

Dallas Police and Fire Pension System
Thursday, February 14, 2019
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

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

ROLL CALL

Board Members

Present at 8:30 a.m. William F. Quinn, Nicholas A. Merrick, Samuel L. Friar, Blaine Dickens (by phone), Gilbert A. Garcia, Tina Hernandez Patterson, Robert C. Walters, Joseph P. Schutz, Kneeland Youngblood (by phone)

Present at 8:33 a.m. Ray Nixon

Absent: Frederick E. Rowe

Staff

Kelly Gottschalk, Josh Mond, Kent Custer, Brenda Barnes, John Holt, Damion Hervey, Cynthia Thomas, Ryan Wagner, Greg Irlbeck, Milissa Romero

Others

Leandro Festino, Aaron Lally, Bohdy Hedgcock, Travis Stevens, Ben Mesches, David Harper, David Elliston, James Parnell, Rick Salinas, Richard Kresse, Jerry M. Rhodes, Zaman Hemani

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

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A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officers J. J. Hunter, James H. Colwell, Wayne B. Posey, and retired firefighters Jerry R. Boren, J. W. Goodgion, Steven K. Burgess, Winfred D. Parr, Charles C. Blaylock, Donald L. Lindsey.

No motion was made.

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B. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of January 10, 2019

- 2. Approval of Refunds of Contributions for the Month of January 2019**
- 3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for February 2019**
- 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 DROP Revocation Contributions**

After discussion, Mr. Garcia made a motion to approve the minutes of the meeting of January 10, 2019. Mr. Schutz seconded the motion, which was unanimously approved by the Board. Mr. Nixon, Ms. Hernandez Patterson and Mr. Walters were not present when the vote was taken.

After discussion, Mr. Garcia made a motion to approve the remaining items on the Consent Agenda, subject to the final approval of the staff. Mr. Walters seconded the motion, which was unanimously approved by the Board. Mr. Nixon was not present when the vote was taken.

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C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Monthly Contribution Report

Staff presented the Monthly Contribution Report.

No motion was made.

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2. Trustee Election Procedures

Section 3.01(f) of Article 6243a-1 requires that the Board adopt rules for the election of Trustees. During the January 2019 Board meeting, staff presented a draft Trustee Election Procedure. The Board asked that the draft procedure be sent to the Nominations Committee members for comment.

Staff provided an update of comments received prior to the Board meeting.

After discussion, Mr. Garcia made a motion to adopt the Trustee Election Procedures as amended. Mr. Walters seconded the motion, which was unanimously approved by the Board.

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3. Quarterly Financial Reports

The Chief Financial Officer presented the fourth quarter 2018 financial statements.

No motion was made.

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4. Correction of Errors in Benefit Payments Policy

Section 6.20(c) of Article 6243a-1 states that the Board may adopt procedures to enable the pension system to offset future benefits or other payments of a recipient to recover an overpayment. The correction procedure must comply with the Internal Revenue Service's Employee Plans Compliance Resolution System and Revenue Procedure (EPCRS).

After discussion, Ms. Hernandez-Patterson made a motion to adopt the Correction of Errors in Benefit Payments Policy as amended. Mr. Garcia seconded the motion, which was unanimously approved by the Board.

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5. Funding Policy

On January 24, 2019, the Texas Pension Review Board (PRB) adopted the Interim Study on Funding Policies for Fixed Rate Plans (Study). The Study states the following:

“A pension funding policy should be designed to guide retirement systems to full funding and to help them achieve the three goals. A funding policy also should include clear and concrete funding objectives, the actuarial methods to be used, and a pathway to achieve the stated funding goals. Additionally, the funding policy should outline how the plan will address setbacks that occur when experience diverges from actuarial assumptions or assumption changes result in losses.”

“As a result of the study, the PRB recommends that all Texas public retirement systems, including fixed rate plans, adopt and maintain a written funding policy that fully funds the plan over as brief a period as possible, as recommended in the PRB Pension Funding Guidelines. The funding period should be a finite, or closed, period, and the funding policy should be established in conjunction with the plan sponsor if possible.”

Staff discussed the Pension Review Board’s Interim Study on Funding Policies for Fixed Rate Plans with the Board.

No motion was made.

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6. Chairman’s Discussion Item - Review of meeting with the City about USERRA, hiring plan and payroll issues

The Chairman reviewed the meeting he had with the City about USERRA, the City’s hiring plan and the City’s payroll issues.

No motion was made.

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7. Board approval of Trustee education and travel

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

The Board and staff discussed approval of future education and business-related travel. There was no future investment-related travel.

After discussion, Mr. Garcia made a motion to approve Mr. Friar's request to attend the NCPERS Annual Conference. Ms. Hernandez-Patterson seconded the motion, which was unanimously approved by the Board.

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8. Public Equity Structure Study

Leandro Festino, Managing Principal and Aaron Lally, Executive Vice President both with Meketa Investment Group and Kent Custer, DFPF Chief Investment Officer, discussed the public equity structure study.

Public equity asset classes represented 24% of the DFPF portfolio as of January 31, 2019 (preliminary). This weighting is expected to double over the next three to four years to reach a target allocation of 50% (40% Global Equity and 10% Emerging Markets Equity) as private market assets are gradually redeployed.

The Board reviewed the equity structure study presented by staff and Meketa and directed staff and Meketa to review it with the Investment Advisory Committee.

No motion was made.

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Mr. Youngblood left the Board meeting at 10:08 a.m. (by phone)

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9. 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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10. Lone Star Investment Advisors Update

Investment Staff updated the Board on recent performance and operational developments with respect to DPFPP investments in funds managed by Lone Star Investment Advisors.

No motion was made.

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11. Real Estate Overview – Clarion Partners Portfolio

Bohdy Hedgcock, Senior Vice President, and Travis Stevens, Senior Analyst with Clarion Partners updated the Board on the status and plans for DPFPP's investments in CCH Lamar and The Tribute. Clarion was engaged in October 2015 to take over the investment management of DPFPP's interest in several Dallas area real estate assets, including the two remaining investments.

The Board went into a closed session executive session - Real Estate at 10:51 a.m.

The meeting was reopened at 11:30 a.m.

No motion was made.

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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 interpretation of Section 6.13 of Article 6243a-1, pending or contemplated litigation, or any other legal matter in which the duty of the attorneys to DPFPP and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws.

Ben Mesches and David Harper from Haynes and Boone, LLP were present for the legal discussion.

The Board went into closed session executive session – Legal at 11:30 a.m.

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Mr. Garcia and Mr. Walters left the Board meeting at 12:07 p.m.

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The meeting was reopened at 12:23 p.m.

No motion was made.

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D. BRIEFING ITEMS

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

The Board received members' comments during the open forum. No motion was made.

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- 2. Executive Director's report**

- a. Associations' newsletters
 - NCPERS Monitor (January 2019)
 - NCPERS Monitor (February 2019)
- b. Open Records Requests
- c. Staffing Update

The Executive Director's report was presented.

No motion was made.

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Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Nixon and a second by Mr. Friar, the meeting was adjourned at 12:24 p.m.

/s/ William F. Quinn

William F. Quinn
Chairman

ATTEST:

/s/ Kelly Gottschalk

Kelly Gottschalk
Secretary