

Dallas Police and Fire Pension System
Thursday, June 9, 2016
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

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

ROLL CALL

Board Members

Present at 8:30	Samuel L. Friar, Kenneth S. Haben, Joseph P. Schutz, Brian Hass, Jennifer Gates, Tho T. Ho, Clint Conway, John M. Mays
Present at 8:49	Philip T. Kingston
Present at 9:25	Erik Wilson
Absent:	Scott Griggs, Gerald D. Brown

Staff

Kelly Gottschalk, Joshua Mond, Summer Loveland, John Holt, Corina Terrazas, Damion Hervey, Kelly Dean, Pat McGennis, Ryan Wagner, Milissa Romero, Christina Wu, Greg Irlbeck, Linda Rickley, Kevin Killingsworth

Others

Rhett Humphreys, Keith Stronkowsky, Chris Hart, David Gullen, Scott Eversole, Paul Boyne, Bryce Brunsting (by telephone), Dan Wojcik, Rick Salinas, Ken Sprecher, Larry Lewis, Nancy Lewis, Jerry M. Rhodes, Rick Allen, Jim Aulbaugh, Michael Bell, Bill Ingram, Michael Jones

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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, Charley L. Daniel, Paul D. Jarrell, William R. Jordan and Jerry W. Smiddy, and retired firefighters, Clifford C. Gladney, Roger J. Murphy, James F. Roberts and Sylvester Thomas, Jr.

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B. BOARD OF TRUSTEES

1. Welcome of newly-appointed Trustee

Mr. Friar, Chairman, on behalf of the Board, welcomed Councilmember Jennifer S. Gates as a new Trustee. On Wednesday, May 25, 2016, the City Council approved her appointment to the Dallas Police & Fire Pension System Board to fill the City Council Position #1.

No motion was made.

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2. Election of officers of the Board of Trustees to fill vacant position(s)

In accordance with Section 3.01(f) of the Plan Document, the Board held an election to fill the vacant Vice Chairman position for the period from June 9, 2016, through May 31, 2017. The vacancy was created by the resignation of Lee Kleinman, effective May 24, 2016. The Chairman asked for nominations.

Mr. Mays made a motion to nominate Ken Haben for the Vice Chairman position. Mr. Conway seconded the motion.

Mr. Ho made a motion to nominate Joe Schutz for the Vice Chairman position. The motion died due to the lack of a second.

No further nominations were made.

The Board voted on the original motion by Mr. Mays to nominate Ken Haben for the Vice Chairman position, which was seconded by Mr. Conway. The motion was passed by the following vote:

For: Mays, Friar, Hass, Conway, Haben, Gates

Against: Ho, Schutz

Absent: Kingston, Wilson

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3. Authorized signatories for the Board of Trustees

The Board officers completed a new Signature Authorization Form to facilitate the day-to-day operations of DFPF.

No motion was made.

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4. Committee appointments

The Chairman provided his nominations to the Audit Committee and the Professional Services Committee for the Board’s consideration. Mr. Friar proposed the following Committee assignments:

Audit Committee: Jennifer Gates (Chair), Jerry Brown, John Mays, Sam Friar

Professional Services Committee: Ken Haben (Chair), Brian Hass, Scott Griggs, Sam Friar

Additionally, Mr. Friar stated that Erik Wilson will fill the Long-Term Financial Stability Sub-committee position formerly occupied by Mr. Kleinman.

After discussion, Mr. Haben made a motion to approve the Chairman’s nominations to the Audit Committee and the Professional Services Committee and the designated Chairs of the committees. Mr. Ho seconded the motion, which was unanimously approved by the Board. Messrs. Kingston and Wilson were absent when the vote was taken.

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C. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of May 12, 2016

2. Approval of Refunds of Contributions for the Month of May 2016

3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for June 2016

4. Approval of Estate Settlements

5. Approval of Survivor Benefits

6. Approval of Service Retirements

7. Approval of Alternate Payee Benefits

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C. CONSENT AGENDA (continued)

8. Approval of Earnings Test

9. Approval of Payment of DROP Revocation Contributions

After discussion, Mr. Haben made a motion to approve the items on the Consent Agenda, subject to the final review of the staff. Mr. Ho seconded the motion, which was unanimously approved by the Board. Messrs. Kingston and Wilson were absent when the vote was taken.

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D. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Equity structure study

The strategic asset allocation approved at the March 10, 2016 Board meeting established a 20% target allocation to global equity and a 5% target allocation to emerging markets equity. Staff and Rhett Humphreys, CFA, Partner, and Keith Stronkowsky, CFA, Senior Consultant, of NEPC, presented the equity structure study, which explained the build out of the global equity and emerging markets portfolios. Discussion included rationale, recommendations of managers to retain or liquidate, and expected timeline to complete.

After discussion, Mr. Conway made a motion to approve liquidation of the Pyramis investment and allocating the proceeds as set forth in the equity structure study. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 10:00 a.m.

The meeting was reconvened at 10:06 a.m.

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2. Boston Partners

As part of the equity structure study, Staff and NEPC presented the rationale for adding a value oriented investment manager to the global equity portfolio. Chris Hart, CFA, Senior Portfolio Manager, and David Gullen, CFA, CAIA, Relationship

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2. Boston Partners (continued)

Manager, of Boston Partners, presented an overview of the firm and global equity product.

After discussion, Mr. Haben made a motion to approve an initial investment of \$80 million in the Boston Partners global equity strategy, and authorize the Executive Director to negotiate and execute documentation, and perform all necessary acts and exercise all appropriate discretion to facilitate this investment. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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3. Manulife Asset Management

As part of the equity structure study, Staff and NEPC presented the rationale for adding a value oriented investment manager to the global equity portfolio. Scott Eversole, Managing Director, Institutional Sales, and Paul Boyne, Senior Managing Director, Senior Portfolio Manager, of Manulife Asset Management, presented an overview of the firm and global equity product.

