (by telephone), Armando Garza (by telephone), Michael Brown (by telephone), Robert B. French (by telephone), Gilbert A. Garcia (by telephone), Kenneth Haben (by telephone), Tina Hernandez Patterson (by telephone), Mark Malveaux (by telephone)
Present at 10:09 a.m.	Steve Idoux (by telephone)
Absent:	None
Staff	Kelly Gottschalk, Josh Mond, Brenda Barnes (by telephone), John Holt, Milissa Romero
Others	Mark Sales, Greg Taylor

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The meeting was called to order at 10:02 a.m.

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A. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

DPFP v. The Townsend Group, Gary Lawson, et.al.

The Board went into closed executive session at 10:02 a.m.

The meeting was reopened at 10:34 a.m.

After discussion, Mr. Garcia made a motion to authorize the Executive Director to enter into an agreement settling DPFP's pending lawsuit with Gary Lawson. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

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Special Meeting
Tuesday, January 4, 2022

B. BRIEFING ITEMS

Public Comment

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

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Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Garcia and a second by Mr. Haben, the meeting was adjourned at 10:36 a.m.

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Nicholas A. Merrick
Chairman

ATTEST:

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Kelly Gottschalk
Secretary

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C1

Topic: **Active-Duty Survivor Benefits**

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

Discussion: A survivor of a member who tragically passed away while in active duty spoke during the Public Comment portion of the December Board Meeting about a change to survivor benefits that occurred in 2018. It has been several years since the change was made and many of the Trustees were not on the Board at the time of the change. Staff will discuss the change that was made.

RESOLUTION OF THE BOARD OF TRUSTEES OF THE DALLAS POLICE AND FIRE PENSION SYSTEM

WHEREAS, Section 6.08(o) of the Combined Pension Plan for the Dallas Police and Fire Pension System provides that the Board of Trustees ("Board") shall adopt policies under which a Pensioner or a Member who is leaving active service may accept actuarially reduced benefits in order to provide a 100 percent joint and survivor annuity with the Member's spouse; and

WHEREAS, the Board has adopted a policy that enables a Member who is leaving active service to elect a reduced pension and thereby provide a lifetime annuity to the Member's spouse, if the spouse survives the Member, equal to 100 percent of the reduced pension the Member was receiving at the time of death; and

WHEREAS, the Board believes that a Member who has reached normal retirement age should not be forced to leave active service in order to provide a 100 percent joint and survivor annuity with the Member's spouse.

NOW THEREFORE, BE IT RESOLVED, that effective December 13, 2007, the surviving spouse of a Member, who dies after reaching normal retirement age but before leaving Active Service, shall be entitled to elect the survivors annuity equal to the survivor annuity the Member could have elected if such Member had left active service immediately before death.

DALLAS POLICE AND FIRE PENSION SYSTEM

By: THE BOARD OF TRUSTEES ON BEHALF OF THE DALLAS POLICE AND FIRE PENSION SYSTEM

By: ____________
Name: Gerald Brown
Title: Chairman of and on behalf of the Board of Trustees

By: ____________
Name: Steven G. Shaw
Title: Vice-Chairman of and on behalf of the Board of Trustees

By: Gary W. Edge
Name: Gary W. Edge
Title: Deputy Vice-Chairman

By: John Mays
Name: John Mays
Title: Police Pensioner Trustee

By: ____________
Name: Rector McCollum
Title: Police Trustee

By: ____________
Name: George Tomasovic
Title: Fire Trustee

By: ____________
Name: Steven Umlor
Title: Police Trustee

By: R H Wachsman
Name: Richard Wachsman
Title: Fire Pensioner Trustee

ATTEST:

Richard L. Tettamant

Richard L. Tettamant

APPROVED AS TO FORM:

Everard Davenport

Everard Davenport

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DISCUSSION SHEET

ITEM #C2

Topic: **Staff Compensation Plan**

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

Discussion: The Board directed staff to review the staff total compensation. As the first step in this process the Logic Compensation Group conducted an analysis of staff compensation and benefits. As a result of the process, the Board amended the staff retirement plan from the defined contribution plan to participation in TMRS at the November 2021 Board meeting. In addition, staff worked with CBIZ Talent and Compensation Solutions to develop a pay structure and policies related to the administration of the pay structure. The pay structure and compensation policies were reviewed at the December 2021 Board meeting. The Board directed staff to review the detailed pay structure with the Chairman and requested several changes to the polices.

Staff incorporated the Board's direction in the attached revised policies.

Staff Recommendation: **Adopt** the Compensation Policies and pay structure.

Dallas Police & Fire Pension System
Compensation Study Results

CBIZ TALENT & COMPENSATION SOLUTIONS
COMPLETED DECEMBER 8, 2021

TABLE OF CONTENTS

EXECUTIVE SUMMARY

CBIZ Talent and Compensation Solutions ("CBIZ") was engaged by the Dallas Police & Fire Pension System ("DPFP") to conduct a comprehensive compensation study for its employees, including a review of current compensation practices, and an update of the compensation plan.

In order to assist the DPFP in implementing a compensation system that considers both market and internal factors, CBIZ matched the DPFP's positions to positions in the market, developed a new salary structure, and calculated the cost of implementing the recommendations. In addition to evaluating base salaries, CBIZ assessed total cash compensation.

The remainder of this report will explain the methodology and expand on this summary in order to clearly document the comprehensive approach taken to analyze the DPFP's current compensation practices and develop its new compensation plan.

OBJECTIVE AND SCOPE OF THE STUDY

The objective of the compensation study is to provide the DPFP with a plan that:

- Enhances the ability to attract, retain, and motivate qualified individuals;
- Establishes structures that are flexible in order to meet changing needs; and
- Is well-aligned with broader goals and strategies.

The scope of the study included:

- A competitive market analysis of base salary and total cash compensation;
- Development of a salary structure;
- Reconciliation of actual compensation with market-competitive compensation;
- Calculation of plan implementation costs; and
- Overall recommendations.

METHODOLOGY

Definitions

Base Salary: the annual fixed rate that an individual is paid for performing a job.

Total Cash Compensation: the sum of base salary and annual incentive compensation payments from variable pay programs.

Data Points:

- 25th percentile: the value in an array that falls at the first quarter of the sampled data (75% of the values in the sample are greater than the 25th percentile value).
- 50th percentile: the value in an array that falls in the middle or median of the sampled data (half of the values in the sample fall above this value and half fall below it). This is the data point of reference for the proposed pay grade assignments.
- 75th percentile: the value in an array that falls at the third quarter of the sampled data (25% of the values in the sample are greater than the 75th percentile value).

Compa-ratio: the employee's current salary divided by a market comparison point, which is usually the market 50th percentile. An employee whose salary equals the 50th percentile of the market has a compa-ratio of 100%. A compa-ratio of less than 100% indicates that the employee's salary is less than the 50th percentile of the market, and a compa-ratio greater than 100% indicates that the employee's salary is greater than the 50th percentile of the market.

Range Penetration: the employee's current salary minus the salary grade minimum salary divided by the difference of the salary grade maximum and minimum. An employee whose range penetration equals 50% is paid at the midpoint of the salary grade range, 0% is equal to the salary grade minimum and 100% is equal to the salary grade maximum.

Market Pricing

Competitive Market Analysis

According to a recent WorldatWork survey of market pricing practices, the vast majority of organizations (approximately 85%) utilize a compensation philosophy that strives to compensate employees at the median of the competitive labor market. Median pay is the point at which half of the employers pay more and half pay less.

Based on CBIZ's discussions with the DPFP, it intends to be competitive with its level of pay, which generally corresponds to setting the pay structure at the market median.

The labor market influences described below were considered for the jobs included in the scope of the study.

Labor Market Influences

The three most important labor market characteristics are the size of an organization, geographic scope, and industries from which the DPFP recruits talent. Because surveys focus on different market characteristics (e.g., some focus on size, others focus on geography or industry), CBIZ determined each characteristic as it relates to each position at the DPFP before conducting the market analysis, as follows:

Size of DPFP

A key factor to be considered in determining the market-competitive compensation, particularly for senior management positions, is the size of an organization. While compensation for many positions is based primarily upon location, industry, job tasks, and responsibilities, compensation for upper-level positions is also significantly affected by the size of the organization. CBIZ considered size factors such as assets of $2 Billion.

Geographic Influence

Many jobs in an organization are recruited locally. Professional jobs may be recruited state wide or regionally. Because individuals who work in senior management positions often relocate solely to accept a new job, national searches are commonly conducted for these positions. In contrast, lower-paid salaried employees seldom relocate primarily on the basis of a job. To accurately reflect this market place characteristic, the survey data must be comprised of participants who reflect the geographic scope of the position in question. Too narrow or broad a market area scope either does not consider all necessary factors or introduces irrelevant factors.

However, when considering senior management positions, it is most reasonable to geographically adjust the data to the higher of the local or national market. This is due to the fact that organizations in locations that have greater comparative salaries will provide higher salaries to employees. In addition, the higher (local) rates would be required to compensate an employee moving from an area with a lower cost of living. Conversely, although executives are often recruited on a national basis, in practical application executives rarely are open to reductions in pay, even if they are moving to a lower-cost area.

CBIZ primarily utilized data specific to Dallas, Texas, which is expected to be the primary market for recruiting employees under the scope of the analysis.

Industry Influence

Industry is the final key consideration for matching jobs to the market. Some jobs only exist within a certain industry and are most accurately priced to that industry exclusively. Conversely, some jobs are found in all industries, and the true market for these jobs usually considers this broader market. For example, most clerical and trade jobs can be found in any organization. For this reason, CBIZ focused on pension and retirement funds.

Salary Surveys

The first step in ascertaining the competitiveness of compensation was to determine what competitors pay for jobs comparable to those at the DPFP. CBIZ used its proprietary survey database that aggregates data from hundreds of valid and reliable published salary surveys and includes specific data based on geographic area, size of organization, years of experience, and industry. CBIZ used a database that compiles multiple salary sources because:

- They provide a richer and more complete view of the market.
- Survey sources may focus on different market characteristics to define market peers.
- They allow the DPFP to more closely define peers and peer relationships than is possible using any single survey source.
- Multiple sources allow for statistical validation of the collected data.

CBIZ 2021 Public Pension Survey Peer Group

- Austin Fire Fighters Relief & Retirement Fund
- City of Dallas Employees Retirement Fund
- City of El Paso Employees Retirement Trust
- Denver Employees Retirement Plan
- El Paso Firemen & Policemen's Pension Fund
- Fort Worth Employees Retirement Fund
- Houston Firefighters Relief & Retirement Fund
- Houston Police Officers Pension System
- Jacksonville Police & Fire Pension Fund
- Tacoma Employees Retirement Fund
- Teacher Retirement System of Texas
- Texas Municipal Retirement System

Aging Data

Survey data must be adjusted to account for market pay movement between the time of publication and when the data are to be used. For example, a survey may have been conducted to report salaries effective as of September 1, 2020. In order to market-price the jobs at the DPFP as of July 1, 2021, CBIZ had to age the survey data ten months. In addition, different surveys have different publication dates, and they must be aged to a common point in time. Put simply, aging the data provides up-to-date salary data and allows for an "apples to apples" comparison of survey data. All salary data were aged to reflect estimated market pay as of July 1, 2022. Data were aged using a factor of 3.2%, which is the anticipated salary growth rate. This figure reflects the value for projected pay movement as reported by WorldatWork's Salary Budget Survey.

Job Matching

CBIZ reviewed the content of each job description provided and searched the salary survey job descriptions to find the best possible match. When a valid match was found, the corresponding salary survey market data were recorded. CBIZ recorded the 25th, 50th, and 75th percentiles for both base salary and total cash compensation.

Compensation Study Results

Market Analysis

Exhibit 1 displays the composite market data for the DPFP. The analysis is a comprehensive review of the included positions compared to the market base salary and market total cash compensation. The 25th, 50th, and 75th percentiles are reported. This exhibit provides a summary look at how the DPFP's positions compare to the labor market. A detailed employee analysis with associated implementation costs is provided later in this report.

Market data were also compared graphically to the DPFP's current average compensation by position. Exhibit 2A reveals the trendline for actual base salaries compared to market 50th percentile base salary. Exhibit 2B provides the trendline for actual total cash compensation compared to market 50th percentile total cash compensation.

Salary Structure Development

A critical element of the compensation plan is the salary structure. The salary structure is a compensation framework comprised of multiple grades, each of which has an associated salary range. The salary structure groups jobs with similar market values and/or internal equity into the same grade. The salary structure ensures that each employee receives a salary that is reasonable given their assigned grade and corresponding salary range.

CBIZ developed a unique salary structure for the DPFP, which will provide a system for slotting all jobs and allow for future growth. The structure is provided in Exhibit 3. Exhibit 4 provides a list of each job and their corresponding salary grade minimum, midpoint, and maximum. Exhibits 5A and 5B provide a graphical depiction of employee range penetration and progression at the 50th percentile.

In the proposed salary structure, the salary grade midpoint is designed to approximate the market median for each job. CBIZ slotted each position into a grade in the structure based on the grade midpoint that most closely corresponds to the market 50th percentile identified in Exhibit 1.

Example:

Job Title: Job XYZ

Market Median: $35,455

Salary Grade	Minimum	Midpoint	Maximum
1	$24,778	$30,972	$37,166
2	$27,398	$35,618	$43,837
3	$31,508	$40,960	$50,413

Salary Analysis

Exhibits 6A, 6B, and 6C compare the market data and corresponding salary ranges to actual base pay at the DPFP. Exhibit 6A presents results by grad, Exhibit 6B contains results sorted by department, and Exhibit 6C contains the results by exemption status. These exhibits document the cost of implementing the compensation plan.

SUMMARY OF FINDINGS

- The DPFP's average base salary compa-ratio is 106.6% at the 50th percentile. This indicates that on average base pay is approximately 6.6% above the published survey data market median, which is approximated by the salary range midpoints.
- As presented in Exhibit 6A, the initial cost to implement the new structures would be approximately $6,792. This is the cost to bring all employees to the minimum of their respective proposed ranges and represents 0.3% of payroll.
  - In the analysis, 6 employees are above the maximum of the ranges by a total of $29,140.
  - Among the 22 employees included in the scope of the analysis, there are 2 below their respective salary grade minimums.
  - There are many reasons that an individual employee's pay may be above or below market median pay levels. New employees or poor performers should be paid below the market, while experienced employees with excellent performance should be paid well above the market.

RECOMMENDATIONS

- Increase the compensation of all employees to the minimum of their respective proposed salary ranges. The range minimum represents the level at which entry-level pay can be considered market-competitive.
- Implementation of the compensation plan should occur uniformly across all positions. While different implementation scenarios may recognize budget constraints, partial or sporadic implementation can result in pay equity issues.
- Update the structure annually. In order to reduce the administrative burden associated with salary structure maintenance, CBIZ will provide update factors that will allow the DPFP to update the recommended salary structures for five years after the study.
- Temporarily freeze pay for employees above the maximum of their respective proposed grade. The pay freeze should remain in place until the point at which the range maximum surpasses actual pay.
- Conduct a comprehensive market review every three to five years to ensure that the ranges remain market-competitive.

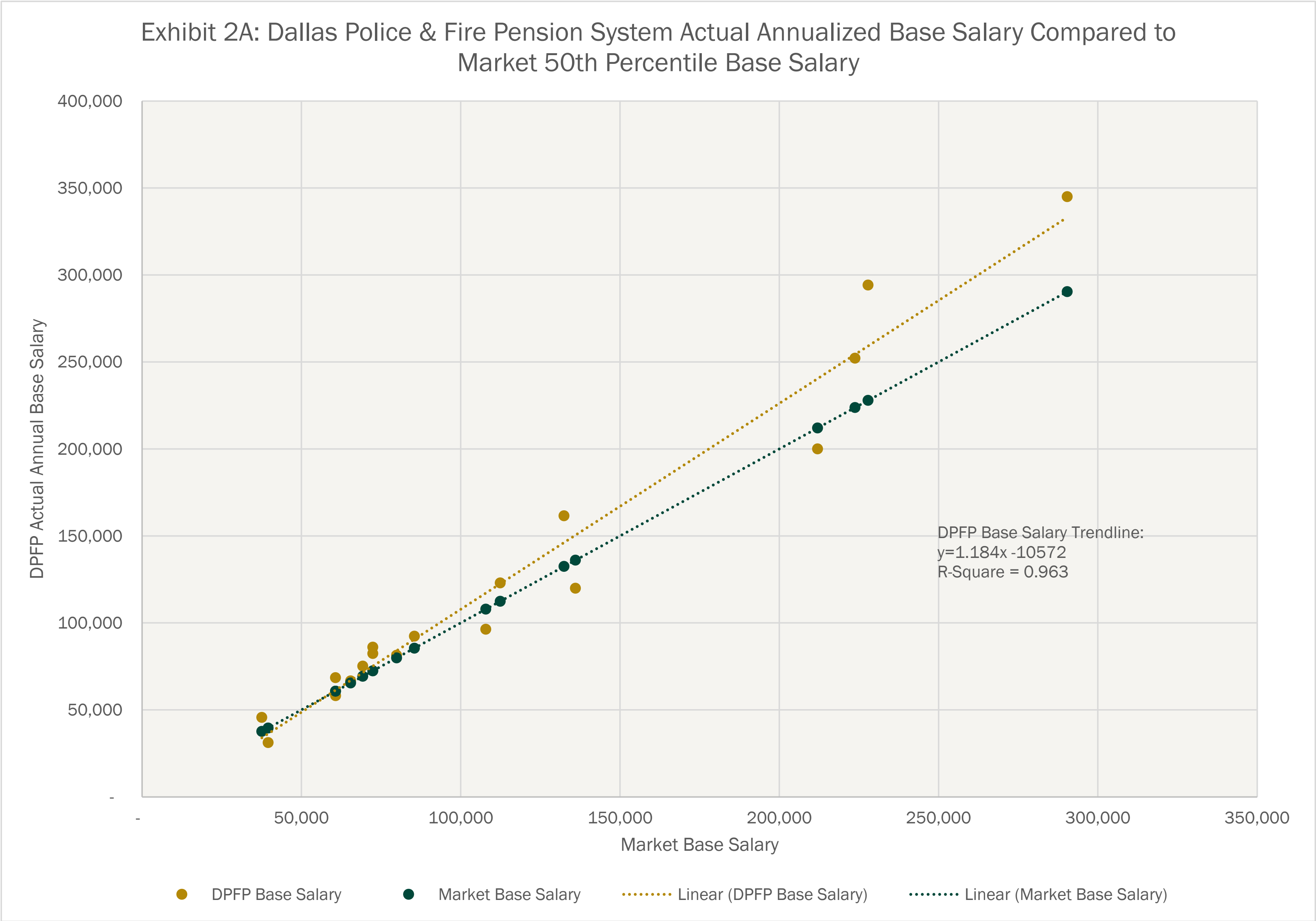


Exhibit 2A: Dallas Police & Fire Pension System Actual Annualized Base Salary Compared to Market 50th Percentile Base Salary
400,000
350,000
300,000
250,000
200,000
150,000
100,000
50,000
-
DPFP Actual Annual Base Salary
-
50,000
100,000
150,000
200,000
250,000
300,000
350,000
Market Base Salary
DPFP Base Salary Trendline:
y=1.184x -10572
R-Square = 0.963
DPFP Base Salary
Market Base Salary
Linear (DPFP Base Salary)
Linear (Market Base Salary)

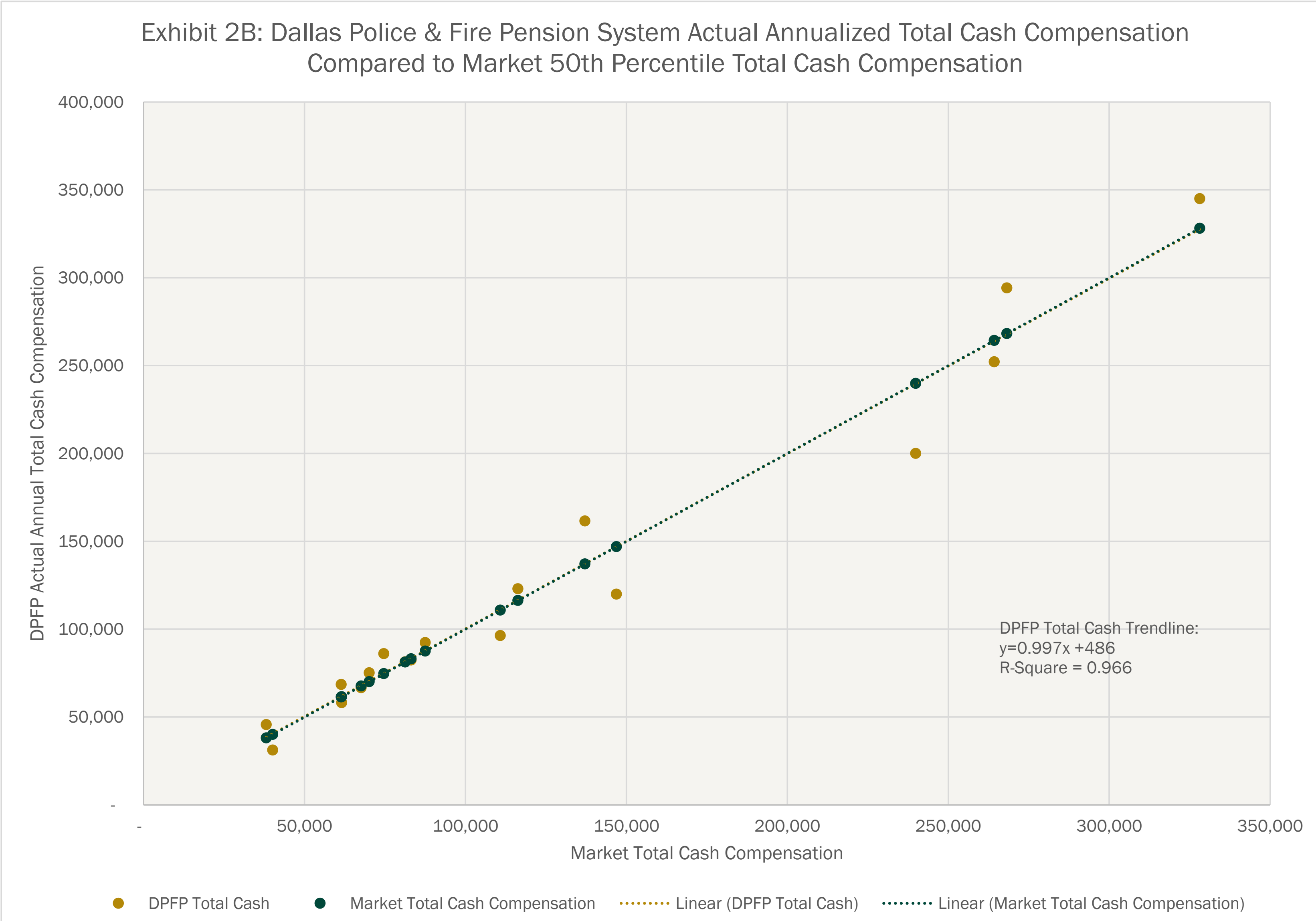


Exhibit 2B: Dallas Police & Fire Pension System Actual Annualized Total Cash Compensation Compared to Market 50th Percentile Total Cash Compensation
DPFP Actual Annual Total Cash Compensation
400,000
350,000
300,000
250,000
200,000
150,000
100,000
50,000
-
50,000
100,000
150,000
200,000
250,000
300,000
350,000
Market Total Cash Compensation
DPFP Total Cash Trendline:
y=0.997x +486
R-Square = 0.966
DPFP Total Cash
Market Total Cash Compensation
Linear (DPFP Total Cash)
Linear (Market Total Cash Compensation)

Dallas Police & Fire Pension System
Compensation Study Results
Exhibit 3 - Proposed Salary Ranges
Structures Effective January 1, 2022 to December 31, 2022

