

**Dallas Police and Fire Pension System
Investment Advisory Committee
Telephone Conference
Tuesday, March 2, 2021
1:00 p.m.**

Investment Advisory Committee, Gilbert Garcia, Chairman, presiding:

ROLL CALL

Committee Members

Present: Gilbert A. Garcia, Michael Brown, Rakesh Dahiya, Scott Freeman, Kenneth Haben, Robert Jones, William Velasco

Absent: None

Staff Kent Custer, Kelly Gottschalk, Joshua Mond, Brenda Barnes, Ryan Wagner, Gregory Irlbeck, Michael Yan, John Holt, Milissa Romero

Others Leandro Festino, Aaron Lally, Sidney Kawanguzi

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The meeting was called to order at 1:05 p.m. and the meeting was adjourned at 2:43 p.m.

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DISCUSSION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Approval of Minutes

Investment Advisory Committee Meeting of December 17, 2020

After discussion, Mr. Garcia made a motion to approve the minutes of the Investment Advisory Committee (IAC) meeting of December 17, 2020. Mr. Haben seconded the motion, which was unanimously approved by the Committee.

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2. Review of Board Investment Agenda Items

Staff reviewed investment related agenda items discussed at recent Board meetings.

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3. Portfolio Update

Staff reviewed the investment portfolio including asset allocation, performance, recent activity and observations, and current or planned initiatives.

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4. Public Market Manager Benchmark Review

Staff reviewed public market investment manager benchmarks to verify consistency across contracts and reporting platforms. Additionally, staff evaluated public equity managers vs. growth and value index variants.

After discussion, Mr. Freeman made a motion that the Investment Advisory Committee recommend to the Board of Trustees that the benchmark index for the Short-Term Bond asset class and the related investment manager, Income Research and Management, be changed from the Bloomberg Barclays 1-3 year Treasury Index to the Bloomberg Barclays 1-3 year Aggregate Index. Mr. Velasco seconded the motion, which was unanimously approved by the Committee.

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5. Watch List Considerations

Committee members discussed and commented on their perspective of watch lists. The Committee recommended initiating a Watch List and that managers underperforming their benchmark index for 1, 3, and 5-year periods be reviewed with the Committee to evaluate the reasons for underperformance and determine if putting them on the Watch List was warranted. Placement on the Watch List would not lead to automatic termination.

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6. IPS Review

Paragraph 5.A.7 of the Investment Policy Statement (IPS) provides that the Board of Trustees shall review the IPS annually and revise as needed. Staff reviewed the proposed revisions and the Committee provided feedback and perspective.

After discussion, Mr. Dahiya made a motion that the Investment Advisory Committee recommend that the Board of Trustees approve the proposed revisions to the Investment Policy Statement with the modification to include reference to the actuarial return assumption and removing the objective in regards to rank in Section 2.. Mr. Freeman seconded the motion, which was unanimously approved by the Committee.

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7. Asset Allocation

Staff and Meketa reviewed asset allocation considerations and requested advice from the Investment Advisory Committee for the 2021 asset allocation study process. Given the current substantial allocation to risk mitigating bond asset classes, the Committee suggested a bias toward increasing returns vs. increasing defensiveness and consideration of lowering the target weight to bonds.

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8. Small Cap Equity Search Process

Staff reviewed the proposed search process, minimum requirements, and evaluation criteria for small-cap equity managers to fill the 3% allocations each to a US Small Cap Manager and a non-US small cap manager outlined in the Global Equity Structure. Staff solicited advice from the IAC regarding the investment manager search process. The Committee recommended casting a “wide net” and cautioned against overly restrictive criteria to increase the probability of identifying alpha and ensure the proper consideration was given to women and minority firms. The Committee inquired regarding the expected timeline for the search and staff indicated that the search should be completed by the end of 2021. The Committee was supportive of the search process and criteria presented.

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Mr. Custer stated that there was no further business to come before the Board. On a motion by Mr. Haben and a second by Mr. Velasco, the meeting was adjourned at 2:43 p.m.

/s/Gilbert A. Garcia

Gilbert A. Garcia
Chairman

ATTEST:

/s/Kent F. Custer

Kent F. Custer
Chief Investment Officer

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