

AGENDA



Date: September 6, 2024

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, September 12, 2024, 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/83364156526?pwd=OG5CbEFhajN5V0hWaUFJMLhYcHQ2Zz09> Passcode: 923237.** Items of the following agenda will be presented to the Board:

A. MOMENT OF SILENCE

B. APPROVAL OF MINUTES

Regular meeting of August 8, 2024

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

- 1. Texas Government Code Section 802.1012 Actuarial Valuation Audit**
- 2. Section 2.025 Funding Process Update**

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.

- 3. Financial Audit Status**
- 4. Executive Director Approved Pension Ministerial Actions**
- 5. Monthly Contribution Report**
- 6. Board approval of Trustee education and travel**
 - a. Future Education and Business-related Travel
 - b. Future Investment-related Travel
- 7. Report on Professional Services Committee Meeting**
- 8. Board Members' Reports on Meetings, Seminars and/or Conferences Attended**
- 9. Portfolio Update**

10. Report on Investment Advisory Committee Meeting

11. Asset Allocation Update

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.

12. Second Quarter 2024 Investment Performance Analysis and First Quarter 2024 Private Markets & Real Assets Review

13. Hardship Request

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.078 of the Texas Government Code.

14. 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 2024-2D

15. Lone Star Investment Advisors

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.

- 16. 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.**

D. BRIEFING ITEMS

- 1. Public Comment**
- 2. Executive Director's Report**
 - a. Associations' newsletters
 - NCPERS Monitor (September 2024)
 - b. Open Records

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, Section 551.076 for deliberation regarding security devices or security audits, 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
Stephen A. Pitz	Retired	Police	07/22/2024
Ray B. Russell	Retired	Fire	08/07/2024
Edward D. Everitt	Retired	Fire	08/14/2024
Eddie Geter Jr.	Retired	Fire	08/18/2024
C. E. Patzig	Retired	Fire	08/19/2024
Reba E. Allison	Retired	Police	08/19/2024
Jimmy Small	Active	Fire	08/28/2024
O. B. Jerry Howard	Retired	Fire	08/29/2024
Darron L. Burks	Active	Police	08/29/2024

Regular Board Meeting –Thursday, September 12, 2024

**Dallas Police and Fire Pension System
Thursday, August 8, 2024
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 8:30 a.m. Nicholas Merrick, Tina Hernandez Patterson, Michael Taglienti, Tom Tull, Matthew Shomer, Marcus Smith

By telephone at 8:30 a.m. Michael Brown, Anthony Scavuzzo, Steve Idoux

By telephone at 10:41 a.m. Nancy Rocha

Absent Mark Malveaux

Staff

Kelly Gottschalk, Josh Mond, Brenda Barnes, Ryan Wagner, Christina Wu, Akshay Patel, Kyle Schmit, John Holt, Nien Nguyen, Milissa Romero, Bill Scoggins (by phone), Chelsea Abbott, Aubrey Rosalez

Others

David Harper, Ben Mesches, Gay Donnell Willis, Chad Anderson, Farrah Ali, Aaron Bruce, Charles W. Hyles, Brian Elliot, John Hankins

By telephone Eric Solis, Buddy Jones, Jeff Williams, Caitlin Grice, Ken Haben

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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 Clyde Dickerson, William L. Johnson, Craig A. Reynerson, Albert L. Hay, David L. Goelden, and retired firefighters Thomas S. Swing, Richard E. Beebe, Eugene M. Walther, Jimmy A. Bollman, Robert W. Foster.

No motion was made.

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**Regular Board Meeting
Thursday, August 8, 2024**

B. APPROVAL OF MINUTES

Regular meeting of July 11, 2024

After discussion, Mr. Tull made a motion to approve the minutes of the Regular meeting of July 11, 2024. Mr. Shomer seconded the motion, which was unanimously approved by the Board.

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C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Independent Actuarial Analysis and Recommendations and Section 2.025 Update

The Board went into closed executive session – Legal at 8:32 a.m.

The meeting reopened at 10:10 a.m.

The Board went into closed executive session – Legal at 11:26 a.m.

The meeting reopened at 11:51 a.m.

a. After discussion, Mr. Taglienti made a motion to approve, in the form presented by staff, the rule effecting changes to the DFPF plan, pursuant to the requirements of Section 2.025. Mr. Tull seconded the motion, which was unanimously approved by the Board.

b. After discussion, Mr. Shomer made a motion to accept the final report of Cheiron and direct staff to transmit the report to the Pension Review Board. Mr. Taglienti seconded the motion, which was unanimously approved by the Board.

c. After discussion, Mr. Shomer made a motion to authorize the filing of a declaratory judgment action in Travis County to clarify the requirements of Section 2.025 and Section 802 of the Texas Government Code. Mr. Tull seconded the motion, which was by the following vote:

For: Mr. Merrick, Mr. Taglienti, Mr. Scavuzzo, Mr. Tull, Mr. Shomer, Mr. Smith, Ms. Rocha, Mr. Idoux

Opposed: None

Abstained: Ms. Hernandez Patterson, Mr. Brown

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**Regular Board Meeting
Thursday, August 8, 2024**

2. Quarterly Financial Reports

The Chief Financial Officer presented the second quarter 2024 financial statements.

No motion was made.

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3. 2024 Mid-Year Budget Review

The Chief Financial Officer presented a review of the 2024 Operating Expense Budget detailing expenses for the first six months of the calendar year.