Salary Range - Annual					
Grade	*Minimum*	*Midpoint*	*Maximum*	*Range Spread*	*Midpoint Differential*
1	$30,086	$33,846	$37,607	25%	
2	$33,094	$37,231	$41,368	25%	10.0%
3	$35,612	$40,954	$46,296	30%	10.0%
4	$39,530	$45,459	$51,388	30%	11.0%
5	$42,050	$50,459	$58,869	40%	11.0%
6	$47,095	$56,515	$65,934	40%	12.0%
7	$51,670	$63,296	$74,922	45%	12.0%
8	$57,871	$70,892	$83,913	45%	12.0%
9	$65,394	$80,108	$94,821	45%	13.0%
10	$72,417	$90,522	$108,626	50%	13.0%
11	$81,832	$102,290	$122,748	50%	13.0%
12	$94,106	$117,633	$141,160	50%	15.0%
13	$108,222	$135,278	$162,334	50%	15.0%
14	$124,668	$158,952	$193,235	55%	17.5%
15	$149,170	$193,921	$238,672	60%	22.0%
16	$178,554	$236,584	$294,614	65%	22.0%
17	$223,192	$295,730	$368,267	65%	25.0%

Dallas Police & Fire Pension System
Compensation Study Results
Exhibit 3 - Proposed Salary Ranges
Structures Effective January 1, 2022 to December 31, 2022

Salary Range - Hourly					
Grade	Minimum	Midpoint	Maximum	Range Spread	Midpoint Differential
1	$14.46	$16.27	$18.08	25%	
2	$15.91	$17.90	$19.89	25%	10.0%
3	$17.12	$19.69	$22.26	30%	10.0%
4	$19.00	$21.86	$24.71	30%	11.0%
5	$20.22	$24.26	$28.30	40%	11.0%
6	$22.64	$27.17	$31.70	40%	12.0%
7	$24.84	$30.43	$36.02	45%	12.0%
8	$27.82	$34.08	$40.34	45%	12.0%
9	$31.44	$38.51	$45.59	45%	13.0%
10	$34.82	$43.52	$52.22	50%	13.0%
11	$39.34	$49.18	$59.01	50%	13.0%
12	$45.24	$56.55	$67.87	50%	15.0%
13	$52.03	$65.04	$78.05	50%	15.0%
14	$59.94	$76.42	$92.90	55%	17.5%
15	$71.72	$93.23	$114.75	60%	22.0%
16	$85.84	$113.74	$141.64	65%	22.0%
17	$107.30	$142.18	$177.05	65%	25.0%

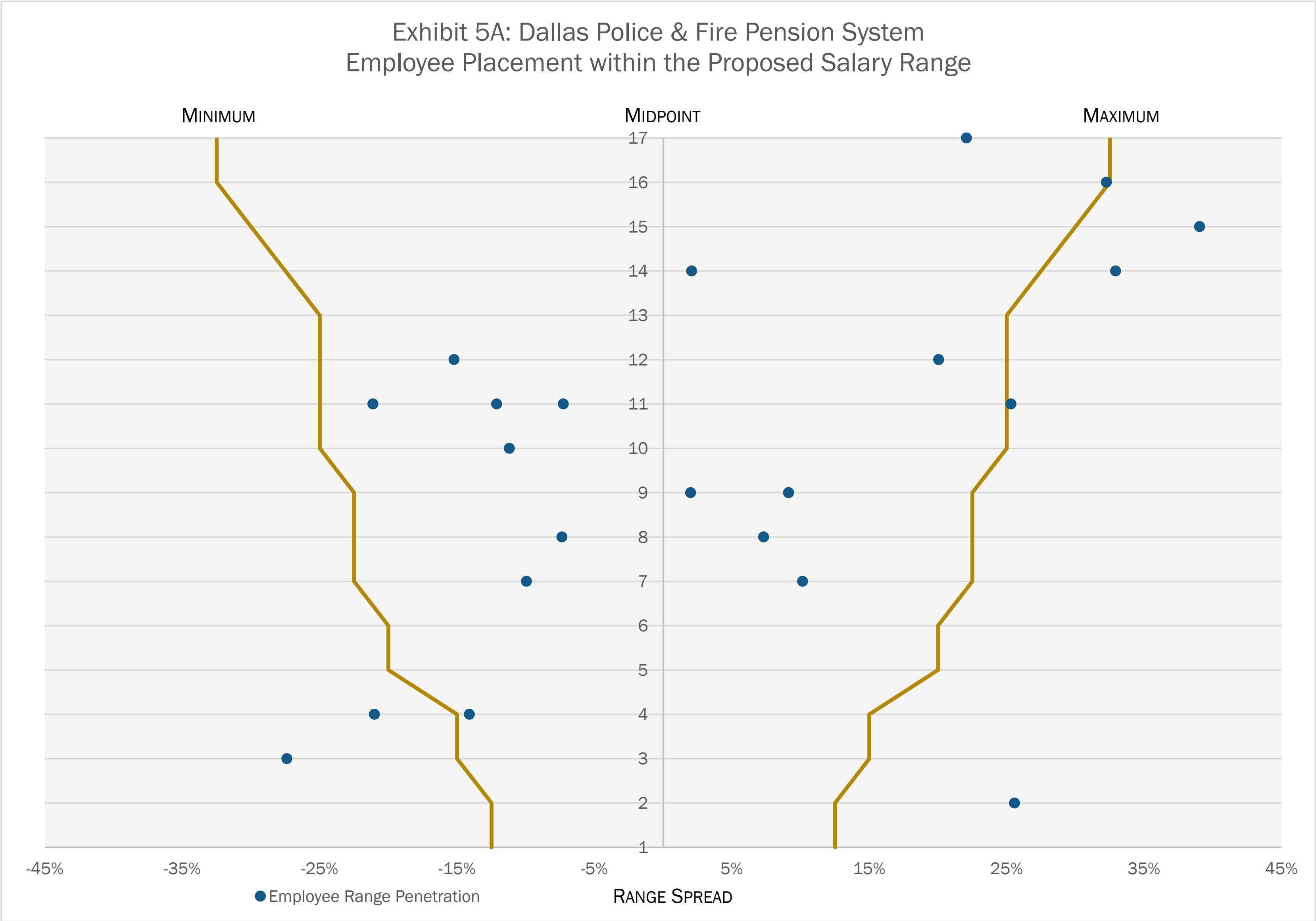


Exhibit 5A: Dallas Police & Fire Pension System
Employee Placement within the Proposed Salary Range
MINIMUM
MIDPOINT
MAXIMUM
17
16
15
14
13
12
11
10
9
8
7
6
5
4
3
2
1
-45%
-35%
-25%
-15%
-5%
5%
15%
25%
35%
45%
Employee Range Penetration
RANGE SPREAD

CBIZ

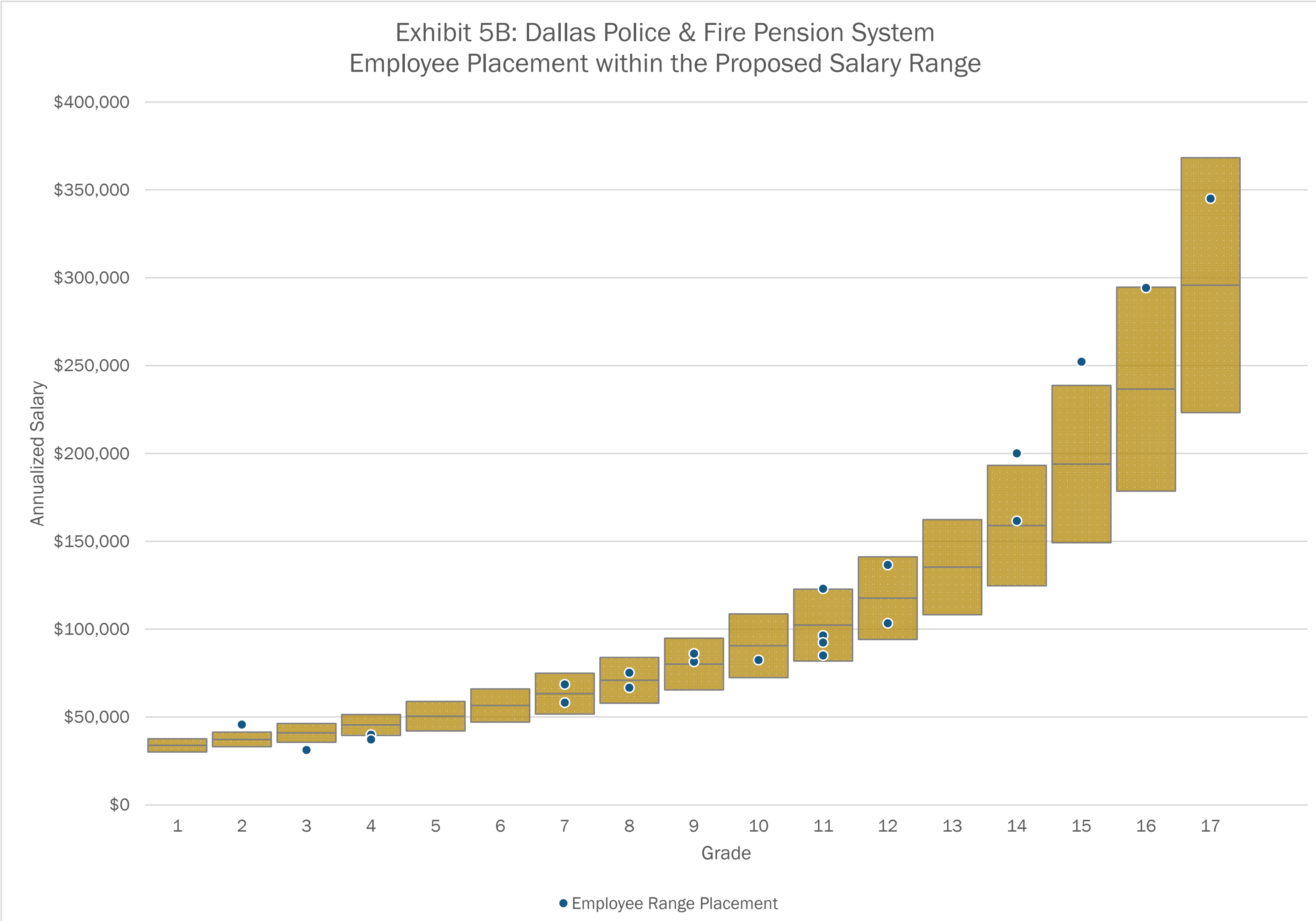


Exhibit 5B: Dallas Police & Fire Pension System
Employee Placement within the Proposed Salary Range
$400,000
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
$0
Annualized Salary
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
Grade
Employee Range Placement

DALLAS POLICE AND FIRE PENSION SYSTEM COMPENSATION POLICY

Adopted January 13, 2022

DALLAS POLICE AND FIRE PENSION SYSTEM
COMPENSATION POLICY

Adopted January 13, 2022

A. PURPOSE OF THE COMPENSATION SYSTEM

The overall purpose of DPFP's compensation system is to provide a means to assist in recruiting, ~~retaining~~retaining, and rewarding employees. It seeks to establish salary grades that are competitive with the labor markets in which DPFP recruits talented employees and reflect the value of positions to DPFP, as determined by a job review which takes into account the duties and level of responsibility of each job.

Objectives of the system are as follows:

1. To ensure a pay philosophy that is reflective of the values and goals of DPFP.
2. To ensure DPFP's financial resources are used in the most effective and efficient manner.
3. To provide a rational basis for making pay decisions and thereby establishing internal fairness and a consistent approach.
4. To increase transparency and set realistic employee salary expectations.
5. To maintain salary ranges that are competitive with labor markets from which employees are recruited.
6. To establish job titles and descriptions that are consistently used throughout DPFP.
7. To clarify the knowledge, skills and abilities ("KSAs") required to competently perform the position and aid in the development of career paths.
8. To assist in evaluating and rewarding employee job performance.

The Executive Director is responsible for the administration and maintenance of the compensation system. Human Resources ("HR") will assist the Executive Director in the administration of the compensation system. These responsibilities include assignment of proposed new jobs to salary grades, reassignment of existing jobs to salary grades, preparation and maintenance of job descriptions, review and approval of pay adjustments and maintenance and updating of pay structures.

B. ASSIGNMENT OF A NEW JOB TO A SALARY GRADE

All jobs will be assessed according to DPFP's compensation plan based on published salary data and internal comparable value. This plan establishes a consistent basis for measuring and ranking the relative market worth of each job.

B. Assignment of a New Job to a Salary Grade (continued)

Assignment of New Positions to a Salary Grade Procedures

1. Following approval to create a new position, the department manager, or a designee, completes a job analysis questionnaire ("JAQ") or drafts a job description describing the duties to be assigned to the position.
2. The department manager submits the JAQ/job description to HR for assessment.
3. All new and existing jobs are to be assigned to a salary grade based on their relative worth as determined by both published salary survey data (if available) and DPFP's determination of relative internal worth.

C. Requested Review of a Job's Salary Grade Assignment

A job reassignment occurs when a job is moved to a different grade because the essential job functions have significantly changed. Department managers and employees may request a review of the evaluation of their job by July 1st for consideration in the upcoming budget process. Specific requests to HR must be approved by the employee's department manager.

Reassignment of an Existing Position Procedures

1. Except in unusual circumstances, requests for reassessment may be made annually in concert with budget preparation. A review of a position's classification is warranted when there has been a material, significant and permanent change in job duties. The direct supervisor or department manager is responsible for recognizing such job changes. Additionally, an employee who believes his or her job is not properly evaluated may request of his or her supervisor or manager a reassessment.

2. When the supervisor and department manager concludes that a material, significant, and permanent change in job duties has occurred, a JAQ should be completed by the employee, reviewed by the supervisor and sent to HR. Not all changes in job duties justify a grade change, duties of similar complexity or increased volume generally will not result in a change.

C. REQUESTED REVIEW OF A JOB'S SALARY GRADE ASSIGNMENT (CONTINUED)

Reassignment of an Existing Position Procedures (continued)

3. Upon receipt of a newly completed JAQ, an assessment of the duties and responsibilities of the position will be made using a review of relative internal worth and a review of published salary surveys. This process may include an interview with the employee and/or supervisor. Following this evaluation, HR will recommend to the Executive Director if the job should remain as presently assigned or if a new assignment is appropriate. The department manager is notified in writing of the results.

4. If upon the evaluation of a job, it is determined that a job is still within the same salary grade, no salary adjustment will be made. In the instance where an employee's job is reassigned to a lower salary grade, the employee's salary will not be changed; however, the reclassified grade maximum will define the limit of future pay increases. In the instance where an employee's job is reassigned to a higher salary grade, the employee's pay may be adjusted. Generally, an increase of five percent (5%) for each salary grade shift may be awarded or the minimum of the new salary grade. However, an increase is not guaranteed and other factors such as internal equity, compression and job performance may be considered in determining the increase.

D. ESTABLISHING INITIAL PAY FOR NEW HIRES

It is the goal of DPFP to offer wages that attract the best possible employees. It is also the goal of DPFP to ensure pay fairness among employees within similar job titles. Therefore, a new employee's initial pay should be set in consideration of the candidate's qualifications as defined by KSAs, the pay of other similarly employed individuals, the pay and pay scales of supervised employees and external market factors.

Typically, the initial wage should be set between the minimum and the midpoint of the salary grade. Exceptions to this policy may be made in cases with unusual circumstances, where market conditions prohibit hiring within the authorized hiring grade and/or the current pay or pay scales of employees does not stimulate significant interest in upward career movement. The Executive Director will approve the initial pay of all new hires.

D. Establishing Initial Pay for New Hires (continued)

Establishing Pay for New Hire Procedures:

1. The department manager and HR will carefully review the applicant's qualifications in relation to the job's KSAs, external market factors and the current wages of individuals employed in similar titles and recommend a salary placement to the Executive Director. It is anticipated that most salary offers will be between the minimum and the midpoint of the salary grade.

2. Salary offers will be prepared by HR and approved by the Executive Director. The hiring manager may then communicate the offer to the prospective employee or defer to HR.

E. Determining Pay for Promotions and Demotions

A promotion occurs when an employee moves to a job in a higher salary grade or range.

A transfer occurs when an employee transfers to another position in the same salary grade as the position previously occupied. In such cases, the employee shall not be eligible for a pay increase at the time of such transfer.

A demotion occurs when an employee's position is reassessed to a lower salary grade or when an employee is transferred to a position in a lower salary grade typically due to reorganization. A demotion also occurs when an employee voluntarily accepts a position in a lower salary grade than the position occupied.

1. **Determining Pay for Promotion Procedures**

   ~~a.~~ The employee's salary will be adjusted to compensate for the promotion. Generally, a promotion will include an increase of 10% but it may be different depending on internal equity, compression, range minimum and maximum and other factors.

E. DETERMINING PAY FOR PROMOTIONS AND DEMOTIONS (CONTINUED)

2. **Determining Pay for Demotion Procedures**

   a. In the case of a demotion resulting from poor performance or employee choice, the employee's current salary is reduced to reflect the demotion. Generally, the reduction will be ten percent (10%) but may be different considering the range minimum, maximum, internal equity and other factors.

   b. In the case of a demotion resulting from an organizational change or development assignment, all attempts will be made to keep the individual at the current salary.

F. MARKET-BASED PAY ADJUSTMENTS

DPFP strives to pay at levels that are competitive with the market. Salary adjustments may be made to employee salaries to address significant discrepancies between DPFP's level of pay and market pay levels for jobs. Actual adjustment amounts will be based on DPFP's budget as well as individual performance.

Market-based Pay Adjustment Procedures

1. HR will periodically compare current employee pay levels to the market pay for similar jobs.

2. If a particular job at DPFP becomes exceedingly difficult to recruit and retain because of compensation requirements, HR will recommend salary adjustments to address the demand for greater pay because of extreme market competitiveness.

3. Individual employee pay will be reviewed in consideration of market survey data and recruiting requirements. Based upon this review, individual employee pay may be adjusted to better reflect market rates, decrease compensation-related turnover or match a job offer. The actual percentage an employee's pay is adjusted will be based on the employee's KSAs in comparison to the job's KSAs, and the extent of external market pay factors. Market adjustments will only be considered for employees with at least a satisfactory performance rating.

G. Salary Structure Adjustments

DPFP's salary structures will be adjusted on a periodic basis to ensure that they remain competitive with markets from which it attracts talented employees.

Salary Structure Adjustment Procedures

1. On an annual basis, HR will receive a salary structure recommendation letter from CBIZ Talent and Compensation Solutions, or anther compensation consulting expert and review the pay structures in consideration of changing economic and competitive factors as determined by published salary surveys and other data sources, such as the federal Bureau of Labor Statistics Employment Cost Index and Consumer Price Index.

2. HR will recommend an appropriate salary structure adjustment to the Executive Director.

3. Salary structures will be adjusted as approved by the Executive Director.

4. Any employee whose salary is below the assigned updated salary range will receive a pay adjustment at least equal to the difference between actual salary and the salary range minimum. Such pay increases will be provided only if the Board has approved sufficient budget to make the adjustment.

H. Annual Salary Increase Review

DPFP will evaluate annually the appropriateness and affordability of salary increases to ensure that salaries remain competitive and reward employee contributions.

1. **The factors that DPFP will consider when approving a salary review budget, include, but are not limited to the following:**

   a. The budget, including the short- and long-term implications of salary increases.
   b. Salary increase trends, as measured through third-party surveying firms.
   c. Wage inflation, as measured by the federal Bureau of Labor Statistics Employment Cost Index.
   d. Overall inflation, as measured by the Consumer Price Index.

2. **Upon approval of a budget, the following factors will be considered when awarding salary increases:**

   a. The budget approved by DPFP Board.
   b. An employee's performance.
   c. An employee's placement within the salary range.

3. **Pay above Grade Maximum**

   The compensation system is a tool used by DPFP to provide a rational basis for pay decisions. It helps to ensure that positions are not underpaid or overpaid based on job responsibilities and the competitive labor markets from which employees are recruited. The salary grade assigned to each position indicates the value of the position within DPFP. For any employee whose pay is at or above the maximum for his or her salary grade, ~~future increases~~ their current salary will be frozen ~~so~~ as long as the current pay is greater than the salary grade maximum. Lump-sum compensation bonuses can be awarded to employees that do not add to the base pay when current pay is above the salary grade maximum.

I. Temporary Assignment Pay

An employee that is assigned to perform the majority of the duties of a higher level position for a period anticipated to exceed ten consecutive days will receive temporary assignment pay of at least 5% or the minimum of the salary range for the duration of the assignment.

J. Executive Director Discretion

The Executive Director can deviate from the policy when deemed to be appropriate for the situation and in the best interest of DPFP.

I. Effective Date

APPROVED on January 13, 2022, by the Board of Trustees of the Dallas Police and Fire Pension System.

____
Nicholas A. Merrick
Chairman

ATTEST:

____
Kelly Gottschalk
Secretary

DISCUSSION SHEET

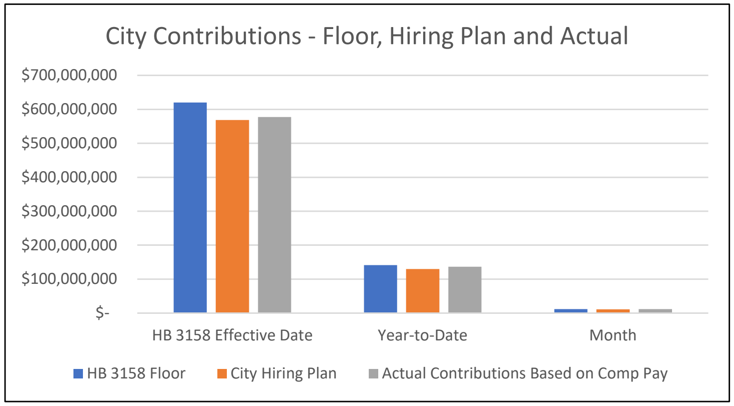
ITEM #C3

Topic: **Monthly Contribution Report**

Discussion: Staff will review the Monthly Contribution Report.

Regular Board Meeting – Thursday, January 13, 2022

Contribution Tracking Summary - January 2022 (November 2021 Data)



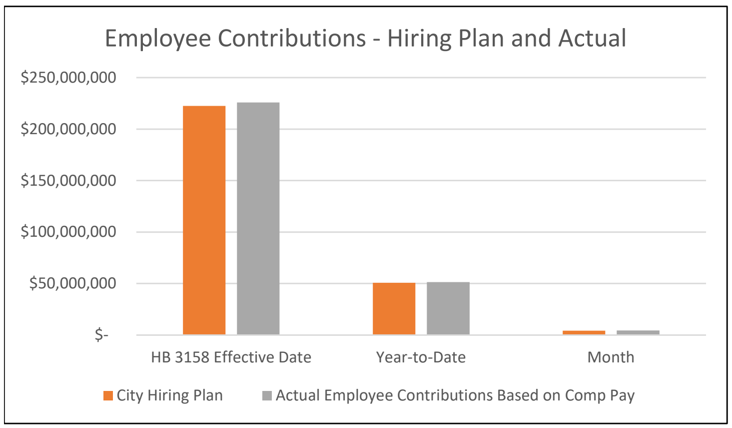
Actual Comp Pay was 102% of the Hiring Plan estimate since the effective date of HB 3158.

In the most recent month Actual Comp Pay was 106% of the Hiring Plan estimate and 98% of the Floor amount.

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

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

The combined actual employees was 126 less than the Hiring Plan for the pay period ending November 9, 2021. Fire was over the estimate by 49 fire fighters and Police under by 175 officers.



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

There is no Floor on employee contributions.

Contribution Summary Data

City Contributions

Nov-21	Number of Pay Periods Beginning in the Month	HB 3158 Floor	City Hiring Plan	Actual Contributions Based on Comp Pay	Additional Contributions to Meet Floor Minimum	Comp Pay Contributions as a % of Floor Contributions	Comp Pay Contributions as a % of Hiring Plan Contributions
Month	2	$ 11,764,000	$ 10,827,692	$ 11,490,359	$ 273,641	98%	106%
Year-to-Date		$ 141,168,000	$ 129,932,308	$ 136,854,251	$ 4,313,749	97%	105%
HB 3158 Effective Date		$ 620,339,000	$ 568,692,692	$ 577,328,228	$ 43,084,479	93%	102%

$ 1

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

Nov-21	Number of Pay Periods Beginning in the Month	City Hiring Plan	Actual Employee Contributions Based on Comp Pay	Actual Contribution Shortfall Compared to Hiring Plan	Actuarial Valuation Contribution Assumption	Actual Contributions as a % of Hiring Plan Contributions	Actual Contributions as a % of Actuarial Val Assumption
Month	2	$ 4,236,923	$ 4,496,112	$ 259,189	$ 4,236,924	106%	106%
Year-to-Date		$ 50,843,077	$ 51,403,614	$ 2,678,999	$ 50,843,088	101%	101%
HB 3158 Effective Date		$ 222,531,923	$ 225,755,058	$ 3,223,135	$ 217,422,730	101%	104%

Potential Earnings Loss from the Shortfall based on Assumed Rate of Return $ (410,814)

Does not include Supplemental Plan Contributions.

