

Dallas Police and Fire Pension System
Thursday, February 9, 2017
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

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

ROLL CALL

Board Members

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

Present at 8:32 a.m. Jennifer S. Gates

Present at 8:46 a.m. Scott Griggs

Absent: Philip T. Kingston

Staff

Kelly Gottschalk, Josh Mond, Summer Loveland, John Holt, Damion Hervey, Pat McGennis, Christina Wu, Greg Irlbeck, Linda Rickley

Others

Chuck Campbell, John Turner, Ben Mesches, Jason Jordan, Jeff Williams, Rocky Joyner, Ron Pastore (by telephone), Larry Goldsmith, A. D. Donald, Paul Jarvis, Ron Weimer, Julian Bernal, Andy Acord, Marlin Price, Lloyd D. Brown, Larry Eddington, Thomas Payne, Stephen Walthall, Thomas D. Bowers, Jr., Tommy Ames, Phillip W. Brown, Joe Thompson, Gilbert Travis, Robert B. Baird, Raymond Bennett, Joel Lavender, David Slaughter, Jerry M. Rhodes, Jaysonn Mammeli, Frank Ruspoli, Mark Sittner, J. M. Dunn, Larry Williams, Tom Moore, Benjamin Irish, Dale Erves, Ernest Perez, W. R. Bricker, Dwayne K. Brown, Rick Salinas, Jack Clower, James D. Elliston, Roger Garcia, William Hunt, Cheryl Hunt, David Dodson, Michael Adamek, Robert Gage, Jerry Hejl, Tommy R. Buggs, John Hanes, Phillip Murray, Irving Butler, Charles Hale, George W. Bedford, Pete Bailey, Gary S. Beck, Sandy Alexander, Gary Sherman, Lori Brown, Wally Gurrera, Tim Ciesco, Tristan Hallman, Zaman Hemani, Steve Alexander, Barnard Woodruff, Jon Prior, Monica Hernandez, Bryan Titsworth, Ashleigh Barry, Lyle Davis, Tonya Eiserer, James Pultz, Courtney Gilmore, Charles Johnson, Andrea Rega, William Castro, Billy Bryant, Jack Fink, Manuel Villela

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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 firefighter Grady M. Hudgens.

No motion was made.

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B. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of January 12, 2017

- 2. Approval of Refunds of Contributions for the Month of January 2017**
- 3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for February 2017**
- 4. Approval of Estate Settlements**
- 5. Approval of Survivor Benefits**
- 6. Approval of Service Retirements**
- 7. Approval of Alternate Payee Benefits**
- 8. Approval of Payment of Military Leave Contributions**

After discussion, Mr. Brown made a motion to approve the items on the Consent Agenda, subject to the final approval of the staff. Mr. Haben seconded the motion, which was unanimously approved by the Board. Ms. Gates and Mr. Griggs were not present when the vote was taken.

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

1. Discussion and possible action on Legislative Matters

- a. City of Dallas plan, DFPF plan and status of negotiations
- b. Other pension-related legislative issues

Staff updated the Board on the status of the City's and DFPF's proposed plans at the legislature as well as status of the discussions between the City and DFPF. Jeff Williams and Rocky Joyner, representatives of Segal Consulting, DFPF's actuary, were present to comment on the actuarial impact of the proposals.

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

No motion was made.

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2. Legal issues

- a. Police Officer and Firefighter pay lawsuits
- b. Potential claims involving fiduciaries and advisors
- c. 2014 Plan amendment election and litigation
- d. CDK Realty Advisors LP v. Dallas Police and Fire Pension System
- e. 2016 Plan amendment litigation
- f. Rawlings v. Dallas Police and Fire Pension System
- g. DFPF v. Sandy Alexander
- h. Degan et al. v. DFPF Board of Trustees (Federal suit)

The Board went into closed executive session – legal at 10:01 a.m.

The meeting was reopened at 10:46 a.m.