No motion was made.

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4. Financial Audit Status

The Chief Financial Officer provided a status update on the annual financial audit.

No motion was made.

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5. Executive Director Approved Pension Ministerial Actions

The Executive Director reported on the July pension ministerial actions.

No motion was made.

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6. Monthly Contribution Report

The Executive Director reviewed the Monthly Contribution Report.

No motion was made.

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**Regular Board Meeting
Thursday, August 8, 2024**

7. Board approval of Trustee education and travel

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

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

No motion was made.

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8. Actuarial Review Required by Texas Government Code 802.1012

The Executive Director provided an overview of the process and timeline for the actuarial review required by Section 802.1012 of the Texas Government Code that requires the City of Dallas hire an independent actuary to audit the most recently prepared actuarial valuation every five years.

No motion was made.

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9. Portfolio Update

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

No motion was made.

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10. Lone Star Investment Advisors

The Board went into closed executive session – Legal at 11:26 a.m.

The meeting reopened at 11:51 a.m.

Investment staff updated the Board on investments managed by Lone Star Investment Advisors.

No motion was made.

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**Regular Board Meeting
Thursday, August 8, 2024**

- 11. Legal issues - In accordance with Section 551.071 of the Texas Government Code, the Board will meet in executive session to seek and receive the advice of its attorneys about pending or contemplated litigation or any other legal matter in which the duty of the attorneys to DFPF 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 – Legal at 11:26 a.m.

The meeting reopened at 11:51 a.m.

The Board and staff discussed legal issues.

No motion was made.

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

- a. Application for death benefits for disabled child 2024-1c
- b. Disability application 2024-2d

The Board went into closed executive session – Medical at 11:26 a.m.

The meeting reopened at 11:51 a.m.

- a. After discussion, Mr. Taglienti made a motion to grant survivor benefits to applicant 2024-1c under the provisions of Article 6243a-1, Section 6.06(o-2). Mr. Smith seconded the motion, which was unanimously approved by the Board.
- b. No discussion was held, and no motion was made regarding the disability application.

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.

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**Regular Board Meeting
Thursday, August 8, 2024**

2. Executive Director's Report

- a.** Associations' newsletters
 - NCPERS Monitor (August 2024)
 - NCPERS PERSist (Summer 2024)
- b.** Open Records

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

Nicholas A. Merrick,
Chairman

ATTEST:

Kelly Gottschalk,
Secretary



DISCUSSION SHEET

ITEM #C1

Topic: Texas Government Code Section 802.1012 Actuarial Valuation Audit

Attendees: Jeannie Chen, Specialist Leader, Deloitte Consulting LLP
Joe Kropiewnicki, Manager, Deloitte Consulting LLP
Jeff Williams, Vice President, Segal Consulting (on phone)

Discussion: Texas Government Code Section 802.1012 requires plan sponsors to engage an independent actuary to conduct an actuarial audit of pension systems every five years. The City of Dallas contracted with Deloitte Consulting LLP (Deloitte), the City's regular retained actuary, to conduct the audit. Deloitte reviewed both the 1-1-2023 actuarial valuation and the 12-31-2019 Experience Study for the Regular Plan (Combined Plan). The Supplemental Plan does not meet the size requirements to mandate a review.

Deloitte will discuss their findings, conclusions and recommendations. Representatives from Segal Consulting will be available by phone to respond to recommendations and address any questions.

Staff

Recommendation: Direct staff to consult with Segal and provide responses as staff deems appropriate to accompany the final report that Deloitte will submit to the City of Dallas.

Regular Board Meeting – Thursday, September 12, 2024



DISCUSSION SHEET

ITEM #C2

Topic: Section 2.025 Funding Process Update

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: Staff will provide an update on the Section 2.025 funding process.

Regular Board Meeting – Thursday, September 12, 2024



D A L L A S
POLICE & FIRE
PENSION SYSTEM



Section 2.025 Funding Process Update

September 12, 2024
Board Meeting

Update Since August Board Meeting

The Council adopted the ballot question and ordinance for the ERF plan on August 14th.

The ERF ballot question does the following:

- Removes the current cap on City contributions to the ERF Plan. The contribution percentage is limited during a five-year step-up period to hard contribution percentages, and then after five years, there is no limit.
- Removes the requirement for employees to pay 37% of the total ADC for the ERF plan and caps the contributions for the ERF employees.
- Makes **no** changes to benefits, including the annual automatic COLAs granted to ERF employees – up to 5% for everyone hired before 1-1-2017 and up to 3% for everyone hired since 1-1-2017 and all future employees.
- ERF employees have never had their existing benefits reduced.

Update Since August Board Meeting

- Ad Hoc Pension Committee meeting was held on August 22nd to review the final report from Commerce Street.
- Mr. Wiley, President & CEO of Commerce Street, provided a briefing on the final Commerce Street report on September 4th to the full council.
- A briefing of the City Recommended DFPF funding plan was given to the full council on September 4th.
- The City plans to adopt a plan on September 11th. It may be different than the plan presented at the September 4th meeting. The City said they will send their plan to the PRB in September.



DISCUSSION SHEET

ITEM #C3

Topic: Financial Audit Status

Discussion: The Chief Financial Officer will provide a status update on the annual financial audit.

