

AGENDA



Date: May 6, 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, May 12, 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/86820887333?pwd=aVFRNGpYUXF0dkN0NVVKSjNOem5OZz09> **Passcode: 383706**. Items of the following agenda will be presented to the Board:

A. MOMENT OF SILENCE

B. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of April 14, 2022

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

- 3 Approval of Estate Settlements**
- 4. Approval of Survivor Benefits**
- 5. Approval of Service Retirements**
- 6. Approval of Alternate Payee Benefits**

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

- 1. Quarterly Financial Reports**
- 2. Monthly Contribution Report**
- 3. Active-Duty Survivor Benefits**
- 4. Employee Handbook and Policies**
- 5. Board approval of Trustee education and travel**
 - a. Future Education and Business-related Travel
 - b. Future Investment-related Travel
- 6. Portfolio Update**

7. Natural Resources Portfolio Review – BTG Pactual

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.

8. 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 DFPF and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws.

9. 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:

Disability application 2022-2

D. BRIEFING ITEMS

1. Public Comment

2. Executive Director's report

- a.** Associations' newsletters
 - NCPERS Monitor (May 2022)
- b.** Open Records
- c.** Non-member Trustee Election Update
- d.** Ethics Policy Certification

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.



MOMENT OF SILENCE

In memory of our Members and Pensioners who recently passed away

NAME	ACTIVE/ RETIRED	DEPARTMENT	DATE OF DEATH
Alfred J. Watkins	Retired	Police	Mar. 15, 2022
Oscar F. Shinpaugh	Retired	Police	Mar. 22, 2022
Gregory T. Smith	Retired	Police	Apr. 7, 2022
Larry T. Gatchel	Retired	Fire	Apr. 8, 2022
Frank R. Gamez	Retired	Fire	Apr. 9, 2022
Walter M. Clifton, Jr.	Retired	Police	Apr. 14, 2022
Richard D. Timmons	Retired	Fire	Apr. 14, 2022
Sam W. Wooley	Retired	Police	Apr. 18, 2022
John W. Sullivan	Retired	Police	Apr. 22, 2022
Ricky J. McGee	Retired	Police	Apr. 23, 2022
Allarry K. Daniels	Active	Fire	Apr. 25, 2022
Raymond C. Lee	Retired	Fire	Apr. 25, 2022
James A. Pierce	Retired	Police	Apr. 26, 2022
Melvin H. Bell	Retired	Police	Apr. 30, 2022
Denzil L. Cooper	Retired	Fire	May 2, 2022
D. W. Jones	Retired	Fire	May 2, 2022

Regular Board Meeting –Thursday, May 12, 2022

**Dallas Police and Fire Pension System
Thursday, April 14, 2022
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 8:34 a.m. Nicholas A. Merrick, William F. Quinn, Armando Garza, Michael Brown, Robert B. French (by telephone), Gilbert A. Garcia (by telephone), Kenneth Haben, Tina Hernandez Patterson, Steve Idoux (by telephone), Mark Malveaux (by telephone)

Absent: None

Staff

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

Others

Jill Svoboda, Logan Taylor, Ron Pastore, Mark Morrison, Michael Taglienti

* * * * *

The meeting was called to order at 8:34 a.m.

* * * * *

A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officer Robert M. Spigler, James K. Barksdale, Howard R. Hulse, Willie R. Taylor, Joe B. Jones, Jr. and retired firefighters Jimmy R. Johnson, James M. Zak, W. G. Berry, Gary D. Hash, Jack S. Golden, Allen E. Angell.

No motion was made.

* * * * *

**Regular Board Meeting
Thursday, April 14, 2022**

B. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of March 10, 2022

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

3. Approval of Estate Settlements

4. Approval of Survivor Benefits

5. Approval of Service Retirements

6. Approval of Alternate Payee Benefits

7. Approval of Payment of Military Leave Contributions

8. Approval of Payment of QDRO Buyback Contributions

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

After discussion, Mr. Brown made a motion to approve the remaining 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.

* * * * *

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Report on Audit Committee Meeting

Mr. Quinn, Mr. Garza, and Ms. Hernandez Patterson, members of the Audit Committee, met with Jill Svoboda and Logan Taylor of BDO on April 14, 2022 to review the Audit Plan for the 2021 audit. The Committee Chair commented on the meeting and the audit plan.

No motion was made.

* * * * *

**Regular Board Meeting
Thursday, April 14, 2022**

2. Portfolio Update

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

No motion was made.

* * * * *

3. Real Estate Portfolio Review – AEW

The Board went into closed executive session at 8:57 a.m.

The meeting was reopened at 10:13 a.m.

Ron Pastore, Senior Portfolio Manager, and Mark Morrison, Portfolio Manager of AEW Capital Management updated the Board on the status and plans for DFPF’s investments in RED Consolidated Holdings (“RCH”) and Camel Square.

No motion was made.

* * * * *

4. Report on Investment Advisory Committee Meeting

The Investment Advisory Committee met on March 24, 2022. The Committee Chair and Investment Staff commented on the Committee’s observations and advice.

No motion was made.

* * * * *

5. Private Asset Cash Flow Projection Update

Staff provided the quarterly update on the private asset cash flow projection model. 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 DFPF’s exposure to these assets and the implications for the public asset redeployment, overall asset allocation, and expected portfolio risk and return.

No motion was made.

**Regular Board Meeting
Thursday, April 14, 2022**

* * * * *

6. Employee Handbook and Policies

Staff discussed a timeline to consider the adoption of the Employee Handbook and rescinding existing policies recommended by staff. The handbook is intended to be a comprehensive Employee Handbook that will include topics from existing personnel-related policies, new topics not previously addressed, and modifications to modernize policies and address changing conditions.

No motion was made.

Mr. Idoux left the meeting at 10:36 a.m.

* * * * *

7. Monthly Contribution Report

The Executive Director reviewed the Monthly Contribution Report.

No motion was made.

* * * * *

8. Board approved of Trustee education and travel

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

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

No motion was made.

* * * * *

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

Mr. Haben, Ms. Hernandez Patterson, Mr. Garcia, and Mr. Garza reported on the TEXPERS 2022 Annual Conference.

No motion was made.

* * * * *

**Regular Board Meeting
Thursday, April 14, 2022**

- 10. Legal issues - In accordance with Section 551.071 of the Texas Government Code, the Board will meet in executive session to seek and receive the advice of its attorneys about pending or contemplated litigation or any other legal matter in which the duty of the attorneys to DPF 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 10:55 a.m.

The meeting was reopened at 11:35 a.m.

The Board and staff discussed legal issues.

No motion was made.

* * * * *

- 11. Closed Session - Board serving as Medical Committee**

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

The Board went into closed executive session at 10:55 a.m.

The meeting was reopened at 11:35 a.m.

- a.** After discussion, Mr. Haben made a motion to grant the Executive Director the authority to approve disability application 2022-1 upon receipt and review of the required additional medical reports. Mr. Garza seconded the motion, which was unanimously approved by the Board.
- b.** Disability application 2022-2 was postponed to the May Board meeting.

Mr. Idoux was not present for the vote.

* * * * *

D. BRIEFING ITEMS

- 1. Public Comments**

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.

* * * * *

**Regular Board Meeting
Thursday, April 14, 2022**

2. Executive Director's report

- a. Associations' newsletters
 - NCPERS Monitor (April 2022)
- b. Open Records
- c. Nominations Committee
- d. Survivor Benefits Committee

The Executive Director's report was presented.

* * * * *

Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Quinn and a second by Mr. Garza the meeting was adjourned at 11:36 a.m.

Nicholas A. Merrick
Chairman

ATTEST:

Kelly Gottschalk
Secretary



DISCUSSION SHEET

ITEM #C1

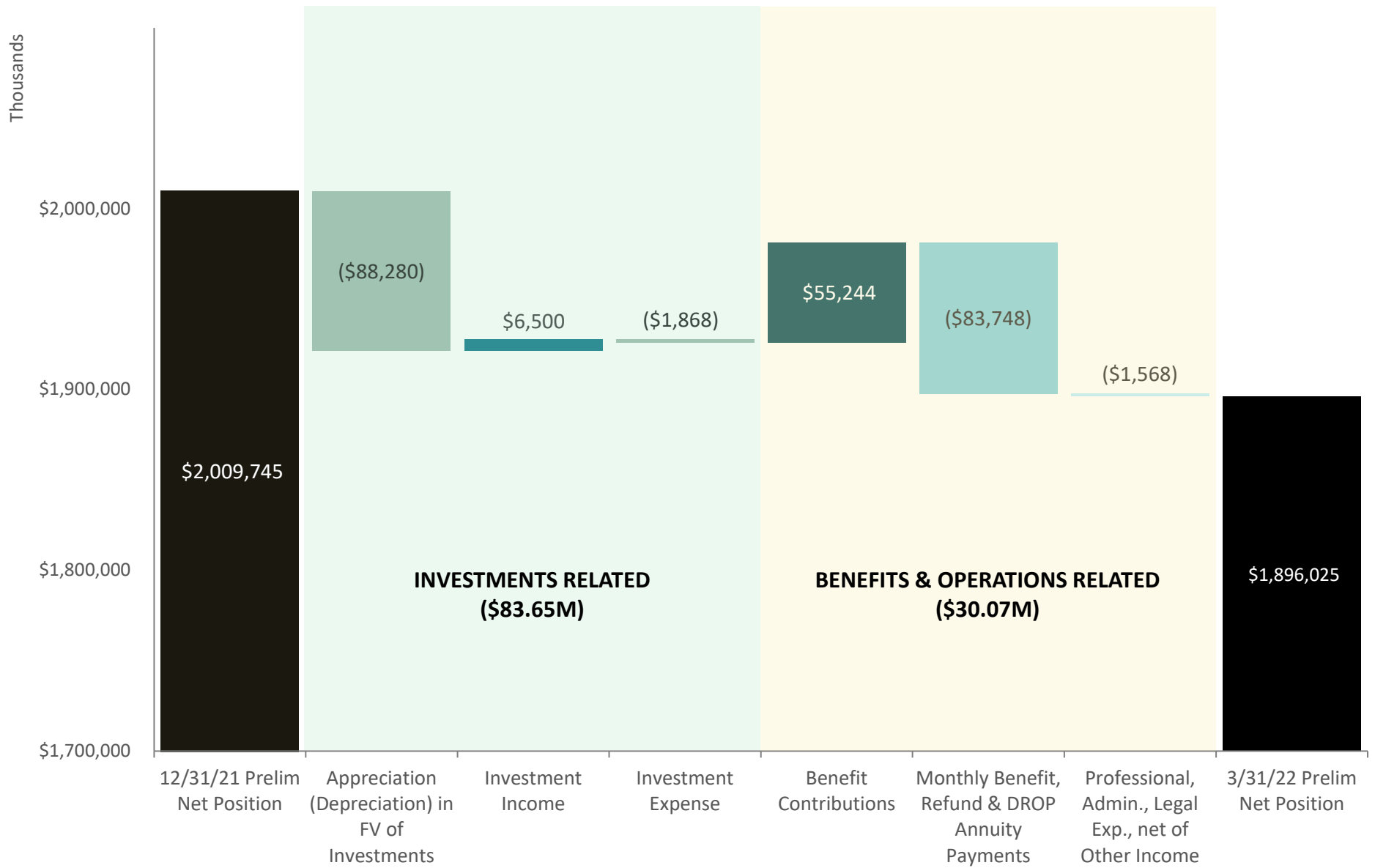
Topic: Quarterly Financial Reports

Discussion: The Chief Financial Officer will present the first quarter 2022 financial statements.