Reference Information

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

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

The HB 3158 Bi-weekly Floor ends after 2024

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

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

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

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

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

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

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

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

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

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

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

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

Comp Pay by Month - 2021	Annual Divided by 26 Pay Periods	Actual	Difference	2020 Cumulative Difference	Number of Employees - EOM	Difference
January	$ 31,384,615	$ 33,074,493	$ 1,689,878	$ 1,689,878	4960	(128)
February	$ 31,384,615	$ 33,017,462	$ 1,632,847	$ 3,322,725	4926	(162)
March	$ 47,076,923	$ 49,432,981	$ 2,356,058	$ 5,678,783	4929	(159)
April	$ 31,384,615	$ 33,091,981	$ 1,707,366	$ 7,386,148	4935	(153)
May	$ 31,384,615	$ 33,011,653	$ 1,627,037	$ 9,013,186	4913	(175)
June	$ 31,384,615	$ 32,932,804	$ 1,548,189	$ 10,561,374	4904	(184)
July	$ 31,384,615	$ 33,011,207	$ 1,626,592	$ 12,187,966	4939	(149)
August	$ 31,384,615	$ 33,087,134	$ 1,702,518	$ 13,890,485	4918	(170)
September	$ 47,076,923	$ 49,601,625	$ 2,524,701	$ 16,415,186	4936	(152)
October	$ 31,384,615	$ 33,112,261	$ 1,727,646	$ 18,142,832	4964	(124)
November	$ 31,384,615	$ 33,305,388	$ 1,920,773	$ 20,063,605	4962	(126)
December				$ 20,063,605		

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C4

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 – January 13, 2022

ATTENDING APPROVED

2022 EVENTS

			ATTENDING	APPROVED
1.	**Conference:**	**TEXPERS Annual Conference**	**KH**	
	Dates:	April 3-6, 2022		
	Location:	Fort Worth, TX		
	Est Cost:	TBD		
2.	**Conference:**	**NCPERS Trustee Educational Seminar (TEDS)**		
	Dates:	May 21 – 22, 2022		
	Location:	Washington, DC		
	Est Cost:	TBD		
3.	**Conference:**	**NCPERS Program for Advanced Trustee Studies (PATS)**		
	Dates:	May 21 – 22, 2022		
	Location:	Washington, DC		
	Est Cost:	TBD		
4.	**Conference:**	**NCPERS Accredited Fiduciary (NAF) Program**		
	Dates:	May 21 – 22, 2022		
	Location:	Washington, DC		
	Est Cost:	TBD		

Future Education and Business Related Travel & Webinars
Regular Board Meeting – January 13, 2021

ATTENDING APPROVED

2022 EVENTS
(continued)

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

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

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C5

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, January 13, 2022

DALLAS POLICE & FIRE PENSION SYSTEM

Portfolio Update

January 13th, 2022

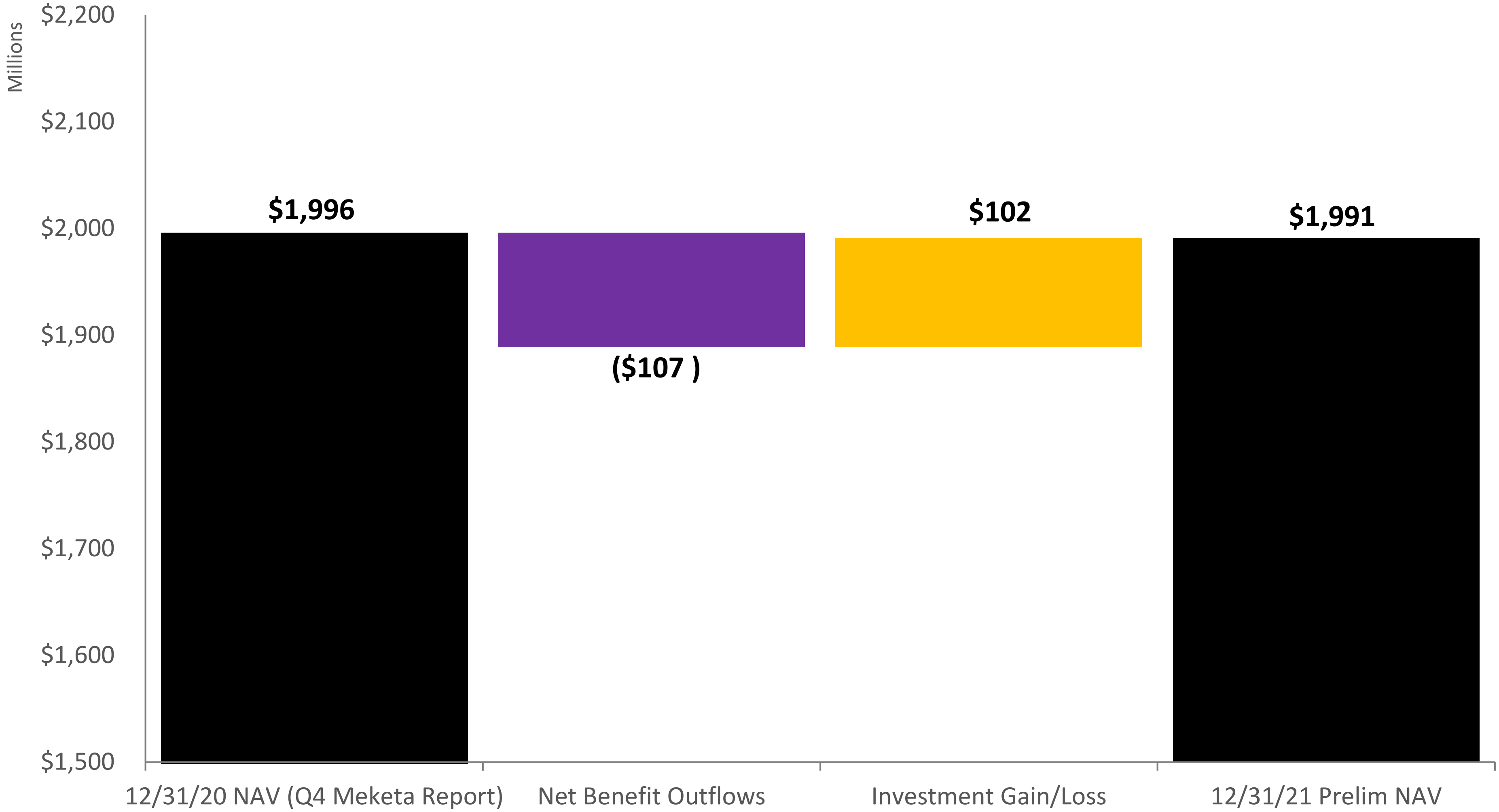
Executive Summary

- Liquidation of private market assets remains the top focus.
  - Received $169M in distributions in 2021.
- Rebalancing Activity: $161M of capital redeployed into Global Equity, EM Equity and EM Debt during 2021, in accordance with new Board Asset Allocation targets.
  - Public Equity (Global & EM) increased from 36.7% of portfolio at end of 2020 to current allocation of 48.9%.
  - Safety Reserve (Cash & ST Bonds) ended year at new 9% target.
- International Small Cap Search: IAC interviewed two finalists at December IAC meeting and are recommending Global Alpha for Board approval.
- Estimated Year-to-Date Return: 5.2% for DPFP portfolio; 10.5% for Public Markets (ex-Cash) which accounts for 70% of the assets.

2021 YTD Change in Market Value Bridge Chart

In Millions

2021 Annual Investment Return estimated at 5.2%



Public Markets Performance Snapshot - Estimates

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

		MTD 12/31/21			YTD as of 12/31/21		
Net of fees	**Index**	**Manager**	**Index**	**Excess**	**Manager**	**Index**	**Excess**
Total Public Portfolio (ex-Cash)	**60% MSCI ACWI IMI / 40% BBG Global AGG**	**3.5%**	**2.3%**	**1.1%**	**10.5%**	**8.7%**	**1.9%**
Global Equity	**MSCI ACWI IMI**	**4.9%**	**4.0%**	**0.9%**	**19.3%**	**18.2%**	**1.1%**
Boston Partners	MSCI World	6.9%	4.3%	2.6%	23.3%	21.7%	1.6%
Manulife	MSCI ACWI	7.1%	4.0%	3.1%	22.8%	18.5%	4.3%
Invesco (OFI)	MSCI ACWI	2.5%	4.0%	-1.5%	14.0%	18.5%	-4.5%
Walter Scott	MSCI ACWI	5.5%	4.0%	1.5%	19.3%	18.5%	0.8%
Northern Trust ACWI IMI Index	MSCI ACWI IMI	4.0%	4.0%	0.0%	15.3%	15.1%	0.2%
Eastern Shore US Small Cap	Russell 2000	2.4%	2.2%	0.2%			
EM Equity - RBC	**MSCI EM IMI**	**3.7%**	**2.2%**	**1.4%**	**-4.2%**	**-0.2%**	**-4.0%**
Public Fixed Income (ex-Cash)	**BBG Multiverse TR**	**0.6%**	**0.0%**	**0.6%**	**-0.4%**	**-4.5%**	**4.2%**
S/T IG Bonds - IR+M	BBG 1-3YR AGG	-0.1%	-0.2%	0.0%	-0.4%	-0.5%	0.1%
IG Bonds - Longfellow	BBG US AGG	-0.3%	-0.3%	0.0%	-0.7%	-1.6%	0.9%
Bank Loans - Pacific Asset Management	CS Leveraged Loan	0.7%	0.6%	0.0%	5.1%	5.3%	-0.2%
High Yield - Loomis Sayles	BBG USHY 2% Cap	2.0%	1.9%	0.1%	3.7%	5.3%	-1.6%
EM Debt - Ashmore	50% JPM EMBI / 25% ELMI / 25% GBI-EM	0.9%	0.9%	0.0%	-9.8%	-4.4%	-5.5%

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

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

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

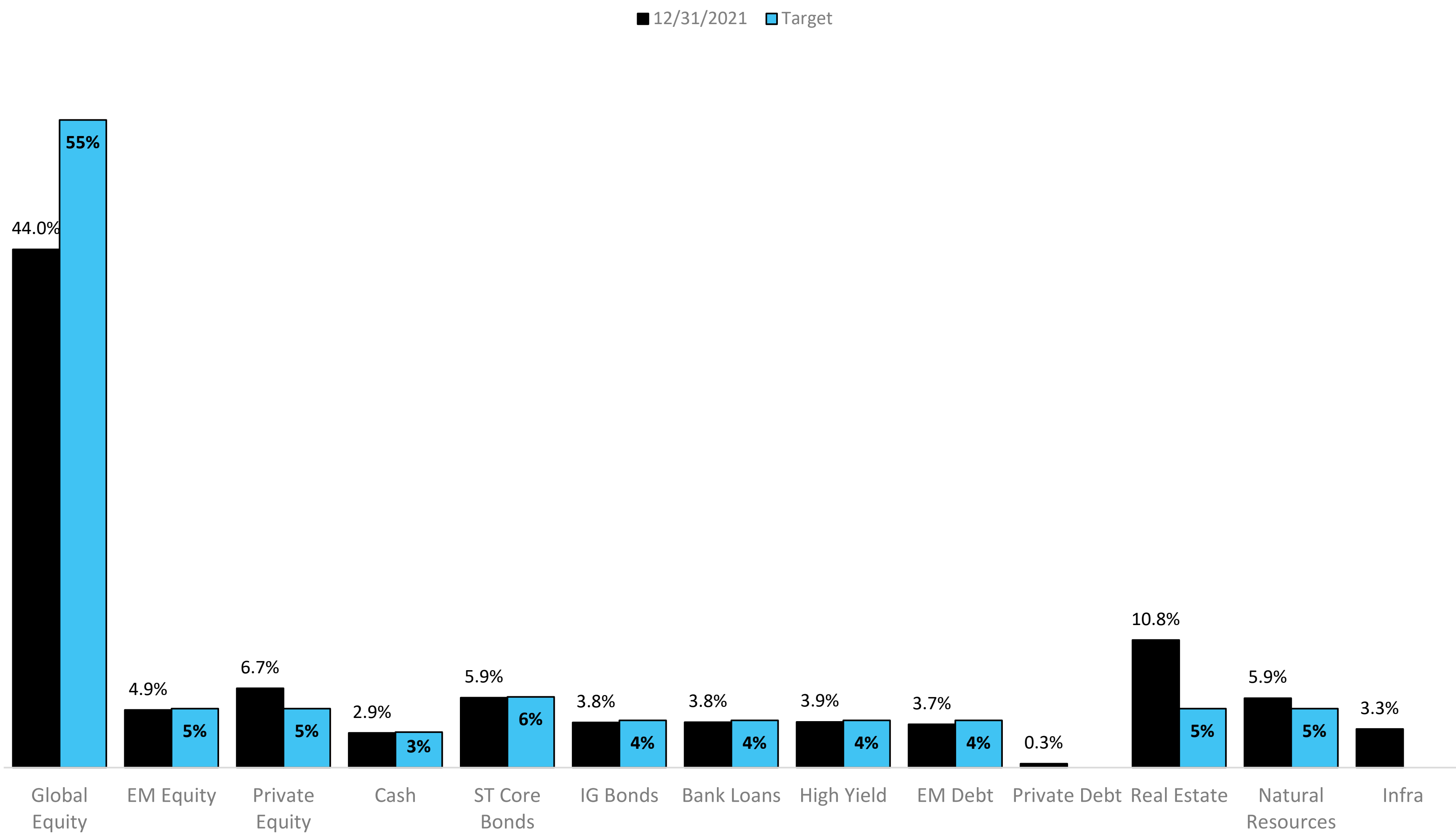
****Northern Trust ACWI IMI Index - YTD Performance for manager and benchmark index is calculated since inception date 03/05/2021*

Asset Allocation Detail

DPFP Asset Allocation	12/31/2021 NAV	%	Target $ mil.	%	Variance $ mil.	%
Equity	**1,107**	**55.6%**	**1,294**	**65%**	**-187**	**-9.4%**
Global Equity	876	44.0%	1,095	55%	-219	-11.0%
Boston Partners	*149*	*7.5%*	*159*	*8%*	*-11*	*-0.5%*
Manulife	*149*	*7.5%*	*159*	*8%*	*-10*	*-0.5%*
Invesco (OFI)	*142*	*7.1%*	*159*	*8%*	*-17*	*-0.9%*
Walter Scott	*148*	*7.4%*	*159*	*8%*	*-11*	*-0.6%*
Northern Trust ACWI IMI Index	*248*	*12.4%*	*299*	*15%*	*-51*	*-2.6%*
Eastern Shore US Small Cap	*41*	*2.0%*	*80*	*4%*	*-39*	*-2.0%*
Future International Small Cap Mandate	*0*	*0.0%*	*80*	*4%*	*-80*	*-4.0%*
Russell Transition	*0*	*0.0%*	*0*	*0%*	*0*	*0.0%*
Emerging Markets Equity - RBC	97	4.9%	100	5%	-2	-0.1%
Private Equity*	134	6.7%	100	5%	34	1.7%
Fixed Income	**486**	**24.4%**	**498**	**25%**	**-12**	**-0.6%**
Cash	58	2.9%	60	3%	-1	-0.1%
S/T Investment Grade Bonds - IR+M	118	5.9%	119	6%	-1	-0.1%
Investment Grade Bonds - Longfellow	76	3.8%	80	4%	-4	-0.2%
Bank Loans - Pacific Asset Management	77	3.8%	80	4%	-3	-0.2%
High Yield Bonds - Loomis Sayles	77	3.9%	80	4%	-2	-0.1%
Emerging Markets Debt - Ashmore	73	3.7%	80	4%	-7	-0.3%
Private Debt*	7	0.3%	0	0%	7	0.3%
Real Assets*	**398**	**20.0%**	**199**	**10%**	**199**	**10.0%**
Real Estate*	215	10.8%	100	5%	116	5.8%
Natural Resources*	117	5.9%	100	5%	18	0.9%
Infrastructure*	65	3.3%	0	0%	65	3.3%
Total	**1,991**	**100.0%**	**1,991**	**100%**	**0**	**0.0%**
Safety Reserve ~$162M=18 mo net CF	177	8.9%	179	9%	-3	-0.1%
*Private Market Assets	538	27.0%	299	15%	240	12.0%

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

Asset Allocation – Actual vs Target



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	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%	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%	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%	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%	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. 13.4%	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%	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 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 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%	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%	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 December 31, 2021.

2022 Board Investment Review Plan*

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

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

*Presentation schedule is subject to change.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C6

Topic: **Investment Policy Amendments**

Discussion: Staff is proposing two changes to the Investment Policy Statement. The first change is to remove the maximum of seven of Investment Advisory Committee (IAC) members (Section 5.B). Two highly qualified outside candidates have indicated their interest to serve on the IAC, which would increase the total number of current IAC members to eight. Further, IAC meetings require a majority of outside members to meet quorum requirements and increasing the number of outside members gives the IAC more flexibility to hold meetings with a quorum if an outside member cannot attend as well as allows more feedback from non-Trustee investment experts.

The second change is to add a concentration limit of 5% of plan assets in any single issuer's public securities to address Concentration Risk (Section 8). This change is based on feedback from the Audit Committee at the December Board meeting, who noted that we did not have a specific policy addressing issuer concentration risk. A redlined version of the Investment Policy Statement is attached for reference.

Staff Recommendation: **Approve** the proposed revised Investment Policy Statement.

Regular Board Meeting – Thursday, January 13, 2022

INVESTMENT POLICY STATEMENT

As Amended Through ~~August 12, 2021~~January 13, 2022

INVESTMENT POLICY STATEMENT

Adopted April 14, 2016
As Amended Through ~~August 12, 2021~~January 13, 2022

Table of Contents

DALLAS POLICE & FIRE PENSION SYSTEM

INVESTMENT POLICY STATEMENT

Adopted April 14, 2016

As Amended Through ~~August 12, 2021~~ January 13, 2022

Section 1 Introduction and Purpose

This policy statement shall guide investment of the assets of the Dallas Police and Fire Pension System (DPFP). This Investment Policy Statement (IPS) is issued for the guidance of the Dallas Police and Fire Pension System Board of Trustees (Board), Investment Advisory Committee (IAC), Executive Director, Staff, Consultant(s), Custodian, and Investment Managers. This IPS is intended to set forth an appropriate set of goals and objectives for DPFP. It defines guidelines to assist fiduciaries and Staff in the supervision of the investments of DPFP. The investment program processes and procedures are defined in the various sections of the IPS by:

A. Stating in a written document DPFP's expectations, objectives and guidelines for the investment of assets;

B. Setting forth an investment structure for managing the portfolio. This structure includes assigning various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce an appropriate level of overall risk and total investment return over the investment time horizon;

C. Encouraging effective communications between the Board, IAC, Executive Director, Staff, Consultant(s), Investment Managers and Custodian(s);

D. Setting forth policy that will consider various factors, including inflation, global economic growth, liquidity and expenses, that will affect the portfolio's short and long-term total expected returns and risk;

E. Establishing criteria to select and evaluate Investment Managers; and

F. Complying with applicable fiduciary and due diligence requirements experienced investment professionals would utilize, and with laws, rules and regulations applicable to DPFP.

Section 2 Goals, Objectives, and Constraints

A. Goals

1. Earn a long-term, net of fees, investment return that, together with contributions, will be sufficient to meet current and future obligations of the plan when due.
2. Earn a long-term, net of fees, investment return greater than the actuarial return assumption.

B. Objectives

1. Maintain a diversified asset allocation that seeks to maximize the investment return while accepting prudent exposure to key investment risks.
2. Outperform the Policy Benchmark[1] over rolling five-year periods.
3. Control and monitor the costs of administering and managing the investments.

[1] The Policy Benchmark represents the return of the investable and non-investable indices as defined in Appendix B, at the target allocation for each asset class.

C. Constraints

1. DPFP will be managed on a going-concern basis. The assets of the Fund will be invested with a long-term time horizon, while being cognizant of the weak actuarial funded ratio and ongoing liquidity needs.
2. The Board intends to maintain sufficient liquidity in either cash equivalents or short-term investment grade bonds to meet 18 months of anticipated benefit payments and expenses (net of contributions).
3. DPFP is a tax-exempt entity. Therefore, investments and strategies will be evaluated on a basis that is generally indifferent to taxable status.

Section 3 Ethics, Standards of Conduct, and Fiduciary Responsibility

The following are standards of conduct for the Board, Investment Advisory Committee, Staff, Investment Managers, Consultant(s), and all other investment related service providers of DPFP.[2]

A. Place the interest of DPFP above personal interests.

B. Act with integrity, competence, diligence, respect, and in an ethical manner.

C. Use reasonable care, diligence, and exercise independent professional judgment when conducting analysis, making recommendations, and taking actions.

D. Promote the integrity of and uphold the rules governing DPFP.

E. Comply with all applicable laws, rules, and regulations of any government agency, regulatory organization, licensing agency, or professional association governing their professional activities.

F. Adhere to applicable policies relating to ethics, standard of conduct and fiduciary responsibility including the:

1. Board of Trustees and Employees Ethics and Code of Conduct Policy;
2. Board of Trustees Governance and Conduct Policy; and the
3. Contractor's Statement of Ethics.

[2] These are informed by the CFA Institute and the Center for Fiduciary Studies.

Section 4 Core Beliefs and Long-Term Acknowledgements

This section outlines the core beliefs and long-term acknowledgements for the overall governance of DPFP. These beliefs and acknowledgements will serve as guiding principles in the decision making and implementation of DPFP's investment mandate.

A. A well-defined governance structure with clearly delineated responsibilities is critical in achieving consistent, long-term performance objectives.

B. The strategic asset allocation determines the risk reward profile of the portfolio and thus drives overall portfolio performance and volatility.

1. Asset allocation has a greater effect on return variability than asset class investment structure or manager selection.
2. It is essential to account for liabilities in setting long-term investment strategy.
3. Rebalancing the portfolio is a key aspect of prudent long-term asset allocation policy.

C. Investment costs will be monitored and minimized within the context of maximizing net return. The goal is not low fees, but rather maximum returns, net of fees.

1. The opportunity for active manager risk-adjusted outperformance (alpha) is not uniformly distributed across asset classes or Investment Managers' strategies.
2. Active strategies are preferred when there is strong conviction that they can be expected to add alpha, net of fees.
3. Passive strategies should be considered if alpha expectations are unattractive.
4. Professional fees will be negotiated when feasible.

D. Risk is multifaceted and will be evaluated holistically, incorporating quantitative measures and qualitative assessments.

1. Global investment reduces risk through diversification.
2. Diversification across different risk factors reduces risk.
3. The pattern of returns matters because volatility levels and the sequence of gains and losses can impact funded status.
4. Risk that is not expected to be rewarded over the long-term, or mitigated through diversification, will be minimized.
5. Generating positive investment return requires recognizing and accepting non-diversifiable risk. Not taking enough risk is risky; therefore, DPFP will accept a prudent amount of risk to achieve its long-term target returns.

Section 5 Roles and Responsibilities

A. Board of Trustees

The Board of Trustees (Board) has a fiduciary responsibility to ensure prudent management of the plan and compliance with all state and federal laws. Additionally, the Board:

1. Establishes investment objectives consistent with the needs of DPFP and approves the IPS of DPFP;
2. Approves strategic asset allocation targets and ranges, and asset class structures;
3. Prudently hires, monitors, and terminates key investment service providers including: Consultant(s), Investment Managers and Custodian(s);
4. Appoints members to the Investment Advisory Committee (IAC);
5. Reviews investment related expenses;
6. Approves Board travel related to investments; and
7. Reviews the IPS annually and revises it as needed.

