

AGENDA



Date: May 3, 2019

The first of two annual public meetings of the Dallas Police and Fire Pension System Board of Trustees as required by Section 3.01 (j-9) of Article 6243a-1 of Vernon's Revised Civil Statutes will be held at **8:30 a.m. on Thursday, May 9, 2019, in the Second Floor Board Room at 4100 Harry Hines Boulevard, Dallas, Texas.** Items of the following agenda will be presented to the Board:

1. Report on the health and performance of the Pension System

- a.** Monthly Contribution Report
- b.** Portfolio Update
- c.** Quarterly Financial Reports
- d.** Audit Status

2. Public comment

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.



DISCUSSION SHEET

ITEM #1

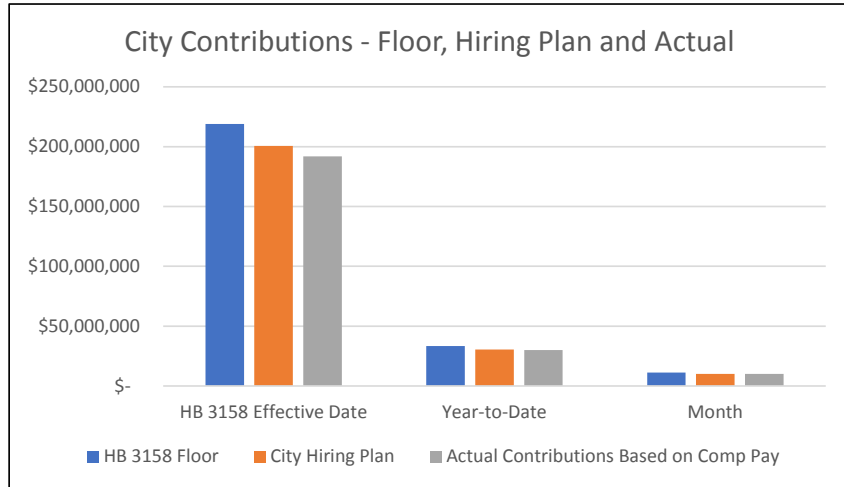
Topic: Report on the health and performance of the Pension System

- a. Monthly Contribution Report
- b. Portfolio Update
- c. Quarterly Financial Reports
- d. Audit Status

- Discussion:**
- a. Staff will review the Monthly Contribution Report.
 - b. Staff will report on recent events and current developments with respect to the investment portfolio.
 - c. The Chief Financial Officer will present the first quarter 2019 financial statements.
 - d. The Chief Financial Officer will provide a status update on the annual financial audit.

*Sec. 3.01 (j-9) of Article 6243a-1 of Vernon's Revised Civil Statutes
Required Public Meeting – Thursday, May 9, 2019*

Contribution Tracking Summary - May 2019 (March 2019 Data)

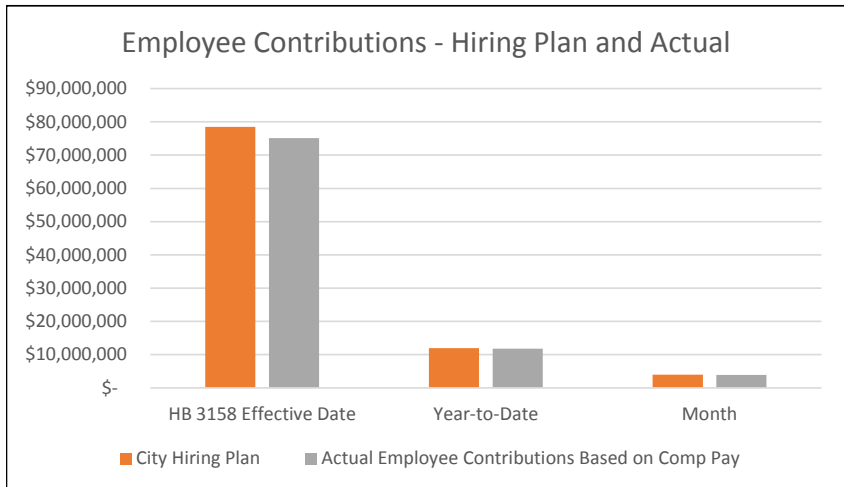


Actual Comp Pay was 96% of the Hiring Plan estimate since the effective date of HB 3158.

In the most recent month Actual Comp Pay was 99% of the Hiring Plan estimate and 90% of the floor amount.