Regular Board Meeting – Thursday, September 12, 2024



DISCUSSION SHEET

ITEM #C4

Topic: Executive Director Approved Pension Ministerial Actions

Discussion: The Executive Director approved ministerial membership actions according to the Retirement and Payments Approval Policy. Membership actions approved are summarized in the provided report.

Regular Board Meeting – Thursday, September 12, 2024

Membership Actions -2024

	January	February	March	April	May	June	July	August	September	October	November	December	YTD Totals
Refunds	23	22	21	26	16	21	13	19	37				198
DROP - Join	1	1	2	0	5	1	1	1	0				12
Estate Payments	2	1	3	5	3	1	4	5	10				34
Survivor Benefits	4	6	3	8	5	4	6	5	3				44
Retirements	10	10	16	9	13	10	9	11	7				95
Alternate Payees	2	0	2	1	1	1	0	0	0				7
Spouse Wed After Retirement	0	0	0	0	0	0	0	0	1				1
Service Purchases	0	2	0	1	7	2	1	2	1				16
Earnings Test*	0	0	0	0	0	0	10	0	0				10

Membership Actions -2023

	January	February	March	April	May	June	July	August	September	October	November	December	YTD Totals
Refunds	26	19	12	13	17	14	23	13	57	53	18	21	286
DROP - Join	3	3	0	2	2	2	0	0	3	0	3	0	18
Estate Payments	0	5	7	5	1	2	4	92	5	3	5	9	138
Survivor Benefits	1	6	8	6	4	3	5	6	6	2	3	6	56
Retirements	12	16	11	14	11	12	10	13	10	17	6	12	144
Alternate Payees	0	2	1	0	2	3	1	3	2	0	0	1	15
Spouse Wed After Retirement	1	0	0	0	0	0	0	0	1	1	1	0	4
Service Purchases	2	0	0	1	0	2	0	1	0	0	2	0	8
Earnings Test	0	0	0	0	0	9	0	0	0	0	0	0	9

Data is based on Agenda/Executive Approval Date

Service purchases include Military, DROP Revocation, and Previously Withdrawn Contributions

The increase in Refunds in September 2023 and October 2023 is due to the Refund Project

87 of the Estate Payments in August 2023 are approvals for the Pending Death Project

*In 2024, 9 of 10 of the Earnings Tests did not require a benefit reduction. A piece of information is still needed to determine if the last member will require a reduction.



DISCUSSION SHEET

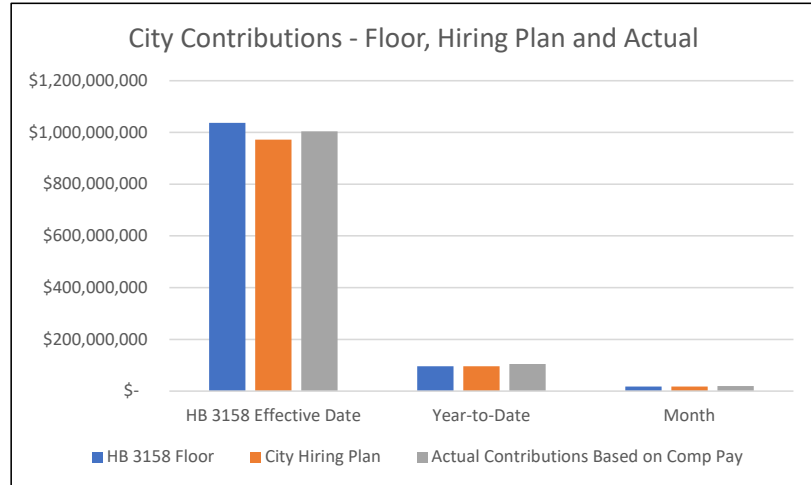
ITEM #C5

Topic: Monthly Contribution Report

Discussion: Staff will review the Monthly Contribution Report.

Regular Board Meeting – Thursday, September 12, 2024

Contribution Tracking Summary - September 2024 (July 2024 Data)

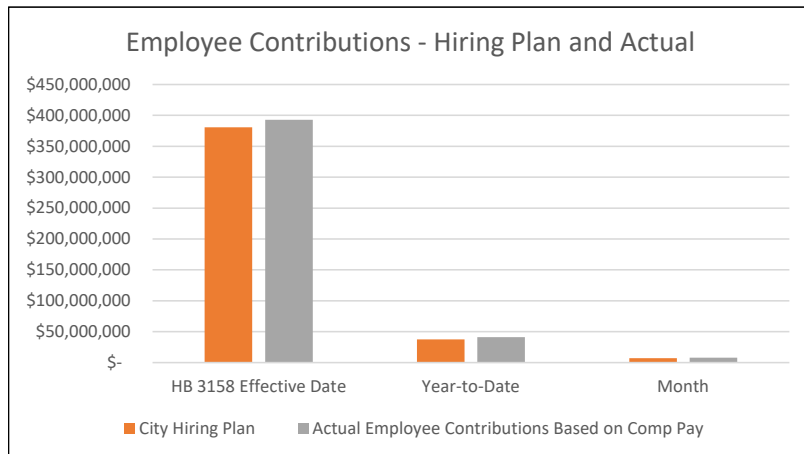


Actual Comp Pay was 103% of the Hiring Plan estimate since the effective date of HB 3158.