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The meeting was recessed at 10:46 a.m.

The meeting was reconvened at 10:51 a.m.

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2. Legal issues (continued)

After discussion, Mr. Griggs made a motion to seek an outside legal opinion regarding Haynes & Boone’s conflict of interest with respect to the Degan et al. v. DPFP Board of Trustees Federal lawsuit. Mr. Wilson seconded the motion, which failed by the following vote:

For: Griggs, Wilson, Gates

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

The Board directed staff to post a special Board meeting for Tuesday, February 14, 2017 to discuss legal issues regarding the Degan lawsuit and the Rawlings lawsuit.

After discussion, Mr. Conway made a motion to exclude the City Council Trustees from the closed session discussion of the Rawlings lawsuit. Mr. Hass seconded the motion, which was unanimously approved by the Board.

The Board went into a closed executive session – legal at 11:08 a.m. to discuss only the Rawlings lawsuit. Council Member Trustees Gates, Griggs, and Wilson left the meeting at 11:08 a.m. The remaining eight Police and Fire Service Trustees were present, as well as Ms. Gottschalk, Mr. Mond, Ms. Loveland, and outside legal counsel Chuck Campbell, John Turner, Ben Mesches, and Jason Jordan.

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

No motion was made.

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3. RED Consolidated Holdings Capital Requirements

The Board went into closed executive session – legal at 11:53 a.m.

The meeting was reopened at 1:03 p.m.

No motion was made.

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4. Amendment of Bank of America loan agreement

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

The meeting was reopened at 1:03 p.m.

Mr. Griggs objected to Jackson Walker’s representation of the Board on this item. Mr. Campbell, DFPF’s outside legal counsel, stated that there is not a conflict of interest for Jackson Walker to represent the Board on this item. Mr. Mond, DFPF’s General Counsel, did not raise an objection to Jackson Walker’s representation.

After discussion, Mr. Brown made a motion to direct the Executive Director to continue negotiations with Bank of America on the interest rate and extension to May or after the current legislative session. Mr. Griggs seconded the motion, which was approved by the following vote:

For: Brown, Griggs, Friar, Haben, Schutz, Gates, Wilson, Sprecher

Against: Hass

Abstain: Conway, Ho

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5. Investment and financial reports

Staff reviewed the investment performance and rebalancing reports for the period ending January 31, 2017 with the Board.

Ms. Loveland presented the preliminary 2016 financial statements.

No motion was made.

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6. Possible technical change to unitization of Trust

Staff discussed the possible use of an alternative method for purposes of allocating the assets of the Trust between the Combined Pension Plan and the Supplemental Plan. J.P. Morgan, custodian of DFPF’s investment portfolio, has proposed the use of the “allocation” method as opposed to the current use of the “unitization” method. The “allocation” method is strictly based on dollar value, while the “unitization” method assigns a number of shares to each plan. The

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6. Possible technical change to unitization of Trust (continued)

objective of the unitization of the Trust is to allocate the portfolio of assets and the related gains and losses pro-rata between the two plans. The results of the two methods do not differ and the proposed allocation method offers the ability for more transparent reporting from J.P. Morgan to staff on how the allocation is derived.

After discussion, Mr. Brown made a motion to approve the use of the allocation method of allocating assets between the Combined Pension Plan and the Supplemental Plan as soon as administratively feasible. Mr. Hass seconded the motion, which was unanimously approved by the Board.

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7. 2017 Budget adjustments

- a. Independent audit fees
- b. Mileage

Staff briefed the Board on a change to anticipated expenditures for independent audit fees in 2017 as compared to the budgeted amount. In addition, staff proposed a modification to the 2017 budget to include mileage expenses incurred by Trustees for local meetings related to pension business.

After discussion, Mr. Hass made a motion to approve the proposed increases in the budget for independent audit fees and mileage for 2017. Mr. Brown seconded the motion, which was unanimously approved by the Board.