The Hiring Plan Comp Pay estimate increased by 5.22% in 2019.

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



Since the effective date of HB 3158 actual employee contributions have been \$3.3 million less than the Hiring Plan estimate. Potential earnings loss due to the contribution shortfall is \$240k at the Assumed Rate of Return.

There is no Floor on employee contributions.

Contribution Summary Data

City Contributions

Mar-19	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	2	\$ 11,142,000	\$ 10,164,231	\$ 10,036,914	\$ 1,105,086	90%	99%
Year-to-Date		\$ 33,426,000	\$ 30,492,692	\$ 30,099,117	\$ 3,326,883	90%	99%
HB 3158 Effective Date		\$ 218,927,000	\$ 200,498,077	\$ 191,980,330	\$ 26,946,670	88%	96%

*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-19	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	2	\$ 3,977,308	\$ 3,928,696	\$ (48,612)	\$ 3,692,278	99%	106%
Year-to-Date		\$ 11,931,923	\$ 11,767,583	\$ (164,340)	\$ 11,076,834	99%	106%
HB 3158 Effective Date		\$ 78,455,769	\$ 75,121,643	\$ (3,334,126)	\$ 75,175,630	96%	100%

Potential Earnings Loss from the Shortfall based on Assumed Rate of Return \$ (240,499)

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	\$ 1,846,139	93%
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 2019-2024 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 and 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

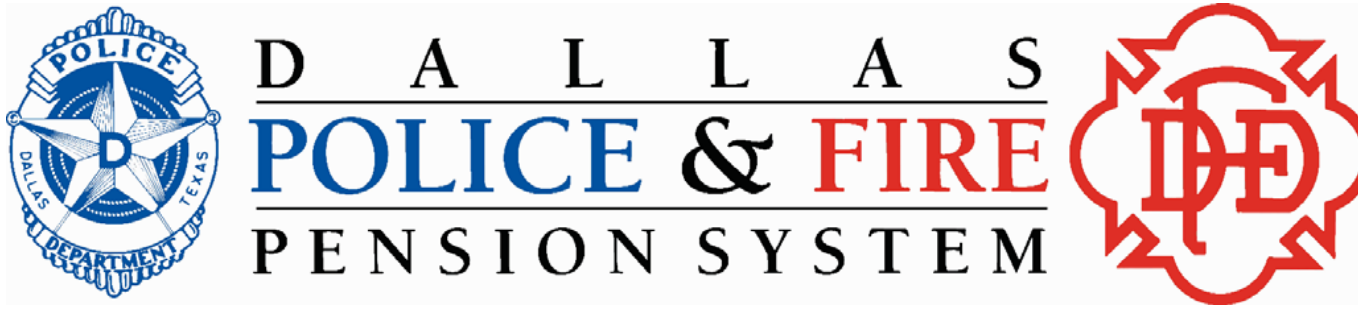
Actuarial/GASB Contribution Assumption Changes Since the Passage of HB 3158

	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)	*
<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 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			5,038		
2020	\$ 396,000,000			5,063		
2021	\$ 408,000,000			5,088		
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 - 2019	Annual Divided by 26 Pay Periods	Actual	Difference	2019 Cumulative Difference	Number of Employees EOM	Difference
January	\$ 29,461,538	\$ 29,084,185	\$ (377,354)	\$ (377,354)	4963	(75)
February	\$ 29,461,538	\$ 29,067,129	\$ (394,410)	\$ (771,763)	4974	(64)
March	\$ 29,461,538	\$ 29,092,504	\$ (369,035)	\$ (1,140,798)	4962	(76)
April	\$ 29,461,538	\$ -		\$ (1,140,798)		
May	\$ 44,192,308	\$ -		\$ (1,140,798)		
June	\$ 29,461,538	\$ -		\$ (1,140,798)		
July	\$ 29,461,538	\$ -		\$ (1,140,798)		
August	\$ 29,461,538	\$ -		\$ (1,140,798)		
September	\$ 29,461,538	\$ -		\$ (1,140,798)		
October	\$ 44,192,308	\$ -		\$ (1,140,798)		
November	\$ 29,461,538	\$ -		\$ (1,140,798)		
December	\$ 29,461,538	\$ -		\$ (1,140,798)		