The Floor for 2024 is equal to the Hiring Plan estimate of \$6,024,000 per pay period. The Hiring Plan increased by 3.65% in 2024. It is expected that actual contributions will exceed the Floor through 2024.

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

The combined actual employees were 75 **more** than the Hiring Plan for the pay period ending August 13, 2024. Fire was over the estimate by 308 Fire Fighters and Police was under by 233 Police Officers.



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

There is no Floor on employee contributions.

Contribution Summary Data

City Contributions							
Jul-24	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	\$ 18,072,000	\$ 18,072,692	\$ 19,758,193	\$ -	109%	109%
Year-to-Date		\$ 96,384,000	\$ 96,387,692	\$ 104,981,392	\$ -	109%	109%
HB 3158 Effective Date		\$ 1,036,717,000	\$ 972,608,077	\$ 1,004,337,803	\$ 48,990,866	97%	103%
<p><i>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.</i></p>							

Employee Contributions							
Jul-24	Number of Pay Periods Beginning in the Month	City Hiring Plan	Actual Employee Contributions Based on Comp Pay	Actual Contribution Excess 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	\$ 7,071,923	\$ 7,764,027	\$ 692,104	\$ 6,355,386	110%	122%
Year-to-Date		\$ 37,716,923	\$ 41,009,880	\$ 3,292,957	\$ 33,895,392	109%	121%
HB 3158 Effective Date		\$ 380,585,769	\$ 392,749,203	\$ 12,163,434	\$ 365,715,070	103%	107%
Potential Earnings Loss from the Shortfall based on Assumed Rate of Return				\$ 769,643			
<p><i>Does not include Supplemental Plan Contributions.</i></p>							

Reference Information

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

The HB 3158 Bi-weekly Floor ends after 2024

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

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

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

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

City Contributions are based on the Floor through 2024, the Hiring Plan from 2025 to 2037, after 2037 an annual growth rate of 2.75% is assumed
 Employee Contributions for 2018 are based on the 2017 actual employee contributions inflated by the growth rate of 2.75% and the Hiring Plan for subsequent years until 2038, when the 2037 Hiring Plan is increased by the 2.75 growth rate for the next 10 years

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

	Actuarial Valuation	GASB 67/68
YE 2017 (1/1/2018 Valuation)		
2018 Employee Contributions Assumption - based on 2017 actual plus growth rate not the Hiring Plan Payroll	\$ (2,425,047)	*
2019 Estimate (1/1/2019 Valuation)		
2019 Employee Contribution Assumption	\$ 9,278	*
*90% of Hiring Plan was used for the Cash Flow Projection for future years in the 12/31/2017 GASB 67/68 calculation. At 12-31-17, 12-31-18 and 12-31-2019 this did not impact the pension liability or the funded percentage.		

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

City Hiring Plan - Annual Computation Pay and Numbers of Employees						
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	\$ 439,104,541	\$ 17,104,541	5,113	5,074	(39)
2023	\$ 438,000,000	\$ 460,982,051	\$ 22,982,051	5,163	5,136	(27)
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 - 2024	Annual Divided by 26 Pay Periods	Actual	Difference	2024 Cumulative Difference	Number of Employees - EOM	Difference
January	\$ 52,384,615	\$ 56,848,897	\$ 4,464,281	\$ 4,464,281	5,183	(30)
February	\$ 34,923,077	\$ 37,710,735	\$ 2,787,658	\$ 7,251,939	5,166	(47)
March	\$ 34,923,077	\$ 38,150,554	\$ 3,227,478	\$ 10,479,417	5,230	17
April	\$ 34,923,077	\$ 38,086,745	\$ 3,163,668	\$ 13,643,085	5,216	3
May	\$ 34,923,077	\$ 38,136,499	\$ 3,213,422	\$ 16,856,507	5,244	31
June	\$ 34,923,077	\$ 38,090,336	\$ 3,167,259	\$ 20,023,766	5,223	10
July	\$ 52,384,615	\$ 57,270,124	\$ 4,885,509	\$ 24,909,275	5,288	75
August	\$ 34,923,077					
September	\$ 34,923,077					
October	\$ 34,923,077					
November	\$ 34,923,077					
December	\$ 34,923,077					



DISCUSSION SHEET

ITEM #C6

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.

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**Future Education and Business Related Travel & Webinars
Regular Board Meeting – September 12, 2024**

ATTENDING APPROVED

1. **Conference** **NCPERS Public Pension HR Summit**
Dates: September 24-26, 2024
Location: Denver, CO
Est Cost: \$950

2. **Conference** **NCPERS Accredited Fiduciary (NAF)**
Dates: October 26-27, 2024
Location: Palm Springs, CA
Est Cost: \$900

3. **Conference:** **NCPERS Program for Advanced Trustee Studies (PATS)**
Dates: October 26-27, 2024
Location: Palm Springs, CA
Est Cost: \$900

4. **Conference:** **NCPERS Public Safety Conference**
Dates: October 27-30, 2024
Location: Palm Springs, CA
Est Cost: \$775



DISCUSSION SHEET

ITEM #C7

Topic: Report on Professional Services Committee Meeting

Discussion: According to the Committee Policy and Procedure, the Professional Services Committee is responsible for meeting privately with the external service providers, without DFPF staff present, at a minimum on an annual basis. The purpose of such a meeting is to provide a forum for the service provider to provide candid comments to the Professional Services Committee.

The Professional Service Committee met separately with Leandro Festino and Colin Kowalski of Meketa on September 12, 2024.