B. Investment Advisory Committee (IAC)

1. IAC Composition, Selection and Criteria
    a. The requirement and general composition of the IAC is defined by statute.
    b. The IAC serves at the discretion of the Board of Trustees.
    c. The IAC is composed of a minimum of three ~~up to seven~~ members including one to three current Board members and a majority of outside investment professionals.
    d. IAC members will serve two-year terms.
    e. The Board will appoint members of IAC members by vote.
    f. One IAC member who is also a member of the Board will function as Chair of the IAC. The Chair shall serve as liaison to the Board and preside over IAC meetings.
    g. The Board of Trustees may elect to dismiss a member of the IAC for any reason.

2. IAC Roles and Responsibilities:

   a. A key role of the IAC is to ensure that DPFP investments are prudently managed.

   b. IAC recommendations are not binding on the Board, provided however the Board may in the exercise of its fiduciary discretion grant decision-making authority to the IAC.

   c. The IAC will advise regarding the search and selection process for investment managers and other matters that the Board may request.

   d. All investment related agenda materials for the Board will be made available to the IAC.

   e. The IAC Chair will report to the Board regarding IAC activity as well as investment-related concerns and recommendations.

   f. Any IAC member may address the Board to communicate investment related concerns.

   g. IAC members are fiduciaries to DPFP.

3. IAC Meetings

   a. The IAC will meet as needed, but at least quarterly, to discuss the investment program and provide insight and recommendations to Staff and Consultant.

   b. IAC meetings require a quorum of at least three IAC members, a majority of whom must not be current Trustees.

   c. IAC members shall be provided reasonable notice of upcoming meetings, but this shall not prevent the IAC from meeting on short notice for an urgent item requiring immediate attention.

   d. Any vote by the IAC which is reported to the Board must also advise the Board as to how each member of the IAC voted who was present for such vote.

   e. IAC meetings shall be open to the public. The IAC Chair may close any portion or all of any IAC meeting in his or her discretion if they deem it prudent to do so, provided such meeting is not a public meeting being held in compliance with the Texas Open Meetings Act.

   f. Board members who are not members of the IAC may attend and participate in IAC meetings. If a quorum of the Board shall be present at an IAC meeting, then the meeting shall comply with the Texas Open Meetings Act. Board members who are not on the IAC will give the Executive Director notice that they wish to attend an IAC meeting at least one week prior to the meeting. Board members who are not on the IAC may attend an IAC meeting but may not participate in IAC deliberations if such Board member or members, together with Board members on the IAC participating in such meeting equals or exceeds the number of non-Board IAC members participating in such meeting. The IAC Chair shall determine which Board members not on the IAC, if any, may participate in such meeting to maintain compliance with the previous sentence.

C. Executive Director

1. The Executive Director is authorized to administer the operations and investment activities of DPFP under policy guidance from the Board;
2. Is authorized to manage investments approved by the Board including authority to enter into contract amendments including fund extensions, act with regard to investment governance issues and engagement of advisors as needed;
3. Manages the day to day operations of DPFP;
4. Oversees and reports to the Board on investment and due diligence processes and procedures;
5. Approves/declines all Staff travel related to investment manager on-site due diligence;
6. Approves rebalancing recommendations; and
7. Approves Investment Staff recommendations for presentation to the IAC and Board.
8. The Executive Director is a fiduciary to DPFP when exercising discretion in the performance of their duties.

D. Investment Staff

1. The Investment Staff (Staff) has primary responsibility for oversight and management of the investment portfolio. Staff is responsible for investment manager due diligence and recommendations, portfolio implementation consistent with the Board approved asset allocation, and assessment of the Consultant(s);
2. Helps the Board and the IAC to oversee Investment Managers, Consultant(s), Custodian(s), and vendors;
3. Reports to the Executive Director through the Chief Investment Officer;
4. Works closely with the Investment Consultant(s);
5. Notifies Consultant in writing of rebalancing needs and recommended implementation;
6. Coordinates the preparation and annual review of the IPS;
7. Prepares Staff Investment Manager recommendations, submits Staff and Consultant(s) recommendations to Executive Director for review;
8. After Board approval of investment, Staff approves Investment Manager strategy guidelines which will be outlined in the Investment Manager agreements, as applicable;
9. Monitors all investments, Investment Managers and investment-related vendors;
10. Accounts for and reviews all external management fees and investment expenses; and
11. Ensures all investment fiduciaries to DPFP are aware of their fiduciary obligations annually.[3]

[3] Verification of this may be through contract, agreement, or annual fiduciary acknowledgement letter.

E. Consultant(s)

1. The Consultant(s) provides independent investment expertise to the Board, IAC, and Staff;
2. Reports to the Board and works closely with Staff;
3. Monitors and reports qualitative and quantitative criteria related to Investment Managers and aggregate portfolio activity and performance;
4. Reviews strategic asset allocation targets, ranges, and benchmarks for asset classes as required by the IPS and recommends improvements to the Board;
5. Documents asset allocation recommendations with asset class performance expectations including standard deviation, expected return and correlations for each asset class used by DPFP;
6. Reviews asset class structures periodically as required by the IPS and recommends improvements to the Board.
7. Assists in the selection process and monitoring of Investment Managers;
8. Documents and delivers to Staff written recommendations on Investment Manager new hire, hold and termination reviews;
9. Recommends benchmark and appropriate asset class and sub-allocation for investment managers;
10. Approves and verifies in writing each of Staff's rebalancing recommendations and implementation;
11. Monitors the diversification, quality, duration, and risk of holdings as applicable;
12. Assists Staff in negotiation of terms of vendor contracts; and
13. Prepares quarterly investment reports, which include the information outlined in Appendix C.
14. An Investment Consultant is normally a fiduciary to DPFP and this responsibility must be acknowledged in writing. DPFP may engage subject matter advisors that, while acting in DPFP's interest, may not be a contractual or statutory fiduciary to DPFP.

F. Investment Managers

1. Public Separate Account Investment Managers

    a. Acknowledge in writing acceptance of the objectives, guidelines, and standards of performance;

    b. Invest the assets of DPFP in accordance with its objectives, guidelines and standards;

F. Investment Managers (continued)

1. Public Separate Account Investment Managers

   c. Exercise full discretionary authority as to all buy, hold and sell decisions for each security under management, subject to the guidelines established in the Investment Management Agreement or applicable contract;

   d. Send trade confirmations to the Custodian;

   e. Deliver monthly report to Consultant(s)/Staff describing portfolio asset class weights, investment performance, security positions, and transactions;

   f. Adhere to best execution and valuation policies;

   g. Inform Staff and Consultant, as soon as practical, in writing of any breach of investment guidelines, ethics violations or violations of self-dealing;

   h. Inform Staff and Consultant as soon as practical, in writing, of any significant changes in the ownership, organizational structure, financial condition, personnel staffing, or other material changes at the firm; and

   i. Act as a fiduciary to DPFP. All separate account investment managers are fiduciaries to DPFP and this responsibility must be acknowledged in the contract for services.

2. Public Commingled Fund Investment Managers

   a. Provide the objectives, guidelines, and standards of performance of the fund;

   b. Provide a report detailing fund performance and holding on a monthly basis or as agreed by DPFP;

   c. Prices and fair market valuations will be based on reference to liquid markets, or obtained from an independent service provider if the assets held by the fund cannot be reasonably valued by reference to liquid markets;

   d. The investment manager of the commingled fund must act as a Fiduciary to the commingled fund.

   e. Mutual funds where the investment advisor or manager of the mutual fund is subject to the Investment Company Act of 1940 meet the requirements of this subsection 2.

3. Private Investment Managers

   a. Provide objectives, strategy guidelines, and standards of performance as evidenced in investment manager, operating, or partnership agreement;

   b. Ensure that financials statements undergo annual audits and that investments are reported at fair market value, as outlined in the Investment Management, Partnership, or Operating Agreement(s);

F. Investment Managers (continued)

3. Private Investment Managers (continued)

   c. Communicate to Staff any material changes in the ownership or management of the firm, and or the stability of the organization;

   d. Inform Staff, as soon as practical, in writing of any breach of investment guidelines, ethics violations or violations of self-dealing.

G. Custodian

1. Safe keep and hold all DPFP's assets in the appropriate domestic accounts and provide highly secure storage of physical stock certificates and bonds such that there is no risk of loss due to theft, fire, or accident;[4]
2. Maintain separate accounts by legal registration;
3. Arrange for timely execution and settlement of Investment Manager securities transactions made for DPFP;
4. Proactively reconcile transactions and reported values to Investment Manager statements;
5. Provide for receipt and prompt crediting of all dividend, interest and principal payments received as a result of DPFP portfolio holdings or securities lending activities;
6. Monitor income receipts to ensure that income is received when due and institute investigative process to track and correct late or insufficient payments, including reimbursement for any interest lost due to tardiness or shortfall;
7. At the direction of the Staff, expeditiously transfer funds into and out of specified accounts;
8. Timely collection of income, including tax reclaim;
9. Prompt and accurate administration of corporate actions, including proxy issues; and
10. Manage securities lending if authorized by the Board.

[4] Electronic transfer records at the Depository Trust Company ("DTC'') are preferred.

Section 6 Strategic Asset Allocation and Rebalancing

Note: The investment portfolio is undergoing a transition from a legacy allocation with substantial exposure to illiquid private market assets to a more traditional allocation profile. Significant variances to long-term allocation targets are expected to gradually diminish as private market assets are monetized. Rebalancing ranges have been established to accommodate current variances to target and will be tightened over time as appropriate.

A. Asset Allocation

1. The strategic asset allocation establishes target weights and rebalancing ranges for each asset class and is designed to maximize the long-term expected return of the Fund within an acceptable risk tolerance while providing liquidity to meet cash flow needs.
2. A formal asset allocation study will be conducted as directed by the Board, but at least every three years.
3. Asset allocation targets will be reviewed annually for reasonableness in relation to significant economic and market changes or to changes to the investment objectives.
4. Asset class descriptions are provided in Appendix A.
5. The approved asset allocation is included in Appendix B.

B. The Safety Reserve

The allocation to Cash and Short Term Investment Grade Bonds (the "Safety Reserve") is designed to cover approximately 18 months of projected benefit payments (net of contributions.) Based upon the current policy targets approved by the Board, the Safety Reserve target allocation is 9% of the Fund. The purpose of the Safety Reserve is to serve as the primary source of meeting any liquidity needs, particularly during a prolonged period of investment market stress. While the projected net benefit cash outflows are effectively known in advance, the market value of the Pension Fund's assets will fluctuate with market activity. Consequently, the size of the Safety Reserve, as a percentage of Pension Fund assets, will fluctuate.

C. Asset Class Structure

1. An asset class structure will be prepared for any asset class with multiple managers. The purpose of the structure review is to establish the investment manager roles and allocations that will be used to implement the asset allocation.
2. The asset class structure will emphasize simplicity and cost control, and toward that end will employ the minimum number of managers necessary to assure appropriate diversification within each asset class.
3. Asset class structures will be reviewed periodically, approximately every two years.
4. Any changes to the asset class structure must be approved by the Board.
5. Asset class structures for Private Markets will not be conducted until such time that new investments are being made in the asset class.

D. Rebalancing

1. It is expected to take multiple years to fully transition from the current exposure to the private markets towards the newly established long-term asset allocation.
2. Staff shall submit a rebalancing recommendation to the Consultant at least annually based on consideration of the entire portfolio, and additionally as soon as practicable when an asset class breaches an established rebalancing range or when deemed prudent by Staff or Consultant.
3. Rebalancing actions must move an asset class towards its target allocation. The Safety Reserve will be evaluated based on both the percentage allocation and the total dollars required for 18-months of expected, forward net benefit cash outflows when making rebalancing recommendations.
4. The Safety Reserve is not required to be rebalanced to target if deemed prudent by Staff and Consultant during periods of market stress.
5. Staff will notify the Board if the determination has been made to draw down the Safety Reserve to meet liquidity needs, rather than rebalancing to target.
6. Rebalancing recommendations should consider expected future cash flows, investment liquidity, market volatility, and costs.
7. Transition management should be considered to minimize transition costs.
8. Staff is responsible for implementing the rebalancing plan following Consultant and Executive Director approval.
9. Rebalancing recommendations and activity shall be reported to the Board and the IAC.

E. Private Market Provisions

1. DPFP will not commit capital to any direct private market investments or co-investments that are tied to a single company. This restriction does not prevent DPFP from holding direct investments that result from the dissolution of a private market fund.
2. DPFP will not commit capital to any private market fund if such commitment would likely result in DPFP holding greater than a 10% interest in the fund.
3. DPFP will not commit capital to any private market fund if such commitment exceeds 2% of the total market value of the DPFP investment portfolio.
4. DPFP will not commit to any private market fund if the current value plus total unfunded commitments to related funds (e.g. fund family) exceeds 5% of the total market value of the DPFP investment portfolio.
5. The private market commitment limitations outlined above, do not prevent the Board from making contributions necessary to protect DPFP interests.
6. The Board and Staff may consider and approve sales of private assets for less than the current net asset value of the asset reported to the Board. Factors affecting such a decision would include prices obtained after marketing the asset, liquidity, or overallocation to the relevant asset class.

Section 7 Investment Manager Search, Selection, and Monitoring

A. Investment Manager Search and Selection

1. The selection of investment managers will utilize a robust process to ensure an open and competitive universe, proper evaluation and due diligence, and selection of candidates that are best able to demonstrate the characteristics sought in a specific search.
2. Investment manager searches shall be based on one or more of the following reasons:
   a. Changes to the approved asset allocation;
   b. Changes to the approved asset class structure; or
   c. Replacement for terminated manager or manager of concern.
3. The IAC will advise regarding the search and selection process for investment managers.
4. Staff and Consultant shall define and document the search process, including evaluation criteria, prior to initiating the search process.
5. Each investment manager hiring recommendation shall be supported by a rationale that is consistent with the pre-established evaluation criteria.
6. Each hiring recommendation will generally include the following information:
   a. A description of the investment and the suitability within the relevant asset class;
   b. Whether the investment is categorized as Alternative or Traditional based on the criteria in Appendix D.
   c. A description of the organization and key people:
   d. A description of the investment process and philosophy;
   e. A description of historical performance and future expectations;
   f. The risks inherent in the investment and the manager's approach;
   g. The proper time horizon for evaluation of results;
   h. Identification of relevant comparative measures such as benchmarks and/or peer samples; and
   i. The expected cost of the investment.
7. Alternative Investments

   The Board has adopted the definition of "Alternative Investments" as outlined in Appendix D, which will be reviewed as part of the due diligence process for any new investment. Pursuant to Section 4.07 of Article 6243a-1, the vote of eight trustees is required to approve any Alternative Investment.

B. Investment Monitoring

1. Staff and Consultant(s) are responsible for ongoing monitoring of all Investment Managers using qualitative and quantitative factors as appropriate.
2. Qualitative factors may include:
   a. Consistent implementation of philosophy and process;
   b. Ownership changes or departure of key personnel;
   c. Assets under management at the firm and product level;
   d. Conflicts of interest;
   e. Material litigation or regulatory challenges involving the investment manager;
   f. Adequate reporting and transparency; and
   g. Material client-servicing problems.
3. Quantitative factors may include:
   a. Long-term (3-5 years) performance relative to assigned benchmarks;
   b. Unusually large short-term performance variance (over or under); and
   c. Risk metrics such as volatility, drawdown, and tracking error.
4. Staff and the Consultant will highlight Investment Manager concerns to the IAC and the Board and recommend an appropriate course of action.

Section 8 Risk Management

Staff will work within the parameters of this Investment Policy Statement to mitigate the risk of capital loss. By implementing this Policy, the Board has addressed:

A. Custodial Credit Risk for both public and private holdings;[5]

B. Interest Rate Risk through fixed income duration monitoring;[6]

C. Concentration of ~~Credit~~ Risk through asset allocation targets and ranges, rebalancing, and the monitoring of investment guidelines. Except for holdings of US government and agency securities, exposure to public securities of any individual issuer shall be limited to less than 5% of the total System assets. Concentration guidelines for Private Market investments are addressed in Section 6.E of this policy.

~~**C.**~~

Furthermore, through this Policy, Staff has established the necessary criteria to monitor the Custodian, Consultant(s), and Investment Managers, such that DPFP controls and manages interest rate, custody, concentration, and credit risks.

[5] Reference Custodian responsibilities in Section 5.

[6] Reference IPS Annual Review in Section 5.A.7of IPS and Investment Manager strategy guidelines reviewed and approved by Staff.

Section 9 Approval and Effective Date

The Investment Policy Statement was originally adopted by the Board on April 14, 2016 and was subsequently amended and adopted on the following dates.

December 14, 2017
January 10, 2019
March 14, 2019
February 13, 2020
July 9, 2020
November 12, 2020
March 11, 2021
August 12, 2021

APPROVED on ~~August 12, 2021~~ January 13, 2022 by the Board of Trustees of the Dallas Police and Fire Pension System.

____
Nicholas A. Merrick
Chairman

Attested:

____
Kelly Gottschalk
Secretary

Appendix A – Asset Class Descriptions

DPFP investment assets are prudently diversified to optimize expected returns and control risks. Assets can generally be categorized into four functional categories of Growth, Income, Inflation Protection, and Risk Mitigation

A. Growth Assets

1. Role: Capital appreciation, primary driver of long-term total return
2. Investment Approach: Growth assets generally represent equity or equity-like interests in current and future income streams and capture long-term economic growth trends throughout the world.
3. Risk Factors: The cost of the high expected long-term returns is higher expected volatility. Growth assets are highly sensitive to economic conditions and are subject to potential loss during economic downturns, rising/unexpected inflation, and rising interest rates.
4. Asset Classes
    a. **Global Equity** represents publicly traded stock holdings of companies across the globe. Liquidity is a key benefit as stocks can be traded daily. Foreign currency volatility can be a source of risk and return.
    b. **Emerging Markets Equity** represents publicly traded stock holdings of companies located in or highly dependent on developing (emerging) countries. Emerging markets equity is expected to capture the higher economic growth of emerging economies and provide higher long-term returns than global equity coupled with higher volatility. Foreign currency volatility can be a source of risk and return.
    c. **Private Equity** refers to investments in private companies (direct investments) or funds that hold investments in private companies or securities that are not typically traded in the public markets. Frequently these investments need "patient" capital to allow time for growth potential to be realized through a combination of capital investment, management initiatives, or market development. Private equity is expected to provide higher long-term returns than global equity, but illiquidity is a key risk as investment contributions may be locked up for several years.

B. Income Assets

1. Role: Current income and moderate long-term appreciation
2. Investment Approach: Income assets are generally fixed claims on assets or income streams of an issuer (e.g. government, corporation, asset-backed securities).
3. Risk Factors: The primary risk for Income assets is the failure of the borrower to make timely payments of interest and principal (credit risk) and the price volatility related to credit risk. Bonds with greater credit risk (i.e., bonds with lower credit ratings) are typically less liquid than higher quality bonds. Income assets may also be susceptible to interest rate (duration) risk where higher market interest rates reduce their value. Longer maturities have relatively higher interest rate risk.

B. Income Assets (continued)

4. Asset Classes

   a. **Bank Loans** are like high yield bonds in that both represent debt issuers with higher credit risk. Compared to high-yield bonds, bank loans typically have higher seniority in the capital structure, which has historically resulted in much higher recovery following default.

   b. **High Yield Debt** refers to bonds with higher credit risk and lower credit ratings than investment-grade corporate bonds, Treasury bonds and municipal bonds. Because of the higher risk of default, these bonds pay a higher yield than investment grade bonds.

   c. **Emerging Markets Debt** (EMD) refers to bonds issued by developing countries or corporations based in developing countries. EMD bonds can be denominated in U.S. Dollars or local currency. The primary risk factor is credit quality, but interest rates and foreign currency are also factors.

   d. **Private Debt** refers to non-bank direct lending arrangements. Features are similar to bank loans with somewhat higher credit risk and yields. Investments are typically structured in a private market vehicle with limited liquidity. Private debt may be included within the private equity asset class in the strategic asset allocation.

C. Inflation Protection (Real Assets)

1. Role: Current income, inflation protection, diversification

2. Investment Approach: Generally, ownership in physical assets.

3. Risk Factors: Real Assets may not provide the desired inflation protection. Loss of principal is also a risk. Foreign assets are also subject to currency movements against the U.S. dollar.

4. Asset Classes

   a. **Real Estate** includes investments in office buildings, apartments, hotels, industrial warehouses, retail, raw land, and development projects.

   b. **Natural Resources** broadly refers to anything mined or collected in raw form but may include assets subject to further processing. Typical assets include permanent and row crops, timber, minerals, and metals.

   c. **Infrastructure** refers to investments in physical systems that support world economies. Typical investments include transportation, communication, utilities (electricity, gas, water, sewage).

D. Risk Mitigation

1. Role: Liquidity to fund benefit payments and other cash flow needs, capital preservation, modest current income, diversification to growth assets.

2. Investment Approach: Cash equivalents or high-quality domestic bonds.

3. Risk Factors: Risks are substantially lower for risk mitigation assets but may include modest exposure to credit or interest rates (duration).

4. Asset Classes

   a. **Cash Equivalents**

   b. **Short Term Investment Grade Bonds** have moderate interest rate risk.

   c. **Investment Grade Bonds** including bonds and notes issued by the U.S Treasury, U.S. Government Agencies, state and local municipalities, corporations, or other issuers with similar conservative risk profiles. Risk factors include duration and credit.

Appendix B – Strategic Asset Allocation and Rebalancing Ranges

Asset Class	Policy Benchmark	Target Weight[1]	Minimum Weight	Maximum Weight
Equity		**65%**		
Global Equity	MSCI ACWI IMI Net	55%	36%	60%
Emerging Markets Equity	MSCI Emerging Markets IMI Net	5%	3%	7%
Private Equity	Cambridge Associates U.S. All Private Equity Index 1Q Lag	5%	N/A[2]	N/A[2]
Fixed Income		**25%**		
Cash	91 Day T-Bills	3%	0%	6%
Short Term Investment Grade Bonds	Bloomberg Barclays 1-3 Year U.S. Aggregate TR	6%	0%	9%
Investment Grade Bonds	Bloomberg Barclays U.S. Aggregate TR	4%	2%	6%
Bank Loans	Credit Suisse Leveraged Loan	4%	2%	6%
High Yield Bonds	Bloomberg Barclays U.S. Corporate High Yield TR	4%	2%	6%
Emerging Markets Debt	50% JPM EMBI/ 50% JPM GBI-EM	4%	2%	6%
Private Debt	Barclays U.S. HY TR + 2%	0%	N/A[2]	N/A[2]
Real Assets		**10%**		
Real Estate	NCREIF Property Index 1Q Lag	5%	N/A[2]	N/A[2]
Natural Resources	NCREIF Farmland TR Index 1Q Lag	5%	N/A[2]	N/A[2]
Infrastructure	S&P Global Infrastructure	0%	N/A[2]	N/A[2]
Total		**100%**		

1 – The investment portfolio is undergoing a transition from a legacy allocation with substantial exposure to illiquid private market assets to a more traditional allocation profile. Significant variances to long-term allocation targets are expected to gradually diminish as private market assets are monetized. Rebalancing ranges have been established to accommodate current variances to target and will be tightened over time as appropriate.
2 – Rebalancing Ranges are not established for illiquid asset classes.

Appendix C – Investment Consultant Reporting Requirements

The investment consultant is required to provide the Board with quarterly investment information for portfolio monitoring purposes. Generally, these are as follows:

Quarterly (due in advance of the meeting)

1. DPFP's actual asset allocation relative to its target asset allocation as defined in Appendix B.
2. DPFP's return relative to its Policy Benchmark return and other public pension funds.
3. DPFP's risk adjusted returns relative to the policy and other public pension funds.
4. Asset class performance relative to the benchmarks as defined in Appendix B.
5. Individual Investment Manager returns relative to their stated benchmark.
6. Report will specifically acknowledge any underperforming Investment Managers.
7. Any reportable events affecting any of DPFP's Investment Managers.
8. Private Markets reports which covers Private Debt, Private Equity, Infrastructure, Natural Resources and Real Estate.

Appendix D – Alternative Investments

Alternative Assets means any investment that is not a Traditional Asset.

Traditional Assets include:

1. Common Stocks: publicly traded securities representing ownership in a corporation; also known as publicly-traded equity. Examples include publicly traded equity shares of public companies, REITs, and ADRs. Regional examples include shares of companies domiciled in the US, non-US developed markets and emerging markets.