Regular Board Meeting – Thursday, May 12, 2022

Change in Net Fiduciary Position

PRELIMINARY - December 31, 2021 – March 31, 2022



Components may not sum exactly due to rounding.

DALLAS POLICE & FIRE PENSION SYSTEM
Combined Statements of Fiduciary Net Position

	March 31, 2022	PRELIMINARY December 31, 2021 (unaudited)	\$ Change	% Change
Assets				
Investments, at fair value (NOTE)				
Short-term investments	\$ 18,228,784	\$ 12,939,975	\$ 5,288,809	41%
Fixed income securities	405,496,835	420,600,845	(15,104,010)	-4%
Equity securities	892,377,317	968,323,984	(75,946,667)	-8%
Real assets	396,630,071	397,883,676	(1,253,605)	0%
Private equity	134,425,093	133,604,797	820,296	1%
Forward currency contracts	(7,887)	(45)	(7,842)	-17427%
Total investments (NOTE)	<u>1,847,150,213</u>	<u>1,933,353,232</u>	<u>(86,203,019)</u>	<u>-4%</u>
Receivables				
City	6,543,000	4,558,572	1,984,428	44%
Members	2,266,690	1,613,390	653,300	40%
Interest and dividends	4,030,347	3,444,616	585,731	17%
Investment sales proceeds	7,309,481	223,273	7,086,208	3174%
Other receivables	101,303	123,200	(21,897)	-18%
Total receivables	<u>20,250,821</u>	<u>9,963,051</u>	<u>10,287,770</u>	<u>103%</u>
Cash and cash equivalents	32,668,083	60,032,434	(27,364,351)	-46%
Prepaid expenses	1,003,606	411,295	592,311	144%
Capital assets, net	11,786,643	11,846,879	(60,236)	-1%
Total assets	<u>\$ 1,912,859,366</u>	<u>\$ 2,015,606,891</u>	<u>\$ (102,747,525)</u>	<u>-5%</u>
Liabilities				
Payables				
Securities purchased	12,241,203	358,266	11,882,937	3317%
Accounts payable and other accrued liabilities	4,592,952	5,503,373	(910,421)	-17%
Total liabilities	<u>16,834,155</u>	<u>5,861,639</u>	<u>10,972,516</u>	<u>187%</u>
Net position restricted for pension benefits	<u>\$ 1,896,025,211</u>	<u>\$ 2,009,745,252</u>	<u>\$ (113,720,041)</u>	<u>-6%</u>

(NOTE) Private asset values have not yet been reported for Q4 21. Values will be updated as final reporting is received.

DALLAS POLICE & FIRE PENSION SYSTEM
Combined Statements of Changes in Fiduciary Net Position

	<u>Three Months Ended 3/31/2022</u>	<u>Three Months Ended 3/31/2021</u>	<u>\$ Change</u>	<u>% Change</u>
Contributions				
City	\$ 40,924,444	\$ 40,781,537	\$ 142,907	0%
Members	14,319,448	14,376,664	(57,216)	0%
Total Contributions	<u>55,243,892</u>	<u>55,158,201</u>	85,691	0%
Investment income				
Net appreciation (depreciation) in fair value of investments (NOTE)	(88,279,708)	22,129,119	(110,408,827)	-499%
Interest and dividends	6,499,760	7,229,477	(729,717)	-10%
Total gross investment income	(81,779,948)	29,358,596	(111,138,544)	-379%
less: investment expense	(1,867,772)	(2,659,655)	791,883	30%
Net investment income	<u>(83,647,720)</u>	<u>26,698,941</u>	(110,346,661)	-413%
Other income	56,826	87,068	(30,242)	-35%
Total additions	<u>(28,347,002)</u>	<u>81,944,210</u>	(110,291,212)	-135%
Deductions				
Benefits paid to members	82,697,147	80,254,244	2,442,903	3%
Refunds to members	1,051,222	747,572	303,650	41%
Legal expense	106,848	6,449	100,399	1557%
Legal expense reimbursement	-	-	-	0%
Legal expense, net of reimbursement	<u>106,848</u>	<u>6,449</u>	100,399	1557%
Staff Salaries and Benefits	907,868	976,394	(68,526)	-7%
Professional and administrative expenses	609,954	635,958	(26,004)	-4%
Total deductions	<u>85,373,039</u>	<u>82,620,617</u>	2,752,422	3%
Net increase (decrease) in net position	<u>(113,720,041)</u>	<u>(676,407)</u>		
Beginning of period	2,009,745,252	1,960,074,777		
End of period	<u>\$ 1,896,025,211</u>	<u>\$ 1,959,398,370</u>		

(NOTE) Private asset values have not yet been reported for Q4 21. Values will be updated as final reporting is received.



DISCUSSION SHEET

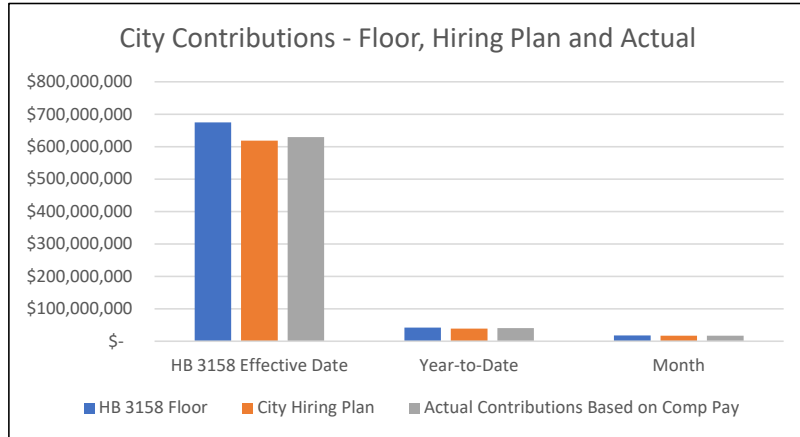
ITEM #C2

Topic: **Monthly Contribution**

Discussion: Staff will review the Monthly Contribution Report.

Regular Board Meeting – Thursday, May 12, 2022

Contribution Tracking Summary - May 2022 (March 2022 Data)



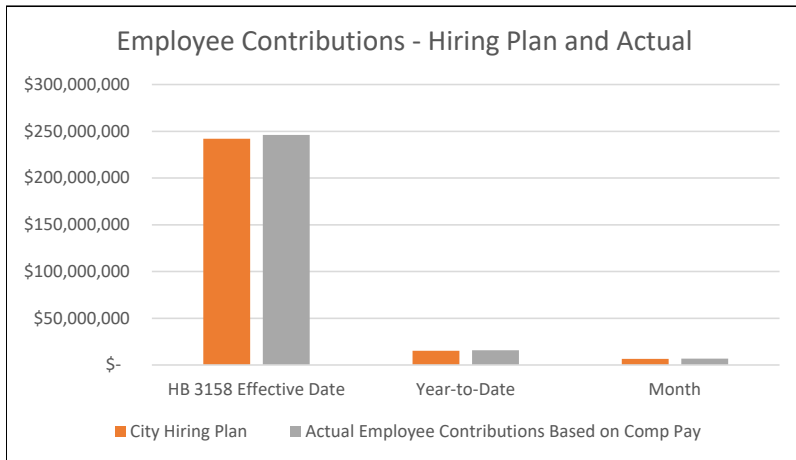
Actual Comp Pay was 102% of the Hiring Plan estimate since the effective date of HB 3158.

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

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

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

The combined actual employees was 176 less than the Hiring Plan for the pay period ending April 12, 2022. Fire was over the estimate by 45 fire fighters and Police under by 221 officers. The number of estimate police officers increase by 25 officer for 2022 from the 2021 estimate.



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

There is no Floor on employee contributions.

Contribution Summary Data

City Contributions

Mar-22	Number of Pay Periods Beginning in the Month	HB 3158 Floor	City Hiring Plan	Actual Contributions Based on Comp Pay	Additional Contributions to Meet Floor Minimum	Comp Pay Contributions as a % of Floor Contributions	Comp Pay Contributions as a % of Hiring Plan Contributions
Month	3	\$ 18,129,000	\$ 16,798,846	\$ 17,311,831	\$ 817,169	95%	103%
Year-to-Date		\$ 42,301,000	\$ 39,197,308	\$ 40,314,775	\$ 1,986,225	95%	103%
HB 3158 Effective Date		\$ 674,404,000	\$ 618,717,692	\$ 629,127,599	\$ 45,350,108	93%	102%

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

Employee Contributions

Mar-22	Number of Pay Periods Beginning in the Month	City Hiring Plan	Actual Employee Contributions Based on Comp Pay	Actual Contribution Shortfall Compared to Hiring Plan	Actuarial Valuation Contribution Assumption	Actual Contributions as a % of Hiring Plan Contributions	Actual Contributions as a % of Actuarial Val Assumption
Month	3	\$ 6,573,462	\$ 6,774,309	\$ 200,847	\$ 6,355,386	103%	107%
Year-to-Date		\$ 15,338,077	\$ 15,774,605	\$ 436,528	\$ 14,829,234	103%	106%
HB 3158 Effective Date		\$ 242,106,923	\$ 246,023,517	\$ 3,916,594	\$ 236,488,888	102%	104%

Potential Earnings Loss from the Shortfall based on Assumed Rate of Return \$ (321,280)

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	*
<i>*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.</i>		

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

Comp Pay by Month - 2022	Annual Divided by 26 Pay Periods	Actual	Difference	2022 Cumulative Difference	Number of Employees EOM	Difference
January	\$ 32,461,538	\$ 33,363,143	\$ 901,604	\$ 901,604	4946	(167)
February	\$ 32,461,538	\$ 33,314,230	\$ 852,692	\$ 852,692	4943	(170)
March	\$ 48,692,308	\$ 50,179,220	\$ 1,486,912	\$ 1,486,912	4937	(176)
April	\$ 32,461,538					
May	\$ 32,461,538					
June	\$ 32,461,538					
July	\$ 32,461,538					
August	\$ 48,692,308					
September	\$ 32,461,538					
October	\$ 32,461,538					
November	\$ 32,461,538					
December	\$ 32,461,538					



DISCUSSION SHEET

ITEM #C3

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: The Chairman established a committee at the January 2022 Board meeting to review and consider enhancements to DFPF benefits provided to the surviving spouse of a member who dies while on active service with the City of Dallas. The Committee's considerations, recommendation and proposed next steps will be discussed.