Staff

Recommendation: The Professional Services Committee shall **report** to the Board any material comments and **recommend** to the Board any appropriate actions needed as a result of the meetings with Meketa.

Regular Board Meeting – Thursday, September 12, 2024



DISCUSSION SHEET

ITEM #C8

Topic: Board Members' Reports on Meetings, Seminars and/or Conferences Attended

Discussion: **Conference:** **TEXPERS Summer Educational Forum** **MT**
Dates: August 18-20, 2024
Location: San Antonio, TX

Regular Board Meeting – Thursday, September 12, 2024



DISCUSSION SHEET

ITEM #C9

Topic: Portfolio Update

Discussion: Investment Staff will brief the Board on recent events and current developments with respect to the investment portfolio.

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DISCUSSION SHEET

ITEM #C10

Topic: Report on Investment Advisory Committee Meeting

Discussion: The Investment Advisory Committee met on August 15, 2024. The Committee Chair and Investment Staff will comment on Committee observations and advice.

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DISCUSSION SHEET

ITEM #C11

Topic: Asset Allocation Update

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: Staff will update the Board on the status of the Asset Allocation Study, including discussions with the IAC, recommended mixes for consideration and implementation considerations. Staff will also seek Board feedback on moving the Huff Energy fund out of the Private Equity allocation based on staff's view that the fund's holdings are now almost exclusively direct energy exposure. This reclassification, which staff believes more accurately reflects the nature of the investment, would allow DFPF to begin making new private equity investments in the near term.

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DISCUSSION SHEET

ITEM #C12

Topic: **Second Quarter 2024 Investment Performance Analysis and First Quarter 2024 Private Markets & Real Assets Review**

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.

Attendees: Leandro Festino, Managing Principal – Meketa Investment Group
Colin Kowalski, Investment Analyst – Meketa Investment Group

Discussion: Meketa and investment staff will review investment performance.

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DISCUSSION SHEET

ITEM #C13

Topic: **Hardship Request**

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.078 of the Texas Government Code.

Discussion:

Article 6243a-1 Section 6.14(e-3)(2) allows a lump-sum distribution from the DROP account in the event of a financial hardship that is not reasonably foreseeable. Section 6.14(e-4) required the Board to adopt rules related to hardship distributions. The Board's rules are contained in Section G of the DROP Policy.

A DROP Annuitant submitted an application for a lump sum distribution from the DROP balance in accordance with the DROP policy. The DROP Policy requires that:

- a.** severe financial hardship exists at the time of the application (i.e., not one that may occur sometime in the future);
- b.** the hardship cannot be relieved through any other financial means (i.e., compensation from insurance or other sources, monthly annuity benefits, or liquidation of personal assets) unless using those other sources would also cause a financial hardship; and

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DISCUSSION SHEET

ITEM #C13

(continued)

- c. the amount requested in the application is reasonably related to and no greater than necessary to relieve the financial hardship.
- d. the hardship must relate to a circumstance authorized by the Board Policy or other similar extraordinary circumstances.

Staff

Recommendation: To be **provided** at the meeting.

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DISCUSSION SHEET

ITEM #C14

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 2024-2D

Discussion: Staff will present an application for a disability retirement in accordance with Section 6.03 of Article 6243a-1 for consideration by the Board if the information is available.

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DISCUSSION SHEET

ITEM #C15

Topic: Lone Star Investment Advisors

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: Investment staff will update the Board on investments with this manager.

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DISCUSSION SHEET

ITEM #C16

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.

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DISCUSSION SHEET

ITEM #D1

Topic: Public Comment

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

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DISCUSSION SHEET

ITEM #D2

Topic: Executive Director's Report

- a. Associations' newsletters
 - NCPERS Monitor (September 2024)
- b. Open Records

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

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THE NCPERS

MONITOR

The Latest in Legislative News

September 2024

NCPERS

Executive Director's Corner



What Does the Future of Retirement Look Like?

By [Hank Kim](#), Executive Director and Counsel, NCPERS



Photo illustration © 2024, iStock.com

There's nothing quite like back pain and a milestone birthday to make us acutely aware that we are, in fact, aging and getting closer and closer to retirement each day. Having worked on issues surrounding retirement security for more than 20 years, the topic of retirement is often on my mind. But as I approach my 55th birthday, I can finally see my own retirement looming on the (distant) horizon.

It's got me thinking: What does the future of retirement look like?

For many, it's not a linear path—nor does it always go as planned. Although many plan to work until the age of 65, seven in 10 retirees now report [leaving the workforce](#) at a significantly lower age than anticipated. Of those, 70% left the workforce for reasons beyond their control, according to EBRI's 2024 Retirement Confidence Survey.

At last month's [Public Pension Funding Forum](#), one speaker raised the idea of retirement evolving into more of a 'state of mind' rather than permanent status. Some may meet the definition of retired while continuing to work on a part-time or seasonal basis, for example. ☺

NATIONAL CONFERENCE ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS

Regardless of exact retirement age or definition, the outlook is bleak for far too many. [New data](#) from Morningstar finds that approximately 45% of Americans will run out of funds if they retire at 65. Compared to the private sector, however, public sector workers are much better financially prepared for their retirement years—largely due to their access to defined benefit plans.