2. Bonds: publicly-traded securities, the holders of which serve as creditors to either governmental or corporate entities. Examples include government bonds and corporate bonds, including senior bank loans. Regional examples include US government issued bonds, non-US international developed markets issued bonds, and emerging markets issued bonds. Credit examples include investment grade bonds and non-investment grade bonds (e.g. high yield bonds and bank loans).

3. Cash Equivalents: short-term investments held in lieu of cash and readily convertible into cash within a short time span. Examples include CDs, commercial paper, and Treasury bills.

Though an exhaustive list is not included, some of the defining characteristics of Alternative Assets and their vehicles include:

1. Private ownership vehicles
2. Liquidity-constrained, and a lock-up of capital for extended time periods (one-year or longer)
3. Use of leverage
4. Ability to take short positions
5. Use of derivatives

The Board recognizes that certain investments may have characteristics and underlying securities that could be classified as both a Traditional and Alternative Investment. On any new investment recommendation, Staff and Consultant will propose a categorization for such investment as either Alternative or Traditional based on these criteria, with a focus on liquidity of the investment, for the Board's consideration.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C7

Topic: **Investment Advisory Committee Appointments**

Discussion:

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

The Investment Policy stipulates that there must a majority of outside investment professionals on the Investment Advisory Committee (IAC) and that members shall serve two-year terms. Currently the IAC has an equal number of outside investment professionals and Trustees. Staff will discuss two potential outside investment professionals for the Board's consideration. The current IAC members and terms are as follows:

IAC Seat	Name	Start Date	IAC Term End Date
Board Member #1	Gilbert Garcia	9/13/18	12/31/22
Board Member #2	Michael Brown	11/12/20	12/31/22
Board Member #3	Ken Haben	11/12/20	12/31/22
External #1	Scott Freeman	9/13/18	12/31/22
External #2	Robert Jones	1/10/19	12/31/22
External #3	Rakesh Dahiya	7/9/20	12/31/23

DISCUSSION SHEET

ITEM #C7
(continued)

Recommendation: Staff **recommends** appointing the two investment professionals with terms ending 12/31/23.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C8

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

Discussion: The Investment Advisory Committee met on December 16, 2021. The Committee Chair and Investment Staff will comment on Committee observations and advice.

Regular Board Meeting – Thursday, January 13, 2022

DISCUSSION SHEET

ITEM #C9

Topic: **International (Non-US) Small Cap Equity Manager Recommendation**

Discussion: Working with Meketa, staff has conducted a search for an International Small Cap Core equity manager. The Investment Advisory Committee provided advice regarding the search and interviewed two finalists. Staff and Meketa will discuss the search process and the recommendation.

Staff Recommendation: **Available** at the meeting.

Global Alpha International Small Cap Equity

Updated as of 1/4/22

PROPOSED NEW INVESTMENT		
1)	Name of investment and manager	Global Alpha International Small Cap Equity
2a)	DPFP Asset Class	Global Equity
2b)	Asset class allocation / target	44% current / 55% target
3a)	DPFP Sub-Asset Class	International Small Cap Equity
3b)	Sub-Asset class allocation / target	0% current / 4% target
4)	Proposed investment size	$80M - 4% of DPFP
5)	Projected funding date and schedule	Q1 2022
INVESTMENT STRATEGY/STRUCTURE		
1)	Investment strategy	International small cap core focused on Quality Earnings with GARP Approach
2)	Total fund or strategy size	$3.8B
3)	Firm assets under management	$5.5B
4)	Investment Legal Structure	Commingled Fund
5)	Liquidity	5 business days / 15 business days for full redemption
6)	Proposed Benchmark	MSCI EAFE Small Cap-ND
7)	Peer Group	EAFE Small Cap Core Equity
DUE DILIGENCE INFO		
1)	Staff meetings with manager	Staff interview 11/10/21, IAC interview 12/16/21
2)	Consultant Recommendation	Attached
3)	Staff Recommendation	Attached
4)	IAC Interview & Recommendation Date	12/16/2021
5)	Expected Board Approval Date	1/13/2022

DALLAS POLICE & FIRE PENSION SYSTEM

INTERNATIONAL SMALL CAP SEARCH

Date:	January 13, 2022
To:	DPFP Board of Trustees
From:	DPFP Investments Staff
Subject:	International (Non-US) Small Cap Manager Recommendation

Executive Summary & Recommendation

Staff, with the assistance of Meketa, initiated the search process for an International (non-US) Small Cap Equity manager and narrowed down our shortlist to six managers. Staff received Request for Proposals (RFPs) from all six managers and interviewed four managers. Staff then narrowed the list down to two finalists who presented to the Investment Advisory Committee (IAC) at the December 16th meeting. The IAC agreed with staff's recommendation to hire Global Alpha International Small Cap to actively manage the allocation to International Small Cap Equity within the Global Equity portfolio. Based on the Public Equity Structure Review approved by the Board in November, the target allocation to International Small Cap is 4%, or approximately $80M. Staff expects to fund an initial amount of approximately $40M to Global Alpha from the Northern Trust Passive Global Equity Fund, and then fund the remainder with future cash flows from private market liquidations. Meketa concurs with the recommendation.

Search Process

At the December 2020 Board meeting, the DPFP Board approved a Global Equity Structure that added passive equity as well as dedicated US and International (non-US) small cap exposure. Based on the updated Asset Allocation and 2021 Equity Structure, the small cap allocation to both US and International is targeted at 4% each of DPFP portfolio. The Investment Advisory Committee (IAC) reviewed and supported the Small Cap search process at the March 2nd IAC meeting, which considered separate searches for US and International Small Cap mandates. Minimum requirements included 5-year product track record and Staff noted our preference for small cap exposure versus SMID and "near-core" style, which may include relative value or growth at a reasonable price (GARP).

Staff began the search through a data download from eVestment of all 168 strategies/products in the Non-US Diversified Small Cap Equity universe. Staff ran separate screens on the products' AUM, inception date, excess returns, volatility, style bias, average market capitalization, preferred benchmark, and tracking error. The screens resulted in a list of 13 international small cap products. Meketa provided DPFP a shortlist of 10 International small cap managers on July 27th, three of which were crossover names from the staff eVestment screens. After discussion with Meketa, staff was able to eliminate another 10 names reducing the list down to 10 strategies.

DALLAS POLICE & FIRE PENSION SYSTEM

Staff conducted an additional level of research on the remaining strategies through eVestment in order to finalize the RFP Shortlist down to six strategies. The additional review focused on primarily product AUM including share of institutional assets, AUM gains/losses over past 5 years, market cap focus (screened out SMID and Microcap tilts) and tracking error.

RFP Shortlist: At the September 23rd IAC meeting, staff discussed the six proposed shortlist managers and the search process to date with the IAC. Committee members were supportive of the proposed shortlist and the form of the Request for Proposal (RFP). On October 1st, staff sent the RFP to the following six managers with an October 15th submission deadline:

1. Driehaus International Small Cap Growth
2. Global Alpha International Small Cap
3. Highclere International Investors Smaller Companies Fund
4. Kabouter International Small Cap
5. Kayne Anderson Rudnick International Small Cap
6. Wellington International Small Cap Research Equity

Staff independently evaluated the RFP responses based on the criteria laid out in the search document. After completion of the internal review, staff held a call with Meketa on November 1st to discuss their views on each of the firms, points of concern and next steps to move forward.

Managers Selected for Interview: Staff and Meketa agreed to narrow the list for interview down to the following four managers: Driehaus, Global Alpha, Kayne Anderson Rudnick, and Wellington.

Staff held calls with the four managers in mid-November. Each of the three Investments Staff members ranked the four firms that were interviewed. The following scoring summary provides the combined ranking based on each Staff members individual rankings. Staff used a 1 through 4 ranking system, with 1 being the best score.

	Organization	Investment Team	Philosophy Process	Performance	Fees (with OpEx)	Overall	
	20%	20%	25%	25%	10%	Score	Rank
Driehaus	2	2	4	2	1.5	2.45	3
Global Alpha	1	1	1	3	4	1.80	1
Kayne Anderson	4	3	2	1	1.5	2.30	2
Wellington	3	4	3	4	3	3.45	4

Meketa and Staff held a call on December 2nd to discuss our review of the four managers under consideration, address any concerns, and decide on selecting Global Alpha and Driehaus as finalists to present to the IAC. At the December 16th IAC, Staff recommended hiring Global Alpha International Small Cap primarily due to the firm's focus on small cap equities, a stable and tenured investment team, and a well explained investment philosophy that results in a Core style. The IAC concurred with staff's recommendation.

Global Alpha Summary: Information required by section 7.A.6 of the Investment Policy.

The following is a summary of information required by section 7.A.6 of the Investment Policy.

a. A description of the organization and key people:

Global Alpha is based in Montreal, Canada and was founded in 2008. The firm solely focuses on small cap equities and has $5.5B in assets under management and 6 partners at the firm. The investment team is led by CIO Robert Beauregard, who founded the firm. The Global Alpha teams owns 51% of the firm, with Conner, Clark, and Lunn Financial Group (CC&L) owning the other 49%. Additional information is available in attached documents.

b. A description of the investment process and philosophy;

Global Alpha believes that earnings growth per share drives stock prices and that secular growth themes will support outperformance. The strategy seeks to invest in companies with growth potential that has yet to recognized by the market and holds positions for 3- to 5-years. The team pursues quality growth companies which results in a high conviction, low turnover (20-30% annually) portfolio that currently has 65 holdings. The strategy is unique in that it does not allocate to emerging markets. The strategy has maintained its core and small cap style through many market environments.

c. A description of historical performance and future expectations;

The investment portfolio is focused on quality companies and has a slight growth tilt. Global Alpha expects the strategy to keep pace in up markets and outperform in down markets. Global Alpha has exhibited solid long-term performance returning 14.66% over the 10-year period ending September 30, 2021, as compared to a benchmark return (MSCI EAFE Small Cap) of 10.73%, ranking the strategy in the 12th percentile compared to the International Small Cap Core universe. In 2020, Global Alpha slightly underperformed the benchmark (7.96% vs. 12.3%) due to the quality bias in the portfolio. The long-term tracking error compared to the MSCI EAFE Small Cap benchmark has been approximately 4%.

d. The risks inherent in the investment and the manager's approach;

The Global Alpha International Small Cap strategy is nearing capacity as they have $3.8B in AUM and plan to soft close at just over $4B. Staff initially noted concerns around capacity but was ultimately satisfied with Global Alpha's planned soft close. Staff also noted potential key person concerns with Robert Beauregard but were able to gain comfort given the qualifications of the other team members. Global Alpha has been transitioning ownership from Mr. Beauregard to other members of the team over the past several years.

The Global Alpha process tends to outperform both benchmarks and peers when markets reward quality, growth companies and in down markets. Conversely, Global Alpha tends to underperform during periods when deep value, cyclical stocks have short-term momentum. An example is a market environment where equity valuations are stretched and momentum-driven stocks outperform those with sound fundamentals.

e. The proper time horizon for evaluation of results;

Staff views trailing 3-year and 5-year perspectives as the appropriate time horizon for evaluation.

f. Identification of relevant comparative measures such as benchmarks and/or peer samples;

The benchmark is the MSCI EAFE Small Cap. Global Alpha will be compared to the EAFE Small Cap Core Equity peer universe.

g. The suitability of the investment within the relevant asset class; and

Global Alpha is suitable for the International Small Cap Equity sleeve of the Global Equity allocation.

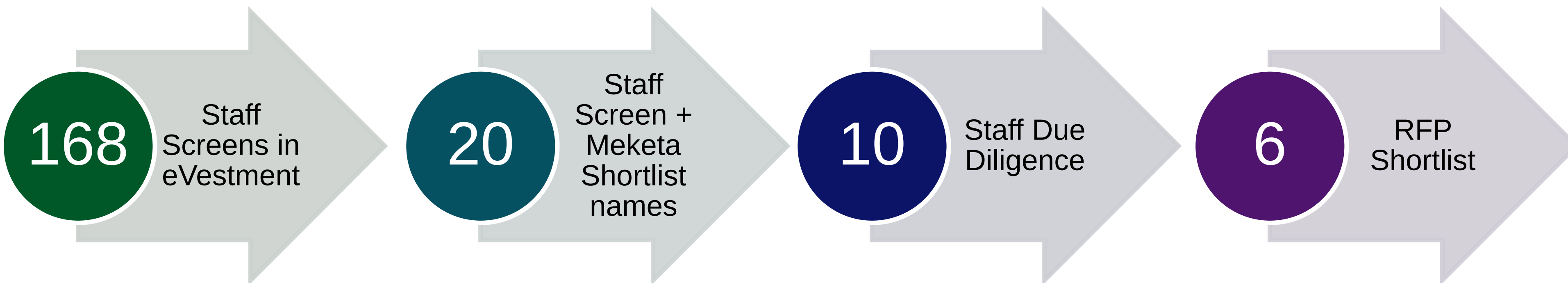
h. The expected cost of the investment.

Staff expects the annual fees, including fund operating expenses, to be $768,000.

International Small Cap Equity Search Process & Finalist Recommendation

January 13th, 2022

International Small Cap Search Process



RFPs were sent to the following managers and all were received by the deadline of October 15th.

1. Driehaus International Small Cap Growth
2. Global Alpha International Small Cap
3. Highclere International Investors Smaller Companies Fund
4. Kabouter International Small Cap
5. Kayne Anderson Rudnick International Small Cap
6. Wellington International Small Cap Research Equity

International Small Cap Search Interview Process

After reviewing the RFPs, the following managers were interviewed for one hour each between November 10th and November 18th

1. Driehaus International Small Cap Growth
2. Global Alpha International Small Cap
3. Kayne Anderson Rudnick International Small Cap
4. Wellington International Small Cap Research Equity

After the interviews, the following managers were selected as finalist candidates to present to the IAC

1. Driehaus International Small Cap Growth
2. **Global Alpha International Small Cap – Recommended Manager**

Staff Scoring Summary

Managers ranked 1 thru 4 in each category, with 1 being best.
Ranks by category below based on average ranking of Ryan, Mike and Greg.

	Organization 20%	Investment Team 20%	Philosophy/Process 25%	Performance 25%	Fees (w/ OpEx) 10%	Overall Score	Overall Rank
Driehaus	2	2	4	2	1.5	2.45	3
	• Trust ownership • Steady AUM growth	• Team only focused on this product • Long track record of lead PM	• Well defined process • Ranked lower due to growth focus	• L/T outperformance • Growth tail-wind	80 bps	Good option if Board/IAC is comfortable with growth strategy	
Global Alpha	1	1	1	3	4	1.80	1
	• Small Cap only firm • Internationally diverse team • Divesting CIO ownership	• No departures since inception • Nearing capacity	• Core focused • Quality bias • Well defined process • No EM	• Good L/T performance • 2020 down year dragging returns	95 bps	Top overall and Staff preference	
Kayne Anderson	4	3	2	1	1.5	2.30	2
	• Publicly owned parent Co. • Intl Small Cap product migration	• PM oversees other products • Rapid AUM growth • New Co-PM in 2017	• Concentrated • Low turnover • High Quality at reasonable price • Growth tilt	• Best L/T performance • Lowest drawdown • Few outlier years drive performance	80 bps	High conviction option, but concern around Small Cap product migration	
Wellington	3	4	3	4	3	3.45	4
	• Large private firm • High % of product in sub-advised mutual funds	• Concern on GI Analyst's focus since product is a small % of firm AUM	• Lower tracking error • High # of holdings • Diversifies away risk	• Good risk-adj returns • Largest drawdowns	83 bps	Lower tracking error and Differentiated "research" portfolio	

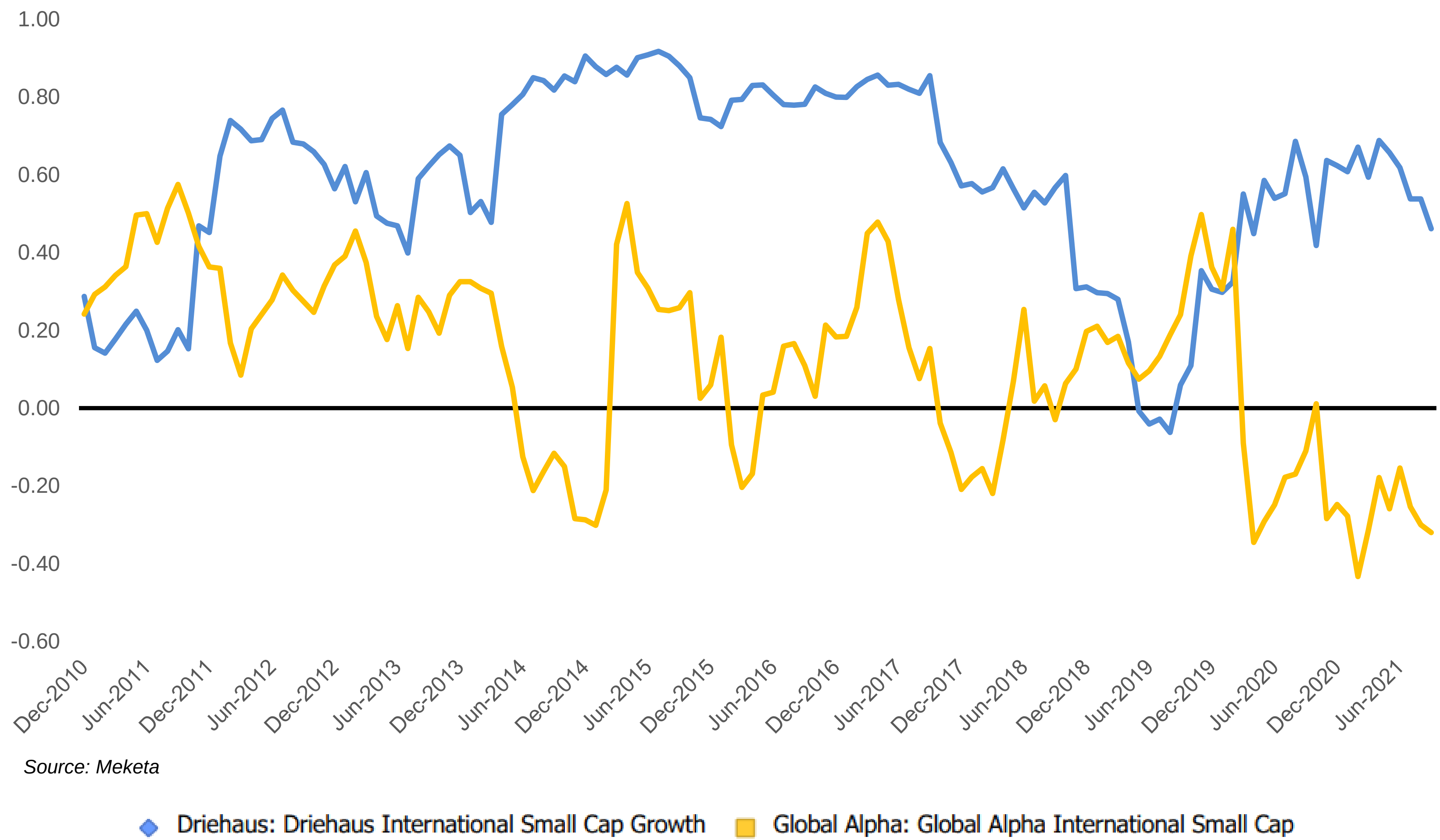
DALLAS POLICE & FIRE PENSION SYSTEM

FINALISTS OVERVIEW AND PERFORMANCE COMPARISON

Finalist Comparison

	Driehaus International Small Cap Growth	Global Alpha International Small Cap
Firm AUM:	$13.8B	$5.5B
Product AUM:	$1.3B	$3.8B
Commingled Fund Size:	$300M	$1.4B
Capacity:	$3B soft close	~$4B soft close
Strategy Inception:	2001	2010
Employee Ownership:	100% Driehaus Trust Owned	51%, CC&L owns 49%
Firm Diversity:	N/A – Family Trust Owned	13% Minority Owned
Investment Team:	2 PMs / 4 Analysts	6 PMs / 4 Analysts
Philosophy/Process:	Growth Manager: High turnover and bottom-up fundamental and macro research	Quality Earnings with a GARP approach
# of Holdings:	111	63
Annual Turnover (LTM):	90%	26%
Active Share:	94%	94%
Proposed Fee:	80 bps	95 bps
Meketa Bullpen:	Yes	No

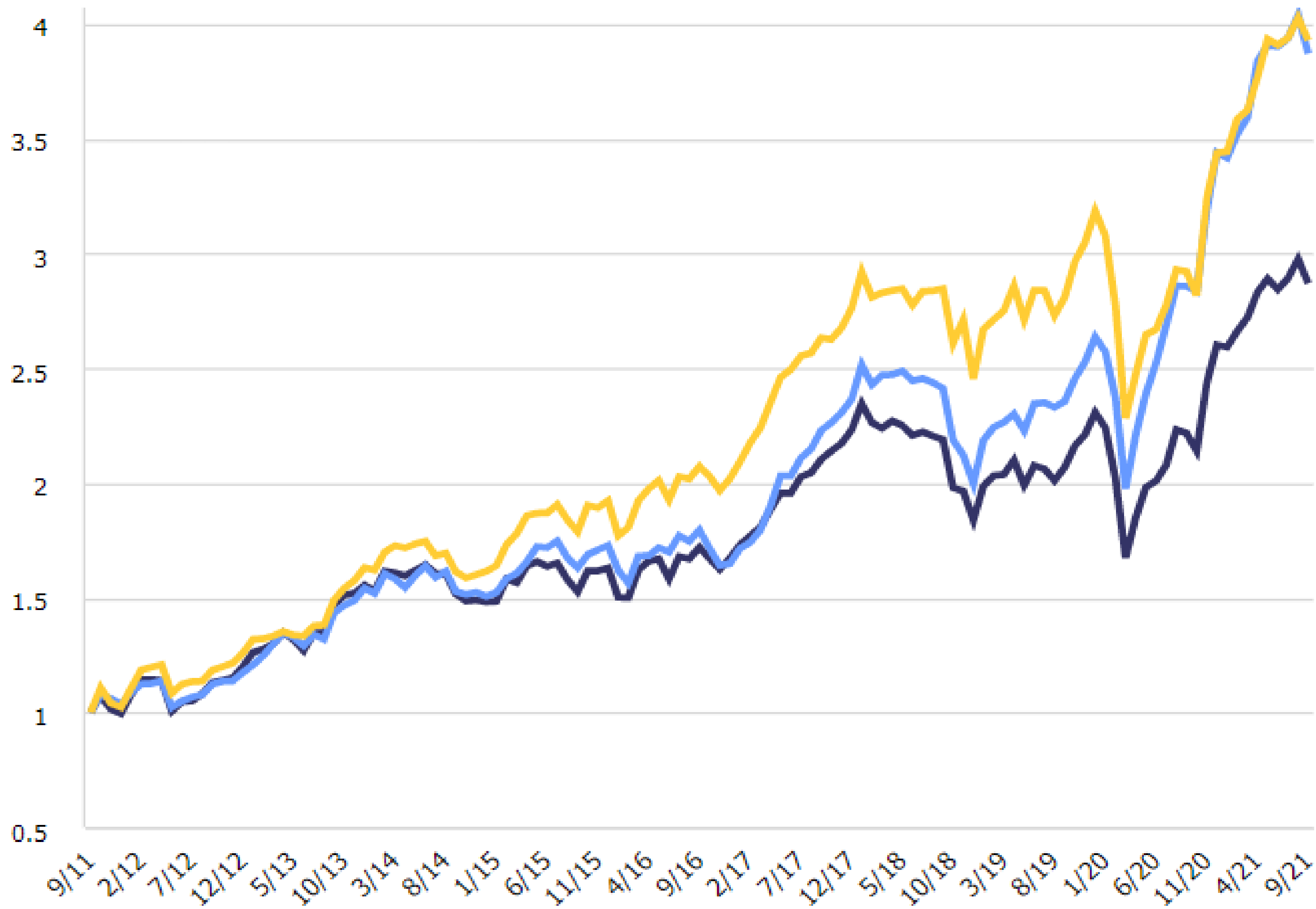
Rolling 1-Year Excess Returns Correlation to Growth