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8. Employee recognition – Fourth Quarter 2016

- a. Employee of the Quarter Award
- b. The William G. Baldree Employee of the Year Award

Mr. Friar and Ms. Gottschalk presented the performance award for Employee of the Quarter, Fourth Quarter 2016, to Vickie Johnson, Accounting Specialist, and the William G. Baldree Employee of the Year Award for 2016 to Vickie Johnson, Accounting Specialist. The Employee of the Year is chosen from among the four Employee of the Quarter Award recipients for the year.

No motion was made.

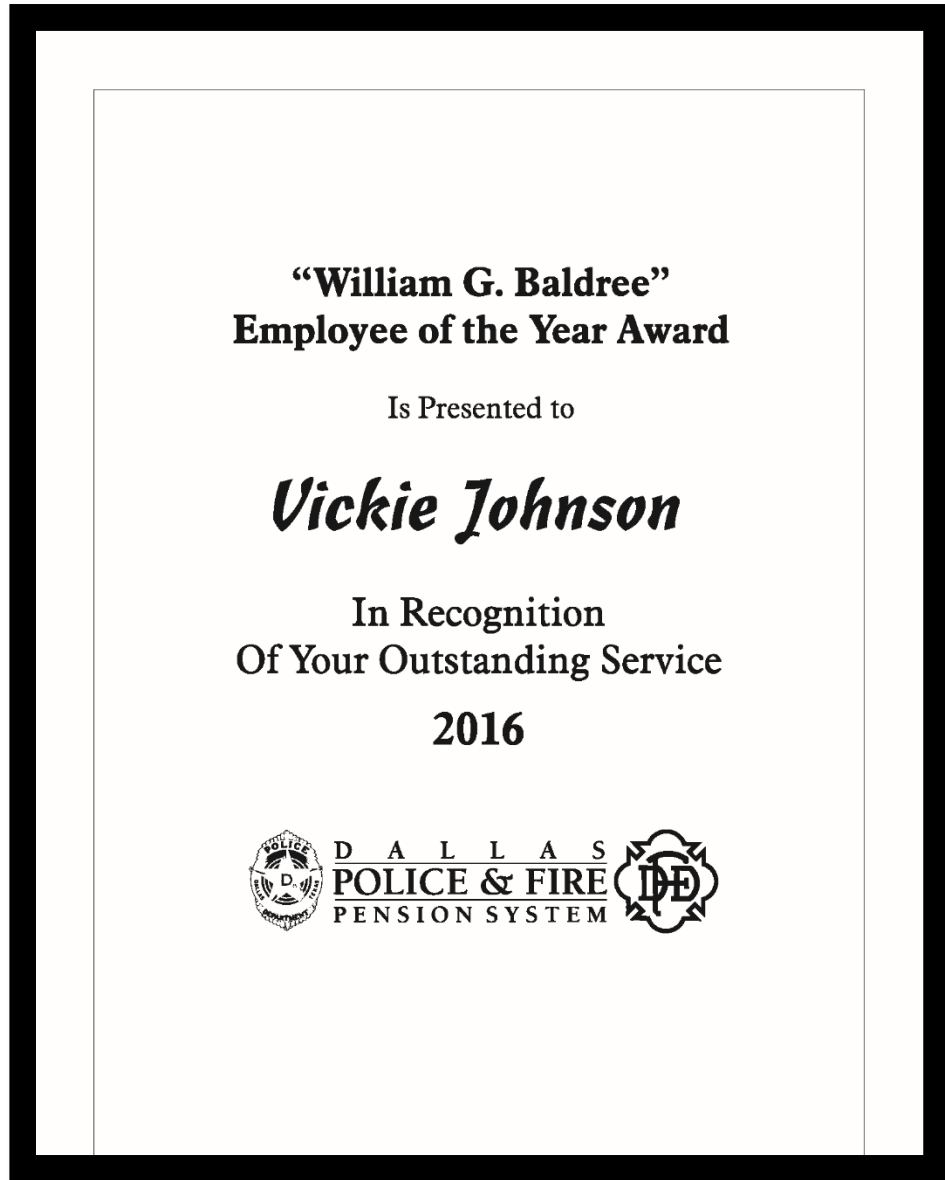
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8. Employee recognition – Fourth Quarter 2016 (continued)



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8. Employee recognition – Fourth Quarter 2016 (continued)



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9. Possible revisions to or repeal of certain Board policies

The Board postponed discussion of Board policies until the March regular Board meeting.