Regular Board Meeting – Thursday, May 12, 2022



2727 Paces Ferry Road SE
Building One, Suite 1400
Atlanta, GA 30339-4053
T 678.306.3100
F 678.669.1887
segalco.com

April 7, 2022

Ms. Kelly Gottschalk
Executive Director
Dallas Police & Fire Pension System
4100 Harry Hines Blvd., Suite 100
Dallas, TX 75219

Re: Actuarial Analysis of Proposed Changes to Pre-retirement Death Benefit for Members in Active Service

Dear Kelly:

We have completed our analysis for the proposed change in the pre-retirement death benefit for members in Active Service.

Background

The Dallas Police and Fire System currently provides members a pre-retirement death benefit, as follows:

- *Death while in active service:* The greater of 50% of the Member's accrued benefit or a benefit based on 20 years of service. The benefit may not exceed 45% of Average Computation Pay.
- *Special Survivor Benefit:* Member is eligible upon leaving active service or joining DROP if: a) the Member was at least 55 years old with at least 20 years of pension service, or b) the sum of the Member's age plus Pension Service was at least 78; and Has no Qualified Surviving Children or disabled children currently eligible for survivor benefits; and Whose Qualified Surviving Spouse is at least 55 years old. The Qualified Surviving Spouse does not have to be 55 years old at the time of the Member's death.

Upon meeting this eligibility, the amount the Qualified Surviving Spouse will receive increase from 50% of the Member's pension benefit to a percentage of the Member's pension benefit based on the Member's applicable benefit multiplier times the number of years of Pension Service the Member worked.

Proposed changes to the System

The proposed plan change would provide 100% of the member's accrued benefit at the time of a member's death to the surviving spouse. There are two potential scenarios for this change: 1) increase the benefit for all deaths while an active member, and 2) increase the benefit if the member passes away while in the line of duty. Results for the first scenario are shown on the following page.

Ms. Kelly Gottschalk
 April 7, 2022
 Page 2

Actuarial impact of the proposed changes

Based on the benefit provisions, data, actuarial assumptions and actuarial funded methods included in the January 1, 2021 actuarial valuation, the proposed pre-retirement death benefit change for all members who die while active, whether or not in the line of duty, would not significantly decrease the projected funding levels over the next 30 years, but delays the projected year of full funding by two years.

The charts below details our estimated impact on the System as of January 1, 2022 and the projected year of 100% funding, based on the plan changes detailed above, but assuming that all actives who pass away receive this benefit, not just line of duty deaths. Since only approximately 30% of active deaths have historically been line-of-duty related, the actual impact of this change would be even more minimal than the impact shown below if the change is made for only line-of-duty deaths.

Estimated as of January 1, 2022 (\$ Millions)	Current Plan	Death Benefit Provision Change
1. Total normal cost, before administrative expenses	\$73	\$74
2. Total normal cost as a % of pay ¹	17.2%	17.4%
3. Actuarial accrued liability	\$5,175	\$5,182
4. Actuarial value of assets	2,054	2,054
5. Unfunded liability: (3) - (4)	3,121	3,128
6. Actuarial value of assets funded ratio: (4) / (3)	39.7%	39.6%
7. Market value of assets	\$1,916	\$1,916
8. Market value of assets funded ratio: (7) / (3)	37.0%	37.0%
9. Projected year of 100% funding	2084	2086

Assumptions and methods

The assumptions and methods used in valuing this proposed plan provision change are the same as those used in the January 1, 2021 actuarial valuation report.

Since 100% of active deaths are assumed to receive an unreduced 100% joint and survivor benefit the special survivor benefit was not valued for this scenario.

* * * * *

The actuarial calculations were completed under my supervision. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render this actuarial opinion.

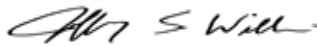
¹ Based on estimated computation pay of \$422 million for Current Plan

Ms. Kelly Gottschalk
April 7, 2022
Page 3

Projections, by their nature, are not a guarantee of future results. These projections are intended to serve as estimates of future outcomes, based on the information available to us at the time the modeling is undertaken and completed, and the assumptions described herein. Actual experience may differ due to such factors as demographic experience, the economy, stock market performance and the regulatory environment. Additional scenarios would demonstrate sensitivity to risk from investment return, employment and other factors.

Please let us know of any questions or if any additional analysis is needed.

Sincerely,



Jeffrey S. Williams, FCA, ASA, MAAA, EA
Vice President and Actuary

cc: Caitlin Grice, Segal



DISCUSSION SHEET

ITEM #C4

Topic: **Employee Handbook and Policies**

Discussion: Staff has drafted an Employee Handbook which is intended to consolidate and update various personnel related policies and procedures. The Handbook contains five sections: Governing Principles of Employment, Operational Policies, Benefits, Leave of Absence and General Standards of Conduct. Staff will review the key provision and significant changes.

Regular Board Meeting – Thursday, May 12, 2022



D A L L A S
POLICE & FIRE
PENSION SYSTEM



Employee Personnel Handbook

May 12, 2022

Purpose of the Employee Handbook

Employee Handbook

- Comprehensive – contains or refers to all personnel related policies.
- Modern – existing policies were updated for changing conditions and new topics were added where policies didn't exist.
- Accessible to employees.

Developed using the SHRM Employee Handbook Builder which incorporates Best Practices and the latest federal and state laws.

Policies Referenced

The following policies/documents will remain in effect and are referenced in the Handbook:

- Board of Trustees and Employees Ethics and Code of Conduct Policy
- Education and Travel Policy and Procedure
- Compensation Policy
- Annual Benefits Enrollment Guide (Insurance Summary)

Policies Incorporated

The following policies have been incorporated in the Handbook and can be rescinded

- System Employees Personnel Policy
- Personnel Rules
- Employee Discipline and Grievance Policy & Procedure
- Money Purchase Plan 401(a)
- Policy Against Sexual Harassment
- Policy on Use of Computers and Data Communication
- Sick Leave Accrual Procedure
- Pension Office and Appearance & Dress Code
- Records Management Policy and Procedure
- Sick Leave Accrual Procedures
- Employee Recognition Program
- Health Insurance Cost Assistance Program
- Tuition Reimbursement Program Procedure (program eliminated)

Proposed Change – Attendance Incentive Leave Elimination/Hours Reallocated

Attendance Incentive Leave

- Employees may earn up to 6 days (48 hours) annually if no sick leave is used in the prior year.
- Employees may accrue up to 2 years of AIL (12 days/96 hours).
- Employees are paid for accrued but unused AIL when they leave DPFP.
- Most employees earn the maximum AIL. Generally eligible employees that don't earn the time have small children.
- The AIL program does not accomplish the intended outcome. It does not encourage attendance and encourages employees to come to work sick.

Proposed Change – Attendance Incentive Leave Elimination/Hours Reallocated

Proposal: Eliminate the AIL program, allocate the 6 days that most employees are earning to 3 additional Personal Days and 3 additional Sick Leave accrual.

- Positives for the Employee: the employee doesn't lose the six days of leave they were earning under the AIL program and can use the leave to stay home when they are sick.
- Positives for DPFP: Lower liability accrual and payout when an employee leaves DPFP for the days converted to Personal Days and Sick Leave accrual.
- Negatives: Careful scheduling will be necessary to ensure all employees aren't trying to use their Personal Days (Use it or Lose it) at the end of the year.

Proposed Change: Paid Holidays

DPFP leave benefits were carried over from the City when DPFP became an independent entity in the early 2000s so they closely match the City of Dallas employee benefits and the benefits of ERF.

- In 2021, the City of Dallas added three paid holidays
 - Juneteenth, Indigenous People's Day and Veteran's Day
- With the addition the City has 12-paid holidays
- DPFP currently has 9-paid holidays and 1-Personal Day
- Proposal: DPFP add 3 paid holidays (Juneteenth, Good Friday (employee preference) and either Indigenous People's Day or Veteran's Day).

Next Steps

- Continue to edit the Handbook document to finalize various sections and incorporate any Board or employee feedback.
- Consider approval at the June Board meeting.



DISCUSSION SHEET

ITEM #C5

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.