Source: Meketa

Global Alpha has more of a core style, while Driehaus has a growth tilt

Finalists - Growth of $1 (Trailing 10-yr)



Source: eVestment

◆ Driehaus: Driehaus International Small Cap Growth ■ Global Alpha: Global Alpha International Small Cap ■ MSCI Index: MSCI EAFE Small Cap-ND

Over the long run, both managers have outperformed the MSCI EAFE Small Cap Index

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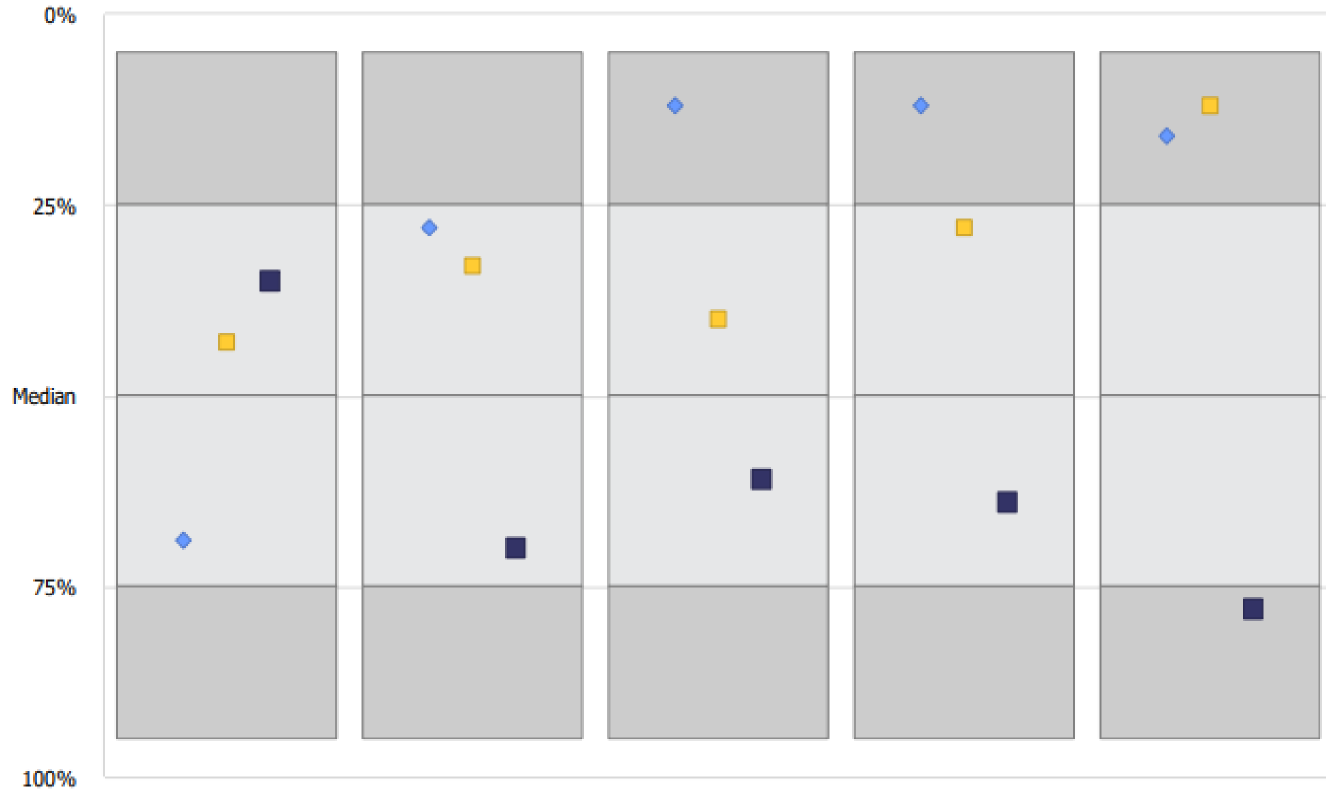
Finalists – Performance Annualized Returns (as of 9/30/21)



Source: eVestment

	MRQ	Rk	1 Year	Rk	3 Years	Rk	5 Years	Rk	10 Years	Rk
◆ Driehaus Capital Management LLC: Driehaus International Small Cap Growth	-0.76	69	35.50	28	17.08	12	16.62	12	14.49	16
■ Global Alpha Capital Management Ltd.: Global Alpha International Small Cap	0.50	43	34.45	33	11.33	40	13.64	28	14.66	12
■ MSCI Index: MSCI EAFE Small Cap-ND	0.90	35	29.02	70	9.05	61	10.38	64	10.73	78

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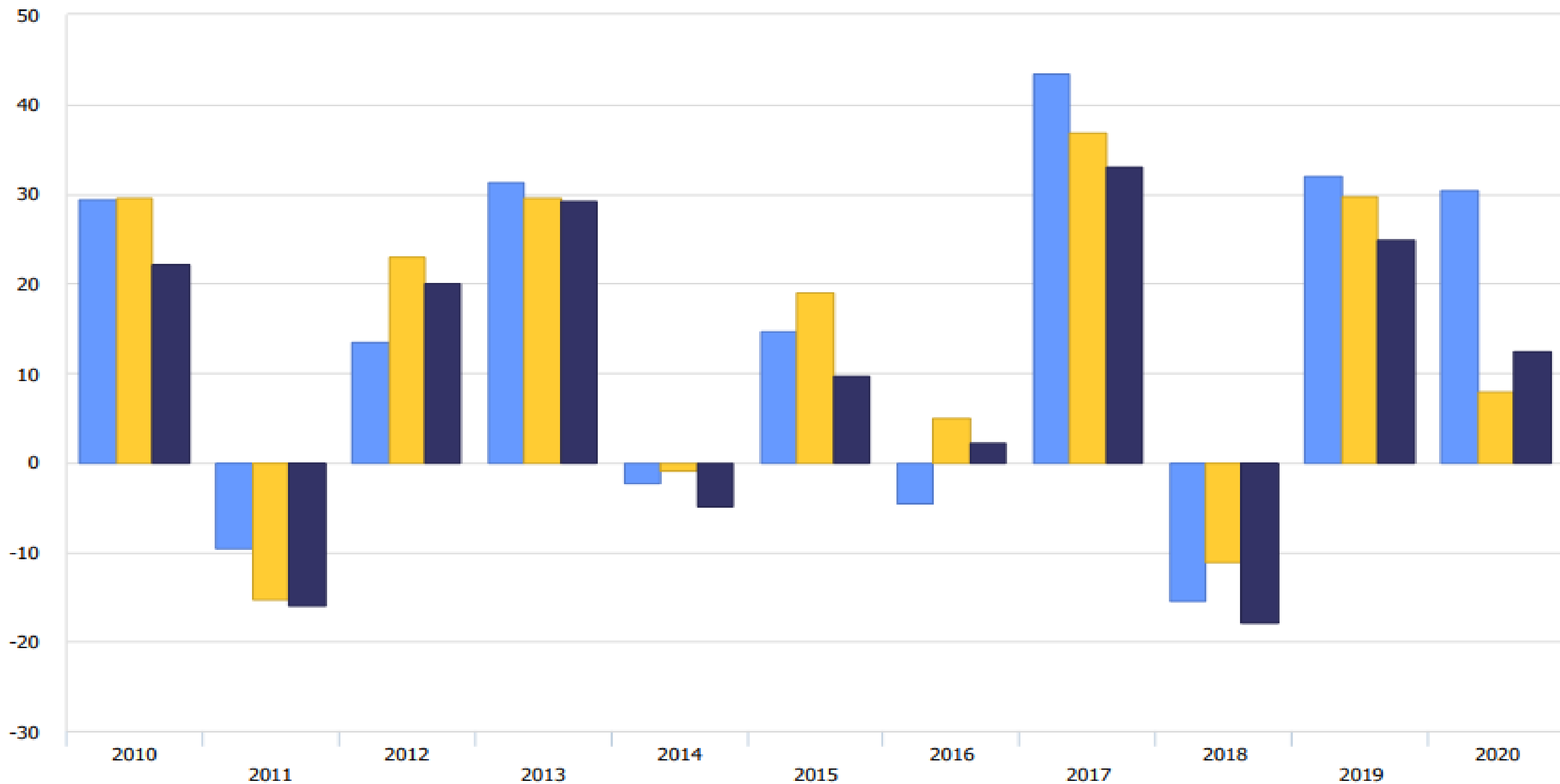
Finalists – Performance Calendar Year



Source: eVestment

Driehaus: Driehaus International Small Cap Growth
Global Alpha: Global Alpha International Small Cap
MSCI Index: MSCI EAFE Small Cap-ND

Firm Name	Data Source	VT	RM	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Driehaus Capital Management LLC	IM	SA	Gross	29.35	-9.53	13.43	31.28	-2.35	14.75	-4.61	43.48	-15.51	31.95	30.49
Global Alpha Capital Management Ltd.	IM	SA	Gross	29.63	-15.34	23.02	29.64	-0.98	19.02	4.99	36.83	-11.14	29.76	7.96
MSCI Index	IM	IX	Index	22.04	-15.94	20.00	29.30	-4.95	9.59	2.18	33.01	-17.89	24.96	12.34

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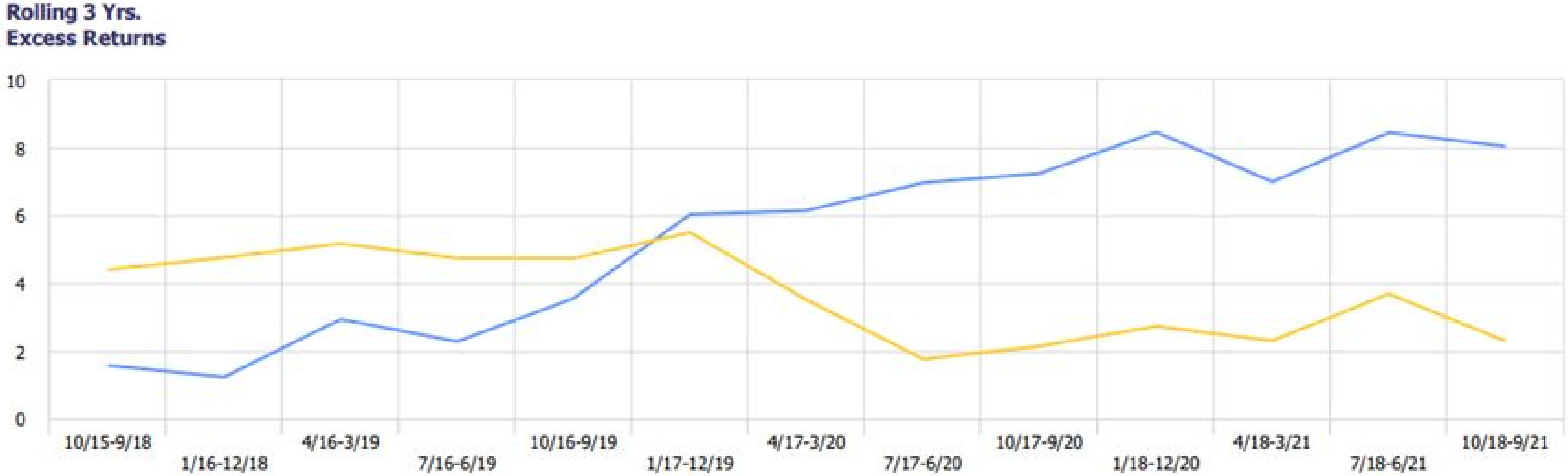
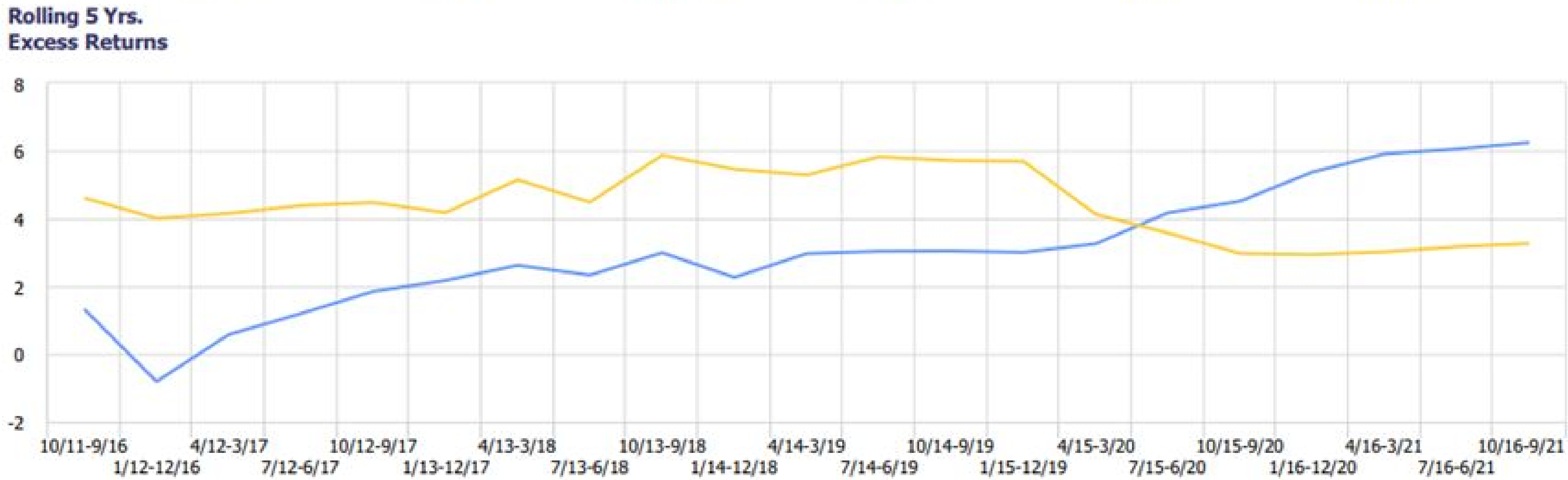
Finalists – Rolling Excess Returns

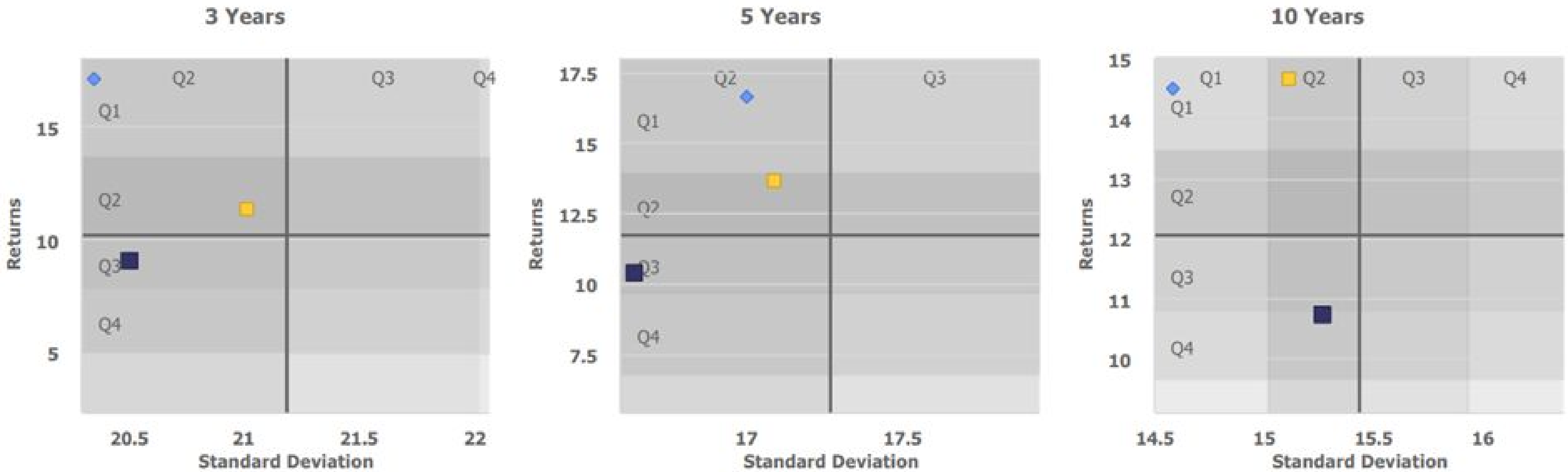




Source: eVestment

Driehaus: Driehaus International Small Cap Growth   Global Alpha: Global Alpha International Small Cap

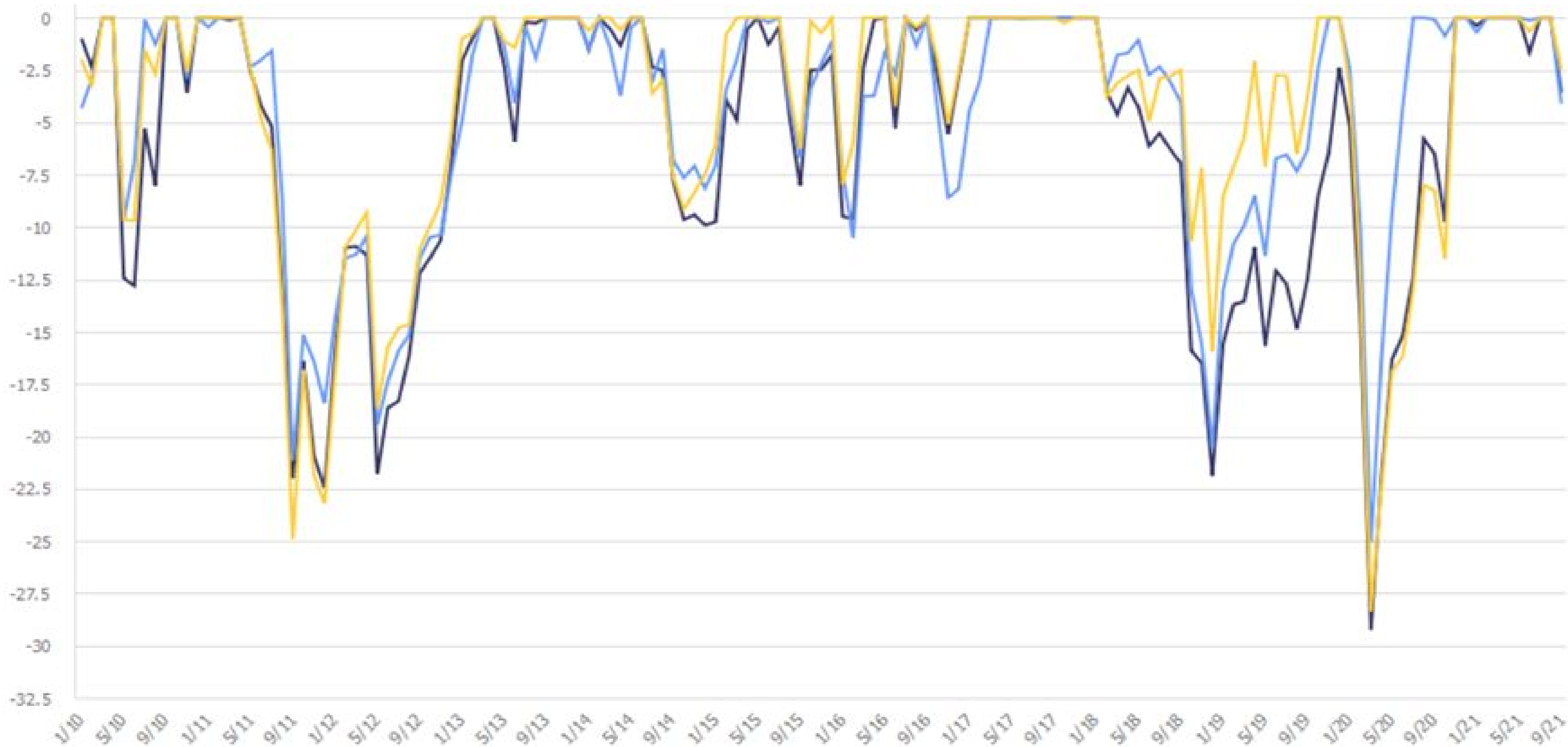
Finalists – Return vs. Risk (as of 9/30/21)



Source: eVestment

◆ Driehaus: Driehaus International Small Cap Growth ■ Global Alpha: Global Alpha International Small Cap ■ MSCI Index: MSCI EAFE Small Cap-ND

Finalists – Drawdown Insights



Source: eVestment

	Driehaus International Small Cap Growth	Global Alpha International Small Cap
Max Drawdown:	25.1%	28.3%
Downside Market Capture:	88.6%	81.7%
Max Drawdown Length:	3 months	3 months

Finalists – Correlation of Excess Returns to DPFP Managers

Correlation vs Managers Individual Benchnmarks[1]
(Longest Common Period, As of September 30, 2021)[2]

	Boston Partners	Manulife	Invesco	Walter Scott	Eastern Shore	RBC	Driehaus	Global Alpha
Driehaus	0.07	0.21	0.13	0.2	0.09	0.43	1	
Global Alpha	0.11	0.07	-0.01	0.01	0.02	0.06	0.05	1

A consideration when combining managers within a multi-manager portfolio is the co-movement, or correlation, of their excess returns over time. Excess returns are defined as an individual manager's performance relative to the index. Ideally, each manager within the portfolio will exhibit a low correlation of excess returns with other managers in the multi-manager program.

Source: Meketa

[1] Benchmarks: MSCI World: Boston Partners | MSCI ACWI: Manulife, Invesco, Walter Scott | Russell 2000: Eastern Shore | MSCI EM IMI: RBC | MSCI ACWI ex-US Small Cap Growth: Driehaus | MSCI EAFE Small Cap: Global Alpha

[2] Longest Common Period: April 30, 2010 to September 30, 2021

RFP SHORTLIST MANAGER SUMMARIES AND RATIONALE

Driehaus International Small Cap Growth – *Finalist*

Founded:	1982
Ownership:	100% Driehaus Family Trust
AUM (as of 9/30/2021):	$1.3B
Investment Team:	2 PMs / 4 Analysts
Philosophy/Process:	Growth Manager: High turnover, bottom-up fundamental & macro research
Proposed Fee (w/ Op Ex):	80 bps

Rationale:

- Meketa bullpen manager and Meketa has 4 clients with $68M invested
- Investment team solely focuses on this International Small Cap Product
- Significant excess returns for the trailing 1-, 3-, and 5- year periods
- While Staff is concerned that they are labeled as a growth manager, the tracking error to the core benchmark is relatively low and we are comfortable with them as a finalist

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Global Alpha International Small Cap – *Finalist*

Founded:	2008
Ownership:	51% employee owned / 49% owned by CC&L Financial
AUM (as of 9/30/2021):	$3.8B
Investment Team:	6 PMs (including lead CIO)/ 4 Analysts / 1 Trader
Philosophy/Process:	Quality Earnings with GARP Approach
Proposed Fee (w/ Op Ex):	95bps

Rationale:

- Meketa has high conviction and has 1 client with $151M invested in the strategy
- Firm is solely focused on managing small cap equities and the product is a core strategy
- Positive excess return for trailing 1-, 3-, and 5-year, but 2020 underperformance lowered returns
- No EM allocation is a consideration since DPFP's sole EM Manager does not have meaningful exposures to EM Small Cap
- Concern about capacity as the product's AUM is $3.8B as of 9/30/21, but it will soft close at just over $4B

MEKETA
INVESTMENT GROUP

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MEMORANDUM

TO: Investment Staff, Dallas Police & Fire Pension System
FROM: Leandro Festino, Aaron Lally, Hayley Tran, Colin Kowalski, Meketa Investment Group
DATE: January 5, 2022
RE: DPFP International Small Cap Core Manager Search Review

Background

At the December 2020 meeting, the DPFP Board of Trustees approved the addition of a dedicated International Small Cap mandate, among other changes, to the Global Equity portfolio structure. In this document we provide a high-level review of the process followed by Staff in conjunction with Meketa under the guidance of the Investment Advisory Committee (IAC).