After discussion, Mr. Conway made a motion to approve an initial investment of \$80 million in the Manulife Asset Management global equity strategy, and authorize the Executive Director to negotiate and execute documentation, and perform all necessary acts and exercise all appropriate discretion to facilitate this investment. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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4. Ashmore Global Special Situations IV extension

Staff reported that the Ashmore Global Special Situation Fund IV, LP (the Fund) commenced in 2007 and is approaching the expiration of the Fund on July 31, 2016. The General Manager has requested that the limited partners consent to a one-year extension in order to wind down the remaining assets in the Fund and maximize return. This extension is the second extension of the Fund and requires approval of 50% of the limited partners in interest. The manager will continue to manage the wind down process without charging a management fee. DFPF represents 5.07% of total limited partners' interest.

After discussion, Mr. Mays made a motion to approve the one-year extension of the Ashmore Global Special Situation Fund IV, LP as requested by the General Partner. Mr. Conway seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 12:01 p.m.

The meeting was reconvened at 12:33 p.m.

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5. NEPC: First Quarter 2016 Investment Performance Analysis and Fourth Quarter 2015 Private Markets Review

Rhett Humphreys and Keith Stronkowsky, of NEPC, DPF’s investment consultant, presented the First Quarter 2016 Investment Performance Analysis and Fourth Quarter 2015 Private Markets Review. NEPC also discussed their reporting responsibilities for Investment Monitoring, as outlined in Section VII of the recently adopted Investment Policy Statement, which will be included in the second quarter performance reports.

No motion was made.

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6. Investment reports

Staff reviewed the investment performance and rebalancing reports, for the period ending May 31, 2016, with the Board.

No motion was made.

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7. Hearthstone: Idaho and Colorado properties update

Hearthstone and Staff updated the Board on the status of the Sandstone and Spring Valley investments, which are located in Douglas County, Colorado and Eagle, Idaho, respectively. Hearthstone was engaged as the investment manager for the properties in February 2015 and presented their asset review and recommendations at the August 27, 2015 Board meeting.

The Board went into a closed executive session – real estate at 3:14 p.m.

The meeting was reopened at 3:33 p.m.

No motion was made.

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8. Plan amendment – retiree voting

At the request of certain retirees, the Board discussed whether or not a change should be proposed when the next plan amendment election occurs, which would allow retirees to vote in future elections on matters other than electing retirees to the Board.

No motion was made.

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9. Ad hoc committee reports

Mr. Hass, Chair of the Long-Term Financial Stability Sub-committee, and Mr. Schutz, Chair of the Governance Sub-committee, gave updates on the ad hoc sub-committees. Mr. Mond reported on the Legal Search Sub-committee.

No motion was made.

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10. Board Members’ reports on meetings, seminars and/or conferences attended

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

a. NCPERS Accredited Fiduciary (NAF) Program

Messrs. Haben, Friar, Conway, Schutz, Hass, Ms. Gottschalk

b. NCPERS Annual Conference

Messrs. Haben, Friar, Mays, Conway, Schutz, Hass, Mond, Ms. Gottschalk

c. TEXPERS Basic Trustee Training Class

Mr. Wilson

d. Pharos Annual Investor Conference

Messrs. Haben, Irlbeck

No motion was made.

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11. 2016 Annual Board and Staff Workshop

The Board and staff discussed possible topics for the 2016 annual workshop.

No motion was made.

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12. Spouse Wed After Retirement

Staff briefed the Board regarding a request by a member to make a SWAR election.

The Board went into a closed executive session – legal at 1:24 p.m.

The meeting was reopened at 2:09 p.m.

After discussion, Mr. Ho made a motion to approve the request for a Spouse Wed After Retirement (SWAR) election, contingent upon either the Member coming to DFPF’s offices to make the election or the required medical documentation being provided within a maximum of thirty (30) days. Mr. Kingston seconded the motion, which was passed by the following vote:

For: Ho, Kingston, Mays, Friar, Haben, Gates, Schutz
Against: Hass, Conway
Absent: Wilson

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13. Legal issues

- a. Police Officer and Firefighter pay lawsuits
- b. Potential claims involving fiduciaries and advisors
- c. 2014 Plan amendment election and litigation
- d. Employment agreement

The Board went into a closed executive session – legal at 2:14 p.m.

The meeting was reopened at 2:49 p.m.

No motion was made.

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Mr. Wilson left at 2:30 p.m.

The meeting was recessed at 2:49 p.m.

The meeting was reconvened at 2:59 a.m.

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14. Mid-year 2016 budget adjustment

Mr. Mond briefed the Board on actual legal fees incurred to date in 2016 and anticipated expenses for the remainder of the year, as compared to the budgeted expense of \$750,000.

After discussion, Mr. Conway made a motion to approve an increase to the budget line item for Legal fees to \$2 million for the year ending December 31, 2016. Mr. Schutz seconded the motion, which was unanimously approved by the Board. Messrs. Kingston and Wilson were absent when the vote was taken.

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15. Audit status

Ms. Loveland updated the Board on the status and findings to date related to the 2015 financial statement audit.

No motion was made.

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16. Emerging Managers

The Board discussed the issue of Emerging Managers.

No motion was made.

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E. 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
 - TEXPERS Pension Observer (Spring 2016)
- d. CalPERS to study possible reinvestments in tobacco (Reuters)

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. Haben and a second by Mr. Ho, the meeting was adjourned at 4:00 p.m.

[signature]

Samuel L. Friar
Chairman

ATTEST:

[signature]

Kelly Gottschalk
Secretary