Regular Board Meeting – Thursday, May 12, 2022

**Future Education and Business Related Travel & Webinars
Regular Board Meeting – May 12, 2022**

ATTENDING APPROVED

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

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

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

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



DISCUSSION SHEET

ITEM #C6

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, May 12, 2022



D A L L A S
POLICE & FIRE
PENSION SYSTEM



Portfolio Update

May 12th, 2022

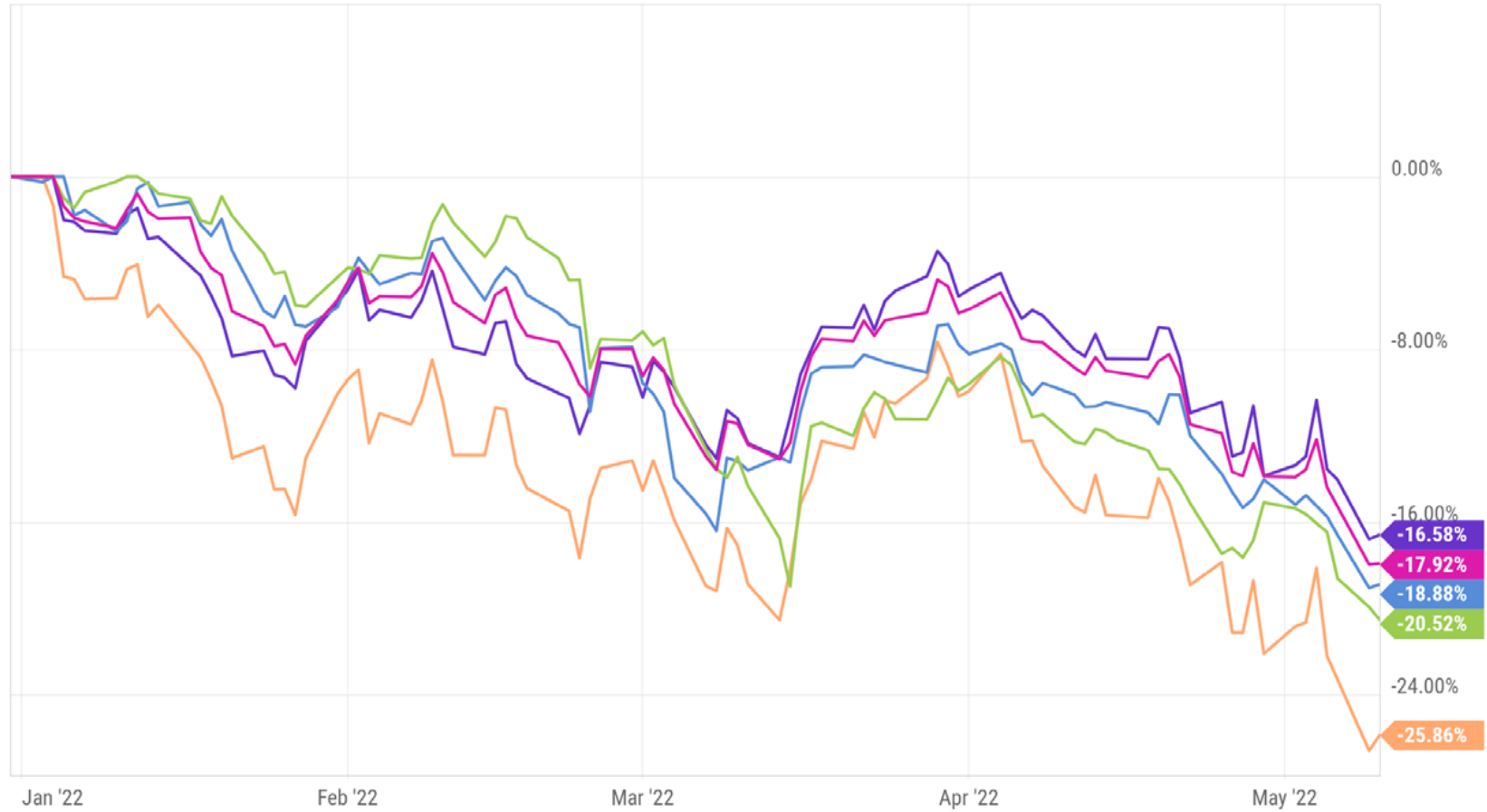
Executive Summary

- Liquidation of private market assets remains the top focus.
 - \$14.2M in distributions received YTD as of 4/30/22. \$25M+ in distributions expected over next few months.
- At the March Board meeting, staff notified the Board that, given the recent market downturn, the Safety Reserve would be drawn down to fund net benefit outflows.
 - A \$30M redemption from IR+M was completed at the end of April and rebalanced into Cash.
- Global Alpha contract is complete. Plan to fund initial \$40M allocation at beginning of June, which will come from the passive Northern Trust account.
- Estimated Year-to-Date Return (as of 4/30/22): -7.8% for DFPF portfolio; -11.9% for Public Markets (ex-Cash) which accounts for 66% of the assets.

Equity Market Correction

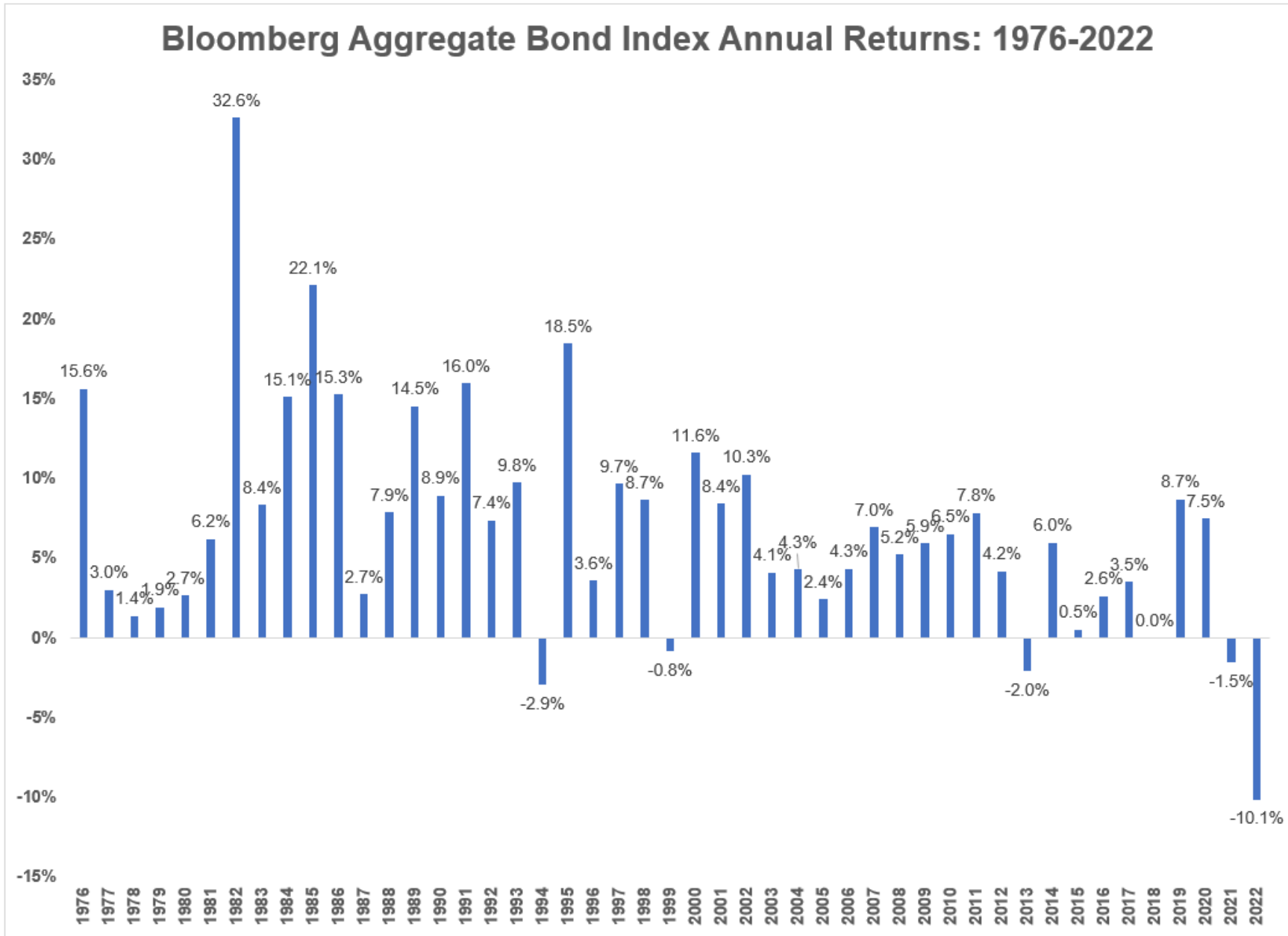
Equity Indices - % Off High YTD (Thru 5/10/22)

- S&P 500 Level % Off High
- Nasdaq Composite Level % Off High
- MSCI EAFE Level % Off High
- MSCI Emerging Markets Level % Off High
- MSCI ACWI IMI Level % Off High

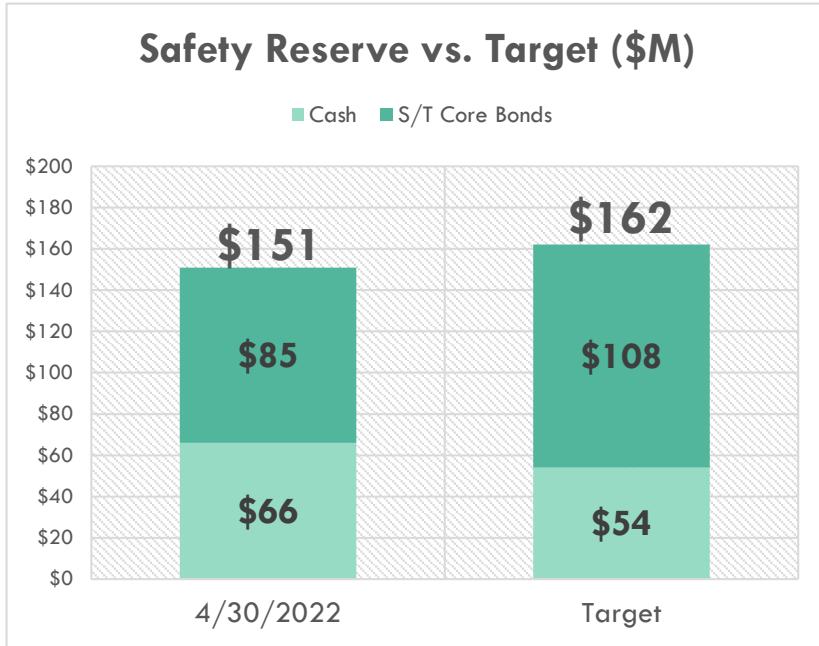


May 11 2022, 9:30AM EDT. Powered by YCHARTS

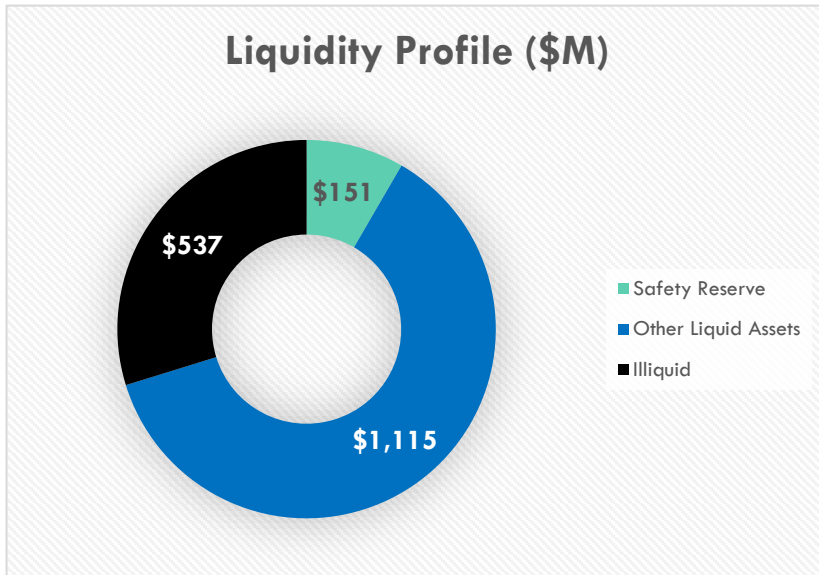
Bond Market Correction (YTD as of 5/9/22)



Safety Reserve Dashboard – As of 4/30/22



Projected Net Monthly outflows of **\$9.2M** per month. Safety Reserve of **\$151M** would cover net monthly outflows for next **16 months** or through **August 2023**.