Manager Search Process

- July 2021:
  - In advance of the search, DPFP Staff ("Staff") outlined the manager search process and conferred with Meketa. This included minimum requirements and evaluation criteria to ensure a robust and competitive process. These requirements and criteria are listed in the appendix to this memo.
  - Independently Meketa prepared a list of its top 10 manager candidates and Staff, using eVestment, came up with a list of 13 manager candidates. Three names overlapped.
  - The first of many conference calls was held between Meketa and Staff debating the merits of each candidate.
- August 2021:
  - The IAC approved the search process and encouraged Staff to ensure that all eligible emerging and diverse managers be considered during the search.
  - Additional diligence (and conference calls) were held between Meketa and Staff in attempts to arrive at a short list of preferred candidates.
- September 2021:
  - Based on Staff's research, in consultation with Meketa's comments and information provided during conference calls and data requests, Staff narrowed down the list to six candidates.
  - Staff and Meketa reconvened to discuss the managers on the shortlist in greater detail. Meketa provided staff with one-pagers on each manager.

M

January 5, 2022

- Staff updated the IAC on the progress made. The IAC supported issuing an RFP to the short list of six managers and noted a preference for Staff to narrow down the candidates to 2-4 finalists to be interviewed by them.

- October 2021:
  - The RFP was issued by Staff, with all six shortlisted firms responding. Staff reviewed the managers' responses and eliminated two candidates. Staff shared their views with Meketa. Meketa provided additional commentary on both eliminated and surviving managers.
- November 2021:
  - Staff interviewed (virtually) the four remaining candidates.
- December 2021:
  - Staff's narrowed down the list to two finalists, Global Alpha and Driehaus (see rationale in IAC meeting materials). Meketa concurred with Staff. Both managers were on Meketa's original list of high conviction managers.
  - The IAC interviewed Global Alpha and Driehaus at the December meeting, and after discussion and deliberation, voted to recommend that the Board hire Global Alpha International Small Cap strategy.

Summary

DPFP Investment Staff have carried out a thoughtful, comprehensive, robust and well documented process to identify qualified firms to manage the International Small Cap mandate. The process was transparent and carried out under the guidance of the IAC, with extensive collaboration with Meketa. We believe that Staff, the IAC and Meketa's efforts on this search are in line with guidance provided in the Investment Policy Statement (IPS) and consistent with industry best practices.

Meketa supports the recommendation to hire Global Alpha.

We would be pleased to elaborate on this topic when we attend the January 2022 Board of Trustees meeting.

In the meantime, if we can be of assistance, please don't hesitate to contact us at (760) 795-3450.

LF/AL/HT/CK/sf

January 5, 2022

Appendix

Minimum Requirements:

1. Five-year product track record
2. Compliance with Global Investment Performance Standards (GIPS)
3. Clean legal and regulatory track record for past five years

Evaluation Criteria focused on:

1. Separate account or commingled fund allowed
2. Small cap exposure preferred vs. SMID
3. Preference for "near-core" style, Relative value and GARP may be acceptable, but deep value and aggressive growth products will not.
4. Clearly defined investment philosophy and process that engenders DPFP staff conviction
5. Clearly defined risk controls
6. Product AUM > $200 million or higher with a diversified client base
7. Available product capacity
8. Capacity controls and limits
9. Organization strength and stability
10. Investment Team strength and stability
11. Risk measures including volatility, tracking error, absolute drawdown, and relative drawdown vs. benchmark index
12. Fit/diversification with existing DPFP public equity portfolio
13. Risk-adjusted alpha
14. Risk and Performance evaluation, including cumulative and rolling 3- and 5-year analysis
15. Quality of investment reporting to appropriately explain positioning and drivers of performance (absolute and relative)
16. Fees relative to the reporting universe, candidates under consideration and as a percentage of projected risk-adjusted alpha

DISCUSSION SHEET

ITEM #C10

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

January 13th, 2022

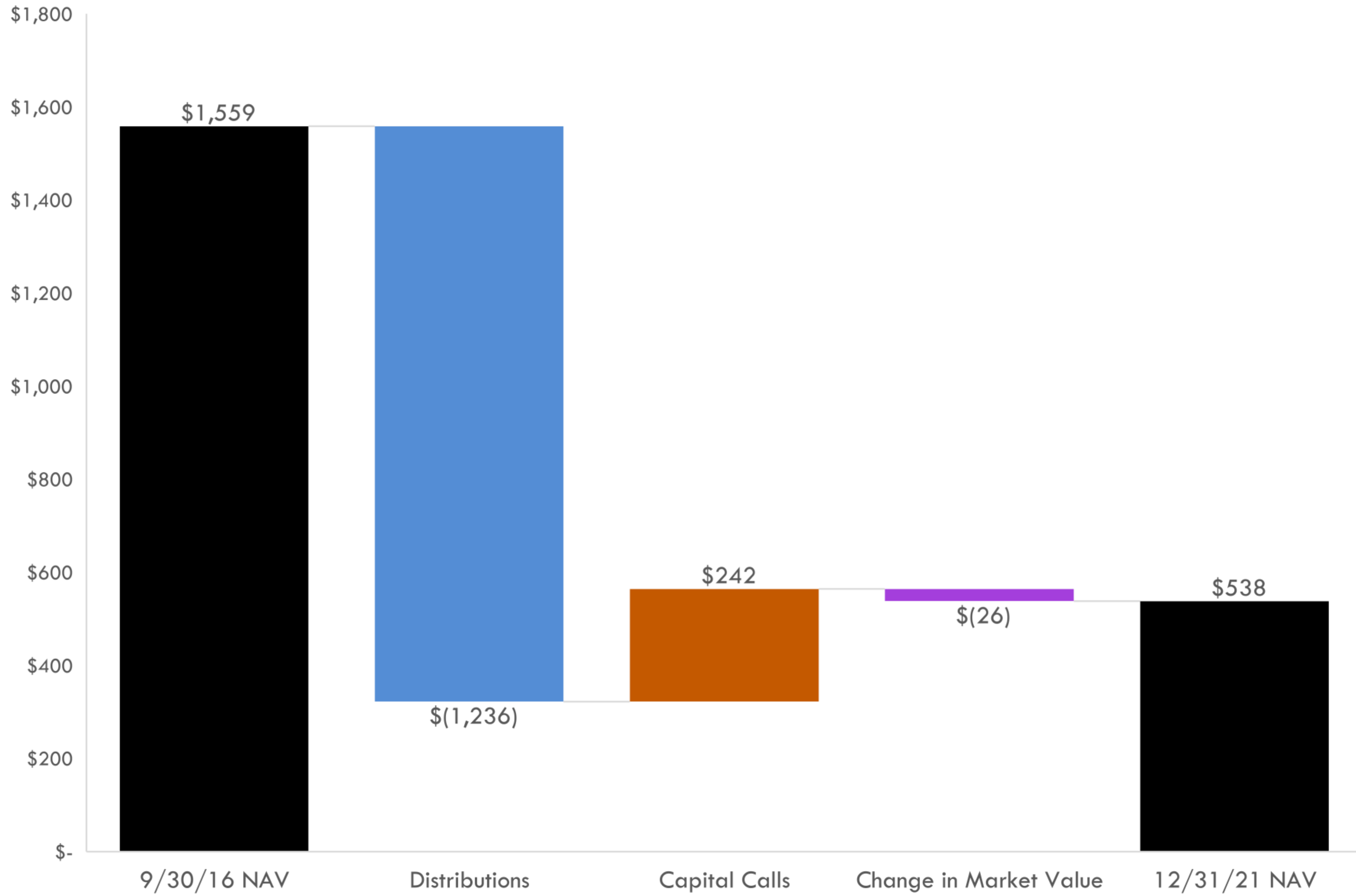
Private Asset Cash Flow Projections

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

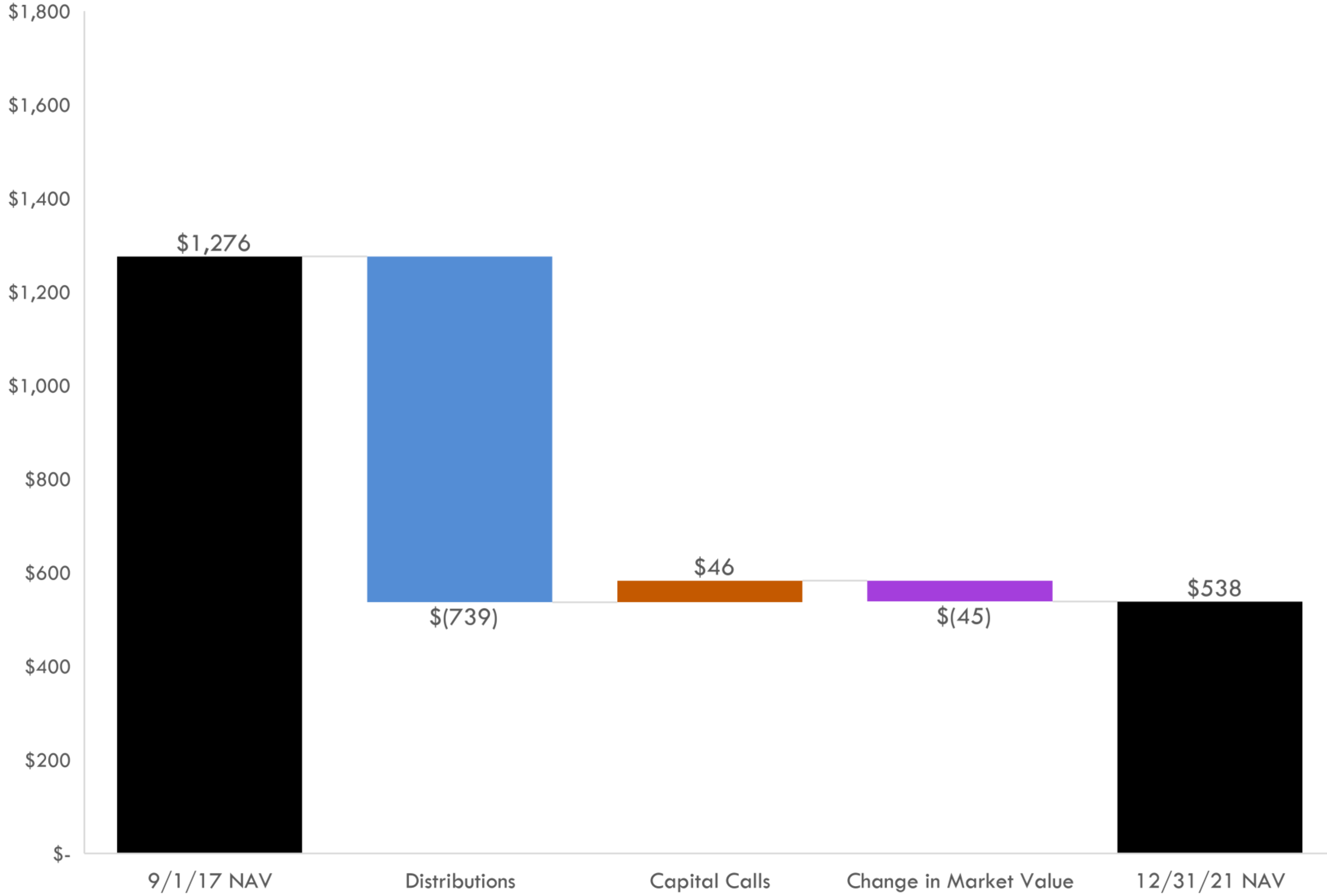
In Millions



Numbers may not foot due to rounding.

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

In Millions



Numbers may not foot due to rounding.

Private Asset Quarterly Cash Flows – Q4 2021

TOTAL CAPITAL CALLS & CONTRIBUTIONS		**$631,969**
JPM AIRRO	Capital Call	$111,969
Lone Star CRA Bridge	Capital Call	$520,000

TOTAL DISTRIBUTIONS		**$19,913,519**
Distributions above $100K		
AEW	Camel Square Parcel Sale	$8,100,000
AEW	Sales Distribution	$7,830,000
Huff Alternative	Hispanic Foods Proceeds/Vegas Income	$1,450,101
Hancock	Agriculture Income	$1,000,000
Riverstone	Distribution	$648,855
L&B	Property Level Income	$510,847
Industry Ventures	Distribution	$373,716

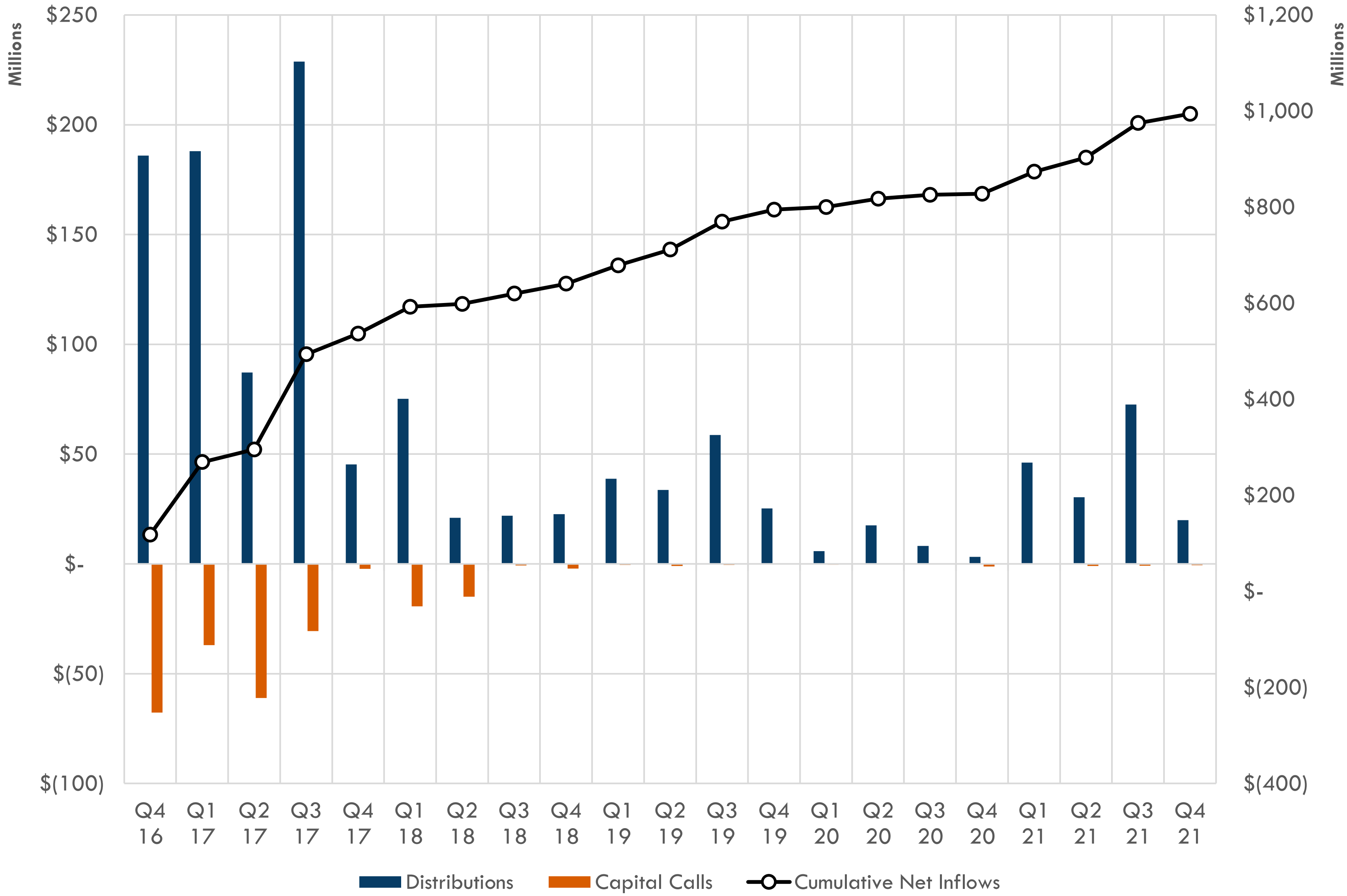
Numbers may not foot due to rounding.

2021 Actual vs. Projected Private Asset Cash Flows

Private Asset Cash Net Inflows	2021 Actual	2021 Projected	*Notes:*
Private Asset total	**166,500,524**	**156,453,844**	
Private Equity total	8,387,286	(3,304,552)	*Received proceeds from Huff Alternative and Lone Star CRA that were not projected. Assumed full unfunded capital would be called, which did not occur.*
Private Debt total	2,992,565	3,102,395	*Highland proceeds drove distributions.*
Infrastructure total	3,883,385	3,221,852	*Projected full amount of unfunded capital to be called, which did not occur. Starting receiving sales proceeds from Maritime fund.*
Natural Resources total	13,315,712	14,748,698	*Agriculture income drove distributions. Received sales proceeds from final US timber property.*
Real Estate total	137,921,576	138,685,452	*Sales of The Union, Camel Square, Vista 7 and Spring Valley occurred as projected.*

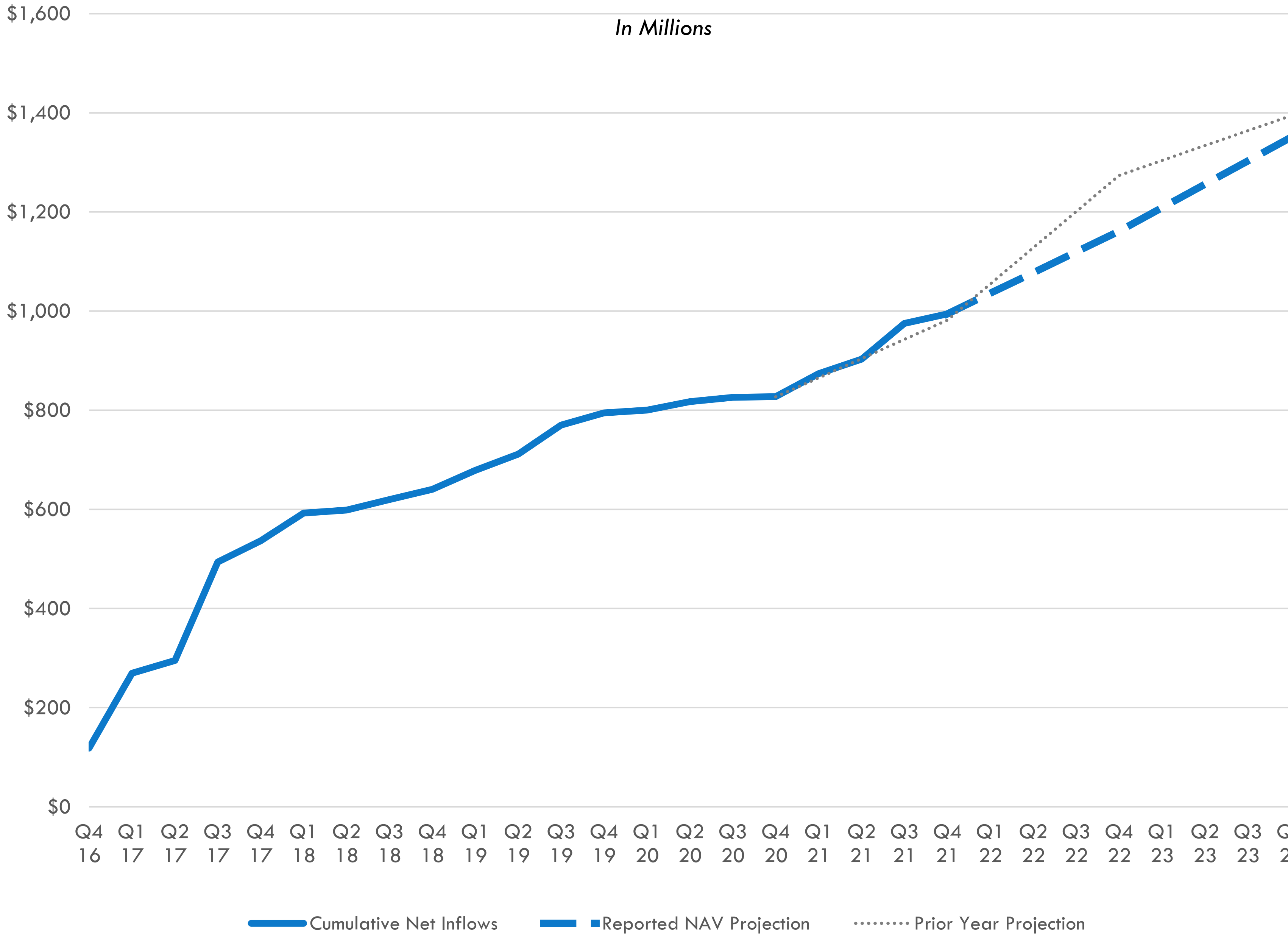
Numbers may not foot due to rounding.

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



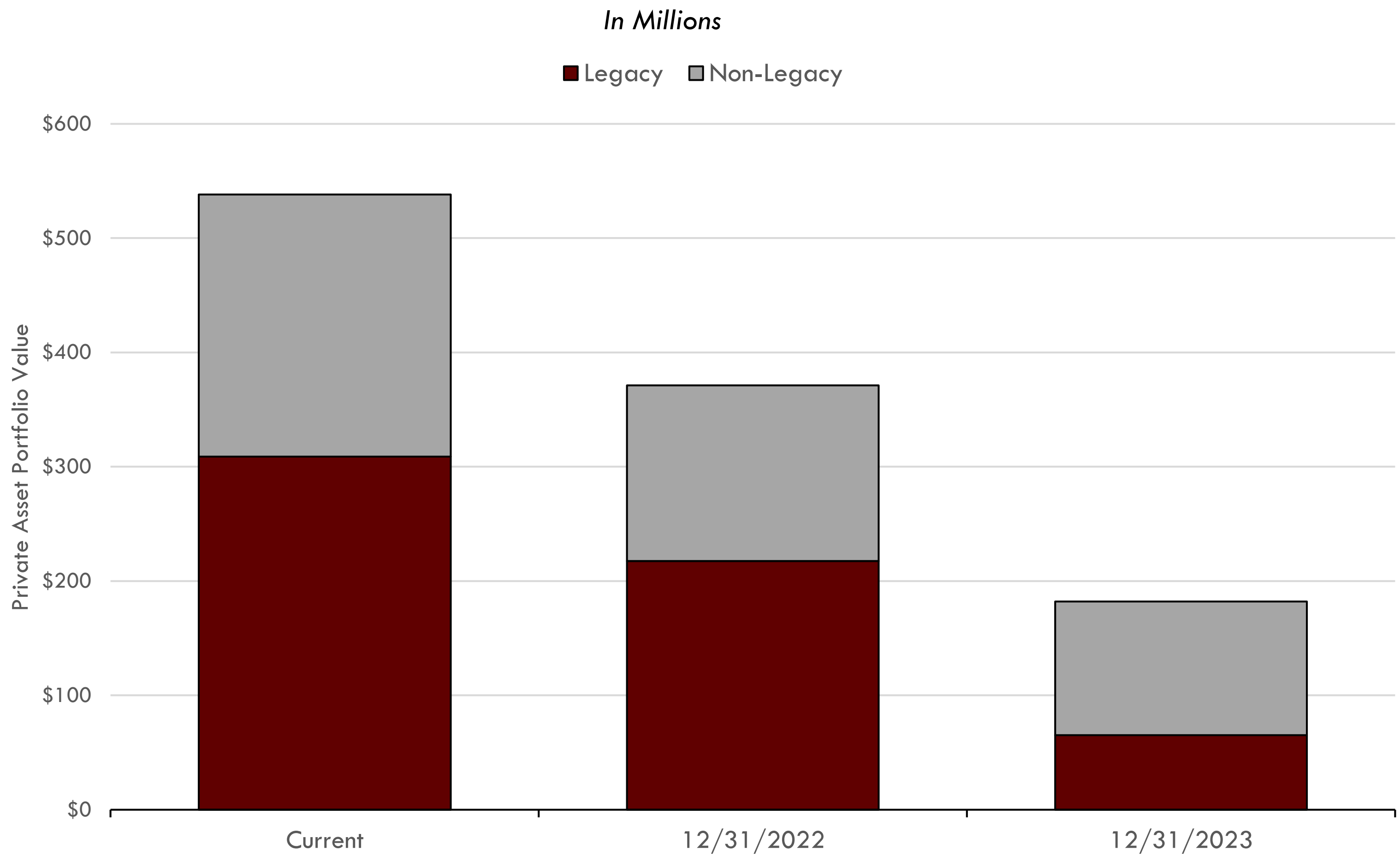
Cumulative Actual and Projected Private Asset Net Inflows

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.