Portfolio Update

May 9, 2019

Asset Allocation

DPFP Asset Allocation	% weight			\$ millions		
	4/30/19	Target	Variance	4/30/19	Target	Variance
Equity	38.2%	55.0%	-16.8%	771	1,112	-341
Global Equity	23.4%	40.0%	-16.6%	473	808	-336
Emerging Markets	2.4%	10.0%	-7.6%	49	202	-153
Private Equity*	12.3%	5.0%	7.3%	249	101	148
Fixed Income	29.5%	35.0%	-5.5%	597	707	-111
Safety Reserve - Cash	2.2%	3.0%	-0.8%	44	61	-16
Safety Reserve - ST IG Bonds	12.7%	12.0%	0.7%	256	243	14
Investment Grade Bonds	0.0%	4.0%	-4.0%	0	81	-81
Global Bonds	3.2%	4.0%	-0.8%	65	81	-16
High Yield Bonds	4.2%	4.0%	0.2%	84	81	3
Bank Loans	5.7%	4.0%	1.7%	116	81	35
Emerging Mkt Debt	1.0%	4.0%	-3.0%	20	81	-61
Private Debt*	0.5%	0.0%	0.5%	11	0	11
Real Assets*	32.3%	10.0%	22.3%	653	202	451
Real Estate*	21.6%	5.0%	16.6%	436	101	335
Natural Resources*	7.9%	5.0%	2.9%	160	101	59
Infrastructure*	2.9%	0.0%	2.9%	58	0	58
Total	100.0%	100.0%	0.0%	2,021	2,021	0
Safety Reserve	14.9%	15.0%	-0.1%	301	303	-2
*Private Market Assets	45.2%	15.0%	30.2%	913	303	610

Source: JP Morgan Custodial Data, Staff Calculations

Preliminary data as of 5/1/19

1Q19 Public Market Performance Preview

Public Markets Performance Summary	Last Quarter			Trailing Four Quarters		
	Manager	Index	Excess	Manager	Index	Excess
Net of fees						
Global Equity	14.09%	12.29%	1.79%	4.60%	1.89%	2.72%
Boston Partners	9.12%	12.29%	-3.18%	-3.72%	1.89%	-5.61%
Manulife	14.60%	12.29%	2.31%	6.59%	1.89%	4.70%
OFI	16.76%	12.29%	4.46%	1.96%	1.89%	0.08%
Walter Scott	15.62%	12.29%	3.33%	13.33%	1.89%	11.44%
RBC, EM Equity	9.32%	9.68%	-0.36%	-1.02%	-7.97%	6.96%
Fixed Income						
IR+M, short term debt	1.38%	0.99%	0.39%	3.51%	2.73%	0.78%
Brandywine, global bonds	3.05%	2.20%	0.85%	-4.75%	-0.38%	-4.37%
Loomis, High Yield	5.41%	6.33%	-0.92%	1.81%	2.38%	-0.57%
Loomis, Bank Loans	2.84%	4.00%	-1.17%	2.16%	2.99%	-0.83%
Pacific Asset Mgt., Bank Loans	3.81%	3.78%	0.03%	3.15%	3.33%	-0.18%
Ashmore, EMD	5.58%	4.56%	1.02%	-1.55%	-0.94%	-0.61%

Source: JPM Morgan custody data, manager reports, Investment Staff estimates and calculations

1Q19 Public Market Impact Estimate

Public Markets Impact Analysis	Last Quarter			Trailing Four Quarters		
	Manager	Market	Active	Manager	Market	Active
\$ millions						
Public Markets	75.2	67.9	7.3	29.1	16.0	13.1
Public Equity	60.7	53.7	7.0	19.6	4.3	15.3
Global Equity	56.5	49.3	7.2	20.1	8.3	11.9
Boston Partners	8.7	11.7	(3.0)	(4.0)	2.0	(6.0)
Manulife	15.1	12.7	2.4	7.3	2.1	5.2
OFI	15.9	11.7	4.2	2.1	2.0	0.1
Walter Scott	16.9	13.3	3.6	14.7	2.1	12.6
RBC, EM Equity	4.2	4.4	(0.2)	(0.5)	(4.0)	3.5
Fixed Income	14.5	14.2	0.3	9.5	11.7	(2.3)
IR+M, short term debt	3.5	2.5	1.0	8.7	6.7	1.9
Brandywine, global bonds	1.9	1.4	0.5	(3.3)	(0.3)	(3.0)
Loomis, High Yield	4.3	5.0	(0.7)	1.5	2.0	(0.5)
Loomis, Bank Loans	1.7	2.4	(0.7)	1.3	1.8	(0.5)
Pacific Asset Mgt., Bank Loans	2.0	2.0	0.0	1.6	1.7	(0.1)
Ashmore, EMD	1.1	0.9	0.2	(0.3)	(0.2)	(0.1)