Expected Cash Activity	Date	Amount (\$M)	Projected Cash Balance (\$M)	Projected Cash (%)
	4/30/22		\$66.0	3.7%
City Contribution	5/13/22	\$8.8	\$74.8	4.2%
City Contribution	5/27/22	\$8.8	\$83.6	4.6%
Pension Payroll	5/27/22	(\$27.5)	\$56.1	3.1%
City Contribution	6/10/22	\$8.8	\$64.9	3.6%
City Contribution	6/24/22	\$8.8	\$73.7	4.1%
Pension Payroll	6/28/22	(\$27.5)	\$46.2	2.6%
City Contribution	7/8/22	\$8.8	\$55.0	3.1%
City Contribution	7/22/22	\$8.8	\$63.8	3.5%
Pension Payroll	7/27/22	(\$27.5)	\$36.3	2.0%

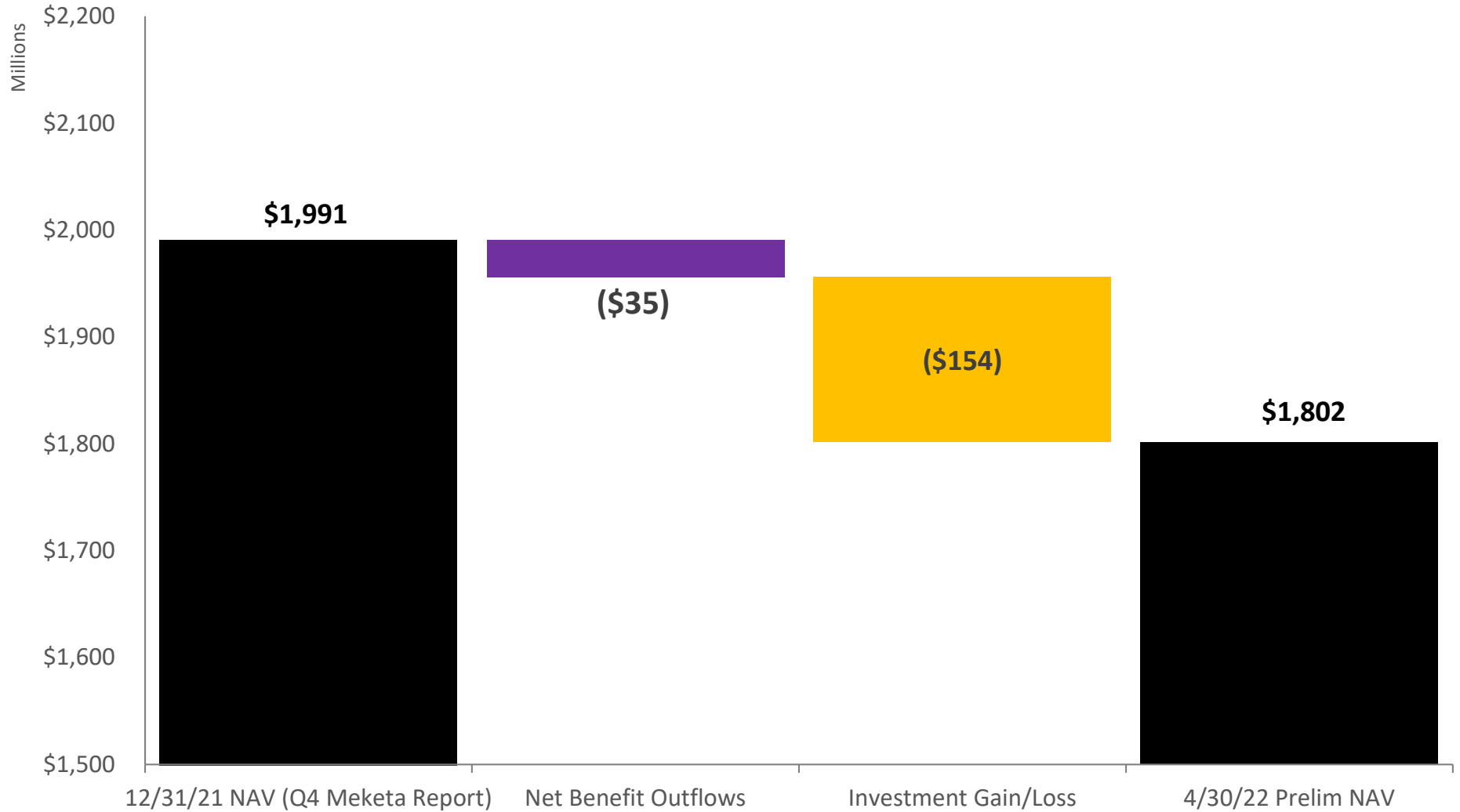
Projected Cash activity includes expected benefit contributions, payments, and material expected capital calls or expenses.

Numbers may not foot due to rounding

2022 YTD Change in Market Value Bridge Chart

In Millions

2022 YTD Investment Return estimated at -7.8%



Numbers may not foot due to rounding.

Public Markets Performance Snapshot - Estimates

Public Markets (ex-Cash) currently make up 66% of DFPF Investment Portfolio.

Net of fees	Index	MTD as of 4/30/22			YTD as of 4/30/2022			3 Year Trailing as of 4/30/2022		
		Manager	Index	Excess	Manager	Index	Excess	Manager	Index	Excess
Total Public Portfolio (ex-Cash)	60% ACWI IMI/40% Global AGG	-5.9%	-7.0%	1.0%	-11.9%	-12.3%	0.4%	4.6%	5.1%	-0.6%
Global Equity	MSCI ACWI IMI	-7.6%	-7.9%	0.4%	-14.5%	-13.0%	-1.5%	9.0%	9.2%	-0.4%
Boston Partners	MSCI World	-4.4%	-8.3%	3.9%	-5.2%	-13.0%	7.9%	10.3%	10.4%	-0.1%
Manulife	MSCI ACWI	-5.9%	-8.0%	2.1%	-12.3%	-12.9%	0.6%	8.6%	9.4%	-0.9%
Invesco (OFI)	MSCI ACWI	-11.3%	-8.0%	-3.3%	-25.1%	-12.9%	-12.1%	6.5%	9.4%	-3.0%
Walter Scott	MSCI ACWI	-7.6%	-8.0%	0.4%	-16.4%	-12.9%	-3.5%	9.7%	9.4%	0.2%
Northern Trust ACWI IMI Index*	MSCI ACWI IMI	-8.0%	-7.9%	0.0%	-13.2%	-13.0%	-0.2%	9.4%	9.2%	0.2%
Eastern Shore US Small Cap*	Russell 2000	-11.1%	-9.9%	-1.2%	-20.9%	-16.7%	-4.2%	5.0%	6.7%	-1.7%
EM Equity - RBC	MSCI EM IMI	-6.6%	-5.5%	-1.2%	-11.4%	-11.8%	0.3%	1.0%	3.1%	-2.1%
Public Fixed Income (ex-Cash)	BBG Multiverse TR	-2.5%	-5.4%	3.0%	-6.6%	-11.2%	4.6%	0.5%	-1.0%	1.5%
S/T IG Bonds - IR+M	BBG 1-3YR AGG	-0.6%	-0.5%	0.0%	-2.9%	-3.0%	0.1%	1.2%	0.7%	0.6%
IG Bonds - Longfellow*	BBG US AGG	-3.4%	-3.8%	0.4%	-9.3%	-9.5%	0.2%	1.0%	0.4%	0.6%
Bank Loans - Pacific Asset Mgmt.	CS Leveraged Loan	0.1%	0.2%	-0.1%	0.3%	0.1%	0.2%	4.1%	3.5%	0.6%
High Yield - Loomis Sayles*	BBG USHY 2% Cap	-4.1%	-3.6%	-0.6%	-8.5%	-8.2%	-0.2%	1.8%	2.8%	-0.9%
EM Debt - Ashmore	50% EMBI / 25% ELMI / 25% GBI-EM	-6.0%	-6.0%	0.0%	-15.0%	-13.5%	-1.5%	-6.5%	-2.7%	-3.7%