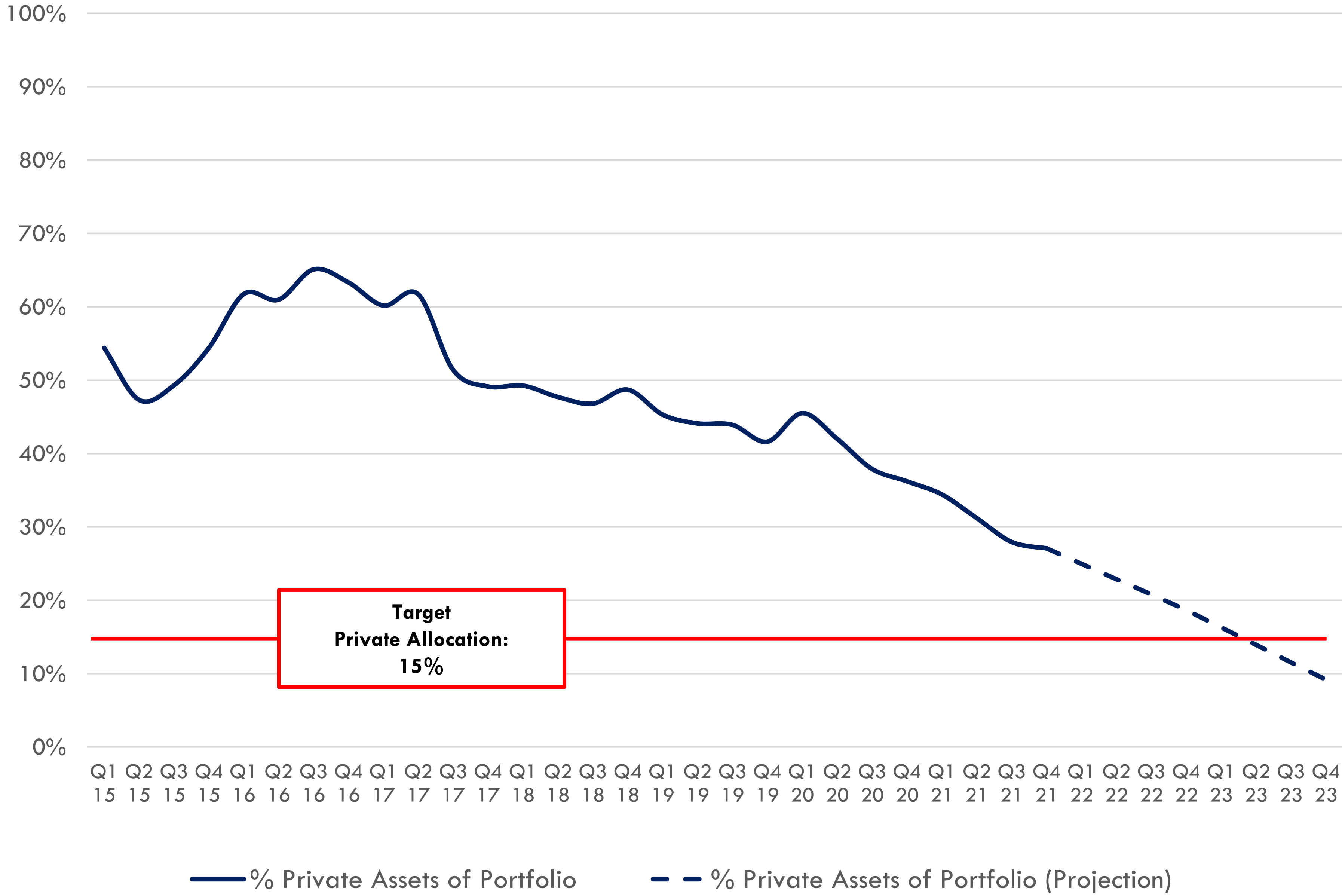


	Current	12/31/2022	12/31/2023
Legacy NAV (M)	$308	$218	$65
% of Private Portfolio	57%	59%	36%
% of DPFP Portfolio	16%	11%	3%

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 #C11

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.

Regular Board Meeting – Thursday, January 13, 2022

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C12

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

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

Application for death benefits for disabled child

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

DISCUSSION SHEET

ITEM #C13

Topic: **Executive Director Performance Evaluation**

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

Discussion: The Board will review performance and provide recommendations concerning yearly objectives, goals, and performance.

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 (January 2022)

b. Open Records

c. CIO Recruitment

d. Communication Plan

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

THE NCPERS
MONITOR
The Latest in Legislative News
January 2022

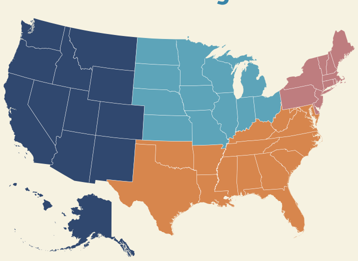
In This Issue

Photo Illustration © 2021, istock.com

At some point, Congress will have to pivot from BBB to other major items. There has always been bipartisan cooperation on the retirement front.

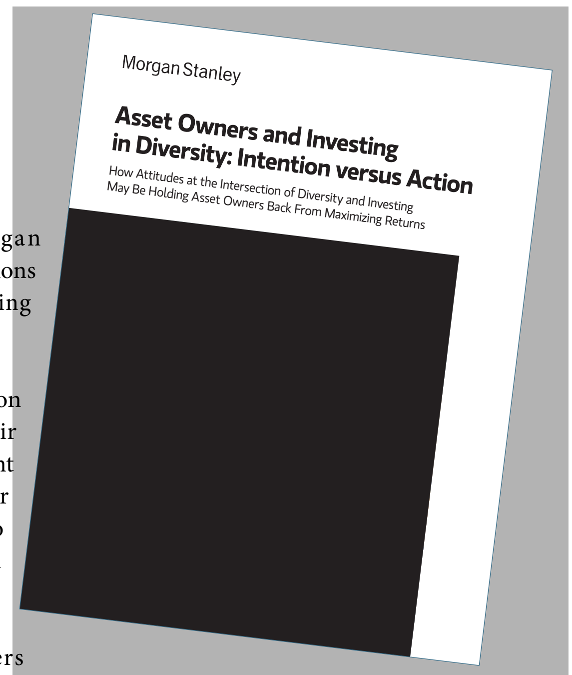

Photo Illustration © 2021, istock.com

Fiscal sustainability is an increasingly important topic in public pensions, and The Pew Charitable Trusts is weighing in.



This month, we will highlight Massachusetts, Iowa, Florida and California.

Plans Win Plaudits from Morgan Stanley for Prioritizing Diversity



Morgan Stanley

Asset Owners and Investing in Diversity: Intention versus Action

How Attitudes at the Intersection of Diversity and Investing May Be Holding Asset Owners Back From Maximizing Returns

A new survey from Morgan Stanley gives public pensions high marks for prioritizing diversity in investing.

The survey found that public pension funds are much more likely than their peers to value diversity in investment decisions, perhaps due in part to their diversity and longer exposure to diverse investment teams, Morgan Stanley said.

Public pension fund asset owners surveyed were more diverse by gender and race than other types of asset owners. Further, 47% of public pension fund asset owners said the diversity of investment teams has always been a priority for their organizations, compared to 7% of other asset owners.

Public pension funds also benefited from more established processes around diversity: 63% of public pension fund asset owners said their organizations always include questions about diversity in their due diligence processes when deciding to invest with an external manager, compared with 30% of other asset owners. They were especially likely to ask questions about external managers' formal mentorship programs, retention rates for women and multicultural employees, and diversity of new hires.

"While many asset owners believe that seeking out women and multicultural investment managers is a worthy goal, pension fund asset owners practice what they preach," Morgan Stanley said.

CONTINUED ON PAGE 5

Early Forecast for 2022

By Tony Roda

Photo Illustration © 2021, iStock.com

The Second Session of the 117th Congress will begin with a renewed effort to thread the needle in the Senate on the Build Back Better Act (BBB), which in its last iteration included funding for child care and universal pre-K, direct negotiations on drug prices between the federal government and manufacturers, increased deductibility of state and local taxes, and policies aimed at mitigating the effects of climate change.

When we left this issue prior to the holidays, Senator Joe Manchin (D-WV) had announced that he would not be able to support either the House-passed bill or the Senate's revised version and was calling for a complete rewrite. Without Senator Manchin's vote and still awaiting the Senate Parliamentarian's pronouncements on whether certain key provision of BBB meet the technical requirements of the budget reconciliation process, the Senate Leadership pushed consideration of the bill to 2022. How and when the BBB process will end is far from clear as of this writing.

At some point, Congress will have to pivot from BBB to other major items. There has always been bipartisan cooperation on the retirement front. The most comprehensive piece of retirement legislation pending in Congress is commonly referred to as the SECURE Act 2.0 (H.R. 2954). The original SECURE Act was signed into law in 2019.

The SECURE Act 2.0 was approved in May 2021 unanimously by the House Ways and Means Committee. It is designed to increase opportunities to save for retirement. Many provisions would affect retirement plans sponsored by state and local governments or their retirees, such as (1) increasing the age trigger for Required Minimum Distributions incrementally to age 75 by 2032; (2) excluding from tax certain disability payments for first responders; (3) allowing 403(b) plans to invest in collective investment trusts and join multiple employer plans; (4) increasing the annual limits on catch-up contributions to $10,000 for those age 62-64 for 457(b), 403(b), and 401(k) plans; and (5) requiring the Roth method for catch-up contributions, i.e. contributions must be made with after-tax dollars.

Efforts are also being made to attach to the SECURE Act 2.0 modifications to the Healthcare Enhancement for Local Public Safety Act, known as HELPS. This provision, Section 402(l) of the federal tax code, allows retired public safety officers to exclude from gross income up to $3,000 per year from governmental retirement plan distributions, provided the monies are paid directly from the retirement plan to a health care or long-term care provider. The proposed changes would increase the annual exclusion amount, index the exclusion amount in subsequent years, and repeal the direct payment requirement.

There is a strong likelihood that the SECURE Act 2.0 will be enacted prior to the end of this Congress. However, not many other major pieces of legislation are expected to go the distance. Politics

CONTINUED ON PAGE 6

NCPERS Executive Directors Corner

Pew Charitable Trusts Unveils Pension Fiscal Sustainability Tool for Policymakers

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Fiscal sustainability is an increasingly important topic in public pensions, and The Pew Charitable Trusts is weighing in.

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NCPERS has worked extensively over the years to assess the sustainability of public pension plans and welcomes increasing research focus from other organizations. Last month, we reported our new sustainability valuation tool on these pages, enabling pension systems to monitor their fiscal resources and identify any needed adjustments to remain on track. Members have had access to a video previewing this tool since mid-December.

Pew is offering a distinctly different tool, focused on policymakers. It has developed a 50-state matrix of fiscal sustainability metrics. The matrix highlights "best practices and proven strategies for managing through economic uncertainty" to help state policymakers assess how resilient their plans are, Pew said.

Pew noted that the increased pension contributions and the strong market rally of 2021 had had a stabilizing effect on state pension plans. "Taken together, these factors contributed over half a trillion dollars to current plan assets," Pew said. As a result, Pew estimated that the 50-state funded ratio—the relationship between a plan's assets and its liabilities—exceeded 80%. As a result, the total national pension debt fell to less than $800 billion at the end of 2021.

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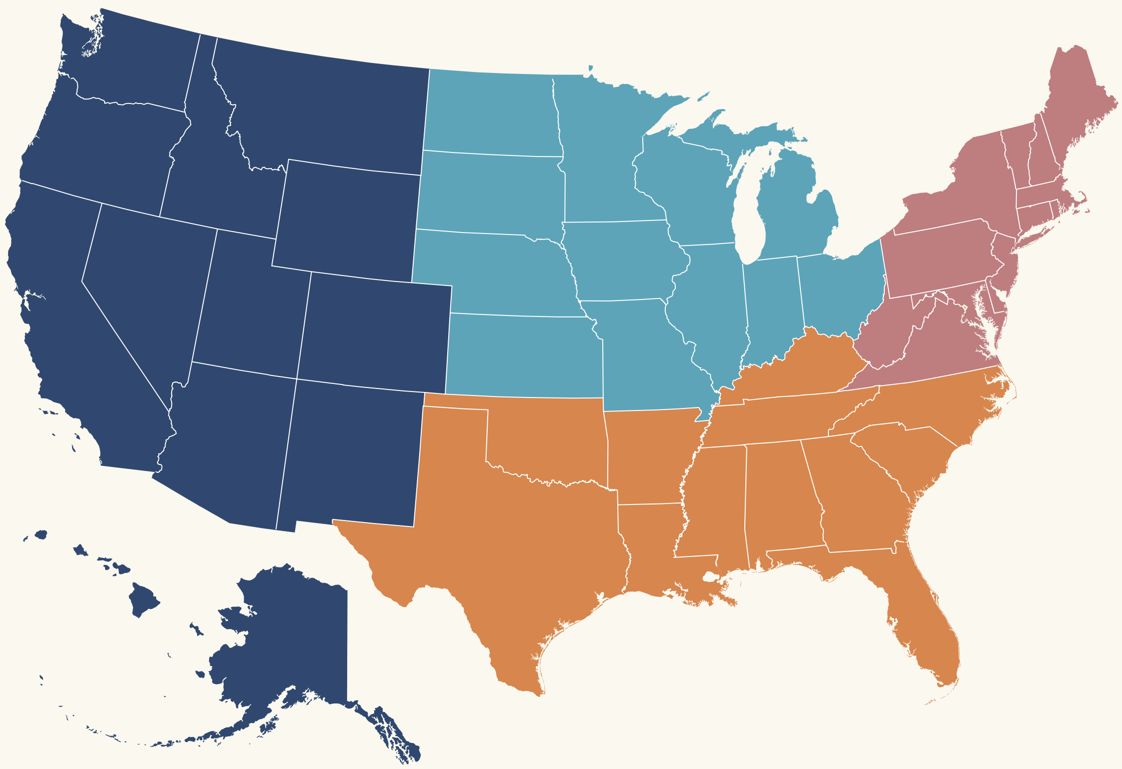
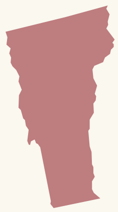
NCPERS Around the Regions

This month, we will highlight Massachusetts, Iowa, Florida and California.



NORTHEAST: Massachusetts



The Massachusetts Pension Reserves Investment Management (MassPRIM) Board reported that the pension fund's balance crossed the $100 billion thresholds for the first time at the end of October.

Gains for the one year ending in October netted to $23.1 billion, bringing the total to $101 billion. State News House Service reported that the fund pays about $1.2 billion in benefits annually has more than doubled in assets in the past ten years.

Michael Trotsky, MassPRIM's executive director, who manages the fund, said attaining the milestone" is a hallmark of outstanding performance and an important sign of stability for our beneficiaries in a very turbulent and difficult time."

State Treasurer Deborah Goldberg, chair of the MassPRIM board, called the milestone "historic in nature. It reflects the execution of a pragmatic, focused strategy combined with excellent internal evaluation and analysis capabilities in both up and down markets," she told State House News Service.

In August, MassPRIM reported that the Pension Reserve Investment Trust (PRIT) achieved a 29.5% return on investments in fiscal 2021, exceeding the benchmark by 8.9%. The retirement funds of state employees, teachers, and many municipal employees in Massachusetts are invested through MassPRIM.

PRIT's outperformance helps ensure that participating retirement systems can meet their pension obligations and could help reduce the state's unfunded pension liability, *The Patriot-Ledger* reported. Earlier in 2021, lawmakers and the administration of Gov. Charlie Baker (D) agreed to make a $3.415 billion transfer to the state pension fund in fiscal 2022 – an increase of $300 million over the fiscal 2021 contribution. The payment is expected to keep Massachusetts on track to fund its pension liability by 2036

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MORGAN STANLEY CONTINUED FROM PAGE 1

The survey found public pension funds are "leading the way when it comes to environmental, social and governance (ESG) investing, and building more diverse investment teams."

Morgan Stanley said that state laws and local ordinances that create increased accountability to government regulations on diversity might be a factor.

Other key findings included:

- Three-quarters of public pension fund asset owners (75%) said that investment teams with sufficient women representation significantly improve the performance of their investments, compared to 15% of other asset owners.
- Similarly, 63% of public pension fund asset owners said the same investment teams with sufficient multicultural representation, compared to 13% of other asset owners.

The findings coincide with efforts by NCPERS to help members stay in the vanguard of enhancing diversity, equity, and inclusion. For example, on January 27, NCPERS will co-host an Institutional Investor Road Show with the largest network of diverse-owned private equity firms, the National Association of Investment Companies.

The program will help public pension plans build bridges to investment firms that may be overlooked and underrepresented. It will provide data-driven insights into diverse manager performance. It will offer participants have the opportunity to be matched for 15-minute, one-on-one meetings with up to six diverse managers.

EXECUTIVE DIRECTORS CORNER CONTINUED FROM PAGE 3

However, "not all state pension funds are approaching long-term fiscal sustainability, which is defined as government revenues matching expenditures without a corresponding increase in public debt," Pew noted. Additionally, it estimates that long-term returns will decrease to 6% per year.

Pew said it developed the tool to help policymakers navigate the uncertainty inherent in pension management. The tool presents critical data in a single table to facilitate comparative analyses and state plan assessments. Specifically, Pew said:

- Historical actuarial metrics highlight the impact of past policies on a plan's current financial position. These metrics are the foundation of any fiscal assessment; however, they provide little information to assess future investment or contribution risks.
- Current plan financial metrics provide information to assess whether a plan follows funding policies that target debt reduction or are at risk of fiscal distress. Based on historical cash flows and funding patterns, these metrics aid in assessing future risks of plan underfunding or insolvency.
- State budgetary risk metrics are designed to aid policymakers as they plan for uncertainty or volatile costs in the future. Because state and local budgets often bear much or all of the risks taken on by public pension plans, these metrics are essential for long-term planning and prompt reforms where needed.
- Pew said its comparative analysis of states' public pension fiscal health using the matrix for 2019—the most recent year for which comprehensive 50-state data is available—yielded four recommendations to help state retirement systems improve their financial health:
- Making steady progress paying down unfunded liabilities "remains the single most important action that the majority of plans can take to improve fiscal health and lower costs over time," Pew said.
- Monitoring cash flows "can provide an early warning of potential fiscal distress and has proved useful in prompting needed reforms in the most poorly funded states."
- Adopting risk-sharing measures—such as distributing unexpected gains and losses among taxpayers, employees, and retirees—increases cost predictability and lowers the risk that states will have to choose between making inadequate contributions or reducing other critical public investments. Plans that utilize risk-sharing are generally well funded, report low costs, and enjoy a high level of predictability of costs, Pew said.
- Establishing reasonable assumed rates of return that reflect the current market outlook is essential for plans, regardless of financial position. "Lowering a plan's assumed rates of investment return can help reduce the risk of the plan missing targets and incurring unexpected costs during market downturns," Pew said.

EARLY FORECAST FOR 2022 CONTINUED FROM PAGE 2

surrounding the November mid-term elections are one major reason. The actual general elections will be hard fought, of course, but the redistricting process in the states, legal challenges thereto, and the primary elections will require Members of Congress to be away from Washington for considerable periods of time this year. This will make it difficult to move major legislation through the twists and turns of the Congressional legislative process.

Democrats currently hold razor thin majorities in both Congressional chambers. In the House, the Democrats have a 221-213 majority, with one vacancy. The Senate is deadlocked at 50-50, with two Independent Senators caucusing with the Democrats. The 50-50 split in the Senate plus a Democratic presidential administration, with Vice President Kamala Harris as the tiebreaking vote, allows Senate Democrats to exercise the powers of the majority, namely to chair committees and set the agenda for the Senate floor.

In our modern political history, mid-term elections generally have not been kind to the parties of first-term presidents. Both parties are keenly aware of this and are gearing up for a major battle this fall. The redistricting process is currently playing out in the states and in the courts. According to David Wasserman, Senior Editor of the Cook Political Report, while "Republicans are poised for modest mapping gains, the most dramatic trend is anti-competitive…the most competitive seats – those that voted for either Biden or Trump by less than five points – have plummeted a staggering 50%, from 24 to 10." In contrast, Wasserman states that, "Republican leaning seats (those that voted for Donald Trump by at least five points in 2020) are up 14%, from 88 to 100. Democratic-leaning seats…are up 8%, from 60 to 65."

The redistricting process is not completed and the courts may well change the lines in some states prior to the elections, but the trend is clear – there will be fewer competitive seats in the House over the next decade, which will further starve the political center of influence and result in a more partisan body.

All of this maneuvering will compete for the attention of Members of Congress as they also attempt to sort through pending legislation. In this charged political environment, be assured that NCPERS will keep its members apprised of any significant developments. ◆

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

AROUND THE REGIONS CONTINUED FROM PAGE 4

fully, *The Patriot-Ledger* noted. In addition, the Massachusetts Pension Reserves Investment Management (MassPRIM) Board reported that the pension fund's balance crossed the $100 billion thresholds for the first time at the end of October.

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MIDWEST: Iowa

The Iowa Public Employees' Retirement System (IPERS) said its funding ratio increased to 88.3% for the fiscal year ended June 30, from 84% during the previous fiscal year, *Pensions & Investments* reported.

According to the publication, the $43 billion pension plan also said its unfunded actuarial liability dropped to $4.9 billion in the fiscal year 2021, from $6.6 billion the previous fiscal year, which cited comments by an IPERS spokeswoman, Shawna Lode.

At its December 2 board meeting, the system outlined plans to commit $3.125 billion to private markets in the calendar year 2022. This includes up to $1 billion for private equity investments, up to $1.325 billion for private credit investments, and up to $800 million for private real asset investments.

In August, IPERS CEO Greg Samorajski announced the $42.9 billion pension fund achieved a net 29.6% return for the fiscal year that ended June 30. The net return was just above its policy benchmark return of 28.8%. Samorajski said in an interview that the plan's annual return "was driven primarily from the strength of the equity markets, while fixed-income markets at least held up."

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NCPERS Around the Regions

AROUND THE REGIONS CONTINUED FROM PAGE 7

SOUTH: Florida

An anti-pension initiative that fizzled out during the Florida Legislature's 2021 session could be revisited when lawmakers reconvene on January 11, the Florida Senate's president said.

The Tampa Bay Times reported that Senate President Wilton Simpson might revive a proposal that forced new state government employees into a 401(k)-style plan instead of a traditional pension. Simpson, a Republican, made the remarks at the Florida Chamber of Commerce conference in Tampa.

Florida's Senate in April 2021 voted 24-16 to approve a bill that would have begun shifting new workers into the defined contribution plan. The controversial legislation was referred to the House, where it died in committee when the legislature adjourned on April 30.

The Florida Legislature is scheduled to conduct its next annual 60-day session from January 11 to March 11, 2022. NCPERS is closely watching to determine if efforts to water down pensions, a key government employee benefit, will be back on the agenda.

WEST: California

The South Pasadena City Council has earmarked cell tower lease revenues totaling nearly $4.4 million to cover pension and other post-employment benefits (OPEB), the *South Pasadena Review* reported.

The city provides government employee pensions through the California Public Employee Retirement System (CalPERS). In some cases, it also provides reimbursement of health insurance costs, an essential category of OPEB.

The city had a windfall when, according to a background briefing prepared for the fiscal year that ended June 30, it leased a new cell tower and received a one-time payment of $4,374,439 instead of annual payments at a November 10 City Council meeting. The city's Finance Commission recommended that the City Council use the funds to pay down pension and OPEB liabilities.

The City Council agreed and plans to put $600,000 of that revenue toward OPEB, which is currently underfunded by $17.4 million. The remaining $3.7 million would go directly to CalPERS in two major plans: Miscellaneous and Safety. Miscellaneous is 71% funded, and Safety is 68% funded.

"The best way to explain unfunded liability to the general public," said the city's interim director of finance, Ken Louie, "is if every employee walked out the door today, no one ever worked again, no one was ever hired again, we would only have 70% set aside for all our future liability to pay the retirement of people."

The South Pasadena Review reported that the city still has to determine whether it will make an immediate payout or invest the funds to make a more substantial future payment.

Paying CalPERS directly would yield an immediate savings of 7% and immediately reduce the pension liability. However, the publication reported that the council wants to explore trust options, which allows for more investment strategy choices.

"It would be helpful to find out what would be the most financially advantageous to the city," Mayor Diana Mahmud said. ◆

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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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