Source: JPM Morgan custody data, manager reports, Investment Staff estimates and calculations

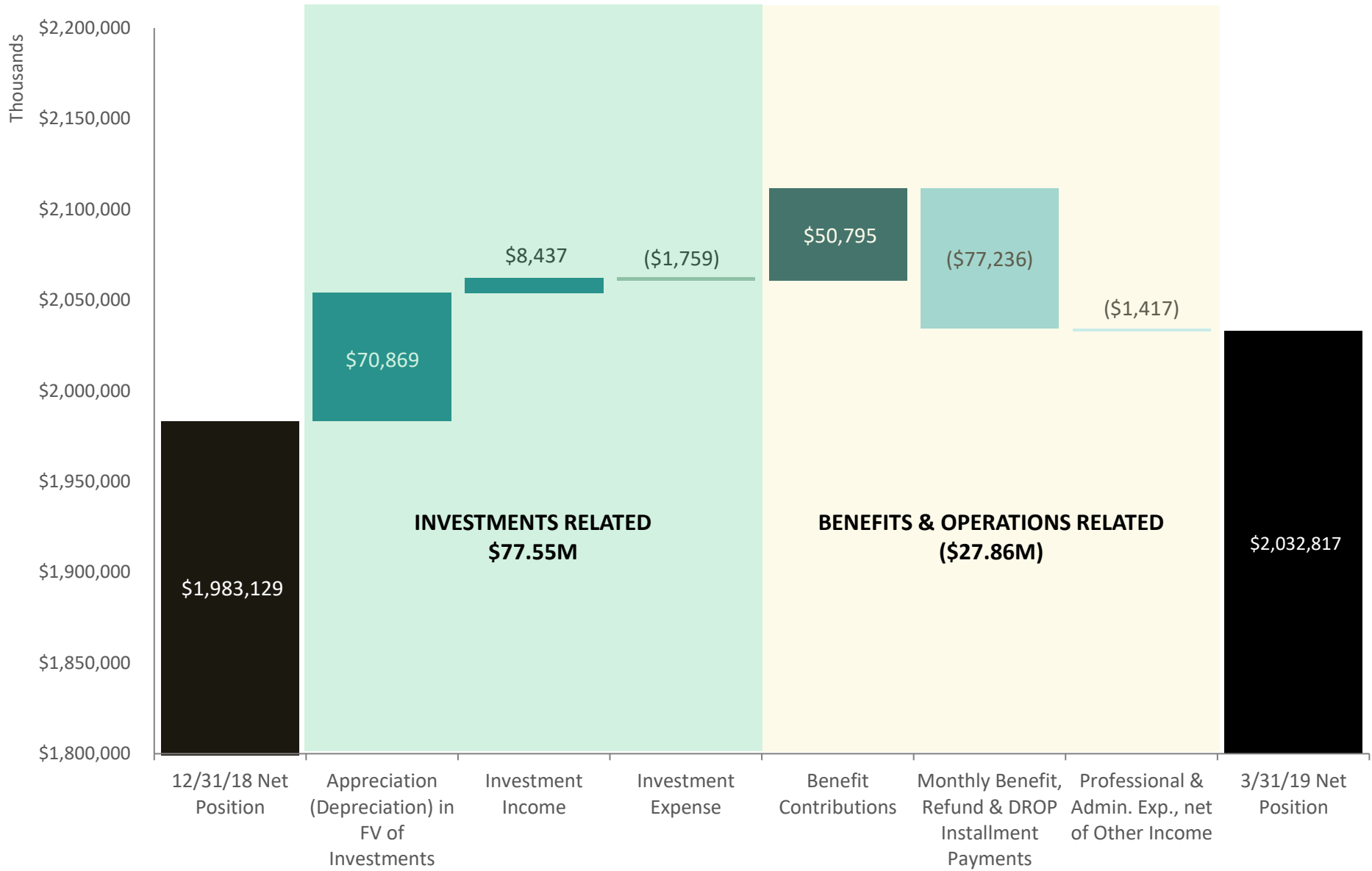
2019 Investment Review Calendar*

January ✓	<ul style="list-style-type: none"> Real Estate: Staff review of Vista 7, King's Harbor, and Museum Tower
February ✓	<ul style="list-style-type: none"> Real Estate: Clarion Presentation Global Equity Structure Review (Staff/Meketa)
March ✓	<ul style="list-style-type: none"> Real Estate: AEW Presentation
April	<ul style="list-style-type: none"> None
May	<ul style="list-style-type: none"> Staff Timber Portfolio Review (FIA & BTG)
June	<ul style="list-style-type: none"> Natural Resources: Hancock Presentation Real Estate: Hearthstone Presentation
2H19	<ul style="list-style-type: none"> Infrastructure: Staff review of AIRRO and JPM Maritime Private Equity: Staff review of Lone Star, Huff, Hudson, and Industry Ventures Global Equity Manager Reviews Fixed Income Manager Reviews

*Future presentation schedule is subject to change.

Change in Net Fiduciary Position

December 31, 2018 – March 31, 2019 - **PRELIMINARY**



Components may not sum exactly due to rounding.

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

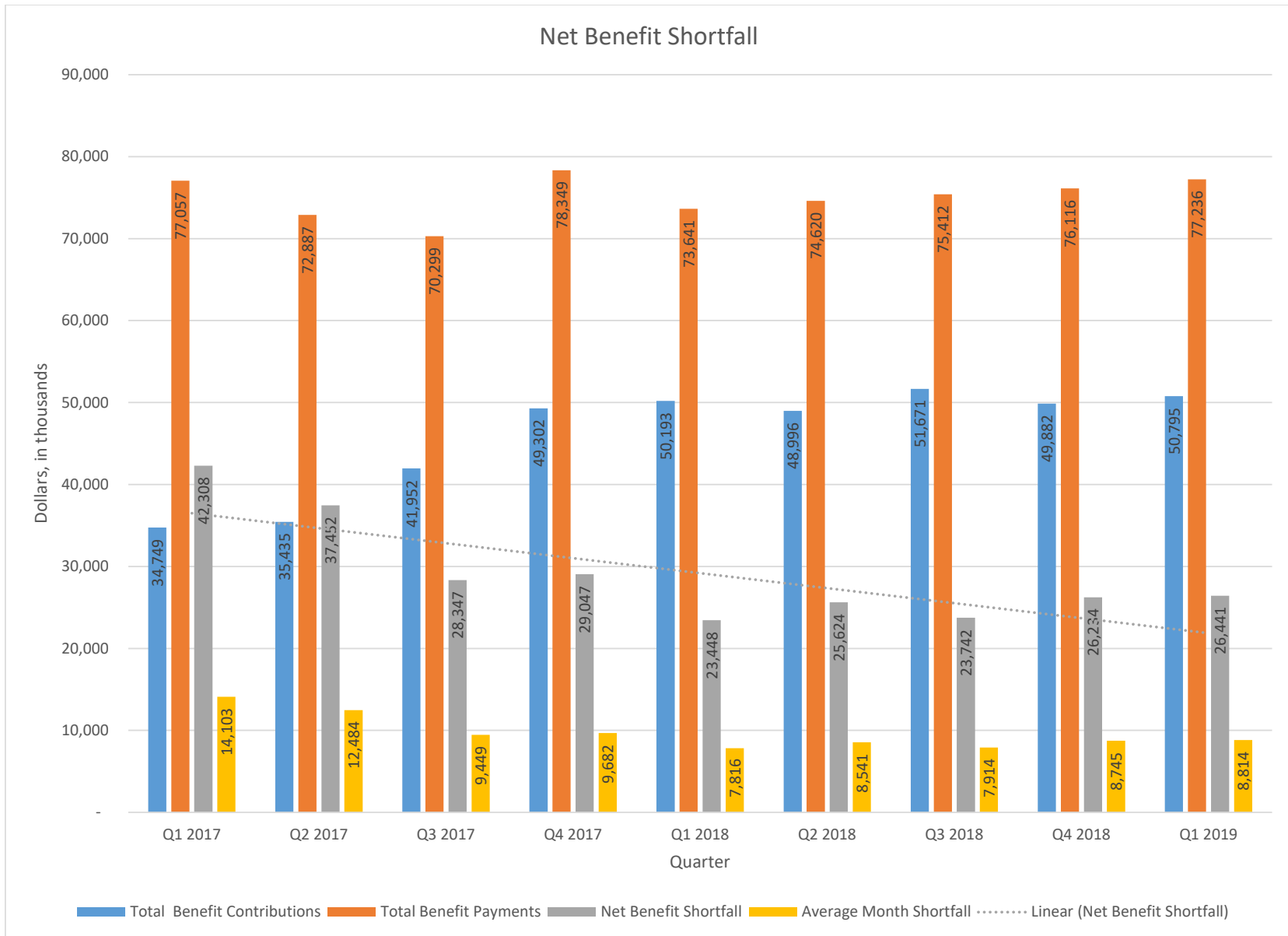
	March 31, 2019 (unaudited)	PRELIMINARY December 31, 2018 (unaudited)