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

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

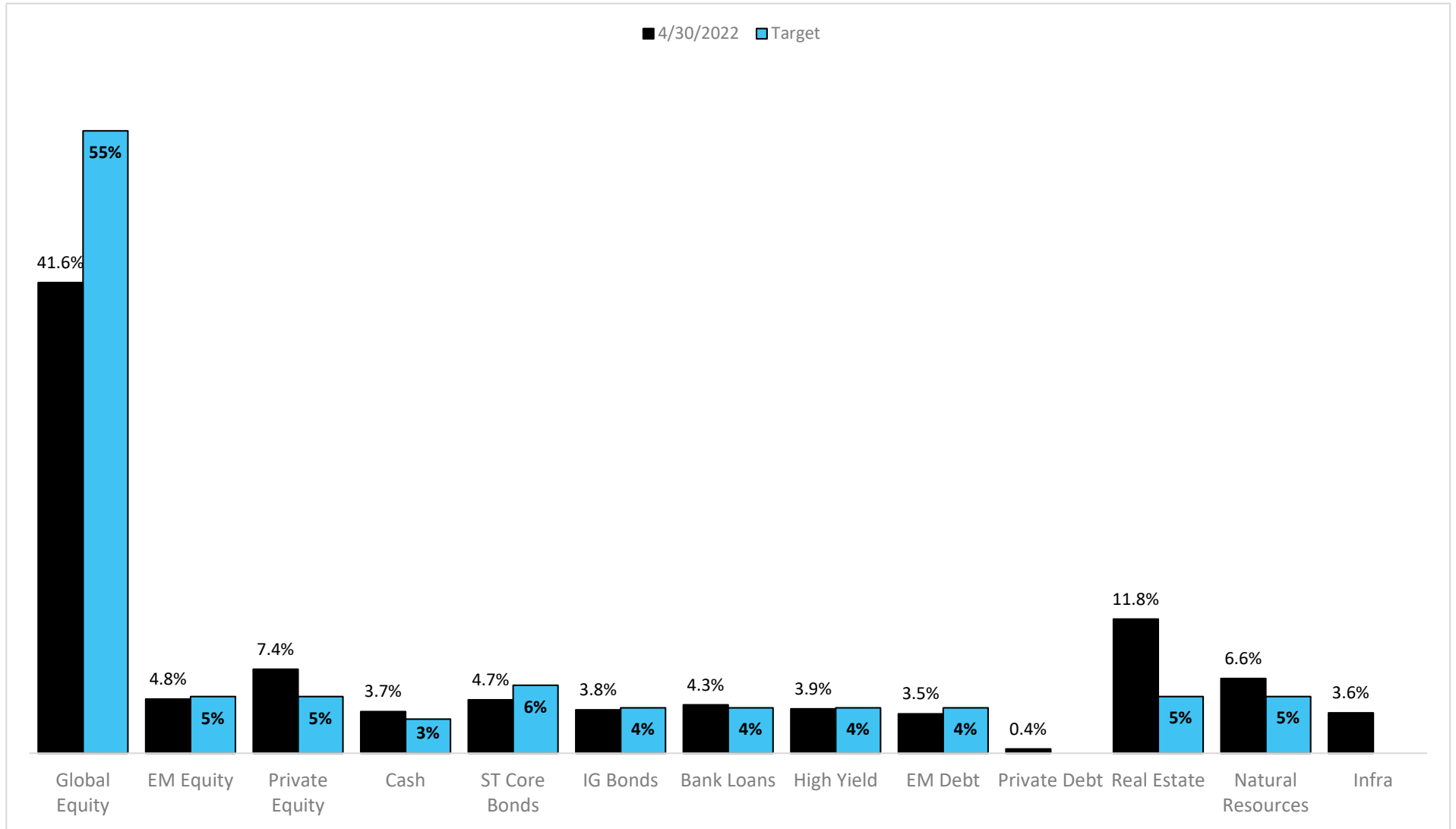
Asset Allocation Detail

DPFP Asset Allocation	4/30/2022		Target		Variance	
	NAV	%	\$ mil.	%	\$ mil.	%
Equity	969	53.8%	1,171	65%	-202	-11.2%
Global Equity	749	41.6%	991	55%	-242	-13.4%
<i>Boston Partners</i>	<i>141</i>	<i>7.8%</i>	<i>144</i>	<i>8%</i>	<i>-3</i>	<i>-0.2%</i>
<i>Manulife</i>	<i>131</i>	<i>7.3%</i>	<i>144</i>	<i>8%</i>	<i>-13</i>	<i>-0.7%</i>
<i>Invesco (OFI)</i>	<i>107</i>	<i>5.9%</i>	<i>144</i>	<i>8%</i>	<i>-38</i>	<i>-2.1%</i>
<i>Walter Scott</i>	<i>124</i>	<i>6.9%</i>	<i>144</i>	<i>8%</i>	<i>-21</i>	<i>-1.1%</i>
<i>Northern Trust ACWI IMI Index</i>	<i>215</i>	<i>11.9%</i>	<i>270</i>	<i>15%</i>	<i>-55</i>	<i>-3.1%</i>
<i>Eastern Shore US Small Cap</i>	<i>32</i>	<i>1.8%</i>	<i>72</i>	<i>4%</i>	<i>-40</i>	<i>-2.2%</i>
<i>Future International Small Cap Mandate</i>	<i>0</i>	<i>0.0%</i>	<i>72</i>	<i>4%</i>	<i>-72</i>	<i>-4.0%</i>
<i>Russell Transition</i>	<i>0</i>	<i>0.0%</i>	<i>0</i>	<i>0%</i>	<i>0</i>	<i>0.0%</i>
Emerging Markets Equity - RBC	86	4.8%	90	5%	-4	-0.2%
Private Equity*	134	7.4%	90	5%	44	2.4%
Fixed Income	437	24.2%	450	25%	-14	-0.8%
Cash	66	3.7%	54	3%	12	0.7%
S/T Investment Grade Bonds - IR+M	85	4.7%	108	6%	-23	-1.3%
Investment Grade Bonds - Longfellow	69	3.8%	72	4%	-3	-0.2%
Bank Loans - Pacific Asset Management	77	4.3%	72	4%	5	0.3%
High Yield Bonds - Loomis Sayles	71	3.9%	72	4%	-1	-0.1%
Emerging Markets Debt - Ashmore	63	3.5%	72	4%	-9	-0.5%
Private Debt*	7	0.4%	0	0%	7	0.4%
Real Assets*	396	22.0%	180	10%	216	12.0%
Real Estate*	213	11.8%	90	5%	123	6.8%
Natural Resources*	119	6.6%	90	5%	29	1.6%
Infrastructure*	64	3.6%	0	0%	64	3.6%
Total	1,802	100.0%	1,802	100%	0	0.0%
Safety Reserve ~\$162M=18 mo net CF	151	8.4%	162	9%	-11	-0.6%
*Private Market Assets	537	29.8%	270	15%	266	14.8%

Source: Preliminary JP Morgan Custodial Data, Staff Estimates and Calculations. \$30M IR+M redemption reflected in Cash Balance as of 4/30.

Numbers may not foot due to rounding

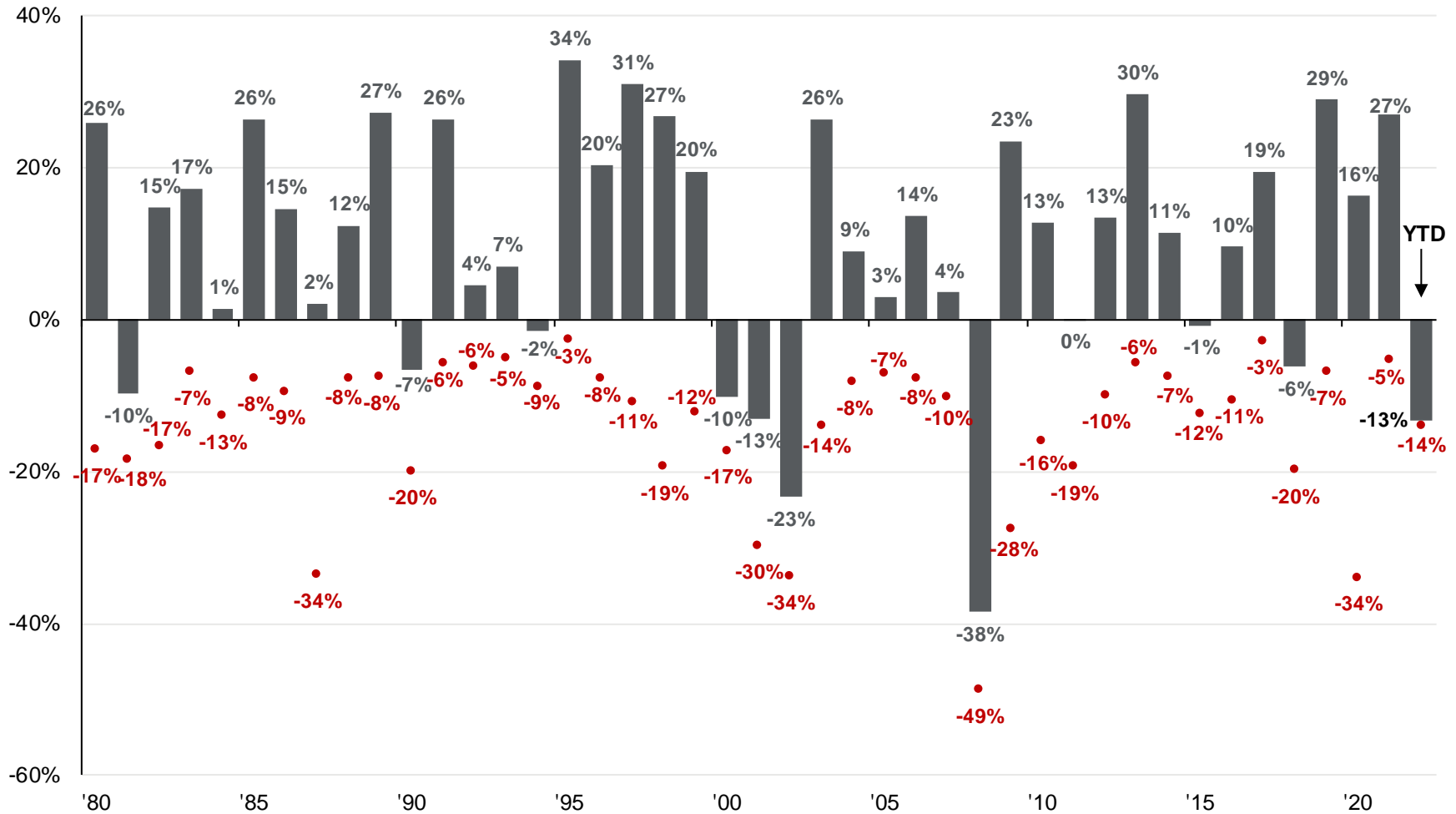
Asset Allocation – Actual vs Target



S&P Intra-Year Declines

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

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



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2021, over which time period the average annual return was 9.4%.

Guide to the Markets – U.S. Data are as of April 30, 2022.

Asset Class Returns – JPM Guide to the Markets

																2007 - 2021	
2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD	Ann.	Vol.
EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	REITs 41.3%	Comdty. 30.7%	Large Cap 10.6%	REITs 23.2%
Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	Large Cap 28.7%	Cash 0.1%	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 -8.7%	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%	Asset Alloc. -9.0%	High Yield 6.6%	Comdty. 19.1%
Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	Asset Alloc. 13.5%	Fixed Income -9.5%	Asset Alloc. 5.7%	DM Equity 18.9%
Large Cap 5.5%	Comdty. -35.6%	Large Cap 25.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	DM Equity 11.8%	High Yield -10.0%	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 -11.8%	DM Equity 4.1%	High Yield 12.2%
High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	EM Equity -12.1%	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%	Large Cap -12.9%	Cash 0.8%	Fixed Income 3.3%
REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	EM Equity -2.2%	Small Cap -16.7%	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 April 30, 2022.



2022 Board Investment Review Plan*

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

May	• Natural Resources: Staff review of BTG Pactual (Timber)
July	• Natural Resources: Hancock Presentation
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.



DISCUSSION SHEET

ITEM #C7

Topic: **Natural Resources Portfolio Review - BTG Pactual**

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 an overview of the Natural Resources portfolio and the strategy for DFPF's timber holdings managed by BTG Pactual.

Regular Board Meeting – Thursday, May 12, 2022



DISCUSSION SHEET

ITEM #C8

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 DFPF 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, May 12, 2022



DISCUSSION SHEET

ITEM #C9

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:

Disability application 2022-2

Discussion: A member has applied for a disability retirement. At the time of the agenda posting, staff was waiting on information from the independent physicians and the third-party disability case manager. To possibly avoid delay in the Board's consideration of the application it was included on the agenda. This application will be discussed if staff receives sufficient information to present to the Board prior to the meeting.

Regular Board Meeting – Thursday, May 12, 2022



DISCUSSION SHEET

ITEM #D1

Topic: Public Comment

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

Regular Board Meeting – Thursday, May 12, 2022



DISCUSSION SHEET

ITEM #D2

Topic: Executive Director's report

- a. Associations' newsletters
 - NCPERS Monitor (May 2022)
- b. Open Records
- c. Non-member Trustee Election Update
- d. Ethics Policy Certification

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

Regular Board Meeting – Thursday, May 12, 2022

THE NCPERS

MONITOR

The Latest in Legislative News

May 2022

In This Issue

2 Windfall Elimination Provision



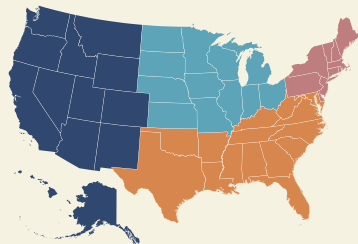
Let's start with a quick overview about why the public pension community should care about this issue. The Windfall Elimination Provision (WEP) reduces your Social Security benefit if you also earn a retirement benefit from non-Social Security employment.

3 Executive Directors Corner



The American Legislative Exchange Council is at it again. ALEC, as the group is known, has long advocated policies that target public pensions.

4 Around the Regions



This month, we will highlight Pennsylvania, Kansas, Florida and Alaska.

Bipartisan Retirement Legislation Begins Taking Shape in the Senate



Leaders of the Senate Committee on Health, Education, Labor & Pensions has begun the process of crafting bipartisan retirement legislation to be unveiled this spring. The committee chair, Sen. Patty Murray (D-Wash.), and its ranking member, Sen. Richard Burr (R-N.C.) expect to introduce legislation that builds on the Retirement Improvement and Savings Enhancement Act, or RISE Act, which was introduced in the House in November.