No motion was made.

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10. Discussion of Investment Advisory Committee member appointment timing

Staff sought direction from the Board on how to proceed with the process to form the Investment Advisory Committee, given the uncertainty of the future Board structure under proposed legislation, the fact that DFPF is not currently making new investments and the role of NEPC serving as DFPF's investment consultant.

The Board directed staff to suspend the process to establish the Investment Advisory Committee until new legislation clarifies the Board composition.

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11. Ad hoc and permanent committee reports

- a. Governance
- b. Professional Services Committee

Mr. Haben, Chairman of the Professional Services Committee, reported to the Board on its meeting with the Actuary, Segal Consulting. The Governance Committee report was postponed to the March regular Board meeting.

No motion was made.

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

- a. PRB: MET Online Core Training: Fiduciary Matters
- b. Meeting with Legislators
- c. PRB meeting

Reports were given on the following meetings. Those who attended are listed.

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

- a. PRB: MET Online Core Training: Fiduciary Matters

Mr. Sprecher

- b. Meeting with Legislators

Mr. Friar, Ms. Gottschalk, Mr. Mond

- c. PRB meeting

Messrs. Friar, Schutz, Ms. Gottschalk, Mr. Mond

No motion was made.

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13. Unforeseeable Emergency Requests from DROP Members

Ms. Gottschalk stated that in January, the Board adopted an addendum to the DROP Policy which includes a provision allowing for members to apply for DROP distributions due to unforeseeable emergencies. Following the Board's adoption of the addendum, staff issued a DROP Unforeseeable Emergency Policy (the Policy) following the guidelines in Section 6 of the DROP Policy Addendum. Per Section 6.d. of the Policy, the Executive Director reviewed with the Board for their consideration an application that had not been approved.

After discussion, Mr. Sprecher made a motion to confirm the Executive Director's decision to deny the Unforeseeable Emergency Request from a Member based on the DROP Unforeseeable Emergency Policy. Mr. Hass seconded the motion, which was unanimously approved by the Board.

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14. Closed Session - Board serving as Medical Committee

Disability recalls

The Board went into closed executive session – medical at 1:46 p.m.

The meeting was reopened at 1:54 p.m.

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14. Closed Session - Board serving as Medical Committee (continued)

After discussion, Mr. Brown made a motion to approve continuance of the on-duty, Combined Pension Plan, Group B disability benefit, with no further medical recalls due, since the Member will attain the age of 50 within two years. Mr. Ho seconded the motion, which was unanimously approved by the Board. Mr. Wilson was not present for this vote.

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15. Executive Director's contract

The Board went into closed executive session – personnel at 1:54 p.m.

The meeting was reopened at 2:06 p.m.

After discussion, Mr. Conway made a motion to approve the proposed amendment to the Executive Director's contract. Mr. Ho seconded the motion, which was approved by the following vote:

For: Conway, Ho, Friar, Schutz, Hass, Gates, Brown, Sprecher

Against: Griggs

Messrs. Haben and Wilson were not present when the vote was taken.

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16. Internal Controls

Ms. Loveland presented a brief overview of internal controls in place at DPFP.

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 comments during the open forum.

No motion was made.

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2. Executive Director's report

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

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. Conway and a second by Mr. Brown, the meeting was adjourned at 2:14 p.m.

[signature]

Samuel L. Friar
Chairman

ATTEST:

[signature]

Kelly Gottschalk
Secretary