Assets		
Investments, at fair value (NOTE)		
Short-term investments	\$ 49,921,557	\$ 41,316,915
Fixed income securities	523,175,719	516,969,244
Equity securities	493,050,373	435,935,015
Real assets	652,972,919	686,482,380
Private equity	249,290,073	249,550,402
Alternative investments	-	-
Forward currency contracts	(292,871)	(270,709)
Total investments (NOTE)	<u>1,968,117,770</u>	<u>1,929,983,247</u>
Invested securities lending collateral	43,019,763	20,559,432
Receivables		
City	5,203,714	2,504,571
Members	1,687,313	803,244
Interest and dividends	4,911,402	4,802,419
Investment sales proceeds	51,929,135	34,231,149
Other receivables	227,906	241,759
Total receivables	<u>63,959,470</u>	<u>42,583,143</u>
Cash and cash equivalents	56,180,065	50,137,929
Prepaid expenses	832,227	365,515
Capital assets, net	12,432,378	12,488,943
Total assets	<u>\$ 2,144,541,674</u>	<u>\$ 2,056,118,208</u>
Liabilities		
Payables		
Securities purchased	64,904,231	48,598,173
Securities lending obligations	43,019,763	20,559,432
Accounts payable and other accrued liabilities	3,800,574	3,832,048
Total liabilities	<u>111,724,568</u>	<u>72,989,652</u>
Net position		
Net investment in capital assets	12,432,378	12,488,943
Unrestricted	2,020,384,728	1,970,639,612
benefits	<u>\$ 2,032,817,106</u>	<u>\$ 1,983,128,556</u>