As it becomes increasingly clear that the shift towards defined contribution plans is leaving millions of Americans in the lurch, it only adds to the urgency of the work that NCPERS and its members do each day to protect and expand access to pensions. We're proud to say that our members currently oversee a collective \$5 trillion in retirement funds on behalf of approximately 22 million active and retired public servants.

Outside of our core mission to promote and protect pensions through advocacy, education, and research, NCPERS continues to do extensive work on issues impacting retirement security more broadly. Since 2010, we've been closely involved in the fight to make [state-sponsored Secure Choice retirement savings programs](#) a reality. We also helped establish (and continue to support) Georgetown's Center on Retirement Initiatives, which helps track the success of these programs. Per their [tracker](#), as of 2020 there were 57.3 million private sector employees without access to an employer-sponsored plan. Today, there are 17 state-facilitated retirement programs with more than \$1.64 billion in assets, bringing much-needed access for millions.

While it's hard to predict what the future of retirement will look like, it's clear that both policymakers and industry advocates will play a key role. And in a high-stakes election year, it's especially important to stay engaged and informed about the policy developments that may impact the retirement security of your plan participants.

In addition to keeping our members informed of policy-related developments through our communications, we encourage you to join us at [NCPERS Legislative Conference & Policy Day](#). Held January 27-29 in Washington, DC (immediately after the [Pension Communications Summit](#)), this unique event combines learning and advocacy. First, attendees hear directly from lawmakers about the latest policy-related developments impacting pensions. Then, attendees have the opportunity to have their voices heard on Capitol Hill during coordinated meetings with congressional representatives.

The stakes are high. I hope you'll join us this January as we once again meet with policymakers to advocate on behalf of public pensions and help shape the future of retirement. ♦



2024 NAF PROGRAM
NCPERS ACCREDITED FIDUCIARY
OCTOBER 26-27
PALM SPRINGS, CA

The banner features a blue background on the left with white text. On the right, there is a photograph of a diverse group of people in professional attire sitting in an audience. The NCPERS University logo, which includes a graduation cap and the text 'NCPERS UNIVERSITY', is positioned in the bottom right corner of the banner.

Fall Forecast for Congress

By: [Tony Roda](#), Williams & Jensen



Photo Illustration © 2024 iStock.com

In order to talk about the near-term Congressional agenda, it is important first to discuss the November elections. Much of what the House Republican and Senate Democratic majorities choose to do over the next few weeks will reflect the broader national political picture.

You've seen the pendulum swings before in election seasons and this year is no exception. Donald Trump was poised to have some degree of momentum and a honeymoon period following the Republican National Convention, except all of that was snuffed out by President Biden's withdrawal from the race and the rapid coalescing of the Democratic Party around Vice President Kamala Harris. Biden's announcement came on the Sunday afternoon following the Thursday night close of the GOP Convention. Excellent timing from the Democrats' perspective, resulting in a complete change in the political narrative.

Attempting to return the favor on the day after the close of the Democratic National Convention, Donald Trump made a joint campaign appearance with Robert Kennedy, Jr., who announced the suspension of his campaign and his endorsement of Trump earlier that day. Will this snuff out Vice President Harris's post-Convention honeymoon and momentum? Only time will tell. One thing is clear, however, the pendulum swings are likely to continue. ☺

From Congress's vantage point, the legislative maneuvering in September and October leading up to Election Day will need to be calibrated to give their party the best chance of holding the majority. We expect the House Republicans to largely continue on the path they've charted, which is to vigorously attack the perceived political vulnerabilities of the Biden-Harris Administration. Border security, crime, and the economy will take center stage. In addition, leading up to the August recess the House Judiciary Committee issued 130 letters to financial-related entities, including several public pension plans, asking for information on environmental, social, and governance (ESG) investing. The letters also request that relevant documents be preserved. The argument that the House Judiciary Committee Republicans make is that violations of antitrust law have occurred. I expect [anti-ESG-related actions](#) by the House to continue this fall.

Meanwhile, Senate Democrats, hoping to retain their majority, will attack Donald Trump on reproductive health, tax cuts for the wealthy, the January 6th assault on the Capitol, and being soft on Russia and too cozy with other authoritarian leaders. This list of issues and the items expected to be raised by House Republicans can be categorized under the umbrella of political messaging, and none of them will lead to new laws being enacted.

The one issue that the disparate Congressional voices must address is how to extend funding for the federal government's cabinet agencies and programs. Thus far not a single appropriations bill for fiscal year 2025, which begins on October 1, has been signed into law. Prospects are that none of the 12 individual appropriations bills will be finalized by the deadline, making a short-term extension (Continuing Resolution) necessary. The current thinking is that a Continuing Resolution running into November can be achieved, but political mischief could make this difficult. In the recent past, reluctance by many House Republicans to support a funding extension has been overcome by votes from House Democrats. In a few short weeks, we'll see if this trend continues.

Following the election, Congress will return for an undefined period of time for a lame-duck session. Depending on the outcome of the elections, the lame-duck session could be of considerable length or simply a one- or two-day session to further extend the Continuing Resolution. However, we do not expect that the lame-duck Congress will make serious strides to tackle any significant legislative items, thus leaving the public policy playing field a blank canvass for the new president and next Congress.