In addition, the bill may include new emergency savings options, assistance for people to find retirement accounts left behind at old jobs, and improved transparency around defined-contribution plan fee disclosures, Murray noted.

“It’s clear retirement plans right now just aren’t working for most Americans,” Murray said. She noted that most employers don’t offer a plan, one in nine workers don’t participate, and one in six don’t believe their retirement savings will last a decade.

The COVID-19 crisis exposed weaknesses, she said, underscoring how sudden financial strain can upend lives in a way that can impact people for years to come, casting a cloud over

[CONTINUED ON PAGE 5](#)

Windfall Elimination Provision

By Tony Roda



Let's start with a quick overview about why the public pension community should care about this issue. The Windfall Elimination Provision (WEP) reduces your Social Security benefit if you also earn a retirement benefit from non-Social Security employment. Roughly 25 percent of state and local government employees across the U.S. are not covered by Social Security. Many of these workers will also separately earn a Social Security-covered benefit, particularly those in education and public safety, whose work schedules often allow them to hold a second job that is covered by Social Security.

WEP is a blunt instrument. Social Security benefits are based on tranches of average monthly earnings (AME) multiplied by specific percentages. For the first tranche of AME, which is up through \$1,024, the standard Social Security benefit is calculated as \$1,024 multiplied by 90 percent. Under WEP, however, that first tranche of income is multiplied by only 40 percent. Doing the math and carrying the numbers through on an annual basis shows a reduction to your Social Security benefit of \$6,144 per year. That's certainly a significant amount.

Legislation has been introduced since the 1980s to fully repeal WEP and its sister penalty, the Government Pension Offset (GPO), which affects spousal and survivor benefits. In this current 117th Congress, the full repeal bills are H.R. 82 by Rep. Rodney Davis (R-IL) and S. 1302 by Sen. Sherrod Brown (D-OH). Unfortunately, most observers do not believe full repeal legislation is viable.

Likewise, Rep. John Larson (D-CT), the Chairman of the House Ways and Means Committee's Subcommittee on Social Security, has introduced H.R. 5723, Social Security 2100: A Sacred Trust, which would repeal both WEP and GPO for five years. This legislation is a comprehensive reform of the Social Security program, including increases in payroll taxes and benefit enhancements. Chairman Larson has spoken to House Speaker Nancy Pelosi (D-CA) about scheduling the bill for floor consideration. He would like for the bill to be scheduled this spring or early summer so that its consideration would be contemporaneous with House passage of the SECURE Act 2.0, a significant retirement security measure. The main challenge with the Larson bill, thus far, is that it only has Democratic support, thereby making passage in the House difficult but, in the Senate, impossible.

This leaves us with two pieces of legislation that deal only with WEP, but could, if reconciled, gain enough traction for House passage and the possibility of approval by the Senate. House Ways and Means Committee Chairman Richard Neal (D-MA) has introduced H.R. 2337, and Committee Ranking Member Kevin Brady (R-TX) has introduced H.R. 5834. The bills take a similar approach – (1) provide current retirees who are being impacted by WEP a monthly rebate (Neal's bill is set at \$150; Brady's at \$100), and (2) begin utilizing a new proportional formula instead of WEP. The Brady bill would give future retirees ages 21 and over the better of the new formula or WEP. This type of provision is commonly referred to as a "hold harmless" provision. Chairman Neal's bill would extend the hold

[CONTINUED ON PAGE 5](#)



Enter Bigfoot: American Legislative Exchange Council Invites Itself into Debate over Pensions' ESG Investing



The American Legislative Exchange Council is at it again. ALEC, as the group is known, has long advocated policies that target public pensions. Now it's stirring the pot by taking aim at public pension plans' authority to reflect economic, social, and governance concerns in their investing strategies. ALEC is made up of conservative, free-market-oriented state lawmakers and funded by organizations such as the Koch Family Foundation. The group's modus operandi is to write "fill in the blanks" templates, or model laws, and then lobby state lawmakers to implement them.

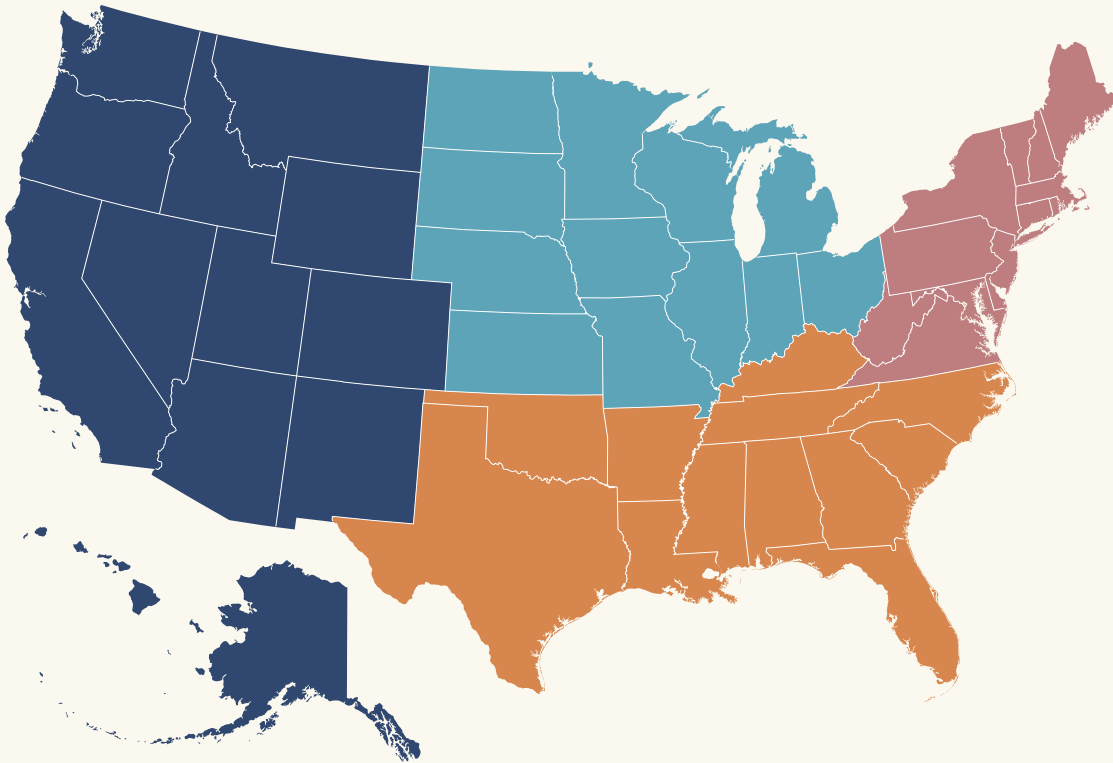
Its latest model legislation seeks to stop public pensions from making investments focused on ESG factors by stipulating that only financial criteria may be considered in making investment decisions. The template would mandate that investment advisers haven't "sacrificed investment return...to promote goals unrelated to those pecuniary interests" of state pension fund beneficiaries, according to news reports.

ALEC is made up of conservative, free-market-oriented state lawmakers and funded by organizations such as the Koch Family Foundation.

"Politically motivated investing, by definition, takes rates of return off the table," Jonathan Williams, the chief economist at ALEC, told The Wall Street Journal.

[CONTINUED ON PAGE 6](#)

This month, we will highlight Pennsylvania, Kansas, Florida and Alaska.



NORTHEAST: Pennsylvania

Recently completed internal governance reviews of two of Pennsylvania's three public employee retirement systems were in the spotlight at a legislative hearing.

Eighteen witnesses appeared before the House State Government Committee's Subcommittee on Public Pensions, Benefits and Risk Management to discuss the findings of reports conducted by Funston Advisory Services. One report examined the Public School Employees' Retirement System (PSERS) while the other looked at the State Employees' Retirement System (SERS). The witnesses included six experts from Funston, plus six from each of the two retirement systems.

The SERS report was a fiduciary and governance review of the plan, which has assets of approximately \$40 billion. Funston conducted a similar report six years ago.

"They had implemented virtually all of what we recommended in 2016," said Randy Miller, project manager with Funston, the *Tribune-Democrat* of Johnstown reported. "There was a huge improvement."

Joseph Torta, SERS executive director, testified that human capital challenges are significant. Pay steps were lessened from 35 to 20 over the years, resulting in a "transient workforce" at SERS and other commonwealth agencies, he said. SERS has 267 positions and 53 are currently vacant. "I don't know if that's consistent with other Commonwealth agencies, but it is a significant impediment to providing services to our members and participants," Torta said, according to the *Tribune-Democrat*.

[CONTINUED ON PAGE 7](#)

BIPARTISAN RETIREMENT LEGISLATION CONTINUED FROM PAGE 1

their retirement prospects. She said people who were struggling to make ends meet in good times proved to be severely vulnerable in bad times, and many had to tap any savings they had, including retirement savings.

Murray cited specific weaknesses in 401(k) plans that she wants legislation to correct. For example, she noted, “401(k)s are not required to have spousal protections like defined-benefit plans are.” Additionally, she said, “Fee disclosures currently provided by 401k plans are not cutting it.” Four in 10 participants believe they are not paying fees, she noted.

Murray said she sees “a lot of bipartisan interest in enhancing savings, improving retirement options, and strengthening Americans’ financial futures.”

Burr came at the issue from a different angle, declaring defined contribution plans “the reliable superstar of the retirement community,” provided that people participate.

In testimony before the Senate, Doug Chittenden, head of client relationships at TIAA-CREF, said Congress should expand lifetime

income options in defined contribution plans, specifically fixed annuities with delayed liquidity features. He also urged Congress to allow 403(b) plans to participate in multiple employer plans. Petros Koumantaros, managing director and CEO of Spectrum Pension Consultants, said that financial hardship withdrawals from defined contribution plans increased 280% in 2020 over 2019, among businesses his firm is involved with. He encouraged Congress to pass emergency savings legislation that provides workers with penalty-free access to an emergency savings withdrawal from a retirement plan.

Cindy Hounsell, president and founder of the non-profit Women’s Institute for a Secure Retirement, or WISER, called for action to help women save for retirement. Lower wages, part-time work, and time spent out of the workforce because of caregiving are some of the factors that make it harder for women to save for retirement, she said.

Separately, in the House, lawmakers approved the Securing a Strong Retirement Act of 2021 on a roll call vote of 414-5. The bipartisan bill builds on the Setting Every Community Up for Retirement Enhancement Act, known as the SECURE Act, which became law in late 2019. ♦

WINDFALL ELIMINATION PROVISION CONTINUED FROM PAGE 2

harmless treatment in perpetuity. The Neal bill would transfer funds from general revenues to offset the cost of the changes. The Brady bill is designed to be budget neutral to the Social Security trust fund.