(NOTE) Private asset values have not yet been reported for Q4 18. Values will be updated as final reporting is received.

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

	3 Months Ended 3/31/2019 (unaudited)	3 Months Ended 3/31/2018 (unaudited)
Contributions		
City	\$ 38,188,135	\$ 36,724,705
Members	12,606,670	13,468,264
Total Contributions	<u>50,794,805</u>	<u>50,192,969</u>
Investment income		
investments (NOTE)	70,868,565	(5,977,057)
Interest and dividends	8,409,783	12,754,626
Total gross investment income	79,278,348	6,777,569
less: investment expense	<u>(1,758,510)</u>	<u>(1,864,948)</u>
Net investment income	77,519,837	4,912,621
Securities lending income		
Securities lending income	224,427	38,453
Securities lending expense	<u>(197,109)</u>	<u>(22,332)</u>
Net securities lending income	27,317	16,120
Other income	87,947	98,410
Total additions	<u>128,429,907</u>	<u>55,220,120</u>
Deductions		
Benefits paid to members	76,515,530	73,197,591
Refunds to members	720,746	443,165
Interest expense	-	-
Legal expense	48,042	160,050
Legal expense reimbursement	-	-
Legal expense, net of reimbursement	<u>48,042</u>	<u>160,050</u>
Staff Salaries and Benefits	890,068	777,622
Professional and administrative expenses	<u>566,970</u>	<u>617,056</u>
Total deductions	78,741,357	75,195,483
Net increase (decrease) in net position	<u>49,688,550</u>	<u>(19,975,363)</u>
Beginning of period	1,983,128,556	2,121,150,623
End of period	<u>\$ 2,032,817,106</u>	<u>\$ 2,101,175,260</u>

(NOTE) Private asset values have not yet been reported for Q4 18. Values will be updated as final reporting is received.





DISCUSSION SHEET

ITEM #2

Topic: Public comment

Discussion: This is an open forum for the public to provide input regarding DPFP to the Board and staff.

*Sec. 3.01 (j-9) of Article 6243a-1 of Vernon's Revised Civil Statutes
Required Public Meeting – Thursday, May 9, 2019*