Bear in mind that post-presidential-election Congresses typically tend to be frenetic and productive. For our purposes, the expiration of the 2017 tax act (most provisions expire by the end of 2025) will spur a great deal of activity on the federal tax front. Depending on the outcome of the November elections, that means public pension plans could have an opportunity to advance significant legislation or may have to hunker down and play defense. Even though the 2017 tax act was not geared toward retirement policy, its reconsideration by the next Congress could include tax-related retirement issues. These are certain to be topics discussed at [NCPERS 2025 Legislative Conference & Policy Day](#).

Please be aware that NCPERS will pay close attention to developments in the September-October timeframe, lame-duck session, and the next Congress. We will apprise our members of significant items that they may wish to weigh in on. ♦

[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. Tony 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.

Understanding DROPs: Essential Strategies and Insights for Public Safety Retirement

By: [Lizzy Lees](#), Director of Communications, NCPERS



Research shows that pensions play an essential role in [strengthening the public safety workforce](#), but public safety retirement systems often face unique challenges. On September 19th, NCPERS will host a webinar, [Understanding DROPs: Essential Strategies and Insights for Public Safety Retirement](#), to explore why Deferred Retirement Options Programs (DROPs) are so popular with public safety members, especially as some advocate for their use to mitigate staffing shortages in the post-COVID environment.

We spoke with webinar panelists Aaron Chochon, senior actuary at [CavMac](#), and Ryan Gundersen, senior consultant at CavMac about the actuarial trends they're seeing with public safety retirement systems and what public pension leaders should know about DROPs.

Q: What is a Deferred Retirement Options Program?

A: A Deferred Retirement Option Program is a benefit provision which can be used by members to effectively commence their retirement benefit without actually leaving their job. The number of years a member can participate in the DROP can vary, but a lot of sponsors put the cap at five years. [🔗](#)

Now, DROP participants don't actually receive their retirement checks until they exit the DROP. Instead, a portion or, more often, all of their monthly benefit is credited to a nominal account, and accrues with interest credits. When the member exits the DROP and retires, they will receive the accumulated value of their nominal account as a lump sum and their monthly retirement checks. It's important to note that their retirement benefit is going to be based on the pay and service earned as of the date they entered the DROP, and not when they retire.

Q: Are there different types of DROPs?

A: There are two main types of DROPs: (i) a Standard DROP (i.e., a Forward DROP) and (ii) and a Back DROP. Standard DROPs behave just how we explained above: An eligible member decides to participate in the DROP, they continue to work while their nominal account builds, and then they retire. When they retire, they'll receive the accumulated balance of their nominal DROP account and begin to receive their retirement checks which, again, are based on the member's pay and service as of the date they began participating in the DROP.

A Back DROP allows a member to retire today and receive benefits as if they had elected to participate in the DROP however many years ago they elect. In effect, they are retroactively participating in a Standard DROP.

Q: What factors should be considered before implementing a Deferred Retirement Options Program?

A: The first thing we would recommend considering is the question, what is the plan sponsor hoping to achieve with their DROP? For example, if the plan sponsor is looking to retain late career employees, a DROP can be an effective retention tool. There are many elements to a DROP, and there is no single design that can accomplish every potential goal for every stakeholder. Each design element creates a decision point, and having an overarching purpose helps to guide these decisions so that legislators and plan sponsors can create a coherent, purpose-driven program.

As with all benefit changes, it is important to consider the potential cost impact of a new DROP. There are essentially two elements which contribute to the cost impact: (i) the DROP design itself and (ii) how the design impacts member behavior. While the provisions themselves are relatively easy to model, it is always difficult to accurately predict how member behavior will change when a new program is introduced to a pension system. Because of this uncertainty, it's best to consider a range of possible scenarios. This is particularly true with Back DROPs because they allow members to retroactively participate in the DROP, which increases the risk of anti-selection.



The banner features a photograph of a man in a white shirt and tie speaking to an audience with his hands raised. To the right, on a blue background, is the text 'NCPERS 2024 PATS' in large white letters, with 'PROGRAM FOR ADVANCED TRUSTEE STUDIES' in smaller white letters below it. The NCPERS University logo is in the top right corner. At the bottom, a white rounded rectangle contains the text 'OCTOBER 26-27 PALM SPRINGS, CA'.

Q: Why are DROPs especially popular with public safety members?

A: There are several potential reasons for this. One thing we know is that employees like having access to some kind of lump sum benefit upon retirement. Unlike other potential offerings, a DROP allows the member to receive a lump sum without taking a benefit reduction. Also, public safety employees are encouraged to retire earlier than other public employees due to the physical requirements of their work. As a result, many public safety plans have subsidized early retirement or a cap on their benefit service. With a DROP, members can continue to work without giving up the value of the subsidy, or they could continue to work while effectively commencing their benefits once they reach their benefit service cap.

From an employer's perspective, DROPs help retain experienced personnel who might otherwise retire early. Other groups of employees also show interest in DROPs, but because they're usually not eligible to retire until later in life it's not as attractive.

Q: What actuarial trends has CavMac observed with public safety retirement plans in recent years?

A: For public safety members who don't already have a DROP, we have seen continued interest in establishing one, as well as expanding the eligible group. Recently, employers and plan sponsors have become more receptive to the idea as a way to alleviate current staffing shortages.

Still have questions about DROPs? [Register here](#) for NCPERS' September 19th webinar.