The good news is that the seeds of a compromise are present, and Congressmen Neal and Brady have a long history of working together and prioritizing the resolution of the WEP issue. A recent letter from retired teachers’ groups in the key states of Massachusetts (for Committee Chairman Neal) and Texas (for Ranking Member Brady) outlines the framework of a potential compromise:

- Extend the hold harmless provision to all persons ages 16 and above at the time of passage. Those persons not yet age 16 at the time of passage would be subject to the new proportional formula.
- A \$150 per month rebate against the WEP penalty for all current retirees.

In my view, this approach has a great deal of merit. Discussions between Congressmen Neal and Brady are ongoing and, as mentioned above, finding a bipartisan compromise in the House is absolutely essential for the bill to have any chance of passage in the Senate. Congressman Brady is the key to achieving this

bipartisanship, and his retirement at the end of the 117th Congress places even greater urgency on the need for Congress to act this year.

Please be assured that NCPERS will continue to keep its members informed on the latest developments regarding the Windfall Elimination Provision. ♦

[Tony Roda](#) is a partner at the Washington, D.C. law and lobbying firm [Williams & Jensen](#), where he specializes in legislative, regulatory, and fiduciary matters affecting state and local pension plans. He represents the National Conference on Public Employee Retirement Systems and state-wide, 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 the Catholic University of America, and LL.M (tax law) from the Georgetown University Law Center.

EXECUTIVE DIRECTORS CORNER [CONTINUED FROM PAGE 3](#)

ALEC’s move is sailing against the wind of a larger trend, as many retirement systems and local governments across the country are flexing their financial muscle to demand changes in corporate behavior. Their actions underscore what we already know: NCPERS investors are long-term investors who see the dangers and risks of climate change clearly, and are acting accordingly. Pension systems in New York City, New York State, California, and Maine are among those that have taken investment policy stances on environmental grounds.

That trend, predictably, has stirred a backlash, particularly in energy-producing states. Alaska, North Dakota, and Texas lawmakers have proposals on the table to prevent investing in companies that use sustainable strategies to make financial decisions and to cut ties with asset managers, banks and insurers that do so. Texas Comptroller Glenn Hagar in March sent letters to 19 major financial companies as part of an initiative to bar state agencies from working with investment firms that boycott the energy sector.

There is no question that this is rocky terrain. The topic of ESG investing is just coming to the forefront, and will continue to be

debated for years. This much is clear: No matter where we end up, we won’t get there by simply ignoring issues like climate change, social inequities, and sound governance, because they’re not going away. Cool heads must prevail if we are to have investment policies that are both sustainable and financially responsible.

State and local funds, with their considerable heft as investors, are a formidable force in this debate, and are genuinely working hard to devise investment strategies that seek to balance ESG values with their fiduciary duty to protect the retirement funds of members. Balancing competing considerations is something pension funds do, and do well. It’s the essence of long-term investing.

The last thing state and local governments need is for purely ideological organizations like ALEC to barge into a necessary and important debate with heavy-handed solutions. Pension funds are navigating these questions, guided by transparent investment policies that are intended to be living documents, and they are asking all the right questions. This is a healthy process. Shoving policies down their throats is counterproductive and unwelcome. ♦

Don't Miss NCPERS' Social Media










The Voice for Public Pensions

NCPERS

Around the Regions

AROUND THE REGIONS CONTINUED FROM PAGE 4

PSERS, a \$73 billion plan, commissioned Funston to conduct the review in 2019. The firm looked into governance structure and bylaws, among other topics.

The report provided 25 recommendations. Terri Sanchez, interim executive director, said 10 of the recommendations have been adopted or are being worked on, including four of six governance reforms.

Beverly Hudson, deputy executive director for administration, noted that efforts are under way to get candidates for the permanent executive director role before the board by July. Sanchez said another staffing priority is to hire a chief compliance officer, which would remove compliance work from the internal audit team, enabling it to focus on its core mission.

The PSERS fund performed well in the fiscal year 2021. Its total net assets grew by \$13.5 billion, pushing the fund to an all-time high of \$72.5 billion, according to a year-end report. Chris Santa Maria, a public school teacher and chairman of the PSERS board, pointed out the fund's performance. He said the work done with guidance from the Funston report has helped in "turning the page on a rough year."

"While we were being investigated and simultaneously dealing with the unusual work challenges of a pandemic, not a single, not one, benefit payment to over 230,000 members was lost or even delayed," Santa Maria said.

**MIDWEST:
Kansas**

Kansas Governor Laura Kelly on April 20 signed budget legislation authorizing a 5% pay raise for state workers, the first increase since 2018.

The state is also making headway on [also adopted] legislation to transfer [\$854 million] [\$1.125 billion into the Kansas Public Employees Retirement System (KPERs) to cover missed payments and other shortfalls.

The legislation, SB 421, would transfer \$1.125 billion from the State General Fund directly to the KPERs Trust Fund. Of that amount, the first \$254 million would pay off outstanding accounts receivable for KPERs-School employer contributions withheld in FY 2017 and FY 2019. The remaining \$871 million would be applied to the KPERs-School unfunded actuarial liability. The measure did not include a cost-of-living adjustment for those currently receiving pension checks, something that has not occurred since the 1990s.

The move significantly improves the pension's funded ratio, which will likely rise above 80% with the bill. It is expected to save the state hundreds of millions of dollars in the next five years, the *Topeka Capital-Journal* reported.

Sen. Rick Billinger, a Republican who chairs the Senate Ways and Means Committee, said the state employees' pay raise took on a

CONTINUED ON PAGE 8



NCPERS Accredited Fiduciary (NAF) Program

A trustee accreditation program specifically designed and tailored for public pension governance.

SPRING CLASS

MAY 21 – 22 | WASHINGTON, DC

FALL CLASS

OCTOBER 22 – 23 | NASHVILLE, TN

For more information or to register, visit www.ncpers.org/naf

NCPERS

Around the Regions

AROUND THE REGIONS CONTINUED FROM PAGE 7

heightened importance given historic levels of inflation.

“We understand we need to make sure we get all the state employees a better wage so they can afford to deal with inflation alone, much less just making a good living,” Billinger told the *Topeka Capital-Journal*. “I think the big difference is we realize we need to take care of our people.”

Separately, Democratic Gov. Laura Kelly on April 21 vetoed a measure tucked into a spending bill that would have allowed Kansas legislators to reconsider a decision not to join the state pension system for teachers and government workers, the Associated Press reported.

The Kansas constitution gives governors line-item veto power in spending bills, and Kelly used it to strike what she called “an exclusive opportunity” for members of the Republican-controlled Legislature that’s not available to other public employees.

State law currently requires lawmakers to decide when they are elected whether they will participate in the state pension system, a move that sets aside part of their salaries to help pay for their retirement benefits. The law says that the decision is “irrevocable.”

The provision would allow lawmakers to reverse that decision before their 2023 session begins in January. Kelly noted that “Other public employees including teachers, public safety officers and nurses are not allowed this special election under law,” and questioned whether the IRS would allow such a change if the federal government reviewed it.

**SOUTH:
Florida**

The Florida House and Senate unanimously approved legislation to extend the Florida Retirement System deferred retirement option plan (DROP) by three years for law enforcement officers. Assuming it is not vetoed by the Governor, the bill would become law July 1, 2022.

The aim is to help retain veteran officers at all agencies in the state that participate in FRS. The legislation also increases the employer contribution to all active investment plan participants by an additional 3%.

FRS members have two plan options available: the pension plan and the investment plan, which is a defined contribution plan. DROP allows eligible members to participate in the program and defer receipt of retirement benefits while continuing employment with his or her FRS employer. Under existing law, eligible members may elect to participate in DROP for a period not to exceed a maximum of 60 calendar months.

There will be a six year eligibility window for the DROP extension, during which a law enforcement can extend participation by up to three years. To qualify, the officer must be participating in the DROP on or after July 1, 2022 and prior to July 1, 2028.

CONTINUED ON PAGE 9

**DON'T
DELAY!**
**Renew Your
Membership
Online Today!**



The Voice for Public Pensions



**Renew Your Membership
at <http://ncpers.org/Members/>**

NCPERS

Around the Regions

AROUND THE REGIONS CONTINUED FROM PAGE 8**WEST:
Alaska**

Momentum appears to be gathering in Alaska to consider new pension programs for state employees as House-passed legislation to create a pension for police and firefighters moves to the Senate.

The state legislature abolished pensions for new workers in 2006. Proposals to reverse that decision have been introduced regularly, but have not become law. This year, unprecedented hiring problems and a shrinking pension liability are changing the equation, the *Anchorage Daily News* reported.

“The single biggest change is the desperate situation we have in recruiting and keeping everyone from troopers to teachers to firefighters to wastewater plant operators,” said Sen. Jesse Kiehl, a Democrat.

Enactment of the legislation, House Bill 55, would create a new pension fund for police and firefighters, who would be required to contribute

at least 8% of their pay and could retire at age 55 if they work for 20 years. The *Anchorage Daily News* noted that the projected cost of \$4 million and \$7 million per year is less than the cost of hiring and training replacements for public safety workers who leave the state because there’s no pension.

On April 4, Sen. Mia Costello, a Republican who chairs the Senate Labor and Commerce Committee, held hearings to review the legislation. Witnesses included David Kerschner, a principal at Buck, who provided a fiscal analysis, and William B. Fornia, president of Pension Trustee Advisors Inc., who outlined how a shared-risk hybrid retirement program would work.

A few days earlier, dozens of firefighters rallied on the steps of the Capitol in support of HB 55.

“I think a lot of legislators are starting to realize that when they hear from these chiefs and heads of these departments that this is a real problem,” said Paul Miranda, president of the Alaska Professional Fire Fighters Association, the newspaper reported.

Unless House Bill 55 advances in the Senate, it will die with the end of the legislative session and have to start over from scratch at the start of 2023. ♦

*Annual Conference
& Exhibition*

Including NCPERS University Programs TEDS and NAF

May 21–25
Omni Shoreham Hotel
Washington, D.C.

#ACE22



Calendar of Events 2022

2021-2022 Officers

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

Kathy Harrell
President

Dale Chase
First Vice President

James Lemonda
Second Vice President

Carol G. Stukes-Baylor
Secretary

Will Pryor
Treasurer

Daniel Fortuna
Immediate Past President

Executive Board Members

State Employees Classification
Stacy Birdwell
John Neal

County Employees Classification
Teresa Valenzuela

Local Employees Classification
Sherry Mose
Thomas Ross
Ralph Sicuro

Police Classification
Kenneth Hauser
James Sklenar

Fire Classification
Dan Givens
Emmit Kane

Educational Classification
David Kazansky

Protective Classification
Peter Carozza, Jr.
Ronald Saathoff

Canadian Classification
Frank Ramagnano



The Voice for Public Pensions

The Monitor is published by the National Conference on Public Employee Retirement Systems. Website: www.NCPERS.org • E-mail: amanda@ncpers.org