To learn more about the key issues impacting public safety retirement plans, don't miss [NCPERS Public Safety Conference](#). [Register here](#) to join nearly 400 public safety pension professionals on October 27-30 in Palm Springs. ♦

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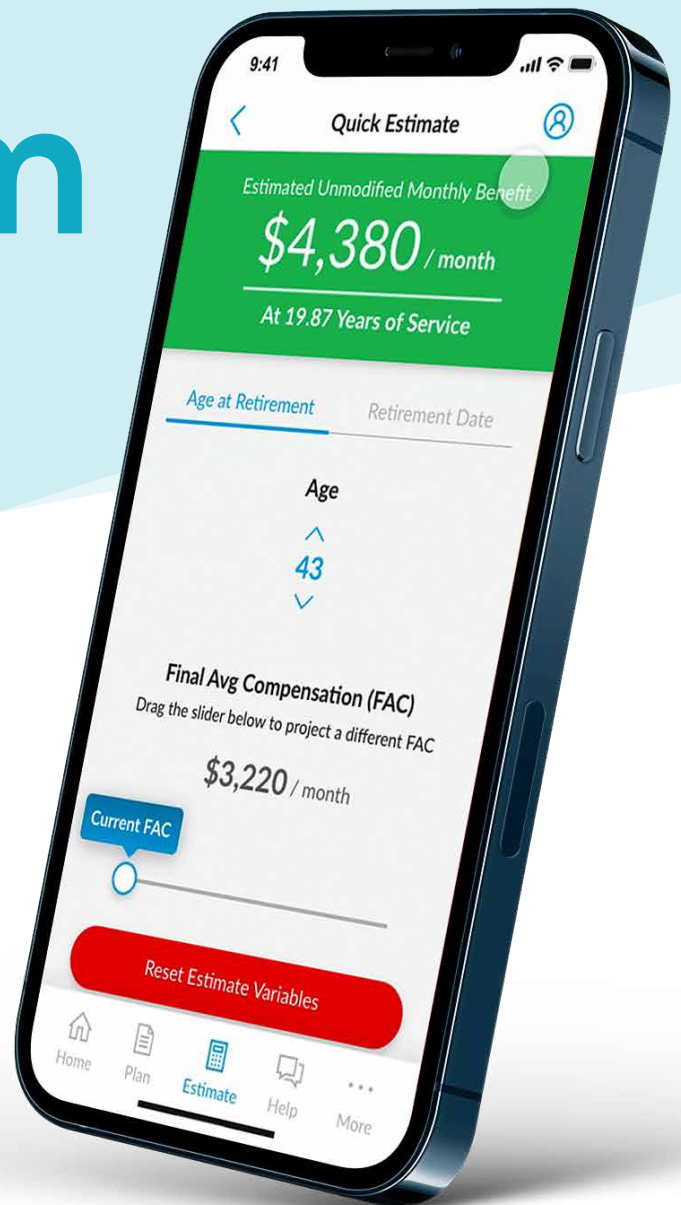
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[Dallas, Texas Police and Fire Pension System Asks State Court to Weigh in on Funding Plan](#)

The Dallas Police and Fire Pension System says it filed a case asking a state court to clarify who gets the final say on a plan to shore up the pension fund for first responders, which is facing about a \$3 billion shortfall. The city and the pension system for first responders have until Nov. 1 to adopt a plan for solvency that meets state requirements.

[READ MORE](#)

Source: WFAA

[New Jersey Lottery Sales Give \\$1B Boost to Public-worker Pension Fund](#)

New Jersey Lottery sales topped \$3.5 billion during the last fiscal year, helping again to provide more than \$1 billion for public-worker pensions, according to the latest preliminary figures. Unaudited financial results released by Lottery officials last month also showed players won more than \$2 billion in New Jersey during the 2024 fiscal year, which ended June 30.

[READ MORE](#)

Source: NJ Spotlight News

[District Court Strikes Down Missouri Anti-ESG Rules, Grants Statewide Injunction](#)

A federal court in Missouri ruled in a favor of the Securities Industry and Financial Markets Association's lawsuit against two regulations enacted by the state that require additional recordkeeping for advisers and brokers recommending or selecting investments with a "nonfinancial objective."

[READ MORE](#)

Source: PlanSponsor

[CalSTRS Votes Against Record Number of Boards in 2024](#)

The California State Teachers' Retirement System announced it voted against a record 2,258 boards of directors among its portfolio companies during the 2024 proxy season, mainly due to insufficient climate risk disclosure. The tally breaks the former high of 2,035 companies, set last year.

[READ MORE](#)

Source: Chief Investment Officer

[Legal Battle Brewing Between New Orleans, Louisiana and State Officials Over Police Pension Funds](#)

The \$38.5 million fine levied against Mayor LaToya Cantrell's administration has the city and the Municipal Police Employees' Retirement System headed to court due to dwindling numbers of the New Orleans Police Department.

[READ MORE](#)

Source: 4WWL



UPCOMING EVENTS

September 2024

Public Pension HR Summit

September 24-26
Denver, CO

October 2024

NCPERS Accredited Fiduciary (NAF) Program

October 26-27
Palm Springs, CA

Program for Advanced Trustee Studies (PATS)

October 26-27
Palm Springs, CA

Public Safety Conference

October 27-30
Palm Springs, CA

January 2025

Pension Communications Summit

January 26-27
Washington, DC

Legislative Conference

January 27-29
Washington, DC

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View all upcoming NCPERS conferences at www.ncpers.org/future-conferences.



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